Financial results

Interim results presentation

For the six months ended 30 June 2010

Contents

Financial performance indicators

for the six months ended 30 June 2010

	30 June 2010	30 June 2009	% change	31 Dec 2009
Liberty Holdings Limited				
Earnings				
Basic earnings per share (cents)	**371,9**	(483,3)	>100	16,4
BEE normalised headline earnings per share (cents)	**351,9**	(421,9)	>100	47,2
Group Embedded Value				
BEE normalised Group Embedded Value per share (R)	**84,62**	79,19	6,9	84,32
BEE normalised return on Group Embedded Value (%)	**7,8**	(25,5)	>100	(6,5)
Distributions per share (cents)	**164**	164		455
Interim capital reduction	**164**	164		164
Final capital reduction	**n/a**	n/a		291
Capital adequacy cover of Liberty Group Limited (times covered)	**2,79**	2,48	12,5	2,81
Long-term insurance operations				
Indexed new business (excluding contractual increases) (Rm)	**2 135**	2 111	1,1	4 412
New business margin (%)	**1,1**	1,0	10,0	1,3
Net customer cash (outflows)/inflows (Rm)	**(265)**	584	(>100)	1 267
Asset management				
Assets under management (Rbn)	**373**	330	13,0	363
Net cash inflows/(outflows) including money market (Rm)	**11 733**	(2 000)	>100	2 755
Health ('000 lives)				
Under administration	**561**	461	21,7	460
Licensed on proprietary information technology platforms	**1 101**	1 192	(7,6)	863
Insured	**26**	4	>100	17

n/a: not applicable.

Definitions

BEE normalised headline earnings per share, Group Embedded Value per share and return on Group Embedded Value

These measures reflect the economic reality of the Black Economic Empowerment (BEE) transaction as opposed to the required technical accounting treatment that reflects the BEE transaction as a share buy-back. Dividends received on the group's BEE preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated.

Capital adequacy requirement (CAR)

Capital adequacy is the minimum amount by which the Financial Services Board requires an insurer's assets to exceed its liabilities. The assets, liabilities and capital adequacy requirement must be calculated using a method which meets the Financial Services Board's requirements. Capital adequacy cover refers to the amount of capital the insurer has as a multiple of the minimum requirement.

Long-term insurance operations – Indexed new business

This is a measure of new business in insurance operations which is calculated as the sum of twelve months of recurring premium policies and one tenth of single premium sales.

Long-term insurance operations – New business margin

This is the embedded value of new business in insurance operations expressed as a percentage of the present value of future expected premiums.

Lives under administration

This reflects the number of natural persons covered for medical risk insurance (either through medical aids or directly), for which Liberty Health provides administration services.

Commentary on results

Overview

Liberty has produced positive 2010 half year earnings against a backdrop of low GDP growth and financial market volatility.

BEE normalised headline earnings were R1 007 million for the six months to 30 June 2010 compared to the R1 207 million loss reported for the same period in 2009, a significant improvement indicating a return to more normal levels of earnings from core insurance operations.

Particularly pleasing has been the progress made by Retail SA in improving policyholder persistency across the risk books. Whilst it is too early to adjust long-term persistency assumptions, operating variances were considerably improved. Management is confident of ongoing progress in this area.

Insurance new business embedded value margins of 1,1% were below expected levels. This will be addressed, over the next 24 months, through planned acquisition cost efficiencies, sales volume increases and lower lapse assumptions.

LibFin's balance sheet management continued as planned during the period – returns on the shareholder investment portfolio were satisfactory given market performance and LibFin Markets continued to manage asset/liability positions within risk limits.

Capital ratios remain strong.

Despite a difficult operating environment, STANLIB and Liberty Africa asset management operations continued to attract net cash inflows, totalling R11,7 billion, with particular strength in the fixed interest franchise. Total assets under management have reached a credible R373 billion, with growth achieved by all asset managers (STANLIB, Liberty Properties and Liberty Africa). The new senior management team at STANLIB has been mandated to strengthen the investment process and ensure an appropriate long-term platform is in place to grow a sustainable third party asset manager.

Expansion into Africa is an investment in Liberty's long-term future and is still in a build phase. Good progress has been made in Namibia and Botswana. The acquisition of the non-banking entities of CfC Stanbic in Kenya (CfC Insurance Holdings) has been delayed to the fourth quarter of 2010 due to the extended process of obtaining regulatory approval.

A capital reduction in lieu of an interim dividend of 164 cents (2009: 164 cents) has been declared.

Contributions to earnings by business unit

	30 June 2010 Rm	30 June 2009 Rm	% change	31 Dec 2009 Rm
South African long-term insurance				
Retail SA	**472**	(222)	>100	(82)
Corporate	**65**	25	>100	(29)
LibFin	**358**	(1 159)	>100	(8)
Asset management				
STANLIB	**164**	158	3,8	360
Liberty Properties	**43**	34	26,5	80
Business development				
Liberty Africa	**2**	14	(85,7)	29
Liberty Health	**(11)**	–	(>100)	(47)
Central overheads and sundry income	**(125)**	(108)	(15,7)	(261)
Headline earnings	**968**	(1 258)	>100	42
BEE preference share adjustment	**39**	51	(23,5)	93
BEE normalised headline earnings	**1 007**	(1 207)	>100	135

BEE normalised headline earnings per ordinary share is 351,9 cents (2009: loss of 421,9 cents).

Commentary on results *(continued)*

South African long-term insurance

Retail

The focus on the retention of existing clients and the quality of new business has been maintained. As a result, headline earnings of R472 million for the period have recovered well compared to the 2009 loss of R222 million.

In addition to the ongoing difficult consumer environment, limited guaranteed capital bond capacity and the decision to close a channel selling unprofitable entry level market (ELM) business has led to indexed new business (excluding contractual increases) decreasing by 1,6% to R1 857 million (2009: R1 888 million). However, good growth was recorded in retirement savings products. The new business embedded value profit margin of 1,3% (31 December 2009: 1,5%) has decreased slightly, mainly due to proportionately higher sales of lower margin investment products.

Net cash flows were positive at R418 million for the period (2009: R1 713 million), lower than 2009 as a result of higher per policy claim values following the recovery of the investment markets in the second half of 2009. Premium income inflows of R10,7 billion were 1,7% lower than 2009, mainly due to the reduction in sales of guaranteed capital bonds.

Persistency of flagship risk products has improved ahead of expectations, leading to positive operating variances. Experience on investment products is broadly in line with that in the second half of 2009. To cover negative ELM variances, R50 million was released from the short-term persistency provision of R407 million held at the beginning of the period.

Costs are within acceptable levels and continue to be a key focus for management with the objective of managing increases within actuarial inflation assumptions.

Experience investigations performed on major product lines for the 30 June 2010 policyholder liability valuations indicated that no changes to long-term persistency or mortality assumptions were required.

Corporate

Corporate had a good first half, with improved risk claim ratios and lower costs resulting in headline earnings improving to R65 million (2009: R25 million). A 20% increase in indexed new business was achieved but at a lower embedded value profit margin.

Although consumer confidence increased in the first half of the year, consumer job losses continued, impacting withdrawal levels on corporate funds. This resulted in net cash outflows for the period of R742 million (2009: outflow of R1 162 million).

LibFin

LibFin is delivering on its stated objectives and is progressing well. Over the six month period, a shareholder investment portfolio of approximately R16 billion was held. The balanced portfolio, designed in the second half of 2009, has now been implemented and contributed R322 million before tax to headline earnings. This represents a return of 2,0% for the period; performance was slightly lower than the weighted benchmark due mainly to the timing of the transition to the new portfolio construct.

Asset class	Benchmark index	Benchmark return for six months ended 30 June 2010
Local assets:		
Equity	SWIX TR	(2,2%)
Bonds	ALBI TR	5,6%
Cash	STEFI	3,5%
Preference shares	J251T	7,7%
Property	J253T	7,6%
Foreign assets:		
Equity, bonds, cash	MSCI All countries, BCGAI and SDR	(3,6%)

Commentary on results *(continued)*

LibFin Markets continued to manage market risk exposures within the risk framework implemented over the last 18 months. The capabilities of LibFin are particularly welcome in difficult market conditions. Work proceeds on improving the management of equity and interest rate volatilities and interest rate basis risk.

Earnings of R203 million flowed from positive credit margins and good fixed income performance on assets backing the guaranteed capital bond and annuity portfolios.

Asset management (STANLIB and Liberty Properties)

STANLIB's headline earnings totalling R164 million (2009: R158 million) were satisfactory, given the impact of lower performance fees.

STANLIB net cash inflows for the period were R6,5 billion (2009: R4,7 billion outflow), net of the withdrawal of R6,5 billion of PIC funds. Money market attracted strong net inflows of R11,3 billion (2009: R8,7 billion) resulting in total assets under management (including inter-company life funds) increasing to R321 billion at 30 June 2010 compared to the R318 billion reported at 31 December 2009.

Liberty Properties' earnings after taxation increased by 26,5% to R43 million, driven mostly by increased property development fees. Liberty Properties is currently managing extensions to the Eastgate and Sandton City complexes, as well as the development of a third party owned shopping complex in Lusaka, Zambia.

Business Development initiatives

Liberty Health

Lives serviced by Liberty Health increased significantly over the six months. Sales of health risk products in the rest of Africa continue to grow. Strong revenue growth was offset by the cost of capacity build and initial negative claims experience. Liberty's share of the Health operation's loss for the period was R11 million.

As part of the diversification strategy to invest in Liberty's long-term future, Liberty Health has made significant progress in a short period of time. Positive earnings are expected to flow from revenue growth, lower costs and better claims experience.

Liberty Africa

Liberty Africa's asset management operations enjoyed positive net cash inflows of R5,2 billion for the period (2009: R2,7 billion) bringing assets under management to R29 billion. However, attributable headline earnings of R2 million were down on 2009 (R7 million normalised) as a result of lower earnings from insurance operations.

Progress on establishing Liberty's footprint outside of South Africa was satisfactory and appropriate returns on investment are expected in the medium term. This will be driven by the combined effects of integration of these businesses with Liberty's management processes and the resumption of GDP growth in Africa.

Group Embedded Value

BEE normalised Group Embedded Value per share at 30 June 2010 is R84,62, compared to R84,32 at 31 December 2009. Positive earnings were offset by the impacts of lower than expected financial market performance and the capital reduction of R832 million paid in lieu of the 2009 final dividend.

Capital adequacy cover

The capital adequacy cover of Liberty Group Limited is 2,79 times the statutory requirement (31 December 2009: 2,81). The CAR cover of the subsidiary life licences has increased, resulting in all licences being well capitalised.

Capital reduction out of share premium in lieu of an interim dividend

In terms of the general authority granted to the directors at the 2010 annual general meeting, the directors have approved a capital reduction out of share premium of 164 cents per ordinary share in lieu of an interim dividend.

Commentary on results *(continued)*

The impact of the capital reduction on the Company as at 30 June 2010 is a reduction of equity attributable to ordinary shareholders and cash and cash equivalents of R469 million. The following table illustrates the effect of the capital reduction on Liberty's reported results. These financial effects are prepared for illustrative purposes only. Due to their nature, the financial effects may not give a true reflection of the Company's financial position.

The financial effects are as follows:

Cents per ordinary share	As reported at 30 June 2010	Expected impact of capital reduction	% change
Net asset value	4 143	3 979	(4,0)
Tangible net asset value	3 660	3 496	(4,5)
Headline earnings per share	371,9	367,4	(1,2)
Earnings per share	371,9	367,4	(1,2)

The important dates pertaining to the capital reduction of 164 cents per ordinary share are as follows:

Last date to trade cum capital distribution on the JSE	Friday, 27 August 2010
First trading day ex capital distribution on the JSE	Monday, 30 August 2010
Record date	Friday, 3 September 2010
Payment date	Monday, 6 September 2010

Share certificates may not be de-materialised or re-materialised between Monday, 30 August 2010 and Friday, 3 September 2010, both days inclusive. Where applicable, in terms of instructions received by the Company from certificated shareholders, the payment of the capital reduction will be made electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have de-materialised their shares will have their accounts with their CSDP or broker credited on Monday, 6 September 2010.

Prospects

The improvement in the half year result should be seen in the context of some improvement in trading conditions, although the strength and sustainability of the economic recovery remains uncertain. In the second half, our focus will remain on strengthening the insurance business, stabilising STANLIB, effective balance sheet management and growing returns from developing businesses.

Bruce Hemphill
Chief Executive

Saki Macozoma
Chairman

5 August 2010

Liberty Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 1968/002095/06)
JSE code: LBH
ISIN code: ZAE0000127148

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Sponsor

Merrill Lynch
A subsidiary of Bank of America Corporation

These results are available at www.liberty.co.za

Accounting policies

The interim results have been prepared in accordance with International Financial Reporting Standards (IFRS) including full compliance with IAS 34 *Interim Financial Reporting* as well as the AC 500 standards as issued by the Accounting Practices Board or its successor. They are also in compliance with the Listings Requirements of the JSE Limited and the Companies Act of South Africa.

Liberty's principal accounting policies have been prepared in terms of IFRS and have been applied consistently over the current and prior financial years.

Several amendments to IFRS standards or interpretations were made by the International Accounting Standards Board which are effective for the period under review, but these are either not applicable or significant to Liberty's operations or Liberty has already complied with the changes.

These interim results have not been reviewed by the Company's auditors, PricewaterhouseCoopers Inc.

Statement of financial position

as at 30 June 2010

	Unaudited 30 June 2010 Rm	Unaudited 30 June 2009 Rm	Audited 31 Dec 2009 Rm
Assets			
Equipment and owner-occupied properties under development	**913**	866	1 176
Owner-occupied properties	**1 712**	1 303	1 345
Investment properties	**19 520**	17 695	19 058
Intangible assets	**1 255**	1 333	1 210
Defined benefit pension fund employer surplus	**162**	139	170
Deferred acquisition costs	**355**	345	337
Interests in joint ventures	**597**	550	575
Reinsurance assets	**856**	792	788
Operating leases – accrued income	**1 143**	973	1 156
Pledged assets	**1 572**	1 510	1 559
Interests in associates – mutual funds	**4 849**	4 365	4 979
Financial instruments	**174 235**	159 800	173 603
Deferred taxation	**193**	121	152
Prepayments, insurance and other receivables	**4 775**	5 480	2 655
Cash and cash equivalents	**8 316**	6 784	10 637
Total assets	**220 453**	202 056	219 400
Liabilities			
Policyholder liabilities	**181 593**	168 733	183 544
Insurance contracts	**127 720**	119 256	129 254
Investment contracts with discretionary participation features	**2 431**	2 519	2 692
Financial liabilities under investment contracts	**51 442**	46 958	51 598
Financial liabilities at amortised cost	**2 139**	2 278	2 211
Third party financial liabilities arising on consolidation of mutual funds	**10 281**	8 143	10 557
Employee benefits	**552**	548	660
Deferred revenue	**128**	117	126
Deferred taxation	**2 806**	2 314	2 755
Provisions	**206**	50	204
Operating leases – accrued expense	**166**	201	185
Derivative financial liabilities	**533**	707	58
Insurance and other payables	**8 399**	6 475	5 604
Current taxation	**368**	574	561
Total liabilities	**207 171**	190 140	206 465
Equity			
Ordinary shareholders' interest	**10 780**	9 660	10 515
Share capital	**26**	26	26
Share premium	**7 127**	8 442	7 965
Retained surplus	**4 353**	1 996	3 304
Other reserves	**(726)**	(804)	(780)
Minority interests	**2 502**	2 256	2 420
Total equity	**13 282**	11 916	12 935
Total equity and liabilities	**220 453**	202 056	219 400

Statement of comprehensive income

for the six months ended 30 June 2010

	Unaudited 30 June 2010 Rm	Unaudited 30 June 2009 Rm	Audited 31 Dec 2009 Rm
Revenue			
Insurance premium revenue	**10 991**	11 226	22 630
Reinsurance premiums	**(334)**	(302)	(632)
Net insurance premiums	**10 657**	10 924	21 998
Service fee income from investment contracts	**388**	307	823
Investment income	**5 401**	6 424	12 255
Hotel operations sales	**286**	329	620
Investment (losses)/gains	**(2 122)**	(9 052)	7 125
Fee revenue	**727**	676	1 404
Defined benefit pension fund employer surplus			13
Total revenue	**15 337**	9 608	44 238
Claims and policyholders' benefits under insurance contracts	**(10 879)**	(9 824)	(20 488)
Insurance claims recovered from reinsurers	**278**	269	603
Change in policyholder liabilities under insurance contracts	**1 863**	2 929	(7 246)
Insurance contracts	**1 534**	2 835	(7 163)
Investment contracts with discretionary participation features	**261**	129	(44)
Applicable to reinsurers	**68**	(35)	(39)
Fair value adjustment to policyholder liabilities under investment contracts	**(555)**	(724)	(5 949)
Fair value adjustment on third party mutual fund interests	**(96)**	716	(835)
Acquisition costs associated with insurance and investment contracts	**(1 374)**	(1 409)	(3 114)
General marketing and administration expenses	**(2 689)**	(2 492)	(5 434)
Finance costs	**(128)**	(176)	(343)
Preference dividend in subsidiary	**(216)**	(173)	(366)
Equity accounted earnings from joint ventures	**14**	19	47
Profit before taxation	**1 555**	(1 257)	1 113
Taxation	**(478)**	73	(877)
Total earnings	**1 077**	(1 184)	236
Other comprehensive income	**10**	3	(11)
Owner-occupied properties – fair value adjustment	**20**	20	25
Foreign currency translation	**(8)**	(15)	(27)
Income tax relating to components of other comprehensive income	**(2)**	(2)	(9)
Total comprehensive income	**1 087**	(1 181)	225
Total earnings attributable to:			
Equity holders	**969**	(1 257)	44
Minority interest	**108**	73	192
	1 077	(1 184)	236
Total comprehensive income attributable to:			
Equity holders	**981**	(1 251)	37
Minority interest	**106**	70	188
	1 087	(1 181)	225
	Cents	Cents	Cents
Earnings per share			
Basic	**371,9**	(483,3)	16,4
Fully diluted	**358,2**	(472,2)	15,9
Distributions paid per share	**291,0**	291,0	455,0

Headline earnings and earnings per share

for the six months ended 30 June 2010

	Unaudited 30 June 2010 Rm	Unaudited 30 June 2009 Rm	Audited 31 Dec 2009 Rm
Reconciliation of total earnings to headline earnings attributable to equity holders			
Total earnings/(loss) attributable to equity holders	**969**	(1 257)	44
Adjustments			
Preference share dividend	**(1)**	(1)	(2)
Headline earnings/(loss) attributable to ordinary equity holders	**968**	(1 258)	42
Net income earned on BEE preference shares	**39**	51	93
BEE normalised headline earnings/(loss) attributable to ordinary equity holders	**1 007**	(1 207)	135
Weighted average number of shares in issue ('000)	**260 216**	260 223	260 222
BEE normalised weighted average number of shares in issue ('000)	**286 012**	286 019	286 018
Fully diluted weighted average number of shares in issue ('000)	**270 165**	266 327	267 378
	Cents	Cents	Cents
Earnings/(loss) per share attributable to ordinary equity holders			
Basic	**371,9**	(483,3)	16,4
Headline	**371,9**	(483,3)	16,4
BEE normalised headline	**351,9**	(421,9)	47,2
Fully diluted earnings/(loss) per share attributable to ordinary equity holders			
Basic	**358,2**	(472,2)	15,9
Headline	**358,2**	(472,2)	15,9

Condensed statement of changes in shareholders' funds for the six months ended 30 June 2010

	Unaudited 30 June 2010 Rm	Unaudited 30 June 2009 Rm	Audited 31 Dec 2009 Rm
Ordinary shareholders' funds at 1 January	**10 515**	11 633	11 633
Increase in ownership of Liberty Health Holdings			(9)
Total comprehensive income	**981**	(1 251)	37
Preference dividend	**(1)**	(1)	(2)
Capital reduction	**(832)**	(832)	(1 301)
Acquisition of additional interest in subsidiary	**(3)**		
Profit on partial disposal of subsidiary	**18**		
Share buy-back	**(19)**	(10)	(34)
Black Economic Empowerment transaction	**80**	76	101
Subscription for shares	**11**	6	23
Section 311 Liberty transaction costs		2	1
Share based payments	**31**	37	68
Payment on settlement of share options	**(1)**		(2)
Ordinary shareholders' funds	**10 780**	9 660	10 515
Minority interests at 1 January	**2 420**	2 193	2 193
Increase in ownership of Liberty Health Holdings			(1)
Issue of shares in subsidiary	**40**		
Acquisition of additional interest in subsidiary	**(14)**		
Profit on partial disposal of subsidiary	**(18)**		
Total comprehensive income	**106**	70	188
Unincorporated property partnerships	**(31)**	(7)	42
Minority share of subsidiary dividend	**(1)**		(2)
Minority interests	**2 502**	2 256	2 420
Total shareholders' funds	**13 282**	11 916	12 935

Condensed statement of cash flows

for the six months ended 30 June 2010

	Unaudited 30 June 2010 Rm	Unaudited 30 June 2009 Rm	Audited 31 Dec 2009 Rm
Operating activities	**1 041**	1 933	5 006
Investing activities	**(3 333)**	686	562
Financing activities	**(31)**	(947)	(43)
Net (decrease)/increase in cash and cash equivalents	**(2 323)**	1 672	5 525
Cash and cash equivalents acquired through business acquisition	**2**		
Cash and cash equivalents at the beginning of the period	**10 637**	5 112	5 112
Cash and cash equivalents at the end of the period	**8 316**	6 784	10 637

Condensed segment information

The unaudited segment results for the six months ended 30 June 2010 are as follows:

Rm	Long-term insurance Individual	Corporate	Asset manage-ment	Health services	Other	Total	Reporting adjust-ments[1]	IFRS reported
Total revenue	13 892	3 547	862	152	465	18 918	(3 581)	15 337
Profit/(loss) before taxation	902	114	300	(33)	165	1 448	107	1 555
Taxation	(354)	(32)	(82)	2	(12)	(478)		(478)
Total earnings	548	82	218	(31)	153	970	107	1 077
Other comprehensive income/(loss)	14	2	(2)		(4)	10		10
Total comprehensive income/(loss)	562	84	216	(31)	149	980	107	1 087
Attributable to:								
Minorities			(7)	8		1	(107)	(106)
Equity holders	562	84	209	(23)	149	981	–	981
Reconciliation of total earnings to headline earnings/(loss) attributable to equity holders								
Total earnings/(loss)	548	82	218	(31)	153	970	107	1 077
Attributable (to)/from minorities	(1)		(8)	8		(1)	(107)	(108)
Preference dividend					(1)	(1)		(1)
Headline earnings/(loss)	547	82	210	(23)	152	968	–	968
Net income earned on BEE preference shares					39	39		39
BEE normalised headline earnings/(loss)	547	82	210	(23)	191	1 007		1 007

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, providing additional deferred taxation on investment property revaluations, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, and the elimination of inter-group transactions. The effect of the classification of long-term investment products as IFRS defined 'investment' contracts in the reporting adjustments column is to recognise premiums on investment contracts as revenue in the long-term insurance segment.*

Condensed segment information *(continued)*

Unaudited for the six months ended 30 June 2009

Rm	Long-term insurance Individual	Long-term insurance Corporate	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	9 857	3 738	804	177	(889)	13 687	(4 079)	9 608
(Loss)/profit before taxation	(625)	(59)	276	(30)	(894)	(1 332)	75	(1 257)
Taxation	50	16	(82)	12	77	73		73
Total earnings	(575)	(43)	194	(18)	(817)	(1 259)	75	(1 184)
Other comprehensive income/(loss)	16	3			(16)	3		3
Total comprehensive (loss)/profit	(559)	(40)	194	(18)	(833)	(1 256)	75	(1 181)
Attributable to:								
Minorities	(2)		(5)	9	3	5	(75)	(70)
Equity holders	(561)	(40)	189	(9)	(830)	(1 251)	–	(1 251)
Reconciliation of total earnings to headline (loss)/earnings attributable to equity holders								
Total (loss)/profit	(575)	(43)	194	(18)	(817)	(1 259)	75	(1 184)
Attributable (to)/from minorities	(2)		(5)	9		2	(75)	(73)
Preference dividend					(1)	(1)		(1)
Headline (loss)/earnings	(577)	(43)	189	(9)	(818)	(1 258)	–	(1 258)
Net income earned on BEE preference shares					51	51		51
BEE normalised headline (loss)/earnings	(577)	(43)	189	(9)	(767)	(1 207)		(1 207)

Condensed segment information *(continued)*

Audited for the year ended 31 December 2009

Rm	Long-term insurance Individual	Long-term insurance Corporate	Asset manage-ment	Health services	Other	Total	Reporting adjust-ments[1]	IFRS reported
Total revenue	36 443	11 243	1 663	332	819	50 500	(6 262)	44 238
Profit/(loss) before taxation	186	(35)	636	(161)	243	869	244	1 113
Taxation	(594)	2	(185)	51	(131)	(857)	(20)	(877)
Total earnings	(408)	(33)	451	(110)	112	12	224	236
Other comprehensive (loss)/income	11	2	(6)	(2)	(16)	(11)		(11)
Total comprehensive (loss)/income	(397)	(31)	445	(112)	96	1	224	225
Attributable to:								
Minorities	(3)		(7)	46		36	(224)	(188)
Equity holders	(400)	(31)	438	(66)	96	37	–	37
Reconciliation of total earnings to headline (loss)/ earnings attributable to equity holders								
Total (loss)/earnings	(408)	(33)	451	(110)	112	12	224	236
Attributable (to)/from minorities	(4)		(10)	46		32	(224)	(192)
Preference dividend					(2)	(2)		(2)
Headline (loss)/earnings	(412)	(33)	441	(64)	110	42	–	42
Net income earned on BEE preference shares					93	93		93
BEE normalised headline (loss)/earnings	(412)	(33)	441	(64)	203	135		135

Group Embedded Value report

1. Introduction

Following regulatory approval, phase two of Liberty Holdings' legal entity reorganisation was implemented effective 1 January 2010. This entailed the transfer of non long-term insurance legal entities from Liberty Group Limited to Liberty Holdings Limited. In addition, as part of the strategy to expand the geographical footprint in chosen African countries, a sub group of both insurance and asset management entities has been established in Namibia controlled by Liberty Holdings Namibia (Pty) Limited, in which Liberty Holdings Limited owns 75%.

Liberty will now present a "Group Embedded Value" report to reflect the combined value of the various components of Liberty's businesses. Group Embedded Value as described below has been calculated on a basis consistent with that used in past reporting periods.

This Group Embedded Value report at 30 June 2010 has not been audited.

2. Component parts of the Group Embedded Value and valuation techniques used

Group Embedded Value has been calculated as the sum of three component parts:

Liberty Group Limited

After the reorganisation, Liberty Group Limited (LGL) comprises the cluster of South African long-term insurance entities and related asset holding entities. The embedded value methodology applied historically in terms of Professional Guidance Note 107 issued by the Actuarial Society of South Africa will continue to be used to derive the value of this business cluster. The embedded value report of the covered business of LGL has been reviewed by the company's statutory actuary (refer 3 below).

Liberty Africa

Liberty Africa is an emerging cluster of wealth businesses located outside of South Africa. A combination of valuation techniques including embedded value and discounted cash flow have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of Group Embedded Value and therefore it is not considered necessary to present a detailed analysis of this valuation.

Balance of Liberty Holdings

This comprises the following:

STANLIB: Valued on a 10 times multiple of estimated sustainable earnings.

Liberty Properties: Valued on a 10 times multiple of estimated sustainable earnings.

Liberty Health: Liberty Health is in a growth phase and has yet to establish a history to support a sustainable earnings calculation. The valuation has therefore been based on the discounted cash flow forecasts utilised for Liberty's acquisition in late 2009 of 24,8% of the equity of Liberty Health, to bring its ownership to 74,9%.

Liberty Holdings' net asset value: The net market value of assets and liabilities held by Liberty Holdings Limited company excluding investments in subsidiaries valued separately.

Other adjustments: This comprises the present value of future secondary tax on companies at 10% on future anticipated dividends, the fair value of share options/rights allocated to staff not employed by LGL and allowance for certain shareholder recurring costs capitalised by a multiple of 6 times.

3. Description of embedded value of covered business of Liberty Group Limited

The current version of Professional Guidance Note PGN107 came into force for all financial years ending on or after 31 December 2008. PGN107 governs the way in which embedded values of life assurance companies are reported.

The embedded value consists of:

- The net worth; plus
- The value of in-force covered business; less
- The cost of required capital.

The net worth represents the excess of assets over liabilities on the statutory valuation method, adjusted for the elimination of the carrying value of covered business acquired and for the fair value of share options/rights granted to Liberty Group Limited employees.

Group Embedded Value report *(continued)*

The value of in-force covered business is the discounted value of the projected stream of after tax shareholder profits arising from existing in-force covered business. These shareholder profits arise from the release of margins under the statutory basis of valuing liabilities, which differs from the release of profits on the published accounting basis. This value is reduced by the present value of after tax future shareholder recurring and non-recurring expenses. Covered business is defined as business regulated by the FSB as long-term insurance business written in Liberty Group Limited or its subsidiary life companies.

For reversionary and smoothed bonus business, the value of in-force covered business has been calculated assuming that bonuses are changed over time so that the full amount of the bonus stabilisation reserves are distributed to policyholders over the lifetime of the in-force policies.

The required capital is defined as the level of capital that is restricted for distribution to shareholders. This comprises the statutory CAR calculated in accordance with PGN104 plus any additional capital considered by the Board appropriate given the risks in the business. For Liberty Group Limited, required capital has been calculated at 1,7 x CAR. For subsidiary life companies a multiple of 1,5 x CAR has been used. The cost of required capital is the present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

The value of new business written is the present value at the point of sale of the projected stream of after tax profits from that business, reduced by the cost of required capital. New business is defined as covered business arising from the sale of new policies and once off premium increases in respect of in-force covered business during the reporting period. Risk policies with an inception date prior to the reporting date where no premium has been received are included in the embedded value and value of new business. The contractual terms of these policies state that Liberty Group Limited is on risk from the inception date, even though a premium may not have been received. This definition is consistent with that used in the financial statements.

The value of new business has been calculated on the closing assumptions. Investment yields at the point of sale have been used for new fixed annuities and Guaranteed Capital Bonds; for all other business the investment yields at the date of reporting have been used.

No adjustment has been made for the discounting of tax provisions in the embedded value.

4. Group Embedded Value

	30 June 2010				2009	
	Liberty Group Limited Rm	**Liberty Africa Rm**	**Balance of Liberty Holdings Rm**	**Total Rm**	Total 31 Dec Rm	Total 30 June Rm
4.1 Group Embedded Value						
Group Embedded Value	**19 005**	**110**	**3 960**	**23 075**	22 959	21 491
Adjustment for BEE preference shares	**1 124**			**1 124**	1 159	1 159
BEE normalised Group Embedded Value	**20 129**	**110**	**3 960**	**24 199**	24 118	22 650
Number of applicable shares ('000)				**260 196**	260 226	260 220
Adjustment for BEE ordinary shares				**25 796**	25 796	25 796
BEE normalised number of applicable shares ('000)				**285 992**	286 022	286 016
Group Embedded Value per share (R)				**88,68**	88,23	82,59
BEE normalised Group Embedded Value per share (R)				**84,62**	84,32	79,19

Group Embedded Value report *(continued)*

	30 June 2010				2009	
	Liberty Group Limited Rm	Liberty Africa Rm	Balance of Liberty Holdings Rm	Total Rm	Total 31 Dec Rm	30 June Rm
4.2 BEE normalised Group Embedded Value profits						
Group Embedded Value at the end of the period	20 129	110	3 960	24 199	24 118	22 650
Adjustments arising from group restructure	3 979	(108)	(3 871)	–		
Intergroup dividends	641		(641)	–		
Less capital raised			(11)	(11)	(23)	(6)
Plus impact of share buy backs			19	19	34	10
Plus net capital reduction paid			832	832	1 301	832
Less Group Embedded Value at the beginning of the period	(24 051)		(67)	(24 118)	(27 207)	(27 207)
Group Embedded Value profit/(losses)	698	2	221	921	(1 777)	(3 721)
Return on Group Embedded Value	7,1%			7,8%	(6,5%)	(25,5%)
4.3 Group Embedded Value of new business and new business margins						
Gross value of new business	118	3		121	323	151
Cost of required capital	(6)	–		(6)	(22)	(29)
Net value of new business written in the period	112	3		115	301	122
Individual	111	3		114	288	116
Corporate	1			1	13	6
Present value of future expected premiums	10 356	60		10 416	23 082	12 075
Margin	1,1%	5,6%		1,1%	1,3%	1,0%

	30 June 2010 Rm	31 Dec 2009 Rm	30 June 2009 Rm
4.4 Balance of Liberty Holdings			
STANLIB	3 600		
Liberty Properties	700		
Liberty Health	30		
Liberty Holdings' net asset value	86	67	43
Other adjustments	(456)		
	3 960	67	43
4.5 Analysis of balance of Liberty Holdings Group Embedded Value profits			
Change in STC allowance	(72)		
Change in capitalised value of non-financial service subsidiaries	50		
Change in allowance for fair value of employee share option/rights	(16)		
Change in shareholder expense allowance	(70)		
Investment return including earnings of non long-term insurance subsidiaries	329		
	221		

Group Embedded Value report *(continued)*

	30 June 2010		31 December 2009		30 June 2009	
	Embedded value Rm	BEE normalised embedded value Rm	Embedded value Rm	BEE normalised embedded value Rm	Embedded value Rm	BEE normalised embedded value Rm
4.6 Liberty Group Limited embedded value						
Risk discount rate[a]	**11,83%**	**11,83%**	12,10%	12,10%	12,00%	12,00%
Net worth	**6 363**	**7 487**	10 345	11 504	9 476	10 635
Ordinary shareholders' funds on published basis	**10 246**	**11 370**	10 446	11 605	9 617	10 776
Adjustment of ordinary shareholders' funds from published basis[b]	**(3 173)**	**(3 173)**	(3 021)	(3 021)	(2 759)	(2 759)
Financial services subsidiaries fair value adjustment[c]	**–**	**–**	3 703	3 703	3 433	3 433
Adjustment for carrying value of in-force business acquired[d]	**(497)**	**(497)**	(555)	(555)	(612)	(612)
Allowance for fair value of share options	**(213)**	**(213)**	(228)	(228)	(203)	(203)
Net value of life business in-force	**12 642**	**12 642**	12 547	12 547	11 972	11 972
Value of life business in-force	**14 076**	**14 076**	13 957	13 957	12 698	12 698
Cost of required capital	**(1 434)**	**(1 434)**	(1 410)	(1 410)	(726)	(726)
Embedded value	**19 005**	**20 129**	22 892	24 051	21 448	22 607

	Net worth Rm	Value of in-force covered business Rm	Cost of required capital[l] Rm	Embedded value Rm
4.7 Analysis of Liberty Group Limited embedded value profits for the period ended 30 June 2010				
Embedded value profits for the period				
Embedded value at the end of the period	6 363	14 076	(1 434)	19 005
Plus dividends paid	561			561
Adjustments arising from group restructure	4 074	(93)	(2)	3 979
Embedded value at the beginning of the period	(10 345)	(13 957)	1 410	(22 892)
Embedded value profits	653	26	(26)	653
Components of embedded value profits				
Value of new business written in the period	(453)	571	(6)	112
Expected return on value of life business[e]		832	(83)	749
Expected net of tax profit transfer to net worth	1 116	(1 199)	83	–
Operating experience variances[h]	47	141	(42)	146
Operating assumption changes[i]	(129)	7	18	(104)
Embedded value profits from operations	581	352	(30)	903
Investment return on net worth	224			224
Investment variances	(106)	(482)	11	(577)
Changes in economic assumptions[j]	31	14	(7)	38
Changes in modelling methodology	(19)	142	–	123
Change in allowance for fair value of share options/rights[k]	(58)	–	–	(58)
Embedded value profits	653	26	(26)	653
BEE preference dividends	45			45
BEE normalised embedded value profits	698	26	(26)	698

Group Embedded Value report *(continued)*

Notes to Liberty Group Limited embedded value

a) Future investment returns on the major asset classes and other economic assumptions have been set with reference to the market yield on medium-term South African government stock.

	Investment return p.a.		
	30 June 2010 %	31 Dec 2009 %	30 June 2009 %
Government stock	**9,03**	9,30	9,25
Equities	**12,53**	12,80	12,75
Property	**10,03**	10,30	10,25
Cash	**7,53**	7,80	7,75
The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium	**11,83**	12,10	12,00
Maintenance expense inflation rate	**6,03**	6,30	6,25

b) **Adjustment of shareholders' funds from the published basis**
This amount represents the change in the amount of shareholder funds as a result of moving from a published valuation basis to the statutory valuation basis. This is largely due to the elimination of certain negative rand reserves on the statutory valuation basis. The reduction in net worth results in a corresponding increase in the value of in-force.

c) **Financial service subsidiaries fair value adjustment**
As a result of the legal entity reorganisation of Liberty Holdings, the non long-term insurance legal entities were transferred to Liberty Holdings Limited. Therefore, this adjustment is no longer applicable to Liberty Group Limited (refer 4.4).

d) **Adjustment for carrying value of business acquired**
The carrying value of business acquired by Liberty Life has been deducted from shareholders' funds in order to avoid double counting. For embedded value purposes, the value in respect of this acquired business is included in the value of life business in-force.

	30 June 2010 Rm	31 Dec 2009 Rm	30 June 2009 Rm
Investec Employee Benefits	**(30)**	(36)	(41)
Capital Alliance Holdings Limited (CAHL)	**(442)**	(491)	(540)
Business previously acquired by CAHL	**(25)**	(28)	(31)
	(497)	(555)	(612)

e) The expected return on the value of life business is obtained by applying the previous year's discount rate to the value of life business in-force at the beginning of the period and the current year's discount rate for half a year to the value of new business.

f) Taxation has been allowed for at rates and on bases applicable to Section 29A of the Income Tax Act. Full taxation relief on expenses to the extent permitted was assumed. Capital gains taxation has been taken into account in the embedded value.

g) **Other bases, bonus rates and assumptions**
Parameters reflect best estimates of future experience, consistent with the valuation bases used by the statutory actuaries, excluding any compulsory or discretionary margins. However, in contrast to the assumptions in the valuation basis, the embedded value makes allowance for automatic premium and benefit increases.

Group Embedded Value report *(continued)*

h) Operating experience variances consist of the combined effect on net worth and value of in-force of operating experience being different to that anticipated at the prior year end.

The net 2010 operating experience variance of R146 million (June 2009: negative R238 million) is comprised of:

Operating experience variances	Rm
Mortality and Morbidity	171
Persistency	116
Expenses	(81)
Cost of capital	(42)
Other	(18)
Total	146

i) The amount of negative R104 million (June 2009: negative R1 746 million) shown for operating assumption changes mainly comprises the raising of a provision for remedial action on Entry Level Market products.

j) The amount of R38 million (June 2009: negative R857 million) relates to changes in economic assumptions as described in note a).

k) The amount of negative R58 million (June 2009: negative R19 million) in respect of the change in the fair value of share options/rights arises from the change in the number of shares under option/share rights for staff employed by Liberty Group Limited and the increase in the market value of Liberty Holdings Limited share price over the reporting period.

l) The assets backing the required capital are consistent with the long-term strategic mix of shareholder funds approved by the Liberty Holdings Board in November 2009.

New business

for the six months ended 30 June 2010

	Unaudited 30 June 2010 Rm	Unaudited 30 June 2009 Rm	Audited 31 Dec 2009 Rm
Insurance operations[1]			
Individual	**6 083**	6 565	13 700
Single	**4 662**	5 178	10 748
Recurring	**1 421**	1 387	2 952
Corporate	**676**	722	1 467
Single	**477**	573	1 202
Recurring	**199**	149	265
Total new business	**6 759**	7 287	15 167
Single	**5 139**	5 751	11 950
Recurring	**1 620**	1 536	3 217
Indexed new business	**2 135**	2 111	4 412
Sources of insurance operations indexed new business by business unit:			
Retail SA	**1 857**	1 888	3 995
Corporate	**247**	206	385
Liberty Africa[3]	**31**	17	32
Asset management operations			
Total STANLIB sales excluding money market[2]	**24 935**	17 741	37 712
Retail sales	**22 697**	15 863	32 952
Institutional sales	**2 238**	1 878	4 760
Money market sales[2]	**85 112**	55 938	113 446
Total STANLIB sales[2]	**110 047**	73 679	151 158
Total Liberty Africa sales excluding money market[3]	**8 577**	4 762	10 643
Retail sales	**209**	174	574
Institutional sales	**8 368**	4 588	10 069
Money market sales[3]	**3 749**	2 931	5 866
Total Liberty Africa sales[3]	**12 326**	7 693	16 509
Total asset management sales	**122 373**	81 372	167 667

(1) *Includes Liberty Africa.*
(2) *Excludes intercompany life fund sales.*
(3) *Liberty owns less than 100% of the various entities that make up Liberty Africa. Sales information is recorded at 100% and is not adjusted for proportional legal ownership.*

Net customer cash inflows

for the six months ended 30 June 2010

Unaudited	30 June 2010 Rm	30 June 2009 Rm	31 Dec 2009 Rm
Insurance operations[1]			
Individual	**477**	1 746	3 031
Inflows and premiums	**11 566**	11 592	23 291
Claims and benefits	**(11 089)**	(9 846)	(20 260)
Corporate	**(742)**	(1 162)	(1 764)
Inflows and premiums	**3 240**	3 261	6 784
Claims and benefits	**(3 982)**	(4 423)	(8 548)
Net cash (outflows)/inflows from insurance operations	**(265)**	584	1 267
Sources of insurance operations cash flows by business unit:			
Retail SA	**418**	1 713	2 764
Corporate	**(742)**	(1 162)	(1 776)
STANLIB Multi-manager	**4**	(3)	202
Liberty Africa[3]	**55**	36	77
Asset management			
STANLIB net cash outflows excluding money market[2]	**(4 854)**	(13 387)	(12 344)
Retail net cash inflows	**2 693**	3 656	6 178
Institutional net cash outflows	**(7 547)**	(17 043)	(18 522)
Money market inflows[2]	**11 304**	8 667	10 772
Net STANLIB cash inflows/(outflows)[2]	**6 450**	(4 720)	(1 572)
Liberty Africa net cash inflows excluding money market[3]	**4 290**	2 052	3 668
Retail net cash inflows	**109**	85	306
Institutional net cash inflows	**4 181**	1 967	3 362
Money market inflows[3]	**993**	668	659
Net Liberty Africa inflows[3]	**5 283**	2 720	4 327
Net cash inflows/(outflows) from asset management	**11 733**	(2 000)	2 755
Total net customer cash inflows/(outflows)	**11 468**	(1 416)	4 022

(1) *Includes Liberty Africa.*

(2) *Excludes intercompany life fund cash flows.*

(3) *Liberty owns less than 100% of the various entities that make up Liberty Africa. Cash flow information is recorded at 100% and is not adjusted for proportional legal ownership.*

Assets under management

for the six months ended 30 June 2010

Unaudited	30 June 2010 Rbn	30 June 2009 Rbn	31 Dec 2009 Rbn
Life funds	**110**	115	126
Segregated funds	**49**	45	54
Unit trusts (including money market)	**148**	113	120
Linked investment and structured products	**43**	37	41
Properties	**23**	20	22
Total assets under management[1]	**373**	330	363
Total assets under management split by business unit:			
STANLIB	**321**	290	318
Liberty Africa	**29**	20	23
Liberty Properties	**23**	20	22
	373	330	363

(1) *Includes funds under administration.*

Capital commitments

as at the six months ended 30 June 2010

	Unaudited 30 June 2010 Rm	Unaudited 30 June 2009 Rm	Audited 31 Dec 2009 Rm
Capital commitments	**2 489**	3 922	3 141
Business acquisitions[1]	**292**	423	360
Equipment	**198**	310	296
Investment and owner-occupied property	**1 999**	3 189	2 485
Under contracts	**1 390**	2 654	1 385
Authorised by the directors but not contracted	**1 099**	1 268	1 756
	2 489	3 922	3 141

The above 30 June 2010 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds, R345 million (31 December 2009: R403 million) from minorities in unincorporated property partnerships, and R2 million (31 December 2009: R7 million) from minorities in Liberty Health Holdings (Pty) Limited.

(1) *The board has approved an allocated amount towards possible business acquisitions related to its stated strategy of broadening Liberty's financial services offerings.*

Related parties

as at 30 June 2010

The following selected significant related party transactions have occurred in the 2010 financial period:

1) **Summary of movement in investment in ordinary shares held by Liberty in Liberty's holding company is as follows:**

	Number '000	Market value Rm	Ownership %
Standard Bank Group Limited			
Balance at 31 December 2009	25 724	2 624	1,65
Purchases	4 830	529	
Sales	(5 384)	(605)	
Fair value adjustments		29	
Balance at 30 June 2010	25 170	2 577	1,59

2) **Acquisition of CfC Insurance Holdings Limited**
As announced on SENS on 3 December 2009, Liberty has entered into agreements subject to completion of outstanding conditions precedent in terms of which it will acquire control of CfC Insurance Holdings Limited (CfCIH), which is a subsidiary of Standard Bank Group Limited. CfCIH is a leading Kenyan wealth company that comprises life, general and health insurance businesses in Kenya and Tanzania. Liberty will acquire approximately 57% ownership through subscribing for KES880 million of new equity capital and an initial payment of USD14 million with deferred payments capped at an additional USD4,9 million. At 30 June 2010 exchange rates, the rand equivalent of these transactions is R230 million. The CfCIH acquisition is a related party transaction, as Standard Bank Group Limited is both a majority shareholder of Liberty and the ultimate controlling shareholder of CfCIH.

3) **Bancassurance**
Liberty has entered into profit share agreements (renegotiated on 25 April 2002 for a period until 31 December 2010, thereafter the contract continues indefinitely with either party having the right to give 12 months notice) with Standard Bank of South Africa Limited for the sale and promotion of insurance products. New business premium income in respect of this business for the six months to 30 June 2010 amounted to R2 044 million (2009: R2 382 million). In terms of the agreement Liberty pays between 80% and 90% of risk profits on simple products and 50% of embedded value profits on complex products through a preference share dividend to Standard Bank of South Africa Limited. The preference dividend accrued at 30 June 2010 is R216 million (2009: R173 million).

Retirement benefit obligations

as at 30 June 2010

Post-retirement medical benefit

Liberty operates an unfunded post-retirement medical aid benefit for employees who joined Liberty prior to 1998.

As at 30 June 2010, the Liberty post-retirement medical aid benefit liability was R365 million (31 December 2009: R354 million).

Defined benefit retirement funds

Liberty operates a number of defined benefit pension schemes on behalf of employees. All these funds are closed to new membership and are well funded with no deficits reported.

Notes