LIBERTY

The Liberty Group is a highly focused, entrepreneurial group of financial services companies that is committed to creating and unlocking wealth for its shareholders and policyholders. During the 1999 financial year the Liberty Group sharpened its focus, enhanced its business structure and achieved its goals.

Delivery

NINETEEN NINETY-NINE

In the 1998 review of operations the Liberty Group outlined its bold, new strategic plan for the 1999 financial year. Against the backdrop of difficult market conditions and the internal challenges associated with unbundling, business restructuring and the development of enhanced systems and technologies, the Liberty Group completed its 1999 financial year with all but one of its key strategic goals fully accomplished:

GOALS SET IN THE 1998 REVIEW OF OPERATIONS

• Simplify Group structure	✔
• Use capital more efficiently	✔
• Focus on financial services	✔
• Expand distribution channels	✔
• Grow bancassurance aggressively	✔
• Develop innovative and profitable products	✔
• Re-establish excellence in customer service	½ *
• Attain superior investment performance	✔
• Improve and exploit information management technology	✔
• Introduce world-class human resource practices	✔

The Future

TWO THOUSAND

Inspired by the performances of financial 1998 and 1999, new and refined goals have been formulated for the 2000 financial year. Again, these have been developed to provide the springboard for achieving further operational growth.

GOALS SET FOR 2000 FINANCIAL YEAR

- Redeploy cash and other shareholder investments by focusing on core financial services
- Focus on the upper-income market
- Leverage Liberty Asset Management's research to expand the product range
- Expand the Corporate Benefits business unit
- Achieve critical mass in Liberty Healthcare
- Acquire further distribution for emerging markets
- Further develop bancassurance
- Implement structures to deliver enhanced offshore products
- Develop a differentiated offering through electronic commerce

"The inflow of new business rose by 33%, but even more gratifying was the 48% increase in the value of this business."

Derek Cooper

Group results

One of the major objectives of the Group has been the more effective utilisation of capital in order to improve the return on equity (ROE). This was achieved by unbundling to shareholders the Group's holdings in Stanbic and Liberty International.

As a result of these unbundlings and the outstanding return generated by the life insurance operations, the headline ROE for continuing operations has increased dramatically from 8% in 1998 to 19% in 1999. If investment surpluses are added to headline ROE, the total ROE for the year increases to 30%.

Headline earnings from continuing operations rose by 14% to R1 409 million, while headline earnings per share increased by 13% to 523,2 cents. A final dividend of 140 cents a share has been declared, bringing total dividends for 1999 to 282 cents a share.

Against a year of considerable internal and external challenges for the Liberty Group, it is gratifying to report that both product volumes and profitability for the 1999 financial year showed impressive growth.

The Group's 33% increase in business inflow (R7,9 billion) is commendable under the challenging market circumstances. The Liberty Group remains committed to maintaining sound profit margins. It is therefore pleasing that the value of new business has increased by 48% to R366 million on the previous year's equivalent of R248 million. It is also gratifying to report that most of the Group's managed funds achieved top-quartile performance status by year-end, with some attaining top-decile ratings.

The Group's life fund operating surplus increased by 23% to R1 379 million from 1998's R1 120 million. This is particularly encouraging as the previous year's life fund operating surplus included an exceptional contribution of R333 million arising from changes in the basis of valuation. The 1999 results include a comparable contribution from valuation and tax bases changes of only R7 million.

The strong commitment by the State to maintain the country's general rate of inflation within single-digit terms is highly commendable. The benefits of inflation containment remain, however, overshadowed by an overall lack of growth in the South African economy during the 1990's. Typical annual growth rates of 1% to 2% are inadequate for an emerging economy burdened by factors such as growing unemployment, increasing crime and infrastructural backlogs. For the year 2000 economic growth is forecast at 3% – 4% and perhaps this will be the start of a decade in which we reap the benefits of the policies of the past few years. The State's Growth, Employment and Redistribution (GEAR) Strategy remains a viable framework for achieving these levels of economic growth.

South African companies and individuals need greater freedom of investment choice in a global economy that is seeing the rapid disintegration of financial and market boundaries and fewer constraints by governments in the flow of capital. The abolition of exchange control would remove one of the current impediments to achieving dynamic growth. We, in South Africa, must be empowered to compete openly and equally with major world economies, most of which are free to invest without restraint, wherever they choose.

Finance Minister Trevor Manuel's 2000 Budget announced on February 24 was, by and large, lauded by consumers and by business leaders as a watershed that signals the start of a more progressive and pragmatic economic dispensation which we in the Liberty Group welcome. The Budget has accommodated to an appreciable extent several of the suggestions proffered by business leaders in recent years.

The notable highlights include: the marginal easing of the personal tax burden, in line with emerging global trends, the Government's intention of limiting inflation to 6%, and a further reduction in the Budget deficit. Minister Manual envisages an average annual growth rate of 3% – 4% over the next three years, which is in line with consensus economic forecasts and is much needed by an economy which desperately needs to create employment.

Capital gains tax is likely to be introduced on 1 April 2001. This tax is somewhat controversial as there are a number of countries where the efficacy of capital gains tax is hotly debated.

This tax will impact on the Group's operations as well as its shareholders and policyholders, consequently we will work closely with Government in the successful defining and implementing of capital gains tax.

It is pleasing to observe that Government is sensitive to South Africa's macro socio-economic challenges and is willing to implement policies and programmes that will enable the achievement of stronger economic growth.

Restructuring

The year saw significant changes to the ownership and capital structure of the Liberty Group, from joint control between Liberty Investors Limited and the Standard Bank Investment Corporation Limited (Stanbic) to sole control by Stanbic. As a result of this change, Stanbic hold 55% of Liberty Holdings Limited who, in turn, hold 55% of the Liberty Group.

Unbundling

The primary objectives of the Liberty International and Stanbic unbundlings were to:

- reduce the level of capital in the Liberty Group in order to enhance the return on equity, while maintaining sufficient capital for solvency purposes and to fund further business development;
- focus the Liberty Group on its core business;

- rationalise the Liberty Group structure and eliminate complex crossholdings and control structures;
- reduce the number of entry points in the Stanbic and Liberty groups;

and

through all these processes, to ensure that we unlock and enhance shareholder value.

The distribution to shareholders of the majority of the shareholders' interest in Liberty International PLC, together with the distribution of the shareholders' entire stake in Stanbic to shareholders, has aggressively addressed the Group's previous overcapitalised position and has reduced stated shareholders' funds at 31 December 1999 to R9,1 billion from R18,3 billion at 31 December 1998.

The unbundling of Liberty International

Prior to the unbundling, Liberty's Life held 70,1% of Liberty International and accounted for the investment at the underlying net asset value of Liberty International. The unbundling resulted in a reduction of Liberty's capital and reserves by R7,3 billion, with shareholders now holding their interests directly in Liberty International, which is listed on both the London and Johannesburg stock exchanges. Liberty International's largest shareholders are now Stanbic at 8,5% and Liberty Life at 22,6%, of which Liberty Life shareholders own 8,6%, and policyholders 14,0%.

The unbundling of Stanbic

The unbundling of the shareholders' entire interest in Stanbic removed the complex cross-shareholding relationship that had previously existed between Liberty and Stanbic. Prior to the unbundling Liberty held 36,8% of Stanbic, comprising 27,4% held for shareholders' account and 9,4% for policyholders. As a result of the unbundling of the shareholders' 27,4% interest, the Liberty Group retains a 9,7% interest in Stanbic for policyholders at 31 December 1999. This transaction resulted in a reduction of Liberty Life's capital and reserves by R6,0 billion.

The Liblife Strategic Investments Limited (Libsil) unbundling

During March 1999 it was announced that Libsil would distribute all of its investments other than the Stanbic shares which it held. Subsequently Libsil's interest in Stanbic was also unbundled and as all assets of the company have now been distributed, the Libsil shares have been suspended from the JSE.

The delisting of Libsil, the previously advised delisting of Liberty Investors Limited (Libvest) and First International Trust Limited (FIT), together with the change in status of Liberty International PLC from a subsidiary to a portfolio investment, has resulted in the number of entry points into the Group being reduced, with only Liberty Holdings and Liberty Life remaining.

Effect of unbundling on share price

The Liberty post-unbundling pro forma share price at 31 December 1998 was R39,23 a share. By 31 December 1999 it had increased by 81,0% to R71,00 a share, a clear indication of the market's confidence in Liberty as a refocused financial services group.

Bancassurance partnership with Stanbic

Since its comparatively modest inception in 1991, bancassurance has become an important element of the Group's growth and future development as a result of the closer and more dynamic partnership developed with Stanbic. We are confident that Stanbic and the Liberty Group have the synergistic leadership, skills, products, technology and infrastructure to remain the most innovative and preferred bancassurance partnership in Africa. Group and business unit leaders devoted considerable effort during the year in identifying further mutually beneficial opportunities within this exciting partnership.

Empowering our people

New policies and programmes are being developed to improve and harness intellectual capital in the workplace aimed at evolving the Group's human capital to "best-in-class" status. This drive is being achieved with due cognisance being taken of the need to ensure that our employee complement becomes a microcosm of South Africa's diverse demographic composition. The Liberty Group is committed to meeting the requirements of the new Employment Equity Act.

Nedcor bid for Stanbic

The Liberty Group will continue to pursue with vigour every avenue available in order to ensure that the interests of its shareholders, policyholders and staff are in no way compromised by any anti-competitive behaviour in relation to Nedcor/Old Mutual's publicised intention of making an offer for control of Stanbic.

Social involvement

The Group's social involvement continues to be undertaken through the Liberty Foundation. This year's focus remained on the need to empower people in historically under-resourced and marginalised communities by using practicable models which deliver sustainable results.

In keeping with Liberty's proud history of good corporate citizenship, it is heartening to see that the Foundation remains committed to playing a positive role in helping to alleviate poverty through grassroots job creation, skills development and rural development programmes. It is also commendable that the Foundation has maintained a keen commitment to promoting education, most notably multimedia education, with specific activities including the *learn.co.za* website and the Liberty Learning Channel televised by the South African Broadcasting Corporation.

Group directorate and corporate governance

The Liberty Group remains committed to upholding internationally recognised precepts and practices of corporate governance. Viewed against the background of unbundling, restructuring and strategic renewal, together with the appointment of new directors, business heads and senior managers, it is satisfying that the Group remains soundly managed and governed. It was especially encouraging for the Group to have been recognised for good corporate governance by being elected as one of six finalists among all listed companies in South Africa in the Johannesburg Stock Exchange and Deloitte & Touche Corporate Governance Awards during 1999.

Changes in directorate

The composition of the boards of both Liberty Life Association of Africa Limited and Liberty Holdings Limited changed notably. Three Liberty Life executive directors have retired: vice-chairman Dorian Wharton-Hood and directors Wolf Cesman and Yves D'Halluin. The following directors resigned: chairman Donald Gordon, Richard Gordon, Tim Curtis, Meyer Kahn, Eric Molobi and Mike Vosloo. The new non-executive directors are Elisabeth Bradley, Buddy Hawton, Reuel Khoza, Saki Macozoma, Robin Plumbridge and Edward Theron. In addition I was appointed chairman in June 1999.

Former vice-chairman Alan Romanis, after more than 25 years of invaluable service to the Group as an executive, agreed upon retirement to continue serving the Group as a non-executive director.

At Liberty Holdings the following directors resigned during the year: chairman Donald Gordon and directors Tim Curtis, Raymond Fine (executive), David Fischel, Richard Gordon, Meyer Kahn, Eric Molobi, Farrell Sher and Mike Vosloo. In addition Dorian Wharton-Hood and Wolf Cesman (executive) retired. Elisabeth Bradley, Buddy Hawton and I were appointed to the board of Liberty Holdings Limited.

I thank all the former directors for their invaluable contributions to the interests of the Group, particularly the retiring executive directors who have all had long and distinguished careers and have, without exception, dedicated themselves to the continuing growth of the Liberty Group. I welcome to the boards all the new non-executive directors and I hope that they will find their tenure on the Liberty boards stimulating as the Group gears itself for exciting new growth and continued improvement in the new century.

Appreciation – Donald Gordon

The Group's founder and former chairman, Donald Gordon, was accorded the title of honorary president for life in recognition of his 42 years of outstanding leadership. Having founded the Group in September 1957, Donald Gordon proved to be an entrepreneur of exceptional vision and rare business acumen, qualities that enabled him to steer the Liberty Group through four decades of dynamic growth, pace-setting innovation and outstanding wealth creation for thousands of stakeholders. We, again, extend our heartfelt gratitude to Mr Gordon for his truly unique contributions to the Group and South African society. We wish him well for the future.

Looking ahead with confidence

The Liberty Group has entered the 2000 financial year with confidence, entrepreneurial drive and the spirited resolve to build on the excellent groundwork that has been laid. Our core goal remains the need to pursue and realise optimum value for our shareholders, policyholders and other valued stakeholders.

In the aftermath of unbundlings and disposals, the Group will have cash resources approaching R3 000 million by mid-2000. These resources will be used for strategic growth, as well as operational improvement in such fields as: e-commerce; expanding the Corporate Benefits and Liberty Healthcare business units; implementing the Blueprint Online project; expanding distribution; and developing our offshore asset management capability.

Financial disclosure, together with detailed disclosure of embedded value and embedded value profits, continues to improve to the point where shareholders are able to better understand the dynamics of the Group's financial position. We have built a sound foundation upon which we will deliver further growth for the 2000 financial year.

Appreciation

I would like to thank my fellow board members for their valued contribution and counsel. To the group chief executive officer, Roy Andersen, the Group's executive committee and all managers and staff go our thanks for their continued loyalty, hard work and enthusiasm. Last, and by no means least, I thank all members of the wider Liberty community – most notably our shareholders, policyholders, brokers, agents, franchises and suppliers – for their continuing valued support.

Derek Cooper

Chairman

14 March 2000

"No longer a jumbo jet, rather a squadron of jet fighters."

Roy Andersen

The Liberty Group achieved highly satisfactory growth in new business sales, competitive investment returns for policyholders and a sustained high level of income attributable to shareholders, notwithstanding the difficult economic conditions during the first half of 1999.

Signs of global and local economic turnaround began to emerge in 1999 with many key economic indicators, including the Johannesburg Stock Exchange (JSE) Overall Index, the Dow Jones Index and the FTSE 100, being appreciably higher during the last few months of 1999 than in the previous 18 months.

Rising equity markets proved to be an opportune background against which to re-establish Liberty Asset Management as premier fund managers. By year-end, most of the Group's managed funds had achieved top-quartile status. The Group's largest managed portfolio delivered a pleasing investment return of 44,8% for the year, with the equity component yielding a 65,0% return. This compares favourably with the JSE's Overall Index return of 61,4% for 1999.

The domestic economy appears to have entered a recovery phase with business and consumer confidence levels increasing appreciably. Lower interest rates have increased discretionary income for most consumers. This has been further boosted by the recent reduction in marginal rates of personal income tax. These factors augur well for the Liberty Group's business prospects for the 2000 financial year and are especially significant for Standard Bank Investment Corporation Limited (Stanbic) and the Liberty Group to continue to advance in their exciting collaborative bancassurance efforts.

With expanded globalisation and the recent further liberalisation of South Africa's exchange control regulations, the Liberty Group is well positioned to exploit growth opportunities for our offshore rand-hedge investment products.

Business unit structure

The new business unit structure has been well received by internal and external stakeholders. In addition, structurally and culturally, the Liberty Group has undergone dramatic, though exciting, changes with the formation of independent business units.

To use an aviation analogy, the Group has been transformed from a dependable, though cumbersome, jumbo jet into a highly efficient and aggressive squadron of fighter aircraft. During 1999 the Group transformed its previously centralised structure into a decentralised, flatter and more entrepreneurial business unit structure. This has led to an increase in proactive decision-making, flexibility, responsiveness and initiative in support of aggressive business development and growth.

This transformation of the Group's business culture augurs well for future plans to operate effectively in a marketplace that has undergone a series of fundamental shifts over the last four decades. During this period, the entrepreneurial Liberty culture thrived and many of its management practices, products and services set key performance benchmarks for the South African corporate business environment. The Group, however, had reached a point in its evolution where a quantum leap was required to reposition it to meet the envisaged demands of the 21st century.

Timeframes for the development, implementation and further redevelopment of products, services and technologies have shortened substantially. Products have to be developed within months and weeks, rather than within years and months. Clients need to be responded to within hours and minutes and no longer within weeks and days. The Group's strategic plan is founded on these realisations.

Success of strategic plan

Strategic efforts during the year were concentrated on refocusing, revitalising and repositioning the Group to become a more dynamic, focused and entrepreneurial player in the South African market. The Liberty Group had evolved into a large, passive investment trust juxtaposed to South Africa's third largest life assurance group. Liberty consequently faced the risk of losing focus and diluting its immense prowess in the financial services sector as a result of holding its sizeable shareholdings in diverse industries outside of its core fields of expertise.

Strategic planning at Liberty is a dynamic, ongoing process with constant refinement, reassessment and target setting being integral to the process. The Group's strategic plan was enhanced and updated during the last quarter of 1999 and the highlights are presented in more detail under *The Future* section on page five.

Overall, the relative investment performance on portfolios under management has improved significantly. Customer service has improved and the enthusiasm and responsiveness of staff and sales intermediaries have been improved. These positive developments are being complemented by the development of new and improved products, as well as new and better technologies and systems.

The Group's primary fields of competence remain strong, with some showing further improvement during the year. The high-quality and well-incentivised Liberty sales force has gained strength and purpose, as has our bancassurance expertise. Liberty's product innovation track record remains excellent, as does our ability to develop and harness powerful new digital technologies such as the unique Blueprint electronic distribution technology. Marketing, underwriting and expense control are well managed and the asset management competence has been enhanced and revitalised.

"Customer service has improved and the enthusiasm and responsiveness of staff and sales intermediaries have improved."

The markets in which we operate and the factors influencing them have changed dramatically over the past decade, thereby bringing new challenges and opportunities. Against the backdrop of static growth in our traditionally upper-income market, which has an ever-growing appetite for innovative products, there is an emergent and rapidly growing, though not easily accessible, new middle- and upper-income market. These new markets are being addressed through multiple access points:

- expansion of the current pension fund membership base through the focus on the newly established Liberty Corporate Benefits business unit;
- growth in franchise distributions operated by franchise principals with access to the new entrants – there are 100 such consultants already in place;
- growth in the complement of more representative sales intermediaries operating within the Agency Division;
- development of workplace marketing through the relationship with UniFer;
- strong growth in the bancassurance business which accesses the entire Standard Bank clientele; and
- the strategic objective to purchase additional distribution capacity in these emerging markets.

Financial results

Basis of preparation and disclosure

The income statement for the 12 months to 31 December 1999 shows separately under “unbundled operations” the income arising from the interests in Liberty International and Stanbic, which were unbundled to shareholders during the year. The column headed “continuing operations” reflects, on a comparable basis, the operational activities of the Group’s life insurance and financial services operations, together with the investment income and surpluses on residual and ongoing shareholder investments. The “total” column therefore does not produce meaningful comparisons with the 1998 results because the 1999 totals only include income up to the unbundling dates.

Reclassification of associated companies

Liberty Life has previously classified its investments in Stanbic, Bevcon/SAB, Premier and Guardian as associated companies. These investments have historically been accounted for by way of a mark-to-market valuation adjustment (reflected under "investment surpluses attributable to shareholders' investments" in the income statement), as well as the inclusion of both dividend income and retained earnings in the income statement through the use of the equity accounting method.

With the unbundling of Liberty International and Stanbic, the delisting and liquidation of Premier and the classification of the Company's investments in Guardian and Bevcon/SAB as portfolio investments, it was no longer considered appropriate to account for these investments as associated companies. The use of the equity accounting method for these companies has therefore been discontinued. Comparative figures for retained earnings of associated companies have been reclassified from investment income to "investment surpluses attributable to shareholders' investments". This reclassification of comparative figures has not affected the aggregate level of earnings on these investments, but has reduced the headline earnings figures correspondingly.

Treatment of life fund contingency and other reserves

In order to conform with developing life insurance accounting practice, the holding of contingency and other reserves in the life fund has been discontinued with effect from 31 December 1999. The life fund liability now reflects only the actuarial liabilities under unmatured policies.

Of the closing balance of contingency and other reserves at year-end of R2 964,9 million, R650,4 million has been transferred to the life fund actuarial liabilities representing second-tier margins (e.g. AIDS and extra mortality reserves). The balance of R2 314,5 million has been transferred to shareholders' retained surplus and other reserves. The income attributable to the assets underlying the contingency and other reserves has been accounted for in life fund operating surplus during 1999 as the transfer only occurred on

31 December 1999. With effect from the 2000 financial year, income on the assets transferred to shareholders' retained surplus and other reserves will be accounted for in revenue attributable to shareholders' funds. For the 1999 year this income amounted to R82,1 million and will accordingly be reclassified from life fund operating surplus to revenue earnings attributable to shareholder funds in the 2000 annual financial statements.

Embedded value

The Group's embedded value has increased from R12 080,5 million (on a pro forma basis adjusted for unbundlings) to R13 848,5 million. Shareholders' net assets have increased by R1 739,9 million, reflecting the increases in the market values of shareholder investments, as well as headline earnings retained after dividends proposed. The net value of life business in force has increased marginally to R4 755,9 million, despite being reduced by R643,2 million as a result of the capitalised effect of the change in the four-fund basis of taxation including the additional tax payable on transition of R214,0 million.

Embedded value profits of R2 359,7 million for 1999 reflects the healthy performance of the underlying insurance operations with the profits emanating from investment returns in excess of assumptions largely offsetting the effect of the taxation basis change. The embedded value profits represent a total return on embedded value of 19,5%; and disregarding the impact of the non-recurring change in taxation, the embedded value profit of R3 billion represents a return of more than 40% on shareholders' net assets.

Capital adequacy

The capital adequacy requirement determined in accordance with the guidance notes issued by the Actuarial Society of South Africa has decreased from R1 798,4 million at 31 December 1998 to R1 328,5 million at 31 December 1999. The decrease of R469,9 million is largely attributable to the significant reduction of R501,7 million in individual negative bonus stabilisation reserves.

The Group's capital adequacy cover ratio has decreased from 11,7 times at 31 December 1998 to 6,8 times at 31 December 1999 following the reduction in capital and reserves by R13,3 billion as a result of the unbundlings. The Group's capital requirements for this purpose are comparatively low, primarily as a result of the high percentage of linked business inherent in the in-force portfolio.

Tax and valuation basis changes

During November 1999, changes were promulgated to the four fund basis of taxation for life insurance companies. These changes manifest themselves both in additional taxation payable on transition from the old basis to the new and an increased cost of taxation for the 2000 year onwards. Although these changes are only effective from 1 January 2000, the additional tax of R214 million payable on transition from the old basis to the new has been fully provided for at 31 December 1999. At the same time, valuation basis changes led to a net decrease in actuarial libilities of R221 million. The net effect on headline earnings of the non-recurring valuation and tax basis changes resulted in a small release of R7 million. As detailed in the report of the statutory actuary, valuation basis changes have resulted in a decrease in actuarial liabilities of R221,3 million. The net effect of the valuation and tax basis changes amounts to R7,2 million.

The changes to the basis of taxation have also had an impact on the embedded value of the Group, causing a reduction in the value of in-force business by R643,2 million. This amount reflects the total future shareholder cost at current values of the increased basis of taxation for the value of life business in force.

Results of operations

The Liberty Group increased headline earnings on continuing operations by 14,0% to R1 409,0 million, with headline earnings per share increasing by 12,9% to 523,2 cents. The life fund operating surplus increased by 23,2% to R1 379,1 million from R1 119,8 million in 1998. The life fund operating surplus for 1998 of R1 119,8 million included a non-recurring contribution of R333,0 million as a result of valuation basis changes while the

1999 result includes a comparable contribution (from valuation and tax basis changes) of only R7,2 million. Excluding contributions to earnings from these non-recurring sources, life fund operating surplus increased by 74,4% from R786,8 million in 1998 to R1 371,9 million.

The difference in performance of the underlying investment returns on policyholder funds between 1998 and 1999 has been dramatic with the return on, for example, the major managed portfolio swinging from a negative 7,9% in 1998 to a positive 44,8%. Life fund operating surplus is directly correlated with the level of investment returns generated for policyholders and the unusually high level returns earned in 1999 cannot be sustainable.

Revenue earnings attributable to shareholder funds decreased from R116 million to R30 million largely as a result of Liberty Healthcare's start-up losses of R21 million (1998: losses of R6 million), reduced income from Liberty Asset Management and Liberty Unit Trusts (Guardbank) and Secondary Tax on Companies of R104 million (1998: R56 million) incurred on declaration of cash interim and final dividends.

Premium income increased by a highly satisfactory 21,9% to R11 439,6 million, surpassing the R10 billion mark for the first time. Total recurring premiums reflect satisfactory growth of 10,5% to R5 517,8 million.

Claims and policyholder benefits, including lapses and surrenders, decreased year-on-year by 2,0% from R10 015,6 million to R9 817,7 million largely as a result of fewer group scheme terminations during 1999, which decreased by 62,1% from R2 292,0 million in 1998 to R868,7 million in 1999. This decrease pleasingly reflects the immediate market reaction to the dramatically improved relative investment performance in 1999. Individual surrenders and maturity claims increased by 20% as a result of high interest rates, difficult economic conditions and increased levels of policy replacement by intermediaries. This rate of increase was at its lowest level for the year during the fourth quarter and reflects a reduction in the incidence of surrenders and lapses from the peak of fourth quarter 1998, which resulted from the worldwide weakness in equity markets.

Premium/benefit net cash flows for 1999 show a marked improvement:

R million	**1999**	1998	% change
Total premium income	**11 439,6**	9 387,2	+21,9%
Total claims and policyholders' benefits	**9 817,7**	10 015,6	(2,0%)
Net premium/benefit cash flow	**1 621,9**	(628,4)	

The Group's management expenses as a percentage of overall life insurance premium income – that is the management expense ratio – has continued to improve, having decreased marginally from 6,75% to 6,52%, thereby maintaining our position at the forefront of low-cost producers.

New business

The inflow of new business of R7 874,3 million for 1999, including single premiums, was gratifying. On a comparative basis, this inflow is a 33,2% gain on 1998's R5 911,0 million. Especially pleasing is the increase in recurring premiums of 18,2% to a record R1 559,7 million. Income from single premiums increased even more sharply by 37,5% to R6 314,6 million.

Charter Life's new business production for the year increased by 69,5% and continues to reflect the benefits of developing new partnerships with independent brokers, as well as the increased business being written by the Stanfin division of Stanbic.

The value of new business has increased by an outstanding 47,8% to R365,9 million and, on a comparable tax basis with that of 1998, would have increased by 56%. This performance was driven by a strong commitment to maintaining margins within new product design, as well as efficient control over selling costs.

The increase in new business performance is attributable largely to renewed commitment by the expanded sales force, continuing good and innovative product development, highly competitive relative investment performance and the economic recovery which appears to be set to continue into 2000.

Dividends

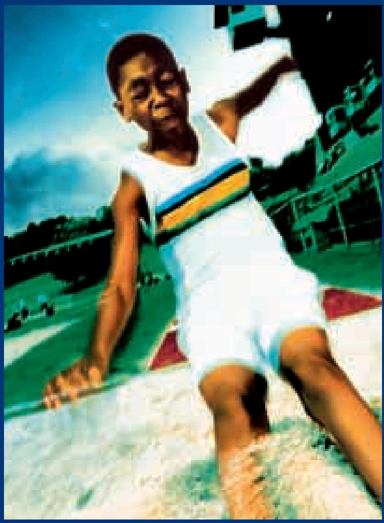
In keeping with the commitment to maintaining a stable dividend cover linked to medium-term trends, total normal dividends for 1999 have been based on a two times dividend cover on continuing operations (1998: 1,78 times). A final dividend of 140 cents a share has been declared, bringing total dividends for 1999 to 282 cents a share. Comparison of the total Liberty dividends declared during 1999 with those declared during 1998 is not meaningful as shareholders will have received dividends directly from the unbundled Liberty International and Stanbic shareholdings.

Bancassurance

The acquisition by Stanbic of full ownership of the Group's ultimate holding company, Liblife Controlling Corporation (Proprietary) Limited, has opened the way for further cross-selling and cost-saving opportunities. Stanbic and the Liberty Group are well advanced in these exciting challenges having painstakingly created the foundation for building a world-class bancassurance enterprise over the last nine years, having commenced on a comparatively small scale in 1991 through Liberty's Charter Life operations.

Stanbic and the Liberty Group have an extensive client base complemented by highly effective distribution channels, most notably Stanbic's branch network, commercial suites, financial consultants, telecentres and electronic banking network.

The pre-eminent Standard brand is compelling and is underscored by some of the best leadership skills and functional disciplines in the greater South African banking and financial services sector. Stanbic is also renowned for its long-standing ability to pioneer new technologies, systems and products. Likewise, the Liberty brand is powerful – and is ably supported by innovative products, competent people, excellent technology and leading-edge business systems and practices.



"In a unique development, policy values of all Liberty Life and Charter Life policies are available to all Standard Bank clients through Standard Bank AutoPlus ATMs."

As an example of the success achieved, 65 000 funeral insurance policies were sold through the Standard Bank between 1 April and 31 December 1999. Monthly volumes are now approaching 7 500 policies. Insurance sales emanating from Stanfin and placed with the Liberty Group have increased substantially, with a 53% increase in recurring premium business and a 63% increase in single premium business.

In a unique development, policy values of all Liberty Life and Charter Life policies are available to all Standard Bank clients through Standard Bank AutoPlus automatic teller machines (ATMs).

LIBERTY ASSET MANAGEMENT

Liberty Asset Management is the wholly owned subsidiary company responsible for formulating and implementing the overall investment strategies. It also manages eight of the investment portfolios of Liberty Unit Trusts (formerly Guardbank Management Corporation) and an extensive range of external client portfolios. The major initiatives launched in late 1998 to rebuild and revitalise Liberty Asset Management under a highly experienced management team gained momentum during the year and led to a highly satisfactory relative investment performance.

From a position of poor relative investment performance during 1996, 1997 and 1998, Liberty Asset Management was able to turn its team and processes around and regain its rating as a premier fund manager. The pension funds under its management achieved top-quartile performance, as did five of the eight unit trusts it manages. Some of these funds achieved top-decile status.

The management team is confident that it has built a solid new foundation of motivated and stable investment professionals, supported by sound business processes. The key business focus in 2000 will be on strengthening this foundation and expanding the product range to satisfy the growing need for specialist and absolute return funds.

With the focus during 1999 on rebuilding people skills, processes and technology, an inevitable financial cost was incurred. This resulted in an increase in expenditure to R66,8 million from R43,6 million in 1998. Liberty Asset Management is better positioned to leverage its direct profitability off the strong position achieved during 1999.

The Liberty Group's registered unit trust management company responsible for marketing and administering a suite of 11 unit trust funds, Liberty Unit Trusts (formerly Guardbank), had a year of improved performance, with most investment returns being appreciably higher than the investment industry benchmarks.

Guardbank's funds, managed by Liberty Asset Management, are being rebranded as Liberty Unit Trusts, with the Frank Russell-managed funds being rebranded as Liberty Multimanager.

Relative investment returns improved dramatically primarily as a result of the rejuvenation of Liberty Asset Management, Liberty Unit Trusts' lead fund managers. The company ended the financial year with five of the Liberty Asset Management-managed funds rated in the top quartile of performance in their respective classifications, with two of the funds being in the top decile. This performance is a dramatic turnaround from the relative performance over the previous year.

Sales of equity, income and money funds totalled R1 477 billion, an increase of 10,8% over the sales of 1998. In line with the trend reported in 1998, repurchases continued to decline, from R1 986 billion in 1998 to R1 072 billion in 1999, a pleasing decrease of 46%. This positive trend reflects growing client confidence in the reconstituted Liberty Asset Management team. The two multimanager funds entered their second year and good relative performances were recorded. The RSA Equity Fund finished in the first decile of General Equity Funds.

The Guardbank Global Fund, now managed by Capital International in the United Kingdom, performed well and ended the year in fourth position in its sector. Regrettably, as has been the predicament for other unit trust management companies, the company closed the Guardbank Global Fund to new sales in May 1999 as a result of asset swap limitations. This factor impacted negatively on overall sales as domestic investors continue to seek alternative ways of balancing their investment portfolios. The Global Fund was reopened to new business in February 2000.

Newcomer's pride... Natie van Rensburg (left), executive director Eric Bernstein and Diana Perton, members of the Liberty Properties project team involved in the development of the new Holiday Inn Waterfront Cape Town Hotel, display the worldwide Holiday Inn *Newcomer of the Year Award* received during the year.

The wholly owned subsidiary company responsible for developing and managing the property portfolio, including property joint ventures with other financial institutions, Liberty Properties, consolidated and refined its operations in a challenging year. The tough economic conditions during late 1998 and the first half of 1999 reduced the demand for new property leases. Despite this, the quality of the Group's underlying property portfolio has allowed the company to increase its contribution to operating profit.

A notable feature of the year was the acquisition of the Cullinan Group, in a joint venture with Southern Sun Hotels. The Cullinan operations currently comprise four prestigious hotels with 800 rooms. The acquisition of these hotels brings to 3 200 the total number of hotel rooms in the Liberty Properties portfolio. The Holiday Inn Waterfront Cape Town Hotel, in which the Group invested about R190 million, received a worldwide *Newcomer of the Year Award* from the Holiday Inn franchise holder, Bass Hotels and Resorts. This hotel is operating to expectations and is set to yield good returns for the Liberty policyholders who are invested directly in this property.

Another significant development in progress is the construction of the R350 million Sandton Convention Centre adjacent to Sandton City in central Sandton, north of Johannesburg. The convention centre is on track to be completed before September 2000. The two flagship shopping centres, Eastgate in Bedfordview and Sandton

City, remain market leaders and continue to undergo further improvements in the form of refurbishments and extensions to keep their standards world-class.

The decline of large tracts of the Johannesburg central business district has had little effect on the company's property investment values because it constitutes only a small proportion of the property portfolio and had already been written down in previous years to realistic market values.

The continuing success of Liberty Properties remains attributable to the keen focus on servicing value-added niche markets. About 65% of the company's property portfolio is held through 10 key property investments.

LIBERTY
SPECIALISED INVESTMENTS

In its third year of operation, Liberty Specialised Investments (formerly Millennium Financial Consultants and Investment Services) achieved further growth in sales. The company now administers investment funds with a total value of R4,5 billion, a gain of 73% on the R2,6 billion reported for 1998. Liberty Specialised Investments develops and administers a broad spectrum of sophisticated investment products for individual clients.

As reported in the 1998 annual report, Liberty Specialised Investments planned to introduce the Group's innovative Blueprint system for administering and processing new investment applications at the point of sale, as well as the servicing of all existing investments through the sales intermediary. The system was introduced to all operations during February 2000 and is fully integrated with the company's Compass administration system. With all products now on one common state-of-the-art administrative system, customer service is at the forefront of the industry and allows clients with multiple products to be serviced from a common platform. The company is also developing its products and systems to provide a Web-based e-commerce solution to clients and intermediaries.

A major initiative for 2000 is Liberty Specialised Investments' introduction of a series of wrap funds, which have been designed to add greater value to clients' investment portfolios. The new wrap funds were launched during March 2000 and are expected to contribute appreciably to the company's projected growth for the 2000 financial year.

Liberty Healthcare, successfully completed its first full financial year and achieved its business development objectives. At the previous year-end the company had established a client base of 100 employer groups. One year later this complement had grown to more than 3 000 employer groups representing about 17 000 principal members, which is particularly significant given the uncertainty accompanying the dramatic regulatory changes to the South African healthcare sector during 1999. The dynamic growth was facilitated by the proactive role played by the more than 600 Liberty contracted brokers, financial advisors and other intermediaries who introduced new members during the year.

Liberty Healthcare has established the infrastructure, technology, redeveloped products and overall capacity to take advantage of the new regulatory environment for healthcare funding. The Blueprint information management system has been integrated successfully into Liberty Healthcare's marketing and sales operations. In another promising technological development, about 50% of client claims during the first year were submitted electronically. This trend augurs well for Liberty Healthcare's goal of processing a large percentage of members' healthcare claims online.

Towards the end of 1999 the healthcare benefits market started showing signs of recovery as established and prospective clients developed a clearer understanding of the implications of the new healthcare regulations for their organisations and employees. With greater market understanding and certainty emerging, Liberty Healthcare is better positioned to pursue its growth objectives.

The redeveloped ProVia Medical Aid Scheme has attracted considerable interest because it offers comprehensive value for money and is backed by superb service.

As a new start-up business, Liberty Healthcare is on track to achieve breakeven during the last quarter of 2000. The principal objective for the 2000 financial year is to sustain growth and achieve critical mass.

Established as a new subsidiary company in July 1998, Oracle Employee Benefits operates as an independent actuarial benefit consultancy providing objective and unbiased advice in the medium and large corporate market. Oracle's actuarial benefit consultancy achieved steady and pleasing growth in a notably competitive market during 1999 and posted a small profit in its first full year of operation, a satisfactory feat given the loss forecast in the original business plan.

Oracle's Investment Consulting Division, responsible for advising on a wide range of multimanager and other specialist investment products, was repositioned during the year to consult across the Corporate Benefits and Specialised Investment business units.

Charter Life Insurance Company markets a growing range of life insurance products through Standard Bank as well as an expanding network of contracted independent brokers. It generates new business premium income of more than R1,25 billion a year. Charter Life closed the year with an actual new premium income of R1,33 billion, a 70% increase on the previous year. The company's assets under management are now approaching R5 billion.

Charter Life's past excellent achievements have been due primarily to its emphasis on its strong bancassurance partnership with the Standard Bank. The recent consolidation of relationships with the banking group and the formation of a new partnership with the UniFer group will keep bancassurance and workplace marketing a high priority in Charter Life's business development strategy.

Having established a sound foundation through bancassurance, Charter Life is now building a wider market niche. To support this, the company expanded its broker network to about 600 independent brokers.

Command performance... Sharon Ackerman (left) and Debbie Hodges of Charter Life received the highest number of customer service accolades.

The company aims to have this support network expanded to 1 000 contracted independent brokers by the end of the 2000 financial year. The broker network is complemented by the growing support, since July 1999, of the Liberty Group's extensive agency and franchise operations in South Africa. The Liberty and Charter products are complementary and have played a key role in further strengthening the relationship between Liberty consultants and Charter Life during the year under review.

Charter Life differentiates itself in the life insurance market through a sharp focus on personal service. It supports this service drive by harnessing leading-edge information and communication technology. The ongoing implementation of the state-of-the-art Amarta administration systems, together with Internet enablement, is reaping rewards. Many brokers around the country have rated Charter Life as the provider of the best service in the life assurance market. The life assurer has new initiatives planned for the 2000 financial year to reinforce its pre-eminence as a service provider. These initiatives include additional employee training and development and the overall nurturing of a culture of service excellence.

Charter Life's comparatively small staff complement remains keenly focused on an ethic of cost consciousness, open communication and multiskilled teamwork in an employee structure that is limited to only three tiers.

Acquisitions and related business issues

On 1 August 1999 the Group announced its acquisition of a 7% stake in UniFer Limited for R156 million. UniFer is a financial services group with a rapidly emerging market through its exclusive contracts with trade unions, with whom it is developing sound relationships. The investment in UniFer has opened the door for Charter Life to access UniFer's life insurance business and bring to bear its experience at administering and developing products for this fast-developing market segment.

The shareholders' interest in Guardian National Insurance Company was sold (subject to the fulfilment of suspensive conditions) on 31 December 1999 and realised an acceptable premium compared with the prevailing market price and net asset value. The Group did not consider the investment in a short-term insurer to be an integral part of its strategy and co-operated with the then controlling shareholder, AXA, to exit on favourable terms and will realise R645 million in the process.

International interests

As a result of the unbundling of the shareholders' direct interest in Liberty International, Liberty shareholders' interest has reduced to 8,6%.

The feature of Liberty International's performance during 1999 was the sharp increase in its net asset value per share from 589 pence to 696 pence, together with a strong performance in all of its property interests. With the continuing success of Liberty International's property activities, the Liberty International board concluded in 1999 that further expansion of the financial activities by way of major acquisition could not be justified in current market conditions and the company should focus its energies primarily on the outstanding opportunities emanating from the property sector.

Sales and marketing

The Group's marketing and sales operations performed well with almost all targets being achieved or exceeded. A major contributing factor was a focused programme to expand the number of directly controlled salespeople by 21% to 1 376 during the year, with strong growth of 59% coming from the Franchise Division, offset by a 10% reduction in the Agency Division as a result of the strategy of providing opportunities for agency management into franchise principals. The Group exceeded its targeted increase in the number of contracted independent financial advisors, ending the year at 4 800.

Especially pleasing are the success of the company's niche products and the prolific sales of the Guaranteed Capital Bond, an investment which provides a fixed return over a five-year period.

Strong efforts continue to be made to strengthen the knowledge, commitment and drive of the salespeople and, as part of an ongoing incentive programme, a new bonus system was implemented for senior managers in the sales divisions. An enhanced incentive system was also introduced at the start of 1999 for the internal broker marketing consultants. All broker consultants now work on a reduced base income, but with the prospects of earning higher bonuses. The new system has been welcomed by broker consultants and augurs well for sustained growth in sales over the next few years.

A further highlight was the rollout of a formal accreditation system for sales intermediaries. To qualify as accredited sales specialists, each salesperson has to pass a stringent examination that covers comprehensive detail on Liberty's products, services and other relevant subjects. The proactive accreditation initiatives have placed the sales operations in a favourable position ahead of the likely mandatory requirements of the new Financial Services Providers' Bill.

During the year general agency agreements were signed with other insurance providers. To date we have seen business flowing to Liberty Life with negligible sales outwards to the general agency partners.

Creatively and strategically directed marketing is integral to the Liberty brand. To this end, the Liberty brand essence was redefined in preparation for the full-scale launch of an entirely new brand personality and advertising campaign. The campaign, most notably television advertising, has positioned Liberty as a concerned and caring company engaged in the new South Africa, while retaining its renowned business image of being innovative, entrepreneurial and professional.

In response to shifting demographic patterns and the growing awareness among historically marginalised or underresourced demographic groups, Liberty Life continued to widen its target market and is reaping appreciable rewards for this effort. In another encouraging development during the year, Mokadi Matsimela became the first black consultant to secure his status in the Top 25 of the Production Leader Group and reflects Liberty's commitment to encouraging historically disadvantaged people to succeed at the most demanding levels of the financial services industry.

Liberty's top three agents in the Leader Group for 1999 are Wynand Bezuidenhout (left), Sandy Herman and Theo Senekal. Sandy Herman (centre), the top producer for 1999, is the first to have achieved production credits of more than R100 million in one year.

Another notable feat, and a first in Liberty's history, was the attainment of production credits of more than R100 million in one year by an individual salesperson. Sandy Herman of the Agency Division achieved total production credits of R120 million during 1999.

Sales growth targets for 2 000 have been set at the demanding level of inflation plus 12%.

Given the rapid international development of the World Wide Web (the Web), the Internet and associated developments in digital communications and information technology, e-commerce is fast becoming an integral facet of operating and adapting progressive companies into streamlined business units. Liberty is no exception and is evolving its business methods to harness the new sales and marketing opportunities inherent in e-commerce. During the three financial years to 31 December 2002 the Group plans to invest about R100 million in an exciting initiative to develop new products and services specifically for interaction through the Web.

New distribution opportunities are emerging and will be exploited to the Group's advantage. We shall continue to focus much of our distribution on our high value-added advice agency, franchise and broker force. During the 2000 and ensuing financial years, however, this commitment will be complemented increasingly by the growth of the newer and cost-effective distribution channels, most notably e-commerce, bancassurance and call centres. The outbound call centre, established at the end of 1998, has produced results ahead of expectations and is likely to grow to 50 people by the end of 2000.

Client service and communication

Winning smiles... Lynette Sasto, Ismail Arendze and Alpheus Masitenyane and their colleagues (below) Shaun Potterton (left), Janine Pretorius and William Spangenberg were "Blue Chips" winners during the year and completed courses at the Disney Client Service Institute at Orlando, Florida in the USA.

In a global business era characterised by increasing focus on, and better communication with, clients and customers, the Liberty Group reviewed its client service ethic and delivery systems during the latter months of 1998 as an integral part of its strategic evaluation and redesign process. The Group is striving to be more responsive to its clients' needs. The renewed commitment to improving client service and communication started to reap targeted rewards during the year.

The administration of Liberty Personal Benefits (formerly the Individual Benefits Services division) improved significantly during the year. In a high profile initiative to nurture a highly motivated culture of service excellence, the Group launched its "Blue Chips" programme during the year to recognise those employees who deliver exceptional client service. Criteria for service excellence have been formulated by and for each business unit.

As part of the commitment to enhanced client communication, personalised information packs to about 700 000 individual policyholders were mailed between mid-July and mid-August 1999, based upon the underlying principle of engaging in an open policyholder communication style in keeping with our new brand-building objectives. The overall response from

“Integral to the restructured and refocused Group, along with the reassessment of its brand image and market perception, was the decision towards year-end to rebrand the Group and most of its business units.”

policyholders has been pleasing. As expected, replies featured the Group's then disappointing relative medium-term investment performance, a fact that has already been addressed proactively.

Rebranding

Integral to the restructured and refocused Group, along with the reassessment of its brand image and market perception, was the decision towards year-end to rebrand the Group and most of its business units. The Group has opted for a more streamlined corporate identity and nomenclature with the name Liberty being featured more prominently. A formal change to the name of the company is to be proposed at the annual general meeting. It is proposed that the name "Liberty Life Association of Africa Limited" be changed to **"Liberty Group Limited"** in order to more aptly reflect the company as a financial services provider rather than solely as a life assurer. The established and proposed business name changes are summarised below:

New business name	Previous business name
Liberty Personal Benefits	Individual Benefits Services Division
Liberty Corporate Benefits	Corporate Benefits Services Division
Liberty Consultancy	Distribution Division
Liberty Properties	Liberty Life Properties
Liberty Specialised Investments	Millennium Financial Consultants and Investment Services
Liberty Unit Trusts	Guardbank Unit Trusts

The names of Liberty Asset Management, Liberty Healthcare, Charter Life and Oracle Employee Benefits remain unchanged.

The Group has structured its shared corporate services functions around eight primary Group support functions: Internal Audit Services; Finance; Valuations; Company Secretarial Services; Brand Development; Technology Strategy; Human Resources; and Public Relations.

Human capital

The future competitiveness and ability to consistently deliver first-class products and services in the financial services and other business sectors will rely increasingly on a group's ability to attract, develop and empower well-motivated, knowledgeable and customer-centric people. In short, intellectual capital is becoming the single most important distinguishing factor between a merely good company and an excellent one in the international business world.

Mindful of such challenges and in line with our strategic plan, the Liberty Group has recommitted itself to the optimum development of staff to ensure that we can progress towards becoming a world-class enterprise driven by highly skilled and motivated people. Our primary human resources tasks are twofold:

- to manage change and the impact of transformation on our business as a result of internal and external factors; and
- to promote knowledge management and a culture of lifelong learning so that we can become a truly entrepreneurial, knowledge-based company.

The groundwork for a new human resources management philosophy and programme was undertaken during 1999 and will be extended into 2000. During most of 2000 and 2001 bold initiatives will be undertaken by Group Human Resources, in partnership with business unit leaders, to promote further skills training and development in functional disciplines, as well as managerial skills in line with the National Qualifications Framework and the Skills Development Act. We are striving to create a corporate culture in which knowledgeable and motivated people are empowered to make entrepreneurial decisions and to be held responsible and accountable for their decisions and tasks in support of sound growth and excellent customer service.

Integral to this cultural shift is the need to expedite an employment equity programme so that the demographic composition of the Group's staff complement, in time, reflects South Africa's demographics. The Group, with its representative employment equity forum, formulated an employment equity plan during the year and will be finalising the equity targets and strategies before April 2000. We are optimistic that the Liberty Group's employee demographics will comply with the requirements of the new Employment Equity Act. The current intention is to reach desired employment equity targets before the close of the 2004 financial year.

During the year the total staff complement within the Liberty Group increased to 3 435, thereby creating jobs for an additional 187 people.

Another facilitatory new development during the year was the formulation of a new employee incentive and bonus scheme to encourage improved focus and higher productivity in support of the new strategic plan. Far greater emphasis is placed on employees being output-orientated and more empowered to be proactive, responsible and accountable.

Comprehensive changes in legislation, technology, the marketplace and in business leadership philosophy have in recent years demanded a more sophisticated and intrapreneurial approach towards human resources management. Group Human Resources has a vital role to play in transforming the culture and developing the mindsets, value systems and behaviour that are necessary to align our people with our new strategic plan. The transformation of the Liberty Group into dynamic business units will accelerate this challenge immensely.

Impact of HIV/AIDS

One of the disconcerting trends impacting on the South African economy is the HIV/AIDS epidemic. Current statistics indicate that the number of HIV/AIDS-infected adults in the South African workforce could be approaching 20%. The potential costs to the future South African economy of AIDS could be onerous. It is axiomatic that the Liberty Group's potential exposure to HIV/AIDS has been increasing and that appropriate measures have to be taken to contain the associated risks.

During the year under review the company's exposure to AIDS was well contained, with positive testing for clients applying for new or extended life cover being at virtually the same level of 1998. During 1999, 8,93 per 1 000 clients tested across all categories tested as HIV-positive. The comparative figure for 1998 was 8,91 per 1 000.

Technology and infrastructure

The Liberty Group had all its mission-critical computer hardware and software and related microchip-based technology certified as Y2K-compliant before the end of September 1999. The year 2000 commenced smoothly and

"Blueprint is being harnessed effectively to serve the growing corporate benefits market and has been implemented by all business units."

uneventfully. The Group's Y2K-compliance project manager and project team are lauded for an excellent job completed on time.

Second in importance to the Liberty Group's strategic operational objectives after developing and maintaining a world-class base of highly skilled staff is the exploitation of cutting-edge information management systems. The most notable components are our unique Blueprint system and the licensed Compass system developed by FDP, an American specialist systems and software development company. Technology-assisted face-to-face interaction has become the basis for our sales and marketing programmes.

Blueprint has in recent years, most notably during 1999, been evolved and refined to become a powerful information management tool. This innovation – regarded as a world-first for client-focused software development in the life insurance and investment industry – commenced in the earlier 1990s as comprehensive needs-analysis software to help the sales force to expedite its analysis and delivery of clients' investment needs, most notably where gaps existed in an existing financial planning and investment portfolio.

In its evolved form, Blueprint is capable of capturing and managing far more extensive information – not only of clients, their portfolios and their future needs, but also of Corporate Benefits products and key financial data. Through Blueprint we can gain an improved understanding of a client's needs and to be more customer-centric.

Client policies and related documentation can now be processed electronically, even from remote locations, thereby accelerating response times and reducing administrative bottlenecks and costs. Blueprint is being harnessed effectively to serve the growing corporate benefits market and has been implemented by all business units. As a result of its ability to promote efficiency and cost-effectiveness, Blueprint enables us to focus more aggressively on the smaller end of both the individual and corporate benefits markets without adverse impact on economies of scale and margins. The implementation of further refinements and additions to the Blueprint system are planned for the 2000 and 2001 financial years.

E-commerce, including the expanding benefits of the Web and new-generation operating systems and software developed for the electronic workplace, presents new business development opportunities for the Group. E-commerce is changing the structure and nature of how we work and interact with our clients. Such developments have enabled Liberty to commit funds to the development of a unique, interactive website registered under the name of **mylife.co.za**. This initiative holds great promise and will be pursued with vigour.

Conclusion

Strategically valuable groundwork was completed in most of our disciplines and fields of expertise during the year. Coupled to economic recovery and increased market confidence, this groundwork provides the necessary platform to lead the Liberty Group into a new era of consolidation, revitalisation and growth during the first decade of the new century.

The Group's earnings from life fund operations are highly correlated to the performance of the JSE and world markets and the earnings for 2000 will accordingly reflect the movements in these markets.

The simplified and more dynamic structure, complemented by excellent products, sound leadership skills, motivated staff and good market opportunities, places the Liberty Group in an enhanced position to improve its services, increase its market shares and achieve better shareholder value. We look to the future with confidence, focus and energy.

Roy Andersen

Group chief executive

14 March 2000

THE EXECUTIVE MANAGEMENT COMMITTEE

Roy Andersen
Group chief executive
Liberty Group

Hylton Appelbaum
Executive director
Liberty Group

Mark Bloom
Chief financial officer
Liberty Group

Gavin Came
Managing director
Liberty Collective Investments

Mike Garbutt
Managing director
Liberty Consultancy

Stephen Handler
Senior executive director
Liberty Group

Lee Izikowitz
Chief information officer
Liberty Group

Mike Jackson
Executive director, financial services operations
Liberty Group

Craig Lawrence
Human resources executive
Liberty Group

Ian Maron
Managing director
Liberty Corporate Benefits

Carmen Maynard
Executive director, strategy
Liberty Group

Jim McLean
Managing director
Liberty Properties

Alan Miller
Managing director
Liberty Asset Management

David Nohr
Executive director, actuarial
Liberty Group

Dan Pienaar
Managing director
Liberty Healthcare

Alan Woolfson
Managing director
Charter Life

"The Foundation is driven by a philosophy of empowerment rather than short-term charitable handouts."

THE LIBERTY LIFE FOUNDATION

The Liberty Group's widely respected engagement in social involvement commenced in 1971 and is today co-ordinated through the Liberty Foundation. The Foundation is driven by a philosophy of empowerment rather than a culture of short-term charitable handouts. The Foundation operates upon the premise that people in historically disadvantaged communities should be empowered to have and pursue choice so that they can achieve self-sufficiency.

The Liberty Foundation pursues four main objectives:

- to provide funding for effective educational, social development, welfare and charitable endeavours;
- to promote empowerment and sustainable development;
- to encourage community organisations to harness their skills and expertise to generate economic activity, create jobs and build capacity; and
- to identify strategic developmental opportunities and to help to make them achievable.

During 1999 the foundation continued to support projects that promote education and skills development, alleviate poverty, encourage responsible social development, improve the awareness of HIV/AIDS and support welfare.

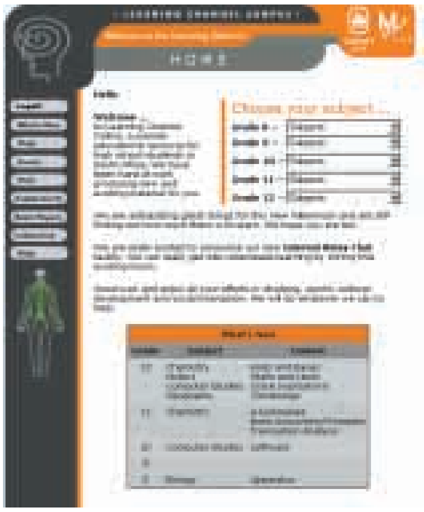
The foundation's geographic focus remains national, with foundation staff continuously visiting, assessing and monitoring projects. Synergistic community and national partnerships are favoured, as is the harnessing of new and appropriate media and technology to facilitate the attainment of project goals.

Buy-Afrika

The foundation continues to support the Buy-Afrika initiative, which promotes the development, marketing and advancement of well-designed, high-quality and distinctly African goods for local and international markets. Buy-Afrika has a catalogue of about 3 000 products made by 800 manufacturers employing more than 23 000 people. It has an Internet-based electronic catalogue, buy-afrika.com, and is currently building a cyber store. In a significant achievement, Buy-Afrika recently received a R20 million purchase order from a major French retail store group.

Employment for the disabled

Working closely with national organisations supporting the needs of disabled people and those undergoing post-parole rehabilitation, the foundation has promoted the production and marketing of the unique Freeplay radios. More than 935 000 of these affordable, wind-up, battery-free radios were manufactured in South Africa during 1999 and almost R9 million in wages were paid to employees.



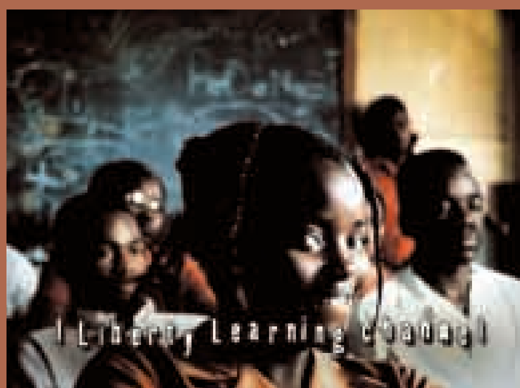
Education and the Liberty Learning Channel

Education is, for many people, the area where the foundation has made its most visible impact, most notably through its sponsorship of the popular interactive Liberty Learning Channel, which is televised over about 700 hours a year by the South African Broadcasting Corporation (SABC). The channel delivers core curriculum material for grade 11 and 12 school learners in the subjects of biology, chemistry, mathematics, physics and English. Some schools have begun to integrate the channel into their routine teaching environment. The SABC and the foundation continue to work closely together and have several exciting initiatives planned.

The channel's programmes are also televised to 12 other African states, including neighbouring countries and some as far afield as Ethiopia and Ghana. The TV broadcasts are complemented by extensive foundation-sponsored material published by some of the country's major weekly and daily newspapers, among other notable developments, including the educational website, learn.co.za.

The ad that touched the hearts of the nation… The compelling, high-recall new Liberty Group television advertisement is not just part of a commercial campaign to promote Liberty as a respected and trusted life insurance and financial services brand. It was conceived creatively and strategically to strengthen Liberty's image as a concerned and caring enterprise. In turn, the TV advertisement promotes one of the many valuable educational projects being sponsored by the Liberty Foundation.

In spite of its physical remoteness and lack of resources, the Mbilwi Senior Secondary School at Sibasa, near Thohoyandou in the Northern Province, has for five consecutive years achieved an impressive 100% pass rate for its year-end matriculation examinations. The school won the first Liberty Life/Sunday Times Award for Excellence in Education in 1998. The school has too few textbooks, its classrooms and furniture are in disrepair and the children have to use pit toilets. Yet, with the help of the televised Liberty Learning Channel, the learners remain undaunted in their passion to achieve academic excellence.



UNBUNDLING IN A NUTSHELL

Shareholders, policyholders and other Liberty Group stakeholders have asked:

What did the corporate unbundling entail – and what was achieved in this regard during 1999?

What is meant by the term "unbundling"?

Liberty Life decided to distribute to shareholders some of the investments that it previously held. The actual distribution of these shares to shareholders is called an "unbundling". Shareholders hold the investment directly after the unbundling.

If I held 100 shares in Liberty Life prior to the unbundlings, what shares should I have received?

- For every 100 shares you held in Liberty Life on 23 June 1999, you would have received 46,62439 Liberty International shares.
- For every 100 shares you held in Liberty Life on 23 September 1999, you would have received 117,278071 Stanbic shares.

What dividends should I have received?

- Liberty Life paid an interim dividend of 142 cents per share to shareholders registered on 23 September 1999. This dividend includes the interim Stanbic dividend of 21 cents for the unbundled Stanbic shares.

  A final dividend of 140 cents per share has been declared for shareholders registered on 31 March 2000, payable on 7 April 2000.
- The interim and final dividends for the Liberty International shares which were unbundled will both be received directly from Liberty International. Liberty International declared an interim dividend of 9,5 pence per share which was paid on 12 January 2000 and a final dividend of 11 pence per share payable on 10 May 2000.
- The Stanbic 1999 final dividend of 50 cents per share will be received directly by shareholders registered on 31 March 2000 and payable on 20 April 2000.

So what were my 100 shares worth then and now?

Your 100 shares were worth R8 100 on 31 December 1998 and the total value of your 100 Liberty Life, 46,6 Liberty International and 117,3 Standard Bank shares was worth R12 253 on 31 December 1999, an increase in value of 51,3% for the year.

Did the unbundling create any value for my shares?

If the market value of a Liberty Life share at 31 December 1998 of R81,00 were to be broken up into its unbundled components, the portion which represents the continuing operations of Liberty Life was worth R39,23. The balance of the share price represented the value of the unbundled Liberty International shares of R20,66 and Standard Bank of R21,11.

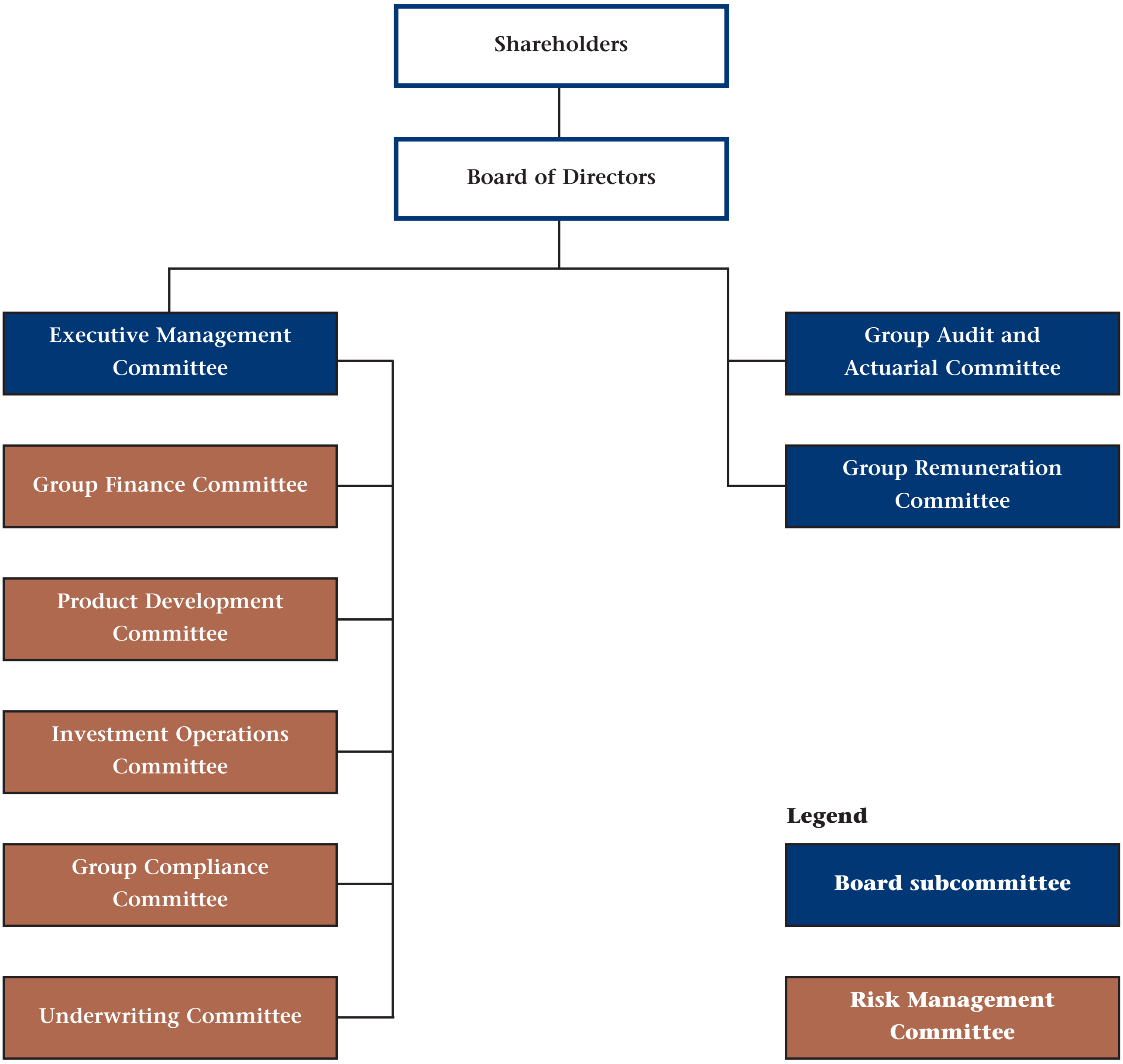
The share price of Liberty Life at 31 December 1999 was R71,00, an increase of 81,0% on the R39,23 from 1998. This increase largely reflects the value created as a result of the unbundlings.

The Liberty Group is committed to promoting and furthering quality corporate governance practice with the view to conducting a beneficial dialogue with its shareholders and other stakeholders on the Group's stewardship of the financial, human and other resources entrusted to its care and the manner in which it manages its business affairs and assesses its corporate risks.

The Group's approach to corporate governance is consistent with the contents of the King Report on Corporate Governance in South Africa, published in November 1994. The report includes a code of corporate practices and conduct, the underlying principles and spirit of which have been fully endorsed by the Liberty Group.

The Liberty Group is committed to a continuous review and reassessment of its corporate governance practices, with an emphasis on substance over form.

CORPORATE GOVERNANCE STRUCTURE



Board of Directors

The composition of the boards of directors of Liberty Life and Liberty Holdings are shown on pages 64 and 102, respectively.

The companies in the Liberty Group – Liberty Life and Liberty Holdings, which are reported on in this document – have adopted unitary board structures comprising an appropriate and balanced mixture of executive and non-executive directors. All directors bring to the boards a diverse range of experience and professional skills, which, in the case of non-executive directors, is augmented by an independent perspective from executive management.

Directors are subject to retirement by rotation and re-election by shareholders at least once every three years in accordance with the company's articles of association. The appointment of new directors is approved directly by the appropriate board. No executive directors hold service contracts. The chief executive officer has, as part of his contract of employment, a requirement to give or receive six months' notice.

The boards are responsible to all shareholders for the proper management and ultimate control of the Liberty Group and Liberty Holdings and participate in discussions on, and monitor the progress of, strategic direction and policy, business acquisitions and disposals, the approval of major capital expenditure, consideration of significant financial matters, the monitoring of executive management's activities and any other matters that have a material impact on the Group's affairs.

The boards meet quarterly under the chairmanship of Mr Derek Cooper, with additional meetings being arranged when necessary. Mr Cooper, with the concurrence of the boards, functions as a group chairman and is mainly involved in matters affecting the long-term strategic direction of the Liberty Life Group, both locally and internationally. Mr Roy Andersen, the group chief executive, is charged with the overall day-to-day responsibility for the Group's operations.

The boards have established three standing committees which operate according to the terms of reference stipulated by the respective boards. These committees are detailed below.

All directors have access to the advice and services of the group secretary and, with the prior agreement of the group chairman (or the group chief executive), are entitled to seek independent professional advice on the affairs of the Liberty Group at the Group's expense.

SUBCOMMITTEES OF THE BOARD OF DIRECTORS

Group Audit and Actuarial Committee

W S MacFarlane *(chairman)*, A Romanis, D D B Band, D A Hawton

The Group Audit and Actuarial Committee comprises three non-executive directors, and is chaired by an independent non-executive director, Mr Selwyn MacFarlane.

The major and most prominent objectives of the Group Audit and Actuarial Committee include:

- promoting the overall effectiveness of corporate governance in the Liberty Group;
- acting as an effective communication channel between the boards on the one hand and the external auditors and the head of internal audit on the other;
- satisfying the boards that adequate internal, financial and operating controls are in place and that material corporate risks have been identified and are being contained and monitored;
- providing the boards with an assessment of the effectiveness of the external auditors and the internal audit function;

- enhancing the quality, effectiveness, relevance and communication value of the published financial statements and other public documentation issued by the Liberty Group, with specific focus being placed on the actuarial assumptions, parameters, valuations and reporting guidelines and practices adopted by the statutory actuary as deemed appropriate to the Group's life insurance activities;
- providing the boards with an independent point of reference in seeking a resolution of interpretative and controversial issues which impact on the published financial statements and other public documentation issued by the Liberty Group.

Meetings of the Group Audit and Actuarial Committee are held four times a year and are attended by the Group's external auditors, the statutory actuary, the head of internal audit and the members of senior executive management who are deemed appropriate. The members of the Group Audit and Actuarial Committee review the audit plans and scope of the external and internal audit functions. The external auditors, the head of internal audit and the statutory actuary have unrestricted access to the chairman of the Group Audit and Actuarial Committee at all times.

Group Remuneration Committee

D A Hawton *(chairman)*, C B Strauss, D E Cooper

The Group Remuneration Committee comprises two non-executive directors and is chaired by a non-executive director. The Group Remuneration Committee is primarily responsible for ensuring that executive directors and members of senior executive management are appropriately remunerated and incentivised for their contribution to the Liberty Group's financial and operating performance after taking due account of market and industry benchmarks.

Executive Management Committee

R C Andersen *(chairman)*, M Jackson, S Handler, D Nohr, C Maynard, H I Appelbaum, M A Bloom, L G Came, M L Garbutt, L Izikowitz, C V Lawrence, I H Maron, J McLean, A Miller, D L C Pienaar and A J Woolfson

The Executive Management Committee meets monthly and is responsible for the strategic plan, its implementation and the monitoring of its progress. This committee acts as an advisory body to the group chief executive on the day-to-day operations of the Liberty Group. The various risk management committees detailed below are represented at the Executive Management Committee.

RISK MANAGEMENT COMMITTEES

Group Finance Committee

S Handler *(chairman)*

Responsible for financial operating and policy decisions, the Group Finance Committee meets quarterly to confirm the compliance of the Group's accounting policies, the fairness and reasonableness of the presentation of financial statements and the consideration of topical finance-related issues.

Product Development Committee

R C Andersen *(chairman)*

The Product Development Committee meets monthly to ensure all new products conform to the Group's predetermined requirements and standards, such as appropriate margins, investment backing, legal, underwriting and, where appropriate, currency risks, as well as the Group's administrative capabilities for managing these products.

Investment Operations Committee

S Handler *(chairman)*

The Investment Operations Committee oversees the high-level asset mix parameters for various products and portfolios. It is also tasked with agreeing mandates for performance of each investment portfolio in conjunction with Liberty Asset Management. Asset liability matching is a core focus of the committee. This committee meets monthly.

Group Compliance Committee

S Handler *(chairman)*

The Group Compliance Committee meets quarterly to review the Group's level of compliance with internal control and risk management procedures.

Underwriting Committee

D S Nohr *(chairman)*

All new rate tables are reviewed by the Underwriting Committee, which meets monthly.

OTHER KEY GOVERNANCE ISSUES

Internal Audit

The internal audit functions of the Liberty Group, headed by P Collison, are located in Group Internal Audit Services. The Group's internal auditors perform an independent review and appraisal of the Group's operational activities and operate with the full authority of the Group Audit and Actuarial Committee. Group Internal Audit Services is charged with examining and evaluating the effectiveness of the Group's operational activities, the attendant business risks and the systems of internal, financial and operating controls, with major weaknesses being brought to the attention of the Group Audit and Actuarial Committee, the external auditors and members of senior executive management for their consideration and remedial action. All reports issued by Group Internal Audit Services are circulated to the external auditors for their perusal, comment and action where appropriate.

Internal, financial and operating controls

The boards of directors of the companies in the Liberty Group acknowledge their ultimate responsibility for the Group's systems of internal, financial and operating controls and the monitoring of their effectiveness. These systems are designed to provide reasonable, but not absolute, assurance against material misstatement and loss. The identification of risks and the detailed design, implementation and monitoring of adequate systems of internal, financial and operating controls to manage such risks are delegated to senior executive management by the various boards and reviewed regularly by the Group Audit and Actuarial Committee on their behalf.

Even effective systems of internal, financial and operating controls, no matter how well designed, have inherent limitations, including the possibility of circumvention or the overriding of such controls. Effective systems of internal, financial and operating controls, therefore, aim to provide reasonable assurance of the reliability of financial information and, in particular, financial statement presentation. Moreover, changes in the business and operating environment could have an impact on the effectiveness of such controls, which accordingly will need to be reviewed and reassessed continuously.

The Group maintains internal, financial and operating controls that are designed to provide assurance regarding:

- the safeguarding of assets against unauthorised use or disposition;
- compliance with statutory laws and regulations; and
- the maintenance of proper accounting records and the adequacy and reliability of financial information.

The external and internal audit functions assist in providing the boards and senior executive management with monitoring mechanisms for identifying risks and assessing controls appropriate to managing such risks in order to facilitate the undertaking of corrective action to address deficiencies once they have been identified.

The boards of directors of the companies in the Liberty Group have not been made aware by senior executive management or internal audit representatives of any issue that would constitute a material breakdown in the functioning of these controls during the financial year under review or subsequently.

The external auditors, although not responsible for the Group's systems of controls, are not aware, based on the scope of the work performed by them, of any matters relating to such controls that would constitute a material breakdown.

A material breakdown is defined as being identified weaknesses which result in material losses, contingencies or uncertainties requiring disclosure in the financial statements or the external auditors' report.

Code of ethics

The Group subscribes to the highest levels of professionalism and integrity in conducting its business and dealings with stakeholders. All Group employees and representatives are expected to act in a manner that inspires trust and confidence in the general public. The Group has formalised a code of ethics, which prescribes the Group's approach to business ethics and its obligations to clients, shareholders, employees, representatives, suppliers, the general public and the authorities. This code of ethics, which has been and will continue to be the subject of a dialogue with the Group's employees and representatives, specifies the following basic approach to business ethics:

- Commercial businesses should operate and compete in accordance with the principles of free enterprise. Free enterprise is nevertheless constrained by the observance of law and of generally accepted principles governing ethical behaviour in business.
- Ethical behaviour is founded on the concept of utmost good faith and characterised by integrity, reliability and a commitment to avoid harm.
- Ethical business activities will benefit all parties to them by a fair exchange of value or satisfaction of need. The creation and enjoyment of profit is both a legitimate component of this exchange and an incentive to continue in business.
- Other than the observance of legal and ethical business practices, we expect no favours from our competitors – nor should they expect any from us.
- We expect equivalent standards of ethical behaviour from those with whom we conduct business.
- It is incumbent upon every commercial enterprise to strive for excellence in its ethical standards, as in any other aspect of its activities.

Employment equity

A charter was drafted for the employment equity forum (EE forum), which was established in March 1999, in consultation with the executive management committee. The charter presents, prescribes and outlines the basis upon which the employment equity will be embraced by the Liberty Group. In addition, it seeks to define the roles of the respective players in this field. The roles of the forum members and Liberty Life as employer and their necessary interaction have been set. It is expected that the new forum will anticipate all that is required to meet the employment equity challenges facing the Liberty Group.

The forum assists the executive management committee by providing constructive ideas and practicable formulae in relation to South Africa's new Employment Equity Act. In order to do this, the EE forum shall:

- assist in preparing and finalising the corporate plans for the Liberty Group;
- contribute beneficial information, ideas, advice and proposals when monitoring, evaluating, implementing and managing the progress of the Group's corporate employment equity plans to ensure that the Act's provisions are upheld;
- consider and review all current employment policies and practices of the Liberty Group and, where necessary, indicate to the executive management committee those employment policies and practices that require amendment to comply with the Act's provisions;
- be consulted on the reasonable annual employment equity targets set by the executive management committee;
- proactively review the progress of the corporate employment equity plans not less than quarterly;
- ensure that the Group's strategies and objectives are reviewed periodically and adjusted to comply with the Act's requirements;
- ensure that the Act's policy and the spirit are embraced by the Liberty Group through effective communication and by adhering to the Act's requirements;
- provide feedback and information to all employees on all employment equity issues through the use of established Group communication channels;
- represent all employees and ensure that their interests are promoted adequately; and
- conduct all responsibilities from a corporate perspective to avoid the promotion of personal issues.

The functioning of the EE forum, the consultation with the employer and the interaction with the executive management committee must be undertaken with due regard to, and without compromise of, the business objectives of the Liberty Group.

Other issues

The Liberty Group subscribes to a policy of open, frank and timeous communication with its shareholders and other stakeholders in its activities on both financial and non-financial matters. The Group produces an annual employee report in which the corporate activities of the preceding financial year are reviewed. The Liberty Group has also established a consultative process with employees in order to ameliorate the impact of technological and other organisational changes in the working environment.

The Group operates a closed period prior to the publication of its interim results and its annual financial statements. During the closed period the Group's directors and officers may not deal in the shares of the Group's listed companies.

The Group has been actively concerned with various aspects of social development for more than 25 years and, through the activities of the Liberty Foundation, has gained an enviable reputation for sustained and innovative involvement in the upliftment of the historically disadvantaged members of South African society with increasing emphasis being placed on educational activities. More detailed comment on the activities of the Liberty Foundation is contained on pages 49 and 50 of the annual report.

The Group seeks to promote a healthy, secure and participative social and working environment with its staff, business connections and society at large. The duty of being a responsible, caring and exemplary corporate citizen is considered to be an obligation – and never a choice.

Compliance with the King Report

The Liberty Group believes that in all material respects it complies with the underlying principles contained in the code of corporate practice and conduct of the King Report on Corporate Governance in South Africa.

GLOSSARY OF TERMS

Capital adequacy cover

The capital adequacy cover is the ratio of the free reserves to the capital adequacy requirement.

Contingency and other reserves

Contingency and other reserves are reserves previously held within the life fund in excess of those required to meet the actuarial liabilities under unmatured policies.

Market-related business

Policies under which benefits are determined by reference to the market performance of certain specified categories of investments selected by policyholders.

Non-profit business

Policies which do not participate in surplus with the benefit expressed as a fixed sum at the end of the term or earlier death, or as an annuity of predetermined amount.

Reversionary bonus business

Policies participating in surplus in the form of bonuses payable together with the sum insured at the end of the term or earlier death.

Smooth bonus business

Policies participating in surplus on a basis where the full effect of exceptionally good or bad performance is not reflected immediately in bonuses declared, but is smoothed over time.

Embedded value profit

The embedded value profit is the increase in the embedded value over the year increased by any dividends declared and capital reductions during the year and decreased by any capital raised during the year.

Analysis of embedded value profit

The analysis of embedded value profit identifies the various components that gave rise to the profit.

Value of life business in force

The discounted value of the projected stream of future after-tax profits for existing business in force at the valuation date.

Value of new business written

The present value, at the point of sale, of the projected stream of after-tax profits from that business.

Revenue earnings attributable to shareholders' funds

Earnings excluding realised and unrealised surpluses or deficits arising on the investment of shareholders' funds.

Management expense ratio

Expresses management expenses of life insurance operations as a percentage of net premium income.

Development costs

Marketing costs of the company, including the development and training of field staff.

Employee costs

Costs associated with the employment of staff.

Office costs

Costs associated with the accommodation and maintenance of offices as well as administrative and corporate overheads.

New business costs

Costs incurred in marketing, selling and establishing records for new policy contracts.

New business index

The new business index is an internationally accepted measure which is calculated as the sum of new business annualised recurring premiums plus 10% of new single premiums for the year.

(Registration number 1957/002788/06)

Financial Highlights – continuing operations

for the year ended 31 December 1999

- **Headline earnings up 14,0% to R1,41 billion**
- **Headline earnings per share up 12,9% to 523,2 cents**
- **Life fund operating surplus up by 23,2% to R1,38 billion**
- **Total premium income up by 21,9%**
- **Recurring premium new business up by 18,2% to R1,56 billion**
- **Total assets increased by 32,1% to R69,27 billion**
- **Total assets under management increased to R98,9 billion**
- **Embedded value of life business in force – R4,76 billion**

REVIEW OF THE PAST SIX YEARS – continuing operations[1]

	Compound annual growth %[2]	1999 £m
New business premium income		
Annualised recurring	11,2	**158,8**
Individual	11,0	**134,7**
Group	12,2	**24,1**
Single	20,2	**643,1**
Individual	32,5	**326,3**
Group	12,9	**165,3**
Immediate annuities	12,1	**151,5**
New business premium income	18,1	**801,9**
New business index	13,4	**223,1**
Income statement – extracts		
Headline earnings per share (cents)	22,7	**53,3p**
Life fund operating surplus per share (cents)		**52,2p**
Revenue earnings per share attributable to shareholders' funds (cents)		**1,1p**
Net premium income	16,9	**1 164,9**
Dividends per ordinary share (cash equivalent) (cents)		**27,29p**
Management expense ratio (life insurance operations) (%)		**6,5**
Balance sheet – extracts		
Shareholders' funds	21,7	**915,7**
Life funds	9,6	**5 658,0**
Actuarial liabilities under unmatured policies		**5 658,0**
Contingency and other reserves		**–**
Total assets	11,2	**6 975,9**
Capital adequacy cover (multiple of capital adequacy requirements)		**6,8**
Other		
Embedded value (million) – subsidiary companies included at net asset value	14,9	**£1 397,6**
Embedded value per share – subsidiary companies included at net asset value	13,9	**£5,17**
Value of new business written (long-term expense relief) (million)	55,2	**£38,77**
Staff numbers, excluding field staff	(2,6)	**3 435**
Liberty share price at 31 December (excluding Liberty International and Stanbic components)	(0,4)	**£7,15**
Total number of shares in issue at 31 December (million)	2,6	**270,2**
Market capitalisation (excluding Liberty International and Stanbic components) (million)	2,1	**£1 931,9**
Weighted average number of shares in issue (million)	2,7	**269,3**
R/£ exchange rate at end of year	12,4	**9,93**
Average R/£ exchange rate for the year	12,7	**9,82**
R/US$ exchange rate at end of year	11,7	
Average R/US$ exchange rate for the year	11,4	

(1) As if Liberty International and Stanbic had been unbundled at 31 December 1993.

(2) Calculated on rand amounts from 1994 to 1999.

(3) Excludes special anniversary dividend of 40 cents per share in 1997.

1999 Rm	1998 Rm	1997 Rm	1996 Rm	1995 Rm	1994 Rm
1 559,7	1 319,3	1 213,2	1 085,9	1 015,1	919,3
1 322,9	1 045,8	1 012,1	930,8	848,6	786,1
236,8	273,5	201,1	155,1	166,5	133,2
6 314,6	4 591,7	5 045,9	3 638,1	2 987,8	2 511,9
3 203,6	2 531,5	2 803,8	1 786,7	985,4	783,5
1 623,6	935,4	1 323,4	829,1	810,8	886,7
1 487,4	1 124,8	918,7	1 022,3	1 191,6	841,7
7 874,3	5 911,0	6 259,1	4 724,0	4 002,9	3 431,2
2 191,2	1 778,5	1 717,8	1 449,7	1 313,9	1 170,5
523,2	463,6	470,5	391,3	335,9	188,0
512,1	420,1	379,9	284,8		
11,1	43,5	90,6	106,5		
11 439,6	9 387,2	9 533,7	7 746,4	6 492,7	5 233,3
282,0	462,0	385,0[3]	320,0	256,0	204,0
6,5	6,8	6,2	6,5	6,7	7,3
9 092,6	4 963,1	5 583,3	5 836,8	5 611,2	3 402,6
56 183,6	43 817,9	46 907,5	46 008,4	41 162,8	35 499,1
56 183,6	41 014,0	43 355,1	42 525,2	37 758,8	31 561,8
–	2 803,9	3 552,4	3 483,2	3 404,0	3 937,3
69 271,1	52 455,3	55 263,3	54 543,6	48 959,0	40 790,9
6,8	4,3	4,8	7,1	7,6	6,9
R13 878	R12 081				
R51,36	R45,11				
R385	R248				
3 435	3 266	3 280	3 355	3 877	3 927
R71,00	R39,23	R81,11	R76,79	R80,25	R72,55
270,2	267,8	263,5	250,1	244,0	238,1
R19 184,20	R10 505,8	R21 372,5	R19 205,2	R19 581,0	R17 274,2
269,3	266,5	253,6	247,4	241,6	235,6
9,93	9,76	8,06	7,94	5,67	5,54
9,82	9,23	7,65	6,70	5,71	5,40
6,15	5,88	4,87	4,68	3,65	3,54
6,05	5,52	4,63	4,24	3,61	3,53

DIRECTORS

Chairman

D E Cooper (59) CA(SA)†
Appointed to the board – 1999

Executive directors

R C Andersen (51) CA(SA), CPA (Texas)
Group chief executive and deputy chairman
Appointed to the board – 1997
3 years' service

H I Appelbaum (46) BA, LLB
Appointed to the board – 1993
13 years' service

S Handler (59) BCom, FASSA, FFA, AIA, ASA
Appointed to the board – 1979
33 years' service

M J Jackson (50) MA(Hons)
Appointed to the board – 1998
25 years' service

C E Maynard (47) MCom
Appointed to the board – 1999
1 year's service

D S Nohr (55) BSc, FASSA, FIA, ASA
Appointed to the board – 1998
35 years' service

Non-executive directors

D D B Band (55) BCom, CA(SA)*
Appointed to the board – 1995
Director of companies

E Bradley (61) BSc, MSc
Appointed to the board – 1999
Executive chairman: Wesco Investments Limited

D A Hawton (62) FCIS†*
Appointed to the board – 1999
Executive chairman: Kersaf Limited

R J Khoza (50) MA (Lancaster), PMD (Harvard)
IPBM (IMD Lausanne)
Appointed to the board – 1999
Chairman: Eskom South Africa

W S MacFarlane (64) CA(SA), FCA*
Appointed to the board – 1995
Director of companies

S J Macozoma (42) BA
Appointed to the board – 1999
Managing director: Transnet

J H Maree (45) BCom, MA (Oxon)
Appointed to the board – 1997
Chief executive: Standard Bank Investment Corporation Limited

R A Plumbridge (64) MA (Oxon), LLD(hc)
Appointed to the board – 1999
Director of companies

M Rapp (64) CA(SA)
Appointed to the board – 1975
Director of companies

A Romanis (60) CA#*
Appointed to the board – 1986
Former vice chairman: Liberty Life Association of Africa Limited

C B Strauss (64) BA, MS, PhD, DEcon(hc), DSc(hc)†
Appointed to the board – 1983
Chairman: Standard Bank Investment Corporation Limited

E P Theron (60) BCom, LLB
Appointed to the board – 1999
Former group chief executive: Standard Bank Investment Corporation Limited

†Member of the Remuneration Committee
*Member of the Group Audit and Actuarial Committee
#British

APPROVAL OF FINANCIAL STATEMENTS

for the year ended 31 December 1999

The directors accept responsibility for the annual financial statements, the Group annual financial statements and related information included in this annual report. These financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates, in conformity with South African Statements of Generally Accepted Accounting Practice, taking into account the nature of the business and in the manner required by the Long-term Insurance Act and the Companies Act of South Africa. The directors are of the opinion that the financial statements fairly present the financial position of the Company and the Group. The joint independent auditors are responsible for reporting on these financial statements. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control. Internal financial and operating controls are described in the corporate governance statement on pages 54 to 59.

Nothing has come to the attention of the directors to indicate that the Group will not remain a going concern for at least the ensuing financial year.

The Company annual financial statements and the Group annual financial statements which appear on pages 72 to 98 were approved by the board of directors on 14 March 2000 and are signed on its behalf by:

D E Cooper
Chairman

R C Andersen
Group chief executive

REPORT OF THE JOINT INDEPENDENT AUDITORS

To the members of Liberty Life Association of Africa Limited

We have audited the Company annual financial statements and Group annual financial statements of Liberty Life Association of Africa Limited set out on pages 72 to 98 for the year ended 31 December 1999. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present in all material respects, the financial position of the Company and of the Group at 31 December 1999 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Long-term Insurance Act and the Companies Act of South Africa.

Grant Thornton Kessel Feinstein
Chartered Accountants (SA)
Registered Accountants and Auditors

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
14 March 2000

CERTIFICATION BY COMPANY SECRETARY

In terms of Section 268 g(d) of the Companies Act, 1973, as amended, I certify that the Company has lodged with the Registrar of Companies all such returns as are required by the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date.

J Worwood FCIS
Group company secretary

Johannesburg
14 March 2000

REPORT OF THE STATUTORY ACTUARY

	Liberty Life Company		
Actuarial balance sheet at 31 December 1999	**1999**	1998 Proforma[1]	1998
	Rm	Rm	Rm
Assets			
Total assets as per balance sheet	**63 902,4**	47 969,4	61 276,1
Less liabilities	**54 809,8**	40 247,4	40 247,4
Actuarial liabilities under unmatured policies	**52 802,0**	38 430,9	38 430,9
Current liabilities, deferred taxation and retirement benefit obligation	**2 007,8**	1 816,5	1 816,5
Excess of assets over liabilities	**9 092,6**	7 722,0	21 028,7
Represented by:			
Shareholders' funds	**9 092,6**	4 963,1	18 269,8
Contingency and other reserves	**–**	2 758,9	2 758,9
	9 092,6	7 722,0	21 028,7
Capital adequacy requirement	**1 245,7**	1 730,3	1 730,3
Capital adequacy requirement: times covered	**7,3**	4,5	12,2

[1] As if Liberty International and Stanbic had been unbundled at 31 December 1998.

1. Certification

I have conducted an investigation into the financial position of Liberty Life at 31 December 1999. I certify that the actuarial valuation was carried out on the basis described below in accordance with Generally Accepted Actuarial Standards and the guidance notes on the Financial Soundness Valuation issued by the Actuarial Society of South Africa, PGN 104. In my opinion, Liberty Life is financially sound and the assets of the Company are sufficient to meet the liabilities that will emerge under existing policies. It is also my opinion that the financial statements fairly present the financial position of the Company at 31 December 1999.

I am satisfied that the basis used to value the assets is consistent with the basis used for the valuation of the liabilities.

2. Description of valuation basis, notes and comments

Valuation basis for actuarial value of investments

Investments have been valued as set out in the accounting policies.

Valuation basis for actuarial liabilities under unmatured policies

In general, provision was made for the best estimate of future experience,

plus prescribed margins as required in terms of guidance note PGN 104 issued by the Actuarial Society of South Africa,

plus additional second-tier margins.

The best estimate assumptions relating to future mortality, morbidity, withdrawals and maintenance expenses were derived from recent experience, and in setting them, provision was made for the expected increase in AIDS-related claims and for the effect of future inflation in maintenance expenses at 11,25% p.a. (1998: 12,6% p.a.).

Future investment returns were related to the medium-term government stock interest rate prevailing at the valuation date and were set at 15,7% p.a. (1998: 17,1% p.a.) taking into account the asset mix of the fund. The discount rate was set at the same rate before tax. Future tax and tax relief were allowed for at rates and on bases applicable to the changes proposed by the introduction of Section 29A of the Income Tax Act to apply from 1 January 2000.

REPORT OF THE STATUTORY ACTUARY

(continued)

The prescribed margins were added to the best estimate assumptions and further second-tier margins were also added to ensure that the shareholders' participation in future investment returns and other sources of profits emerges in the years in which it is earned.

The overall effect of first- and second-tier margins is that profit emerging from new business in the year in which it is written is not material but instead is recognised over the duration of the policies as it is earned.

Liabilities for individual policies in respect of which benefits are dependent on the performance of underlying investment portfolios (including business where bonuses are stabilised in which case bonuses were taken at face value), were taken as the aggregate value of the policies' investment in the investment portfolio at the valuation date, reduced by the excess of the present value of the expected future risk and expense charges over the present value of the expected future risk benefits and expenses on a policy by policy cash flow basis.

Reversionary bonus and the major non-profit classes of policies were valued by discounting the expected future cash flows at a rate of 15,45% p.a. (1998: 16,85% p.a.), being a market related rate of interest reduced by the relevant prescribed margin. Provision has been made for future bonuses based on the latest declared bonus rates.

Annuity business was valued by discounting annuity instalments and expenses at 14,15% p.a. (1998: 17,25% p.a.) being the rate of return yielded by the matching assets, reduced by the relevant prescribed margin.

Liabilities for group benefit policies (including policies where the bonuses are stabilised) were established as the value of the policies' investment in the respective investment portfolios, including the face value of all bonuses (vested and unvested) declared in respect of periods up to the valuation date.

In respect of with-profit business where bonuses are stabilised, bonus stabilisation reserves are held arising from the difference between the investment performance of the assets net of the relevant management fees and the rate of bonus declared. Improvements in market values during 1999 have largely eliminated the negative bonus stabilisation reserves that existed at 31 December 1998. The total of the negative stabilisation reserves amounted to R93,0 million at 31 December 1999 (R594,7 million at 31 December 1998). In aggregate the total stabilisation reserves are positive.

Capital adequacy requirements

Investigations were carried out to determine the amount of the capital adequacy requirement which provides for adverse variations in experience including an allowance for a deterioration in mortality experience arising from the AIDS epidemic. These investigations were carried out in terms of the guidance notes issued by the Actuarial Society of South Africa.

I am satisfied that the excess of assets over liabilities is sufficient to meet these capital adequacy requirements which amounted to R1 245,7 million at 31 December 1999 (R1 730,3 million at 31 December 1998).

Material changes in valuation basis since the previous report

Changes in bases were made to allow for the revision of the Four Fund Tax basis, introduced in November 1999 by Section 29A of the Income Tax Act, and to realign valuation assumptions with expected future experience. These changes resulted in a net decrease in actuarial liabilities of R221,3 million. In addition adjustments were made to interest and inflation rate assumptions to maintain consistency between the value of liabilities and the market value of assets.

The additional tax payable on transition to the revised tax basis, effective 1 January 2000, amounts to R214,0 million and has been charged to the income statement in 1999.

Effective 31 December 1999 the contingency and other reserves previously held within the life funds amounting in aggregate to R2 919,9 million were identified and categorised as being either second-tier margins within the actuarial liabilities or other general reserves. The portion categorised as second-tier margins amounting to R633,4 million has now been included in the provisions for actuarial liabilities under unmatured policies giving rise to an aggregate increase in actuarial liabilities of R412,1 million. The other general reserves amounting to R2 286,5 million have been transferred to shareholders' funds.

REPORT OF THE STATUTORY ACTUARY

(continued)

3. Charter Life

	Charter Life Company	
Actuarial balance sheet at 31 December 1999	**1999**	1998
	Rm	Rm
Assets		
Total assets as per balance sheet	**4 788,3**	2 823,8
Less liabilities	**4 316,2**	2 579,4
Actuarial liabilities under unmatured policies	**4 138,8**	2 501,0
Current liabilities	**177,4**	78,4
Excess of assets over liabilities	**472,1**	244,4
Represented by:		
Shareholders' funds	**472,1**	199,4
Contingency and other reserves	**–**	45,0
	472,1	244,4
Capital adequacy requirement	**82,8**	68,1
Capital adequacy requirement: times covered	**5,7**	3,6

In regard to the financial position of the life fund of Charter Life, a wholly owned life insurance subsidiary of Liberty Life, the investigation was conducted by the statutory actuary of Charter Life who has certified that the assets are sufficient to meet the liabilities that will emerge under existing policies and to cover the capital adequacy requirements of that company at 31 December 1999, such values having been determined in accordance with Generally Accepted Actuarial Standards and the Actuarial Society of South Africa guidance note, PGN 104.

4. Embedded value at 31 December 1999 and the value of new business written during 1999 in respect of Liberty Life and Charter Life

4.1 Introduction

The embedded value is a determination of the economic value of a life insurance company before making allowance for any value which may be attributed to future new business or goodwill.

The embedded value consists of the shareholders' net assets together with the discounted value of the projected stream of future after-tax profits arising from existing in force business less a charge for the cost of capital incurred in meeting the solvency requirements of the business.

The cost of solvency capital is the present value of the difference between the assumed net investment return and the discount rate as applied to the assets assumed to be supporting the projected capital adequacy requirements.

The value of the new business written over the year is the present value, at the point of sale, of the projected stream of after-tax profits from that business. The value has been shown:

(i) firstly on the previous tax dispensation as it applied during 1999 allowing for a partial level of tax relief on expenses consistent with the approach used for the value shown in 1998, and

(ii) secondly allowing for tax and tax relief on expenses as it applies in terms of the new tax dispensation introduced effective from 1 January 2000. This second value gives an indication of the profitability of new business in future and makes allowance for changes to tax charges for new policies issued under the revised tax environment.

The economic value of the company may be derived by adding to the embedded value an allowance for the value of future new business or goodwill, often calculated as a multiple of the value of new business written over the past year.

REPORT OF THE STATUTORY ACTUARY

(continued)

4.2 Embedded value and value of new business

Rm	**31 December 1999**	Pro forma 31 December 1998[1]	31 December 1998
Risk discount rate	**16,25%**	17,5%	17,5%
Shareholders' net assets (note)	**9 092,6**	4 963,1	18 269,8
Value of contingency and other reserves	**–**	2 389,6	2 389,6
Net value of life business in force	**4 755,9**	4 727,8	4 727,8
Value of life business in force	**4 765,0**	4 734,5	4 734,5
Cost of solvency capital	**(9,1)**	(6,7)	(6,7)
Embedded value	**13 848,5**	12 080,5	25 387,2
Value of new business written in 12 months			
Previous tax dispensation – long-term expense relief	**385,4**	247,5	247,5
New tax dispensation	**365,9**	–	–

[1] As if Liberty International and Stanbic had been unbundled at 31 December 1998.

Note: The value for shareholders' net assets reflects the value of the tangible net assets as shown in the balance sheet. No attempt has been made to place a fair value on the financial services subsidiaries of Liberty Life.

4.3 Sensitivity to risk discount rates and other assumptions

In order to indicate sensitivity to varying assumptions the value of life business in force less cost of solvency capital, and the value of new business written (assuming the new tax dispensation) are shown below for various changes in assumptions. Each value is shown with only the indicated parameter being changed.

Rm	**Value of life business in force less cost of solvency capital at 31 December 1999**	Value of new business written in 1999
Base value	**4 755,9**	365,9
Risk discount rate increases one percentage point to 17,25%	**4 464,1**	331,0
Future investment returns reduce by one percentage point	**4 443,7**	336,6
Withdrawal rates increase by 10%	**4 575,0**	341,4
Acquisition and maintenance expenses (other than commissions) increase by 10%	**4 511,4**	315,6

These values illustrate the effect of a deterioration in assumptions.

The effect of improving the assumptions by the same amounts would be to increase the values by a similar extent to the reductions indicated above.

4.4 Embedded value profits

Embedded value profits, being the change in the embedded value over the year increased by any dividends declared and capital reductions during the year and decreased by any capital raised during the year, provides a measure of a company's financial performance over the year.

Rm	**12 months to 31 December 1999**
Embedded value at the end of the year	**13 848,5**
Less embedded value at the beginning of the year (pro forma)	**(12 080,5)**
Plus dividends declared	**761,5**
Less new capital raised	**(169,8)**
Embedded value profits	**2 359,7**
Return on shareholders' net assets	**32,1%**
Return on embedded value	**19,5%**

REPORT OF THE STATUTORY ACTUARY

(continued)

4.5 Analysis of embedded value profits

An analysis of the components of embedded value profits for the 12 months ended 31 December 1999 is summarised below.

	R m
Investment return on shareholders' net assets and contingency reserves	**1 681,7**
Expected return on value of life business in force	**844,6**
Investment experience variations on life business	**967,2**
Other experience variations	**(375,9)**
Changes in assumptions	**(332,0)**
Impact of new tax basis	**(643,2)**
Allowance for current and future STC	**(168,1)**
Value of new business	**385,4**
Embedded value profits	**2 359,7**

4.6 Bases and assumptions

The principal bases and assumptions used have been:

(i) Future investment returns on the major classes were set with reference to the market yield on medium-term South African government stock. The investment return used is:

	Investment return % p.a. **1999**	1998
Government stock	**14,25**	16,5
Equities	**16,25**	17,5
Property	**15,25**	16,5
(ii) The risk discount rate has been set equal to the investment return on equity assets	**16,25**	17,5

(iii) Taxation allowed for in the calculation of the embedded value of in force business at 31 December 1998 was on the Four Fund Tax basis applicable on that date with tax rates of 30%. At 31 December 1999 tax was allowed for on the revised Four Fund Tax basis applicable from 1 January 2000 with tax rates of 30%. Full tax relief on expenses to the extent possible by each applicable tax dispensation was assumed. No account has been taken of the recently announced capital gains tax likely to be introduced with effect from April 2001.

Taxation allowed for in the case of new business was shown on both bases as indicated in 4.1 above.

As indicated in 4.5 above the impact of the change in the tax dispensation is a reduction in embedded value of R643,2 million. This comprises the additional tax payable on transition to the revised tax basis of R214,0 million and a R429,2 million reduction in value of future profits derived from policyholder funds. This reduction reflects lower expense relief and higher tax payable on transfer of profits off-set where relevant by recoveries from policyholder funds.

(iv) Other bases, bonus rates and assumptions:

In general, parameters reflect best estimates of future experience, consistent with the valuation basis described above excluding any first- or second-tier margins.

However in contrast to the valuation basis assumption the embedded value does make allowance for automatic premium and benefit increases.

4.7 Independent review

Tillinghast-Towers Perrin, the international consulting actuaries, have reviewed the results and have confirmed that, overall, the calculations, methodology and assumptions used to determine the embedded value and value of new business are reasonable, and that the analysis of profits is a fair representation of the experience over the year 1999.

D S Nohr BSc, FASSA, FIA, ASA
Statutory actuary

Johannesburg
14 March 2000

ACCOUNTING POLICIES

Basis of preparation

Liberty Life completed the unbundlings of its portion of its shareholders' interests in Liberty International Holdings (Liberty International) and its entire shareholders' interests in Standard Bank Investment Corporation (Stanbic) on 24 June 1999 and 27 September 1999 respectively. Liberty Life distributed 125,8 million shares in (the reconstituted) Liberty International to shareholders on the basis of 46,62439 Liberty International shares for every 100 Liberty Life shares and 316,5 million shares in Stanbic to shareholders on the basis of 117,278071 Stanbic shares for every 100 Liberty Life shares. These transactions accordingly resulted in a reduction of Liberty Life's shareholders' funds by R7,3 billion in respect of Liberty International and R5,9 billion in respect of Stanbic, with shareholders now holding directly these interests in Liberty International and Stanbic. An amount of R219,1 million representing adjustments to the net asset value of Liberty Life's interest in Liberty International has been accounted for directly against retained surpluses. These adjustments relate primarily to certain contingent liabilities assumed by Liberty International shareholders pursuant to the unbundling and restructuring of Liberty International.

In order for the income statements to be useful as a guide to the performance of the Liberty Life Group going forward, the income statements show separately continuing operations, unbundled operations (Liberty International and Stanbic) and total operations. Due to the fact that Liberty International and Stanbic were unbundled during 1999, results of unbundled operations for the year ended 31 December 1999 are not comparable with the prior year. A pro forma balance sheet is presented to illustrate the effect of the Liberty International and Stanbic unbundlings on comparatives, as if Liberty International and Stanbic had been unbundled at 31 December 1998.

In accordance with the announcement on 11 January 2000 regarding the sale of Liberty Life's investment in Guardian National Insurance Company Limited to Santam Limited effective 31 December 1999, the transaction has been accounted for as a sale in the 1999 financial year. Further details are shown in note 20 on the financial statements.

Liberty Life previously classified its investments in Stanbic, Bevcon/SAB, Premier and Guardian as associated companies. With effect from 1999 the income from these investments has been reclassified to include only dividends and investment surpluses or deficits as for other marketable securities. Comparative figures in respect of retained earnings on these investments have been reclassified from investment income to "Investment surpluses attributable to shareholders' investments". This reclassification of comparative figures has not affected the aggregate level of earnings, but has reduced the headline earnings figures previously published.

On 31 December 1999 contingency and other reserves were transferred to shareholders' funds and life funds respectively to clearly distinguish funds attributable to shareholders from liabilities under unmatured policies. After tax shareholders' headline earnings on contingency reserves of R82,1 million are included in the life fund operating surplus for the year ended 31 December 1999. As from 1 January 2000 earnings on contingency reserves (some now included in shareholders' funds) will flow through the income statement as "Revenue earnings attributable to shareholders' funds" instead of the life fund operating surplus. Earnings on contingency reserves now forming part of the second-tier margins in the life fund will continue to flow through the income statement as "Life fund operating surplus".

The accounting policies adopted by the Company and the Group are consistent with those of the previous year. These policies comply, in all material respects, with South African Statements of Generally Accepted Accounting Practice, as well as the South African Companies Act of 1973 and the Long-term Insurance Act of 1998. The more important accounting policies adopted by the Company and the Group are as follows:

Basis of consolidation

The Group annual financial statements consolidate the financial statements of the Company and its subsidiaries.

The results of the subsidiaries are included from the effective dates of acquisition up to the effective dates of disposal.

All subsidiaries have financial years ending 31 December and are consolidated to that date.

Inter-group transactions and balances are eliminated on consolidation.

Foreign currencies

Assets and liabilities in foreign currencies, or in respect of foreign subsidiaries, are translated into South African currency at the rand rates of exchange ruling at the balance sheet date.

ACCOUNTING POLICIES

(continued)

Income statement and cash flow items of foreign subsidiaries are translated at an average rand exchange rate. Exchange differences arising on translation of these foreign operations which form an integral part of Liberty Life's business are accounted for in the income statement. Other transactions in foreign currencies are converted to South African rand at the rate of exchange ruling at the date of the transaction.

Exchange differences are included in the income statement as investment surpluses or deficits and are shown as attributable to shareholders' or policyholders' funds as appropriate.

Financial instruments

The Company and the Group are parties to financial instruments that reduce the exposure to fluctuations in equity and bond markets as well as fluctuations in foreign currency exchange rates. These instruments mainly comprise futures, options and forward foreign exchange contracts.

Futures and options protect the Group from movements in equity and bond prices by establishing a ceiling, floor or range at or within which equities and bonds will be settled. Any increase or decrease in the amount required to settle the equities or bonds is off-set by a corresponding movement in the value of the futures or options. The gains and losses are therefore matched for financial reporting purposes.

Forward foreign exchange contracts protect the Group from movements in exchange rates by establishing the rate at or within which a foreign currency asset or liability will be settled. Any increase or decrease in the amount required to settle the asset or liability is matched by a corresponding movement in the value of the forward exchange contract. The gains and losses are therefore matched for financial reporting purposes.

Interests in subsidiary companies

Interests in subsidiaries are shown at net asset value.

The Company's share of the results of subsidiaries is reflected in the income statement.

Office furniture, computer equipment and other tangible assets

Office furniture, computer equipment and other tangible assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight line basis at rates appropriate to the expected useful lives of the assets, not exceeding ten years in respect of office furniture or five years in respect of computer equipment.

Computer software development costs

Internal costs associated with developing computer software programs are recognised as an expense as incurred. External costs that are clearly associated with an identifiable and unique system which will be controlled by the Group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. Computer software development costs recognised as assets are depreciated on the straight line basis at rates appropriate to the expected useful lives of the assets, not exceeding five years.

Investment properties

Completed properties are reflected at a valuation based on open-market value which is determined annually by independent professional valuators. Properties under development are reflected at cost less provisions. Investment properties are not subject to depreciation.

Marketable securities

Marketable securities include government, municipal and utility stocks, debentures, shares, unit trusts, futures and options. Marketable securities are reflected at market value. Market value is calculated by reference to Stock Exchange quoted ruling prices (repurchase prices for unit trusts) at the close of business on the last trading day on or before the balance sheet date. "Over the counter" options are valued at fair value using appropriate models.

ACCOUNTING POLICIES

(continued)

Other investments

Other investments include mortgages, loans, deposits, money market securities and unlisted shares and are reflected at directors' valuation. Provision is only made where, in the opinion of the directors, there is a permanent diminution in value. Where there has been a permanent diminution in value, it is recognised against investment surpluses in the period in which the diminution is identified.

Scrip lending

Marketable securities under scrip lending arrangements are reflected on the balance sheets of the Company and the Group.

Scrip lending fees received are included in the income statements as investment income. Fees are allocated between shareholders and policyholders based upon ownership of the underlying marketable securities and due consideration of risk borne.

Life funds

The Group's liabilities under unmatured policies are computed annually at the balance sheet date by the Group's statutory actuary in accordance with prevailing legislation and generally accepted actuarial practice. The transfers to life funds reflected in the income statements represent the increase or decrease in actuarial liabilities, including provisions for policyholders' bonuses, net adjustments to policyholders' bonus stabilisation reserves, and net adjustments to margins held within the life funds.

Premium income

Premiums, other than in respect of the Lifestyle series of policies and group schemes, are recognised in the income statement when due. Premiums receivable in respect of group schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premiums in respect of the Lifestyle series of policies are recognised in the income statement on a receipts basis.

Investment return

Investment income for the Group comprises income from financial services activities, interest and dividends.

Dividends are brought to account as at the last date to register in respect of listed shares and when declared in respect of unlisted shares. Interest and other investment income are accounted for on an accrual basis.

Unrealised and realised surpluses or deficits arising on the valuation and disposal of assets attributable to life funds are transferred from the income statement to the life funds. Shareholders' unrealised and realised surpluses or deficits are included in the income statement.

Claims and policyholder benefits

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date.

Outstanding claims and benefit payments are stated net of reinsurance.

Commissions

Commissions, comprising commissions on new insurance policies and renewal commissions, as well as expenses related thereto including bonuses payable, and the Company's contribution to agents' pension and medical aid funds, are shown net of reinsurance commission received.

Commissions relating to unearned premiums are deferred and accounted for in the same period in which those premiums are accounted for.

Retirement benefits

The Group operates a funded defined benefit pension scheme as well as a medical aid scheme to which substantially all employees belong. The Group's current service costs to the defined benefit plan are recognised as expenses in the current year. Past service costs, experience adjustments and the effect of changes in actuarial assumptions are recognised as expenses or income in the current year to the extent that

ACCOUNTING POLICIES

(continued)

they relate to retired employees. For active employees, these costs are recognised as expenses or income systematically over the expected remaining service period of employees.

The pension scheme is governed by the Pension Funds Act, 1956 and employer companies contribute the total cost of benefits provided. Actuarial valuations are required every three years.

Deferred bond issue expenses

Expenses incurred relating to the bond issues are amortised having regard to the periods of the bonds.

New business costs

New business costs are recognised in the income statement when incurred and are provided for in the calculation of actuarial liabilities in accordance with generally accepted actuarial practice.

Deferred taxation

Provision is made for deferred taxation attributable to temporary differences in the accounting and taxation treatment of items in the financial statements. A deferred taxation liability is recognised for all taxable temporary differences, at current rates of taxation, except where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future. A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

GROUP INCOME STATEMENT

for the year ended 31 December 1999

	Notes	Continuing operations 1999 Rm	Continuing operations 1998 Rm	Unbundled operations 1999 Rm	Unbundled operations 1998 Rm	Total operations 1999 Rm	Total operations 1998 Rm
Life fund operating surplus		**1 379,1**	1 119,8	**–**	–	**1 379,1**	1 119,8
Net premium income	2	**11 439,6**	9 387,2	**3 043,3**	1 936,3	**14 482,9**	11 323,5
Dividend, interest and rental income attributable to life funds	3	**2 951,4**	3 388,1	**423,9**	448,5	**3 375,3**	3 836,6
Investment surpluses attributable to life funds	4	**13 942,6**	(3 683,2)	**2 198,3**	1 710,4	**16 140,9**	(1 972,8)
Claims and policyholders' benefits	5	**(9 817,7)**	(10 015,6)	**–**	(4,8)	**(9 817,7)**	(10 020,4)
Commissions		**(822,8)**	(756,1)	**–**	–	**(822,8)**	(756,1)
Management expenses	6	**(746,1)**	(633,9)	**(30,3)**	(71,5)	**(776,4)**	(705,4)
Taxation	7	**(582,4)**	(194,7)	**–**	4,9	**(582,4)**	(189,8)
Life fund transfers	11	**(14 985,5)**	3 628,0	**(5 635,2)**	(4 023,8)	**(20 620,7)**	(395,8)
Revenue earnings attributable to shareholders' funds		**29,9**	116,0	**227,3**	461,1	**257,2**	577,1
Income from financial services activities	3	**285,2**	301,0	**638,9**	1 153,8	**924,1**	1 454,8
Dividend, interest and rental income attributable to shareholders' funds	3	**203,0**	172,3	**82,5**	275,1	**285,5**	447,4
Management expenses	6	**(302,7)**	(232,2)	**(75,3)**	(163,2)	**(378,0)**	(395,4)
Taxation	7	**(154,2)**	(116,4)	**(125,9)**	(269,8)	**(280,1)**	(386,2)
Income attributable to minority shareholders		**(1,4)**	(8,7)	**(292,9)**	(534,8)	**(294,3)**	(543,5)
Headline earnings		**1 409,0**	1 235,8	**227,3**	461,1	**1 636,3**	1 696,9
Investment surpluses attributable to shareholders' funds	4	**765,0**	(730,7)	**166,1**	725,1	**931,1**	(5,6)
Earnings including investment surpluses attributable to shareholders' funds		**2 174,0**	505,1	**393,4**	1 186,2	**2 567,4**	1 691,3
Earnings per share details:		**cents**	cents			**cents**	cents
Headline earnings per share		**523,2**	463,6			**607,6**	636,6
Life fund operating surplus per share		**512,1**	420,1			**512,1**	420,1
Revenue earnings per share attributable to shareholders' funds		**11,1**	43,5			**95,5**	216,5
Earnings per share including investment surpluses attributable to shareholders' funds		**807,2**	189,5			**953,3**	634,5
Weighted average number of shares in issue (millions)		**269,3**	266,5			**269,3**	266,5

BALANCE SHEETS

at 31 December 1999

	Notes	Group 1999 Rm	Group 1998 Pro forma[1] Rm	Group 1998 Actual Rm	Company 1999 Rm	Company 1998 Pro forma[1] Rm	Company 1998 Actual Rm
Capital, reserves and liabilities							
Shareholders' funds	8	**9 092,6**	4 963,1	18 269,8	**9 092,6**	4 963,1	18 269,8
Share capital and share premium	9	**5 278,9**	5 109,1	5 109,1	**5 278,9**	5 109,1	5 109,1
Retained surplus and other reserves		**3 813,7**	(146,0)	13 160,7	**3 813,7**	(146,0)	13 160,7
Minority interests		**1,9**	1,3	15 814,7			
Life funds	11	**56 183,6**	43 817,9	64 131,0	**52 802,0**	41 189,8	41 189,8
Actuarial liabilities under unmatured policies		**56 183,6**	41 014,0	61 327,1	**52 802,0**	38 430,9	38 430,9
Contingency and other reserves		**–**	2 803,9	2 803,9	**–**	2 758,9	2 758,9
Convertible bonds	12	**1 566,2**	1 488,9	3 697,2			
Retirement benefit obligation	13	**97,7**	80,5	80,5	**97,7**	80,5	80,5
Deferred taxation	14	**192,8**	–	–	**191,8**	–	–
Other liabilities		**–**	–	7 077,2			
Current liabilities		**2 136,3**	2 103,6	4 433,5	**1 718,3**	1 736,0	1 736,0
Outstanding claims, policyholders' benefits and other creditors		**1 627,9**	1 392,8	2 945,8	**1 264,3**	1 039,6	1 039,6
Amounts due to Group companies		**–**	0,4	0,4	**–**	–	–
Taxation		**96,8**	14,0	299,0	**75,7**	–	–
Shareholders for dividend		**378,3**	696,4	696,4	**378,3**	696,4	696,4
Bank loans		**33,3**	–	491,9			
Total capital, reserves and liabilities		**69 271,1**	52 455,3	113 503,9	**63 902,4**	47 969,4	61 276,1
Assets							
Investments	15	**64 990,7**	48 747,5	104 619,2	**60 317,3**	45 492,7	58 799,4
Investment properties		**7 861,3**	6 872,5	37 331,5	**7 851,7**	6 862,4	6 862,4
Marketable securities	16	**52 159,0**	38 496,3	64 034,6	**43 711,7**	30 012,2	30 689,5
Interests in subsidiary companies	17				**4 068,2**	5 597,7	18 227,1
Other investments	18	**4 970,4**	3 378,7	3 253,1	**4 685,7**	3 020,4	3 020,4
Office furniture, computer equipment and other tangible assets	19	**316,0**	280,3	308,6	**225,5**	191,8	191,8
Deferred taxation	14	**–**	81,0	67,3	**–**	81,0	81,0
Current assets		**3 964,4**	3 346,5	8 508,8	**3 359,6**	2 203,9	2 203,9
Net outstanding premiums, accrued investment income and other debtors	20	**3 140,0**	2 680,3	2 717,0	**2 723,8**	1 880,1	1 880,1
Trading properties		**–**	–	474,3			
Amounts due by Group companies		**57,2**	63,3	63,3	**504,5**	165,1	165,1
Taxation		**–**	–	–	**–**	14,5	14,5
Balances with bankers and money market securities		**767,2**	602,9	5 254,2	**131,3**	144,2	144,2
Total assets		**69 271,1**	52 455,3	113 503,9	**63 902,4**	47 969,4	61 276,1
Assets under management by subsidiaries		**29 677,8**	27 585,4	45 619,8			
Total assets under management		**98 948,9**	80 040,7	159 123,7			

[1] As if Liberty International and Stanbic had been unbundled as at 31 December 1998.

COMPANY INCOME STATEMENT

for the year ended 31 December 1999

		Continuing operations		Unbundled operations		Total operations	
		1999	1998	**1999**	1998	**1999**	1998
	Notes	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
Life fund operating surplus		**1 379,1**	1 119,8	**–**	–	**1 379,1**	1 119,8
Net premium income	2	**10 472,3**	8 559,7	**–**	–	**10 472,3**	8 559,7
Dividend, interest and rental income attributable to life funds	3	**2 845,4**	3 190,1	**–**	–	**2 845,4**	3 190,1
Investment surpluses attributable to life funds	4	**13 253,7**	(3 545,7)	**–**	–	**13 253,7**	(3 545,7)
Claims and policyholders' benefits	5	**(9 351,4)**	(9 625,2)	**–**	–	**(9 351,4)**	(9 625,2)
Commissions		**(720,8)**	(688,1)	**–**	–	**(720,8)**	(688,1)
Management expenses	6	**(681,8)**	(579,6)	**–**	–	**(681,8)**	(579,6)
Taxation	7	**(552,5)**	(178,2)	**–**	–	**(552,5)**	(178,2)
Life fund transfers	11	**(13 885,8)**	3 986,8	**–**	–	**(13 885,8)**	3 986,8
Revenue earnings attributable to shareholders' funds		**29,9**	116,0	**227,3**	461,1	**257,2**	577,1
Income from financial services subsidiaries	3	**31,3**	79,6	**171,2**	237,4	**202,5**	317,0
Dividend, interest and rental income attributable to shareholders' funds	3	**174,4**	150,6	**56,1**	223,7	**230,5**	374,3
Management expenses	6	**(64,2)**	(57,1)	**–**	–	**(64,2)**	(57,1)
Taxation	7	**(111,6)**	(57,1)	**–**	–	**(111,6)**	(57,1)
Headline earnings		**1 409,0**	1 235,8	**227,3**	461,1	**1 636,3**	1 696,9
Investment surpluses attributable to shareholders' funds	4	**765,0**	(730,7)	**166,1**	725,1	**931,1**	(5,6)
Earnings including investment surpluses attributable to shareholders' funds		**2 174,0**	505,1	**393,4**	1 186,2	**2 567,4**	1 691,3

STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

for the year ended 31 December 1999

	Share capital Rm	Share premium Rm	Revaluation and other reserves[2] Rm	Retained surplus Rm	Total Rm
Shareholders' funds at 1 January 1998	26,4	4 417,5	9 811,1	3 001,4	**17 256,4**
Retirement benefit costs				(53,8)	**(53,8)**
Goodwill on acquisition of subsidiary companies			(52,1)		**(52,1)**
Earnings including investment surpluses/(deficits)				1 691,3	**1 691,3**
Investment deficits attributable to shareholders' funds			(5,6)	5,6	**–**
Ordinary dividends				(1 237,2)	**(1 237,2)**
Interim dividend No. 65 of 202 cents – LDR 23 September 1998				(540,8)	**(540,8)**
Final dividend No. 66 of 260 cents – LDR 26 March 1999				(696,4)	**(696,4)**
Subscriptions for shares (refer note 9)	0,4	664,8			**665,2**
Shareholders' funds at 31 December 1998	26,8	5 082,3	9 753,4	3 407,3	**18 269,8**
Dividend in specie (pro forma value at 31 December 1998)					
Standard Bank Investment Corporation Limited[1]			(5 570,1)		**(5 570,1)**
Liberty International plc[1]			(7 512,1)		**(7 512,1)**
Reduction in net asset value in respect of contingent liabilities assumed by Liberty International shareholders on unbundling			(224,5)		**(224,5)**
Transfer of retained surplus to revaluation and other reserves			3 407,3	(3 407,3)	**–**
Pro forma shareholders' funds at 31 December 1998	26,8	5 082,3	(146,0)	–	**4 963,1**
Dividend in specie (movement in carrying value of investments from 31 December 1998 to date of unbundling)					
Standard Bank Investment Corporation Limited[1]			(364,1)		**(364,1)**
Liberty International plc[1]			198,0		**198,0**
Exchange difference in respect of contingent liabilities assumed by Liberty International shareholders on unbundling			5,4		**5,4**
Earnings including investment surpluses/(deficits)				2 567,4	**2 567,4**
Investment surpluses attributable to shareholders' funds			931,1	(931,1)	**–**
Ordinary dividends				(761,5)	**(761,5)**
Interim dividend No. 67 of 142 cents – LDR 23 September 1999				(383,2)	**(383,2)**
Final dividend No. 68 of 140 cents – LDR 31 March 2000				(378,3)	**(378,3)**
Transfer from contingency and other reserves			2 314,5		**2 314,5**
Subscriptions for shares (refer note 9)	0,3	169,5			**169,8**
Shareholders' funds at 31 December 1999	27,1	5 251,8	2 938,9	874,8	**9 092,6**

The capital redemption reserve of R5,3 million included in revaluation and other reserves remained unchanged during 1998 and 1999.

[1] Total dividend in specie: R13 248,3 million.

[2] Revaluation and other reserves are distributable in terms of the Company's articles of association.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

	Life insurance [(1)]		Asset management [(2)]		Collective investments [(3)]		Other investments [(4)]		Total	
	1999 Rm	1998 Rm	**1999 Rm**	1998 Rm	**1999 Rm**	1998 Rm	**1999 Rm**	1998 Rm	**1999 Rm**	1998 Rm
1. Segment information – continuing operations										
Income statements – extracts										
Life fund operating surplus	**1 379,1**	1 119,8							**1 379,1**	1 119,8
Revenue earnings attributable to shareholders' funds			**25,2**	46,1	**30,5**	38,7	**(25,8)**	31,2	**29,9**	116,0
Income from financial services activities			**139,3**	150,8	**127,7**	127,7	**18,2**	22,5	**285,2**	301,0
Dividend, interest and rental income attributable to shareholders' funds							**203,0**	172,3	**203,0**	172,3
Management expenses			**(110,6)**	(82,0)	**(83,6)**	(66,5)	**(108,5)**	(83,7)	**(302,7)**	(232,2)
Taxation			**(3,5)**	(22,7)	**(13,0)**	(21,7)	**(137,7)**	(72,0)	**(154,2)**	(116,4)
Income attributable to minority shareholders					**(0,6)**	(0,8)	**(0,8)**	(7,9)	**(1,4)**	(8,7)
Headline earnings	**1 379,1**	1 119,8	**25,2**	46,1	**30,5**	38,7	**(25,8)**	31,2	**1 409,0**	1 235,8
Investment surpluses attributable to shareholders' funds			**94,7**	(208,1)	**6,8**	(1,5)	**663,5**	(521,1)	**765,0**	(730,7)
Earnings including investment surpluses attributable to shareholders' funds	**1 379,1**	1 119,8	**119,9**	(162,0)	**37,3**	37,2	**637,7**	(489,9)	**2 174,0**	505,1
Balance sheets – extracts										
Liabilities	**57 768,3**	44 814,3	**291,7**	285,7	**74,4**	125,1	**2 042,2**	2 265,8	**60 176,6**	47 490,9
Assets	**60 146,9**	47 490,9	**608,3**	515,5	**196,5**	243,0	**8 319,4**	4 205,9	**69 271,1**	52 455,3
Total assets under management	**60 146,9**	47 490,9	**26 486,3** [(5)]	23 338,0	**3 996,3**	3 044,6	**8 319,4**	6 167,2	**98 948,9**	80 040,7

(1) Life insurance operations of Liberty Life Association of Africa Limited and Charter Life Insurance Company Limited.

(2) Liberty Asset Management Limited and Liberty Life Properties (Proprietary) Limited.

(3) Guardbank Management Corporation Limited and the Milfin Holdings Group, comprising Millennium Financial Consultants and Investment Services (Proprietary) Limited and Oracle Employee Benefits (Proprietary) Limited.

(4) Other shareholders' investments (including Liberty Healthcare) of Liberty Life Association of Africa Limited.

(5) Liberty Asset Management Limited also administers the majority of the life insurance assets as well as other investments.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

	Group 1999 Rm	Group 1998 Rm	Company 1999 Rm	Company 1998 Rm
2. Net premium income				
Recurring premium income	**5 517,8**	4 994,6	**5 125,8**	4 682,4
Individual	**4 378,0**	3 962,0	**3 986,0**	3 649,8
Group	**1 139,8**	1 032,6	**1 139,8**	1 032,6
Single premium income	**5 921,8**	4 392,6	**5 346,5**	3 877,3
Individual	**2 740,1**	2 342,1	**2 482,0**	2 043,4
Group	**1 703,8**	935,5	**1 703,8**	935,5
Immediate annuities	**1 477,9**	1 115,0	**1 160,7**	898,4
	11 439,6	9 387,2	**10 472,3**	8 559,7
Individual premium income	**7 118,1**	6 304,1	**6 468,0**	5 693,2
Group premium income	**2 843,6**	1 968,1	**2 843,6**	1 968,1
Immediate annuities	**1 477,9**	1 115,0	**1 160,7**	898,4
	11 439,6	9 387,2	**10 472,3**	8 559,7

Premium income is shown net of reinsurance. Reinsurance is insignificant for 1998 and 1999.

Individual single premiums for the Group in respect of 1998 have been restated to reflect the elimination of transactions between Liberty Life and Charter Life as described in note 21 on the financial statements.

	Group 1999 Rm	Group 1998 Rm	Company 1999 Rm	Company 1998 Rm
3. Investment income, net of interest paid				
Dividend, interest and rental income	**3 154,4**	3 560,4	**3 019,8**	3 340,7
Attributable to life funds	**2 951,4**	3 388,1	**2 845,4**	3 190,1
Attributable to shareholders' funds	**203,0**	172,3	**174,4**	150,6
Income from financial services activities	**285,2**	301,0		
Income from financial services subsidiaries			**31,3**	79,6
Total investment income	**3 439,6**	3 861,4	**3 051,1**	3 420,3
Comprising:				
Income from subsidiaries			**275,3**	224,6
Retained income of subsidiaries			**47,4**	26,8
Dividends received from subsidiaries			**227,9**	197,8
Dividends received	**815,1**	885,7	**586,1**	716,6
Listed shares	**768,8**	863,3	**539,8**	694,2
Unlisted shares	**46,3**	22,4	**46,3**	22,4
Income on unit trusts	**95,8**	83,4	**68,5**	53,5
Interest received	**1 882,5**	2 253,6	**1 599,0**	1 930,3
Net property income	**522,0**	468,1	**521,0**	467,7
Portfolio management fees	**228,0**	251,9		
Scrip lending fees	**10,7**	16,7	**10,7**	16,7
Sundry income	**5,4**	17,2	**5,3**	17,2
Investment income	**3 559,5**	3 976,6	**3 065,9**	3 426,6
Interest paid	**(119,9)**	(115,2)	**(14,8)**	(6,3)
Investment income, net of interest paid	**3 439,6**	3 861,4	**3 051,1**	3 420,3

Costs incurred in establishing forward exchange cover on offshore convertible bond liabilities have been accounted for against investment surpluses or deficits in the income statement. These costs are shown in note 10 on the financial statements.

NOTES ON THE FINANCIAL STATEMENTS

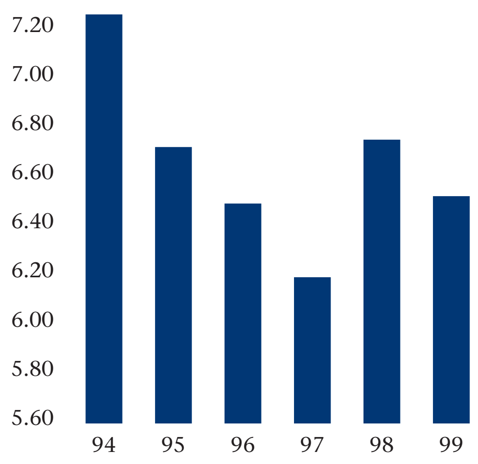
for the year ended 31 December 1999 (continued)

	Group		Company	
	1999 Rm	1998 Rm	**1999 Rm**	1998 Rm
4. Investment surpluses				
Investment surpluses attributable to life insurance operations	**13 942,6**	(3 683,2)	**13 253,7**	(3 545,7)
Investment surpluses attributable to shareholders' funds	**765,0**	(730,7)	**765,0**	(730,7)
	14 707,6	(4 413,9)	**14 018,7**	(4 276,4)
Comprising:				
Unrealised surpluses/(deficits)	**11 555,9**	(6 961,8)	**10 948,2**	(6 800,7)
Realised surpluses/(deficits)	**3 151,7**	2 547,9	**3 070,5**	2 524,3
	14 707,6	(4 413,9)	**14 018,7**	(4 276,4)

Unrealised deficits include an amount of R2,4 million representing exchange differences on translation of shareholders' foreign assets and liabilities (1998: deficit of R29,6 million).

	Group 1999 Rm	Group 1998 Rm	Company 1999 Rm	Company 1998 Rm
5. Claims and policyholders' benefits				
Death and disability claims	**1 191,7**	1 047,4	**1 112,8**	976,7
Annuity payments	**1 212,1**	1 218,3	**1 053,2**	1 094,5
Individual policy surrenders and maturities	**4 951,7**	4 121,7	**4 723,2**	3 929,3
Group scheme terminations and transfers	**926,5**	2 273,2	**926,5**	2 269,7
Group scheme member benefits	**1 535,7**	1 355,0	**1 535,7**	1 355,0
	9 817,7	10 015,6	**9 351,4**	9 625,2
6. Management expenses				
Management expenses attributable to life insurance operations	**746,1**	633,9	**681,8**	579,6
Management expenses attributable to shareholders' investments, including subsidiaries	**302,7**	232,2	**64,2**	57,1
	1 048,8	866,1	**746,0**	636,7
Comprising:				
Employee costs	**560,7**	441,8	**387,1**	331,7
Office costs	**386,9**	334,2	**286,3**	237,9
Development costs	**63,3**	70,3	**46,4**	51,1
Other	**37,9**	19,8	**26,2**	16,0
	1 048,8	866,1	**746,0**	636,7

Management expense ratio – life operations



NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

	Group		Company	
	1999	1998	**1999**	1998
	Rm	Rm	**Rm**	Rm
6. Management expenses (continued)				
Management expenses include the following:				
Auditors' remuneration	**6,2**	5,1	**4,4**	3,4
Audit fees	**4,5**	3,4	**2,9**	2,1
Other services	**1,7**	1,7	**1,5**	1,3
Consultancy fees	**32,7**	25,2	**22,7**	17,7
Actuarial	**1,4**	0,2	**1,4**	0,2
Other	**31,3**	25,0	**21,3**	17,5
Retirement and medical benefits	**56,7**	47,5	**41,0**	32,2

Directors' emoluments	**R'000**	R'000
Non-executive directors		
Fees	**223**	150
Executive directors†		
Total emoluments	**19 060**	13 501
Basic salaries	**9 010**	8 909
Bonuses and performance related payments	**1 847**	628
Expense allowances	**1 395**	1 193
Retirement and medical benefits	**3 686**	941
Other incentives and benefits	**3 122**	1 830
Paid by subsidiaries	**(3 792)**	(1 726)
Emoluments paid by the Company	**15 491**	11 925
Aggregate months paid	**109**	88
Total emoluments paid by the Company	**15 491**	11 925
Total emoluments paid by subsidiaries	**3 792**	1 726
Total directors' emoluments	**19 283**	13 651

†Refer to note 9 for details of share option schemes.

No executive directors hold service contracts.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

	Group		Company	
	1999	1998	**1999**	1998
	Rm	Rm	**Rm**	Rm
7. Taxation				
Taxation attributable to life insurance operations	**582,4**	194,7	**552,5**	178,2
Taxation attributable to shareholders' funds	**154,2**	116,4	**111,6**	57,1
	736,6	311,1	**664,1**	235,3
Comprising:				
South African normal taxation	**298,1**	(17,6)	**263,8**	(63,2)
Current year	**58,0**	127,1	**24,7**	81,6
Prior years	**(33,7)**	(7,7)	**(33,7)**	(7,8)
Deferred taxation [1]	**273,8**	(137,0)	**272,8**	(137,0)
Other related South African taxes	**438,5**	328,7	**400,3**	298,5
Financial services levy	**4,1**	2,9	**3,9**	2,8
Retirement fund tax	**188,1**	158,3	**185,3**	156,8
Secondary tax on companies	**104,0**	55,6	**87,0**	40,8
Non-recoverable value added tax	**105,5**	82,6	**90,2**	70,9
Regional services council levies	**10,6**	10,6	**10,0**	10,1
Stamp duty	**26,2**	18,7	**23,9**	17,1
	736,6	311,1	**664,1**	235,3

[1] Deferred taxation for 1999 includes R214,0 million in respect of tax payable on transition to the revised tax basis for long-term insurers.

	%	%	**%**	%
Rate reconciliation of taxation attributable to shareholders' funds				
Tax charge for the year as a percentage of revenue earnings attributable to shareholders' funds before tax	**83,8**	50,1	**78,9**	33,0
Secondary tax on companies	**(56,5)**	(23,5)	**(64,3)**	(23,6)
Taxation excluding secondary tax on companies	**27,3**	26,6	**14,6**	9,4
The charge for the year has been reduced/(increased) as a consequence of:				
Dividends received	**32,2**	32,5	**64,7**	52,7
Other non-taxable income	**(35,3)**	(17,2)	**(58,3)**	(30,1)
Other permanent differences	**5,8**	(6,9)	**9,0**	3,0
Standard rate of South African taxation (%)	**30,0**	35,0	**30,0**	35,0

The Group has estimated tax losses attributable to shareholders' funds of R62,6 million (1998: R25,9 million) which are available for set-off against future taxable income.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

	Group Funds invested 1999 Rm	Group Funds invested 1998[1] Rm	Group Net revenue earned 1999 Rm	Group Net revenue earned 1998[1] Rm	Group Investment surpluses/(deficits) 1999 Rm	Group Investment surpluses/(deficits) 1998[1] Rm
8. Shareholders' funds – continuing operations						
Analysis of shareholders' funds invested:						
Financial services activities	**956,2**	675,6	**43,9**	77,3	**166,0**	(209,6)
Charter Life	**472,1**	199,4	**14,1**	–	**64,5**	–
Guardbank	**124,7**	116,9	**17,0**	26,6	**6,8**	(1,5)
Liberty Asset Management	**310,2**	222,8	**12,1**	36,2	**95,3**	(201,5)
Liberty Life Properties	**23,6**	128,2	**13,1**	9,9	**(0,6)**	(6,6)
Liberty Healthcare	**18,4**	5,3	**(21,3)**	(6,0)	**–**	–
Oracle Employee Benefits	**(3,2)**	1,4	**(4,6)**	(1,6)	**–**	–
Millennium	**10,4**	1,6	**13,5**	12,2	**–**	–
Listed investments	**4 700,5**	5 615,6	**205,5**	189,9	**677,1**	(502,7)
Guardian National	**–**	621,2	**28,3**	28,1	**(28,7)**	(16,8)
Adcock Ingram -N- shares	**–**	162,8	**2,5**	6,5	**(9,8)**	164,0
The South African Breweries	**2 482,3**	3 178,9	**109,9**	104,8	**416,8**	(782,9)
Metro Cash and Carry	**688,1**	306,3	**8,2**	6,8	**243,5**	313,8
The Premier Group	**33,2**	197,6	**0,4**	–	**101,2**	(481,6)
Liberty International	**1 234,9**	1 148,8	**54,0**	41,8	**(119,4)**	300,8
Edgars	**181,0**	–	**2,2**	–	**150,0**	–
Other	**81,0**	–	**–**	1,9	**(76,5)**	–
Other investments	**3 435,9**	(1 328,1)	**(43,7)**	(37,0)	**(78,1)**	(18,4)
Cash and near cash	**2 095,5**	–	**13,6**	–	**–**	–
Guardian National proceeds of sale	**645,5**	–	**–**	–	**–**	–
Liblife (Jersey) debt	**(1 556,7)**	(1 486,2)	**(110,8)**	(108,1)	**(67,2)**	(24,0)
Unlisted equities	**184,2**	138,1	**14,7**	3,7	**19,9**	2,7
Contingency reserve assets	**2 286,5**	–	**–**	–	**–**	–
Other	**(219,1)**	20,0	**38,8**	67,4	**(30,8)**	2,9
Management expenses			**(64,2)**	(57,1)		
Taxation			**(111,6)**	(57,1)		
	9 092,6	4 963,1	**29,9**	116,0	**765,0**	(730,7)

[1] Pro forma, as if Liberty International and Stanbic had been unbundled at 31 December 1997.

	Company 1999 Rm	Company 1998 Rm
9 Share capital and share premium		
Share capital		
Authorised share capital		
400 000 000 (1998: 400 000 000) ordinary shares of 10 cents each	**40,0**	40,0
Unissued shares under the control of the directors		
94 395 771 (1998: 108 345 851) ordinary shares of 10 cents each	**9,4**	10,8

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

	Company 1999 Rm	Company 1998 Rm
9. Share capital and share premium (continued)		
Unissued shares reserved		
For the purpose of the convertible bond issue 20 839 936 (1998: 11 221 504) ordinary shares of 10 cents each	**2,1**	1,1
For the purpose of the Senior Executive Share Option Scheme 3 224 616 (1998: 3 478 452) ordinary shares of 10 cents each	**0,3**	0,4
For the purpose of the Staff Share Incentive Scheme 3 986 948 (1998: 4 130 109) ordinary shares of 10 cents each	**0,4**	0,4
For the purpose of the Share Trust 7 312 778 (1998: 4 985 384) ordinary shares of 10 cents each	**0,7**	0,5
	3,5	2,4
Issued share capital		
270 239 951 (1998: 267 838 700) ordinary shares of 10 cents each	**27,1**	26,8
Share premium		
Balance at beginning of year	**5 082,3**	4 417,5
396 997 (1998: 515 797) ordinary shares issued at an average premium of R26,21 (1998: R28,33) per share in terms of the Senior Executive Share Option Scheme and Staff Share Incentive Scheme	**10,4**	14,6
2 004 254 (1998: 2 596 477) capitalisation shares issued at a premium of R79,40 (1998: R178,15) per share	**159,1**	462,6
11 501 ordinary shares issued at a premium of R84,69 per share to convertible bondholders exercising conversion rights in 1998	**–**	1,0
1 200 000 ordinary shares issued at a premium of R155,90 per share as part consideration for the acquisition of Guardian National Insurance Company Limited in 1998	**–**	187,1
Share issue expenses	**–**	(0,5)
Balance at end of year	**5 251,8**	5 082,3
Share capital and share premium at 31 December	**5 278,9**	5 109,1

Interests of directors, including their families, in share capital

Direct interests

Beneficial

855 576 (1998: 842 414) ordinary shares of 10 cents each

Non-beneficial

Nil (1998: 195 000) ordinary shares of 10 cents each

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

9. Share capital and share premium (continued)

Indirect interests

By virtue of either directorships in or material shareholdings held directly or indirectly by Standard Bank Investment Corporation Limited (100%) in the issued ordinary share capital of Liblife Controlling Corporation (Proprietary) Limited and by virtue of Liblife Controlling Corporation owning 54,8% of the issued ordinary share capital of Liberty Holdings Limited and by virtue of Liberty Holdings owning 55,4% of the issued ordinary share capital of Liberty Life, Mrs E Bradley and Messrs D E Cooper, R C Andersen, D D B Band, D A Hawton, W S MacFarlane, R J Khoza, S J Macozoma, J H Maree, R A Plumbridge, M Rapp, A Romanis, Dr C B Strauss and E P Theron, all being directors of the Company and/or Liberty Holdings and/or Liblife Controlling Corporation and/or Standard Bank Investment Corporation, had in aggregate an indirect beneficial and non-beneficial interest in 149 728 570 ordinary shares in Liberty Life at 31 December 1999.

Since 31 December 1999 Liberty Holdings Limited has disposed of 754 000 ordinary shares in Liberty Life in order to eliminate borrowings.

Shares issued to directors during the year, excluding capitalisation issues, amounted in aggregate to 30 000 (1998: 18 000).

Shares under option in terms of the Senior Executive Share Option Scheme, the Staff Share Incentive Scheme and the Liberty Life Association of Africa Limited Share Trust:

Date granted	Number of shares	Price at which granted (R)	Number exercised	Executive directors†	Date for implementation
13 November 1991	7 000	0,10	7 000	–	31 March 2000
12 November 1992	1 250	5,64	1 250	–	31 March 2000
12 November 1992	96 100	5,64	96 100	10 250	Between 31 March 2000 and 31 March 2001
28 March 1994	890 845	39,64	876 435	55 000	Between 31 March 2000 and 31 March 2002
10 July 1995	14 500	54,14	14 500	–	Between 31 March 2000 and 31 March 2002
4 December 1996	91 500	72,39	84 500	–	Between 31 March 2000 and 30 September 2003
25 August 1997	9 000	95,64	9 000	–	Between 30 September 2001 and 31 March 2005
18 May 1998	243 980	110,64	148 280	–	Between 30 September 2002 and 31 March 2006
28 August 1998	41 000	33,64	14 000	20 000	Between 30 September 2002 and 31 March 2006
10 September 1998	220 000	46,94	190 000	105 000	Between 30 September 2002 and 31 March 2006
12 November 1998	59 572	55,64	26 763	–	Between 30 September 2002 and 31 March 2006
12 November 1998	4 500	55,64	–	–	Between 30 September 2001 and 31 March 2005
2 August 1999	169 519	53,04	58 585	–	Between 31 March 2000 and 31 March 2006
28 September 1999	5 619 549	47,50	5 157 525	447 926	Between 31 March 2000 and 31 March 2006
15 November 1999	1 164 700	57,70	781 600	364 100	Between 31 March 2003 and 30 September 2005
18 February 2000	288 100	68,40	53 700	–	Between 31 March 2003 and 30 September 2005
	8 921 115		7 519 238	1 002 276	

†Executive directors' interests included in total number of shares under option.

The subscription prices for options granted in previous years were adjusted for the unbundling by the Liberty Life Group of its investments in Liberty International plc and Standard Bank Investment Corporation Limited by R21,90 and R23,46, respectively.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

10. Financial instruments and risk management

The Liberty Life board of directors, in consultation with Liberty Asset Management, is responsible for establishing the investment strategies of the Group and for ensuring compliance therewith. Liberty Life places emphasis on investing in quality growth shares that reflect reasonable value. Identification and selection of quality growth shares is made through research and analysis. The Group does periodically make use of derivative instruments for the purpose of adjusting portfolio exposures and smoothing the investment cycle.

The more important financial risks to which the Group is exposed are described below:

Equity risk

Equity risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Policyholders' investments in all listed shares and unit trusts are valued at market value and are therefore susceptible to market fluctuations. Shareholders' investments in listed shares and unit trusts are valued at market value and are also susceptible to market fluctuations. The Group's use of futures and options has been expanded from mainly equity indexed options quoted on the South African Futures Exchange to include cost collars in order to defend market positions in the equity portfolios. All cost collar contracts were closed out before the balance sheet date. A total amount of R602 million representing the excess over the covered ceiling in respect of these instruments is included in other creditors at 31 December 1999 and was settled shortly after the balance sheet date. These instruments are marked to market on a daily basis. Investments subject to equity risk are analysed in note 15 and 16 on the financial statements.

Investment risk

Investment risk is the risk that the investment returns on policyholder assets will not be sufficient to cover contractual investment performance guarantees or to satisfy policyholders' reasonable benefit expectations.

The acquisition of policyholders' assets is based on the contract entered into and the preferences expressed by the policyholder. Within these parameters, investments are managed with the aim of maximising policyholder returns while limiting risk to acceptable levels within the framework of statutory requirements.

The most significant portion of the Group's insurance business comprises market related (linked) business. The policyholder benefits are linked to the performance of the underlying assets.

Continuous monitoring takes place to ensure that appropriate assets are held where the liabilities are dependent upon the performance of specific portfolios of assets and that a suitable match of assets exists for all other liabilities.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate in rands in the case of shareholders' assets, due to changes in foreign exchange rates.

The following shareholders' assets and liabilities (all contained in Liblife (Jersey) Limited) denominated in foreign currencies are included in the balance sheet as at 31 December 1999:

British pound denominated	Rm
Listed investment – 26,9 million shares in Liberty International plc	1 194,3
Other net liabilities	(19,4)
	1 174,9

US dollar denominated	Rm
6,5% Liblife International BV convertible bonds as detailed in note 12	(1 590,1)
Other net assets	33,4
	(1 556,7)

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

10. Financial instruments and risk management (continued)

The Liberty International shares received from the unbundling of First International Trust Limited (67 161 233 shares) have been transferred to Liblife (Jersey) Limited in order for Liblife (Jersey) to meet its debt repayment obligations to Liblife International BV. This will enable Liblife International BV to meet its payment obligations to the convertible bondholders.

Liblife (Jersey) Limited has also undertaken to pay on first demand any amounts under the keepwell arrangement entered into by Conduit Insurance Holdings Limited and Tai Investments Limited.

Forward cover in British pounds has been taken on US$240,0 million in order to limit exposure to currency movements between the US dollar liability and the sterling denominated assets. The cover was obtained at a rate of 1,6462 US dollars to the pound and matures on 31 March 2000, at which time a new contract will be entered into. During the year ended 31 December 1999 a loss on exchange of R37,8 million was incurred due to the strength of the US dollar against the British pound.

The Group's current practice is to hedge against material currency translation exposures by means of forward exchange contracts where assets and matching liabilities are in different currencies. As an integral part of the Group's investment strategy, investments in foreign assets are made on behalf of policyholders and shareholders for the purpose of seeking desirable international diversification of investments.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation, and cause the Group to incur a financial loss.

Exposure to outside financial institutions concerning deposits and similar transactions is monitored in accordance with the parameters which have been established by the Group Finance Committee.

Scrip lending counterparts are largely restricted to Group companies, including Stanbic. During 1999 the highest level of scrip lending activity at any one time amounted to R591,7 million (R12,6 million at the balance sheet date).

Other investments as detailed in note 18 on the financial statements include an amount of R1 099,4 million (1998: R640,3 million) representing forward sales of equities and bonds in terms of an agreement entered into between Liberty Life, Charter Life and Stanbic. These assets underpin the capital guaranteed products offered by Liberty Life and Charter Life.

Other debtors include an amount of R645,5 million in respect of the sale of Guardian National to Santam Limited.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Long-term liabilities entered into by Group subsidiaries are continually managed in order to control the liquidity risks to which the Group is exposed. The Group has significant liquid resources.

In terms of the Company's articles of association the attributable amount which the Group may borrow is R9 092,6 million (1998: pro forma R4 963,1 million). Borrowings at 31 December 1999 computed in terms of the Company's articles of association were R1 599,5 million (1998: pro forma R1 488,9 million).

Underwriting risk

Underwriting risk is the risk that the actual exposure to mortality, disability and medical risks in respect of policyholder benefits will exceed prudent exposure.

Procedures to control and manage the underwriting risks are in operation of which the more significant are as follows:

The statutory actuary reports annually on the actuarial soundness of the premium rates in use and the profitability of the business taking into consideration the reasonable benefit expectation of policyholders. All new rate tables are approved and authorised by the statutory actuary prior to being issued. Regular investigations into mortality and morbidity experience are conducted. Catastrophe insurance is in place for single event disasters.

All applications for risk cover in excess of specified limits are reviewed by experienced underwriters and evaluated against established standards. Specific testing for HIV is carried out in all cases where the applications for risk cover exceed a set limit. All risk related liabilities in excess of specified monetary or impairment limits are reinsured.

Legal risk

Legal risk is the risk that the Company will be exposed to contractual obligations which have not been provided for.

During the development stage of any new product the legal resources of the Group monitor the drafting of the contract document to ensure that rights and obligations of all parties are clearly set out.

Capital adequacy risk

Capital adequacy risk is the risk that there are insufficient reserves to provide for adverse variations in actual future experience as compared with that which has been assumed in the financial soundness valuation.

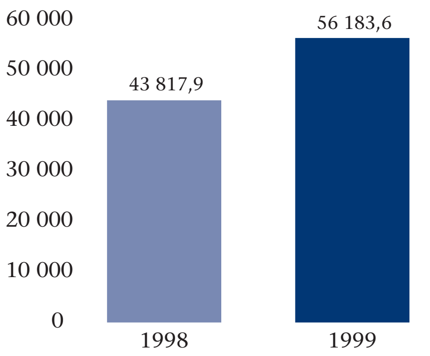
Statutory capital adequacy requirements were covered 7,3 times at 31 December 1999 (1998: 12,2 times).

NOTES ON THE FINANCIAL STATEMENTS

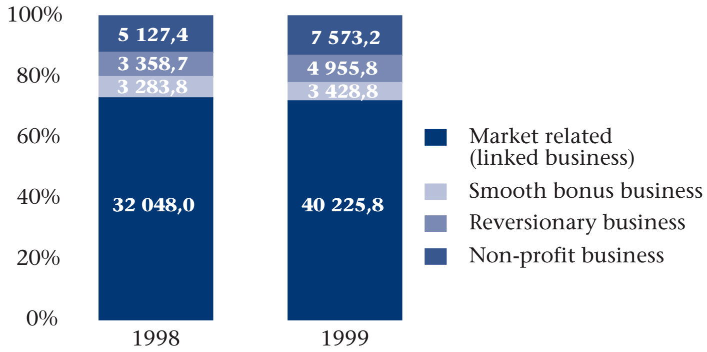
for the year ended 31 December 1999 (continued)

	Group		Company	
	1999	1998	**1999**	1998
	Rm	Rm	**Rm**	Rm
11. Life funds				
Balance at beginning of year – continuing operations	**43 817,9**	46 943,3	**41 189,8**	45 169,5
Transfers from/(to) income statement	**14 985,5**	(3 628,0)	**13 885,8**	(3 986,8)
Other transfers including contingency reserves	**(2 619,8)**	502,6	**(2 273,6)**	7,1
Balance at end of year – continuing operations	**56 183,6**	43 817,9	**52 802,0**	41 189,8
Life funds of unbundled operations	**–**	20 313,1	**–**	–
Balance at end of year – total operations	**56 183,6**	64 131,0	**52 802,0**	41 189,8

Actuarial liabilities under unmatured policies – growth of continuing operations



Actuarial liabilities under unmatured policies – mix of continuing operations



12. Convertible bonds

	1999	1998
6,5% Liblife International B.V. 2004	**1 566,2**	1 488,9
Nominal value (US$258,6 million)	**1 590,1**	1 516,7
Unamortised bond issue costs	**(23,9)**	(27,8)
Bonds attributable to unbundled operations	**–**	2 208,3
Total convertible bonds	**1 566,2**	3 697,2

Convertible bonds comprise:

US$258,6 million (R1,6 billion) (1998: US$258,6 million (R1,5 billion)) 6,5% convertible bonds issued by Liblife International B.V. in July 1994. The bonds are convertible by the holders into ordinary shares of Liberty Life on the basis of 403 (1998: 217) shares for every US$5 000 of bonds, which is equivalent to US$12,41 (1998: US$23,04) per Liberty Life ordinary share. The conversion terms of the bond have been adjusted to take effect of the unbundling of Liberty International and Stanbic as required by the terms of the convertible bond. Unless previously purchased and cancelled, or converted, the bonds will be redeemed on 30 September 2004.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

	Group		Company	
	1999	1998	**1999**	1998
	Rm	Rm	**Rm**	Rm

13. Retirement benefits

Pension fund

In the opinion of the pension fund valuator, after the most recent valuation as at 1 January 2000, the plan was financially sound.

The actuarial present value of accrued retirement benefits at the date of this valuation was R705,2 million. The actuarial value of fund assets at the valuation date was R825,9 million.

The valuation of the retirement fund was based on the following principal assumptions:

Retirement age: 63 years for executives, 65 years otherwise

Anticipated after tax returns on investments: 13%

Future salary increases: 10% plus increases on promotion

Actuarial valuations are required to be performed every three years.

Medical aid scheme ("Libcare")

For past service, the Group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions as determined by the appointed actuary on an accrual basis over the working lives of current employees.

14. Deferred taxation

	Group 1999 Rm	Group 1998 Rm	Company 1999 Rm	Company 1998 Rm
Asset/(liability) at beginning of year – continuing operations	**81,0**	(56,0)	**81,0**	(56,0)
Net temporary differences	**(273,8)**	137,0	**(272,8)**	137,0
(Liability)/asset at end of year – continuing operations	**(192,8)**	81,0	**(191,8)**	81,0
Deferred tax liability of unbundled operations	**–**	(13,7)	**–**	–
(Liability)/asset at end of year – total operations	**(192,8)**	67,3	**(191,8)**	81,0
Comprising:				
Deferred tax liability	**(202,1)**	–	**(197,1)**	–
Deferred tax asset	**9,3**	81,0	**5,3**	81,0
Deferred tax liability of unbundled operations	**–**	(13,7)	**–**	–
	(192,8)	67,3	**(191,8)**	81,0

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

	Group 1999 Rm	Group 1998 Rm
15. Investments		
Significant investments held by the Liberty Life Group on behalf of policyholders and shareholders at 31 December 1999 (which have an attributable value in excess of R300 million)		
Republic of South Africa Stock	**6 722**	9 125
South African Breweries plc	**3 963**	5 620
Standard Bank Investment Corporation	**3 405**	9 047
Eastgate Regional Shopping Centre, Johannesburg	**1 931**	1 600
Sandton City Complex, Johannesburg (60% interest)	**1 761**	1 584
GuardBank Unit Trusts	**1 739**	967
Transnet Stock	**1 165**	618
Rembrandt Group	**1 111**	704
Anglo American Corporation plc	**1 037**	872
Sasol	**1 025**	482
Metro Cash and Carry	**1 000**	681
FirstRand	**868**	606
Gold Fields, Gold Fields of SA and GFSA Holdings	**767**	553
Richemont Securities AG (Swiss)	**686**	561
ABSA Debentures	**683**	616
Edgars	**562**	70
Wooltru Group	**553**	403
Anglo American Platinum	**546**	247
Datatec	**484**	62
Dimension Data	**472**	224
Bidvest	**463**	233
Telkom Stock	**407**	–
Impala Platinum	**404**	98
SA Roads Stock	**383**	425
Gencor	**377**	55
De Beers	**371**	46
Nedcor	**368**	86
Nampak	**329**	239
Sappi	**314**	3
Tiger Oats	**312**	190
Total of major investments (representing 53% of total investments)	**34 208**	36 017

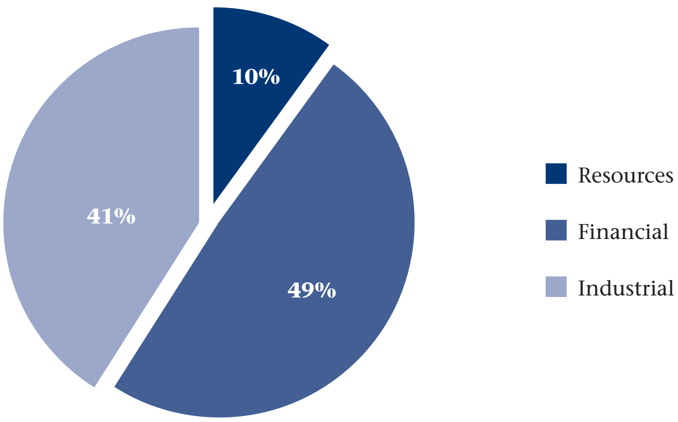
NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

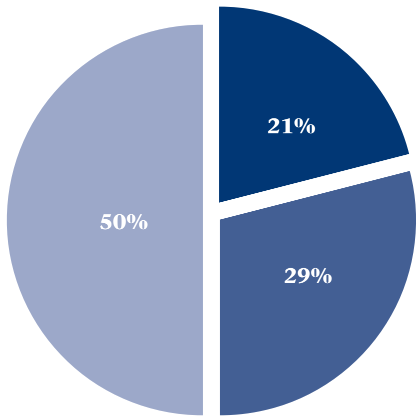
	Group		Company	
	1999	1998	**1999**	1998
	Rm	Rm	**Rm**	Rm
16. Marketable securities				
Marketable securities comprise:				
Government, municipal and utility stocks	**9 666,6**	11 173,9	**8 382,1**	10 190,6
Debentures	**1 089,2**	1 108,0	**1 035,2**	1 044,4
Listed shares	**26 602,9**	20 527,7	**24 098,7**	14 155,0
Unit trusts	**14 800,3**	5 686,7	**10 195,7**	4 622,2
Marketable securities of continuing operations	**52 159,0**	38 496,3	**43 711,7**	30 012,2
Marketable securities of unbundled operations	**–**	25 538,3	**–**	677,3
Total marketable securities	**52 159,0**	64 034,6	**43 711,7**	30 689,5

The aggregate redemption values of government, municipal and utility stocks, and debentures are in excess of their book values.

Sectoral analysis of listed investments – Group continuing operations 1998



Sectoral analysis of listed investments – Group continuing operations 1999



	Company	
17. Interests in subsidiary companies		
Shares at valuation	**4 921,5**	4 813,2
Amounts owing (to)/by subsidiaries	**(853,3)**	784,5
Continuing operations	**4 068,2**	5 597,7
Unbundled operations	**–**	12 629,4
Total operations	**4 068,2**	18 227,1

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

	Amount of issued share capital 1999	Percentage of issued share capital 1999 %	1998 %	Shares held at valuation 1999 Rm	1998 Rm	Amount owing by/(to) subsidiary 1999 Rm	1998 Rm
17. Interests in subsidiary companies (continued)							
Principal subsidiaries							
Liberty Asset Management Limited *[Fund management]*	**R600 000**	**100,0**	100,0	**310,2**	222,8	**–**	–
Liberty Life Properties (Proprietary) Limited *[Property administration]*	**R100**	**100,0**	100,0	**6,4**	7,0	**–**	121,2
Liberty Healthcare (Proprietary) Limited *[Healthcare solutions]*	**R401**	**100,0**	100,0	**11,1**	5,3	**35,0**	–
Oracle Employee Benefits (Proprietary) Limited *[Employee benefits consultancy]*	**R301**	**100,0**	100,0	**(3,2)**	1,5	**–**	–
Guardbank Management Corporation Limited *[Unit trust management]*	**R1 500 000**	**100,0**	100,0	**124,3**	116,9	**–**	–
Charter Life Insurance Company Limited *[Life insurance]*	**R4 750 000**	**100,0**	100,0	**471,1**	198,4	**–**	–
Liblife International B.V. (Incorporated in the Netherlands) *[Investment holding]*	**nlg 42 082**	**100,0**	100,0	**13,2**	11,2	**(93,9)**	(89,6)
Millennium Financial Consultants and Investments Services (Proprietary) Limited *[Marketing and administration of investment products]*	**R1 000 000**	**94,0**	94,0	**0,9**	0,8	**0,9**	0,9
Liblife (Jersey) Limited (Incorporated in Jersey) *[Investment holding]*	**£24**	**100,0**	100,0	**1 618,8**	1 474,8	**–**	–
Libsil Holdings (Proprietary) Limited *[Investment holding]*	**R1**	**100,0**	100,0	**2 079,0**	2 464,2	**(526,0)**	1 030,9
Other subsidiaries				**289,7**	310,3	**(269,3)**	(278,9)
				4 921,5	4 813,2	**(853,3)**	784,5

In addition, Liberty Life, directly and indirectly, has interests in a number of other subsidiaries. The directors are of the opinion that to publish the full information required in terms of paragraph 69 of the Fourth Schedule of the Companies Act would not be of further assistance to shareholders in obtaining a meaningful appreciation of the state of the Company's affairs. A register detailing such information in respect of all subsidiaries of Liberty Life will be available for inspection at the annual general meeting.

The interest of the Company for the year in the taxed profits of its subsidiaries was R364,3 million (1998: R60,3 million) and in the losses, was R31,8 million (1998: R24,6 million).

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

	Group		Company	
	1999	1998	**1999**	1998
	Rm	Rm	**Rm**	Rm
18. Other investments				
Other investments comprise:				
Unlisted equities	**1 699,5**	1 562,3	**1 699,5**	1 570,7
Mortgages and loans	**1 420,5**	1 056,3	**1 381,7**	1 022,5
Deposits and money market securities	**1 850,4**	634,5	**1 604,5**	427,2
Other investments of continuing operations	**4 970,4**	3 253,1	**4 685,7**	3 020,4
Other investments of unbundled operations	**–**	125,6	**–**	–
	4 970,4	3 378,7	**4 685,7**	3 020,4
19. Office furniture, computer equipment and other tangible assets (including computer software)				
Cost at beginning of year – continuing operations	**620,2**	490,3	**460,6**	383,2
Additions	**140,2**	145,5	**111,3**	90,1
Disposals	**(15,7)**	(15,6)	**(13,3)**	(12,7)
Cost at end of year – continuing operations	**744,7**	620,2	**558,6**	460,6
Assets of unbundled operations (including exchange differences)	**–**	82,7	**–**	–
Cost at end of year – total operations	**744,7**	702,9	**558,6**	460,6
Accumulated depreciation at beginning of year – continuing operations	**(339,9)**	(243,0)	**(268,8)**	(212,4)
Depreciation (net of disposals)	**(88,8)**	(96,9)	**(64,3)**	(56,4)
Accumulated depreciation at end of year – continuing operations	**(428,7)**	(339,9)	**(333,1)**	(268,8)
Assets of unbundled operations (including exchange differences)	**–**	(54,4)	**–**	–
Accumulated depreciation at end of year – total operations	**(428,7)**	(394,3)	**(333,1)**	(268,8)
Net book value at end of year – continuing operations	**316,0**	280,3	**225,5**	191,8
Net book value at end of year – total operations	**316,0**	308,6	**225,5**	191,8

Computer equipment and office furniture represent 86% (1998: 96%) of the total net book value.

20. Net outstanding premiums, accrued investment income and other debtors

Other debtors include an amount of R645,5 million in respect of the sale of Guardian National to Santam Limited. It was announced on 11 January 2000 that Liberty Life and Santam had reached agreement on the sale on 31 December 1999. The agreement is subject to approval by the Competition Commission and Competition Tribunal.

21. Related party transactions

Holding company

Liberty Life's immediate holding company is Liberty Holdings Limited which, in turn, is controlled by Standard Bank Investment Corporation Limited, the Company's ultimate holding company. Liberty Life provides certain administrative and secretarial services to Liberty Holdings Limited for which it is reimbursed at cost.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999 (continued)

	Group		Company	
	1999	1998	**1999**	1998
	Rm	Rm	**Rm**	Rm

21. Related party transactions (continued)

Property lease agreements

Certain related parties of the Group are lessees in terms of arms' length property lease agreements with Liberty Life Properties (Proprietary) Limited, a subsidiary of Liberty Life Association of Africa Limited.

Rentals and management fees received by Liberty Life Properties from related parties during the year ended 31 December 1999 amount to R42,1 million.

Bancassurance

Liberty Life and Charter Life have entered into a joint venture agreement with Standard Bank Investment Corporation for the sale and promotion of insurance products. In 1999 these sales were predominantly generated by Charter Life. New business premium income received (not annualised) in respect of this business generated by Charter Life in 1999 amounted to R604,8 million (1998: R52,5 million).

Insurance policies

Inter-group insurance policies are eliminated on consolidation. Premium income in this regard amounted to R520,9 million in respect of 1999 and R147,5 million in respect of 1998. These policies commenced in 1998 and were not eliminated in that year. Consequently comparatives have been restated to ensure consistency of disclosure.

Transactions with directors

During 1999 Standard Bank Investment Corporation Limited acquired the remaining 50% interest in Liblife Controlling Corporation (Proprietary) Limited from Liberty Investors Limited. Liblife Controlling Corporation was, at the time, the ultimate controlling company of the Liberty Group. Messrs. Donald Gordon and Michael Rapp had material interests in Liberty Investors Limited. Apart from this transaction and share options granted to directors as indicated in note 9, there were no material transactions with directors or their families during the year under review.

22. Report of the directors

A separate directors' report is not considered necessary as details of the results of the Company and its subsidiaries are contained in the group chairman's statement and review of operations for 1999. Other required disclosures are contained either in those reviews or in the annual financial statements.

23. Commitments of continuing operations

	Group 1999 Rm	Group 1998 Rm	Company 1999 Rm	Company 1998 Rm
Estimated amounts of commitments for future expenditure	**133,2**	227,1	**130,0**	227,1
Under contracts	**129,0**	220,7	**129,0**	220,7
Authorised by the directors but not contracted	**4,2**	6,4	**1,0**	6,4

The expenditure will be financed by available bank facilities, existing cash resources and funds internally generated.

CASH FLOW STATEMENTS

for the year ended 31 December 1999

		Group		Company	
		1999	1998	**1999**	1998
	Note	**Rm**	Rm	**Rm**	Rm
Cash flow from continuing operating activities		**1 641,5**	(638,1)	**1 144,9**	(1 155,1)
Cash utilised in operations	1	**(48,9)**	(2 222,0)	**(352,4)**	(2 644,7)
Returns on investments and servicing of finance		**3 150,9**	2 819,3	**2 878,1**	2 615,0
Dividends paid	2	**(1 080,5)**	(764,6)	**(1 079,6)**	(755,2)
Taxation paid	3	**(380,0)**	(470,8)	**(301,2)**	(370,2)
Net (purchase)/sale of investments		**(1 683,9)**	1 189,6	**(988,2)**	1 383,1
Investment properties		**212,8**	11,3	**212,8**	11,3
Marketable securities		**(1 545,2)**	897,7	**(2 328,3)**	1 322,6
Interests in subsidiary companies				**1 473,8**	(216,7)
Other investments		**(351,5)**	280,6	**(346,5)**	265,9
Cash flow from financing activities		**175,5**	(326,9)	**(169,6)**	(125,3)
Proceeds on issue of shares		**169,8**	14,6	**169,8**	14,6
Amounts due by Group companies		**6,1**	(63,3)	**(339,4)**	(124,5)
Amounts due to Group companies		**(0,4)**	(192,1)		(15,4)
Decrease in bonds convertible to equity		**–**	(86,1)		
Net increase/(decrease) in cash and cash equivalents		**133,1**	224,6	**(12,9)**	102,7
Cash and cash equivalents at beginning of year		**602,9**	372,7	**144,2**	41,5
Foreign exchange movements on cash balances		**(2,1)**	5,6		
Cash and cash equivalents at end of year		**733,9**	602,9	**131,3**	144,2

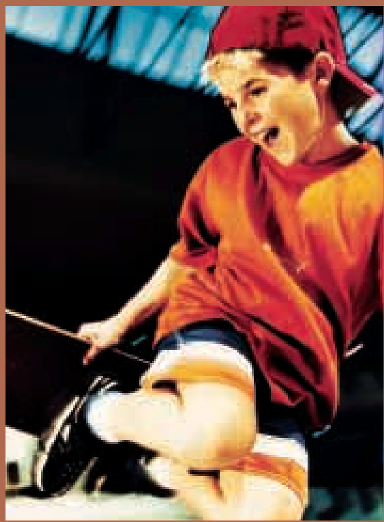
NOTES TO THE CASH FLOW STATEMENTS

for the year ended 31 December 1999

	Group		Company	
	1999	1998	**1999**	1998
	Rm	Rm	**Rm**	Rm
1. Cash utilised in operations				
Earnings including investment surpluses/(deficits) attributable to shareholders' funds from continuing operations	**2 174,0**	505,1	**2 174,0**	505,1
Adjustment for:				
Life fund transfers	**14 985,5**	(3 628,0)	**13 885,8**	(3 986,8)
Dividends received	**(863,0)**	(927,4)	**(848,3)**	(941,2)
Interest received	**(1 930,6)**	(2 295,3)	**(1 633,2)**	(1 957,0)
Interest paid	**119,9**	115,2	**14,8**	6,3
Taxation	**736,6**	311,1	**664,1**	235,3
	15 222,4	(5 919,3)	**14 257,2**	(6 138,3)
Adjustment for non-cash items:				
Retained income of subsidiaries			**(47,4)**	(26,8)
Depreciation (net of disposals) and foreign exchange	**88,8**	96,9	**64,3**	56,4
Amortisation on fixed interest securities and foreign exchange	**(109,1)**	(250,4)	**(94,8)**	(226,8)
Investment (surpluses)/deficits attributable to shareholders	**(765,0)**	730,7	**(765,0)**	730,7
Investment (surpluses)/deficits attributable to life funds	**(13 942,6)**	3 683,2	**(13 253,7)**	3 545,7
Income attributable to minority shareholders in subsidiaries	**0,1**	8,7		
	494,6	(1 650,2)	**160,6**	(2 059,1)
Working capital changes:	**(543,5)**	(571,8)	**(513,0)**	(585,6)
Net outstanding premiums and other debtors	**(643,6)**	(857,1)	**(648,9)**	(770,9)
Outstanding claims, policyholders' benefits and other creditors	**224,5**	427,4	**233,9**	270,2
Fixed assets	**(124,4)**	(142,1)	**(98,0)**	(84,9)
Cash utilised in operations	**(48,9)**	(2 222,0)	**(352,4)**	(2 644,7)
2. Dividends paid				
Dividends as per statement of changes in shareholders' funds	**(761,5)**	(1 237,2)	**(761,5)**	(1 237,2)
Dividends payable at beginning of year	**(696,4)**	(677,2)	**(696,4)**	(677,2)
Dividends payable at end of year	**378,3**	696,4	**378,3**	696,4
Dividends paid to minority shareholders in subsidiaries	**(0,9)**	(9,4)		
Capitalisation issues	**–**	462,8	**–**	462,8
	(1 080,5)	(764,6)	**(1 079,6)**	(755,2)
3. Taxation paid				
Taxation as per income statement	**(736,6)**	(311,1)	**(664,1)**	(235,3)
Net taxation liability at beginning of year	**67,0**	(92,7)	**95,5**	(39,4)
Net taxation liability/(asset) at end of year	**289,6**	(67,0)	**267,4**	(95,5)
	(380,0)	(470,8)	**(301,2)**	(370,2)

LIBERTY HOLDINGS LIMITED

(Registration number 1968/002095/06)



REVIEW OF THE PAST SIX YEARS

	1999 Rm
Income statements – extracts	
Profit attributable to shareholders	**896,5**
Dividends on preference shares	**(1,7)**
Headline profit attributable to ordinary shareholders*	**894,8**
Headline profit per ordinary share (cents)	**1 817,3**
Dividends per ordinary share (cash equivalent) (cents)	**785,0**
Balance sheets – extracts	
Shareholders' funds	**4 982,7**
Minority interests	**4 056,6**
Total assets	**69 214,4**
Other	
Liberty Holdings share price at 31 December (cents)	**19 040**
Total number of shares in issue at 31 December (000's)	**49 240**
Market capitalisation (R million)	**9 375,3**
Weighted average number of shares in issue (000's)	**49 237**

Comparatives in respect of 1994 have been restated to eliminate the effect of the proportionate consolidation of the 50% interest in the Sun Life Group which was disposed of in August 1995.

* Excludes investment surpluses/(deficits) attributable to shareholders in life insurance subsidiary.

1998 Rm	1997 Rm	1996 Rm	1995 Rm	1994# Rm
959,4	825,5	666,1	566,6	347,7
(1,7)	(3,8)	(9,0)	(11,3)	(10,1)
957,7	821,7	657,1	555,3	337,6
1 948,0	1 679,1	1 359,9	1 170,5	727,1
1 355,0	1 125,0	900,0	700,0	560,0
10 134,1	10 023,9	8 656,1	7 253,1	4 611,9
23 871,2	20 212,3	17 799,7	13 267,5	10 635,6
113 589,7	101 708,4	83 419,6	70 553,0	58 068,1
20 580	33 500	32 000	30 500	26 500
49 236	49 007	48 730	47 912	46 885
10 132,8	16 417,4	15 593,6	14 613,2	12 424,5
49 162	48 937	48 319	47 441	46 432

DIRECTORS

Chairman

D E Cooper (59) CA(SA)
Appointed to the board – 1999

Directors

R C Andersen (51) CA(SA), CPA (Texas)
Appointed to the board – 1997

D D B Band (55) BCom, CA(SA)*
Appointed to the board – 1995

D A Hawton (62) FCIS*
Appointed to the board – 1999

W S MacFarlane (64) CA(SA), FCA*
Appointed to the board – 1995

J H Maree (45) BCom, MA (Oxon)
Appointed to the board – 1997

R A Plumbridge (64) MA, LLD(hc)
Appointed to the board – 1999

M Rapp (64) CA(SA)
Appointed to the board – 1976

A Romanis (60) CA*#
Appointed to the board – 1993

C B Strauss (64) BA, MS, PhD, DEcon(hc), DSc(hc)
Appointed to the board – 1983

*Member of Audit Committee
#British

APPROVAL OF FINANCIAL STATEMENTS

for the year ended 31 December 1999

The directors accept responsibility for the Company annual financial statements, the Group annual financial statements and related information included in this annual report. These financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates, in conformity with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Long-term Insurance Act and the Companies Act. The directors are of the opinion that the financial statements fairly present the financial position of the Company and the Group. The independent auditors are responsible for reporting on these financial statements. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control. Internal financial and operating controls are described in the corporate governance statement on pages 54 to 59.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the ensuing financial year.

The Company annual financial statements and the Group annual financial statements which appear on pages 105 to 120 were approved by the Board of Directors on 14 March 2000 and are signed on its behalf by:

D E Cooper
Chairman

R C Andersen
Group Chief Executive

REPORT OF THE INDEPENDENT AUDITORS

To the members of Liberty Holdings Limited

We have audited the Company annual financial statements and Group annual financial statements of Liberty Holdings Limited set out on pages 105 to 120 for the year ended 31 December 1999. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present in all material respects, the financial position of the Company and of the Group at 31 December 1999 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Long-term Insurance Act and the Companies Act.

Grant Thornton Kessel Feinstein

Grant Thornton Kessel Feinstein
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
14 March 2000

CERTIFICATION BY COMPANY SECRETARY

In terms of Section 268 g(d) of the Companies Act, 1973, as amended, I certify that the Company has lodged with the Registrar of Companies all such returns as are required by the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date.

J Worwood

J Worwood FCIS
Group company secretary

Johannesburg
14 March 2000

ACCOUNTING POLICIES

Basis of preparation

The financial statements of Liberty Holdings incorporate both the continuing operations of its' sole subsidiary, Liberty Life Association of Africa Limited (Liberty Life), as well as the unbundled operations to the date of the unbundlings. (Refer to basis of preparation of Liberty Life – page 72, for details regarding the basis of preparation and disclosure relating to the life insurance operations of Liberty Life). The income statement of Liberty Holdings reflects both continuing and unbundled operations and the 1999 results are therefore not comparable with those of 1998.

In order to reflect the performance of the underlying continuing operations of Liberty Life, headline profit per ordinary share based on the underlying continuing operations of Liberty Life has been calculated.

The accounting policies adopted by the Company and the Group are consistent with those of the previous year. These policies comply, in all material respects, with South African Statements of Generally Accepted Accounting Practice, as well as the South African Companies Act of 1973 and the Long-term Insurance Act of 1998. The more important accounting policies adopted by the Company and the Group are as follows:

Basis of consolidation

The Group annual financial statements consolidate the financial statements of the Company and its subsidiaries.

The results of the subsidiaries are included from the effective dates of acquisition up to the effective dates of disposal.

All subsidiaries have financial years ending 31 December and are consolidated to that date.

Inter-group transactions and balances are eliminated on consolidation.

Office furniture, computer equipment and other tangible assets

Office furniture, computer equipment and other tangible assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight line basis at rates appropriate to the expected useful lives of the assets, not exceeding ten years in respect of office furniture or five years in respect of computer equipment.

Computer software development costs

Internal costs associated with developing computer software programs are recognised as an expense as incurred.

External costs that are clearly associated with an identifiable and unique system which will be controlled by the Group and has a probable benefit exceeding the cost beyond one year, are recognised as an asset. Computer software development costs recognised as assets are depreciated on the straight line basis at rates appropriate to the expected useful lives of the assets, not exceeding five years.

Investment properties

Completed properties are reflected at a valuation based on open-market value which is determined annually by independent professional valuators. Properties under development are reflected at cost less provisions. Investment properties are not subject to depreciation.

Marketable securities

Marketable securities include government, municipal and utility stocks, debentures, shares, unit trusts, futures and options. Marketable securities are reflected at market value. Market value is calculated by reference to Stock Exchange quoted ruling prices (repurchase prices for unit trusts) at the close of business on the last trading day on or before the balance sheet date. "Over the counter" options are valued at fair value using appropriate models.

Other investments

Other investments include mortgages, loans, deposits, money market securities and unlisted shares and are reflected at directors' valuation. Provision is only made where, in the opinion of the directors, there is a permanent diminution in value. Where there has been a permanent diminution in value, it is recognised against investment surpluses in the period in which the diminution is identified.

ACCOUNTING POLICIES
(continued)

Scrip lending

Marketable securities under scrip lending arrangements are reflected on the balance sheets of the Company and the Group.

Scrip lending fees received are included in the income statements as investment income. Fees are allocated between shareholders and policyholders based upon ownership of the underlying marketable securities and due consideration of risk borne.

Life funds

The Group's liabilities under unmatured policies are computed annually at the balance sheet date by the Group's statutory actuary in accordance with prevailing legislation and Generally Accepted Actuarial Practice. The transfers to life funds reflected in the income statements represent the increase or decrease in actuarial liabilities, including provisions for policyholders' bonuses, net adjustments to policyholders' bonus stabilisation reserves, and net adjustments to margins held within the life funds.

Premium income

Premiums, other than in respect of the Lifestyle series of policies and group schemes, are recognised in the income statement when due. Premiums receivable in respect of group schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premiums in respect of the Lifestyle series of policies are recognised in the income statement on a receipts basis.

Investment return

Investment income for the Group comprises income from financial services activities, interest and dividends. Dividends are brought to account as at the last date to register in respect of listed shares and when declared in respect of unlisted shares. Interest and other investment income are accounted for on an accrual basis.

Unrealised and realised surpluses or deficits arising on the valuation and disposal of assets attributable to life funds are transferred from the income statement to the life funds. Shareholders' unrealised and realised surpluses or deficits in respect of the life insurance subsidiary are included in the income statement. Surpluses or deficits arising on the valuation and disposal of the Company's investments are transferred to investment revaluation and other reserves in terms of the Company's memorandum of association.

Claims and policyholder benefits

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date.

Outstanding claims and benefit payments are stated net of reinsurance.

Commissions

Commissions, comprising commissions on new insurance policies and renewal commissions, as well as expenses related thereto including bonuses payable, and the Company's contribution to agents' pension and medical aid funds, are shown net of reinsurance commission received.

Commissions relating to unearned premiums are deferred and accounted for in the same period in which those premiums are accounted for.

Retirement benefits

The Group operates a funded defined benefit pension scheme as well as a medical aid scheme to which substantially all employees belong. The Group's current service costs to the defined benefit plan are recognised as expenses in the current year. Past service costs, experience adjustments and the effect of changes in actuarial assumptions are recognised as expenses or income in the current year to the extent that they relate to retired employees. For active employees, these costs are recognised as expenses or income systematically over the expected remaining service period of employees.

ACCOUNTING POLICIES

(continued)

The pension scheme is governed by the Pension Funds Act, 1956 and employer companies contribute the total cost of benefits provided. Actuarial valuations are required every three years.

Deferred bond issue expenses

Expenses incurred relating to the bond issues are amortised having regard to the periods of the bonds.

New business costs

New business costs are recognised in the income statement when incurred and are provided for in the calculation of actuarial liabilities in accordance with Generally Accepted Actuarial Practice.

Deferred taxation

Provision is made for deferred taxation attributable to temporary differences in the accounting and taxation treatment of items in the financial statements. A deferred taxation liability is recognised for all taxable temporary differences, at current rates of taxation, except where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future. A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

INCOME STATEMENTS

for the year ended 31 December 1999

		Group		Company	
		1999	1998	**1999**	1998
	Notes	**Rm**	Rm	**Rm**	Rm
Profit before taxation	1	**2 489,1**	2 293,2	**412,4**	708,3
From the following sources:					
Life insurance subsidiary		**2 498,9**	2 277,0		
Other sources		**(9,8)**	16,2	**(9,9)**	16,2
Dividends from subsidiaries				**422,2**	692,1
Taxation	4	**863,2**	581,7	**0,6**	5,7
Profit after taxation		**1 625,9**	1 711,5	**411,8**	702,6
Minority interests		**(729,4)**	(752,1)		
Total headline profit		**896,5**	959,4	**411,8**	702,6
Investment surpluses/(deficits) attributable to shareholders in life insurance subsidiary		**515,9**	(3,1)		
Total consolidated profit including investment surpluses/(deficits) attributable to shareholders		**1 412,4**	956,3	**411,8**	702,6
Dividends on preference shares		**(1,7)**	(1,7)	**(1,7)**	(1,7)
Total consolidated profit including investment surpluses/(deficits) attributable to ordinary shareholders		**1 410,7**	954,6	**410,1**	700,9
Headline profit after preference dividends per ordinary share (cents)		**1 817,3**	1 948,0		
Profit per ordinary share including investment surpluses/(deficits) attributable to shareholders (cents)		**2 865,2**	1 941,7		
Weighted average number of shares in issue (000's)		**49 237**	49 162		
Headline profit after preference dividend based on underlying continuing investments		**783,2**	703,1		
Headline profit after preference dividend per share based on underlying continuing investments (cents)		**1 560,8**	1 410,8		

BALANCE SHEETS

at 31 December 1999

		Group		Company	
		1999	1998	**1999**	1998
	Notes	**Rm**	Rm	**Rm**	Rm
Capital, reserves and liabilities					
Shareholders' funds		**4 982,7**	10 134,1	**3 590,3**	3 566,3
Share capital and share premium	5	**951,7**	951,3	**951,7**	951,3
Investment revaluation and other reserves		**1 264,2**	6 924,4	**2 140,0**	2 140,0
Retained profit		**2 766,8**	2 258,4	**498,6**	475,0
Minority interests		**4 056,6**	23 871,2		
Life funds	7	**56 183,6**	64 131,0		
Actuarial liabilities under unmatured policies		**56 183,6**	61 327,1		
Contingency and other reserves		**–**	2 803,9		
Convertible bonds and other liabilities	8	**1 566,2**	10 774,4		
Retirement benefit obligation	9	**97,7**	80,5		
Deferred taxation	10	**192,8**	–		
Current liabilities		**2 134,8**	4 449,8	**208,0**	405,6
Outstanding claims, policyholders' benefits and other creditors		**1 801,9**	3 260,3	**5,3**	5,2
Taxation		**96,8**	302,9	**–**	3,9
Shareholders for dividend		**202,7**	394,7	**202,7**	394,7
Bank loans		**33,4**	491,9	**–**	1,8
Total capital, reserves and liabilities		**69 214,4**	113 441,0	**3 798,3**	3 971,9
Assets					
Investments	11	**64 990,7**	104 619,2	**3 797,7**	3 971,4
Investment properties		**7 861,3**	37 331,5	**–**	–
Marketable securities	12	**52 159,0**	64 034,6	**–**	–
Interests in subsidiary companies	13			**3 797,7**	3 971,4
Other investments	14	**4 970,4**	3 253,1	**–**	–
Office furniture, computer equipment and other tangible assets	15	**316,0**	308,7	**–**	0,1
Deferred taxation	10	**–**	67,3		
Current assets		**3 907,7**	8 445,8	**0,6**	0,4
Net outstanding premiums, accrued investment income and other debtors		**3 140,4**	2 717,3	**0,5**	0,4
Trading properties		**–**	474,3		
Balances with bankers and money market securities		**767,3**	5 254,2	**0,1**	–
Total assets		**69 214,4**	113 441,0	**3 798,3**	3 971,9

STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

for the year ended 31 December 1999

	Share capital Rm	Share premium Rm	Revaluation and other reserves Rm	Retained profit Rm	Total Rm
Shareholders' funds at 1 January 1998	13,8	827,3	7 215,0	1 967,8	**10 023,9**
Total consolidated profit including investment surpluses/(deficits)				956,3	**956,3**
Investment deficits on shareholders' investments reflected directly in reserves			(287,5)		**(287,5)**
Investment deficits attributable to shareholders' funds			(3,1)	3,1	**–**
Preference dividend				(1,7)	**(1,7)**
Ordinary dividends				(667,1)	**(667,1)**
Interim dividend No. 57 of 555 cents – LDR 4 September 1998				(273,2)	**(273,2)**
Final dividend No. 58 of 800 cents – LDR 26 March 1999				(393,9)	**(393,9)**
Subscriptions for shares (refer note 5)		110,2			**110,2**
Shareholders' funds at 31 December 1998	13,8	937,5	6 924,4	2 258,4	**10 134,1**
Total consolidated profit including investment surpluses/(deficits)				1 412,4	**1 412,4**
Dividends in specie – unbundlings of:					
Liberty International plc			(4 173,8)		**(4 173,8)**
Standard Bank Investment Corporation Limited			(3 287,9)		**(3 287,9)**
Transfer from contingency and other reserves			1 282,3		**1 282,3**
Investment surpluses on shareholders' investments reflected directly in reserves			3,3		**3,3**
Investment surpluses attributable to shareholders' funds			515,9	(515,9)	**–**
Preference dividend				(1,7)	**(1,7)**
Ordinary dividends				(386,4)	**(386,4)**
Interim dividend No. 60 of 375 cents – LDR 23 September 1999				(184,6)	**(184,6)**
Final dividend No. 61 of 410 cents – LDR 31 March 2000				(201,8)	**(201,8)**
Subscriptions for shares (refer note 5)		0,4			**0,4**
Shareholders' funds at 31 December 1999	13,8	937,9	1 264,2	2 766,8	**4 982,7**

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

	Group			
	1999		1998	
	Life insurance Rm	**Other sources Rm**	Life insurance Rm	Other sources Rm
1. Profit before taxation				
Consolidated profit before taxation is arrived at as follows:				
Income				
Net premium income	**14 482,9**	**–**	11 323,5	–
Dividend, net interest and rental income†	**3 366,6**	**7,6**	3 744,6	25,1
Income from financial service activities	**924,1**	**–**	1 454,8	–
Investment surpluses/(deficits) attributable to life funds	**16 140,9**	**–**	(1 972,8)	–
	34 914,5	**7,6**	14 550,1	25,1
Expenses				
Claims and policyholders' benefits	**9 817,7**	**–**	10 020,4	–
Commissions	**822,8**	**–**	756,1	–
Management expenses	**1 154,4**	**17,4**	1 100,8	8,9
Life fund transfers	**20 620,7**	**–**	395,8	–
	32 415,6	**17,4**	12 273,1	8,9
Profit before taxation	**2 498,9**	**(9,8)**	2 277,0	16,2
Total consolidated profit before taxation	**2 489,1**		2 293,2	

† Dividend, net interest and rental income reflected under the heading of life insurance is stated after deducting R294,3 million (1998: R543,5 million) which relates to interests of minority shareholders in subsidiary companies.

	Group		**Company**	
	1999 Rm	1998 Rm	**1999 Rm**	1998 Rm
2. Management expenses				
Management expenses include the following:				
Auditors' remuneration	**6,2**	8,4	**–**	0,2
Audit fees	**4,5**	6,3	**–**	0,1
Other services	**1,7**	2,1	**–**	0,1
Consultancy fees	**32,7**	53,0	**–**	–
Actuarial	**1,4**	0,8	**–**	–
Other	**31,3**	52,2	**–**	–
Retirement and medical benefits	**57,7**	73,3	**0,4**	0,3

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

	Company 1999 R'000	Company 1998 R'000
2. Management expenses (continued)		
Non-executive directors		
Fees	**415**	306
Executive directors†		
Total emoluments	**12 750**	15 396
Basic salaries	**6 079**	13 078
Bonuses and performance related payments	**618**	340
Expense allowances	**624**	606
Retirement and medical benefits	**3 263**	618
Other incentives and benefits	**2 166**	754
Paid by subsidiaries	**(11 532)**	(13 027)
Emoluments paid by the Company	**1 633**	2 675
Aggregate months paid	**62**	120
Total emoluments paid by the Company	**1 633**	2 675
Total emoluments paid by subsidiaries	**11 532**	13 027
Total directors' emoluments	**13 165**	15 702

† Refer to note 5 for details of share option schemes.
No executive directors hold service contracts.

	Group 1999 Rm	Group 1998 Rm	Company 1999 Rm	Company 1998 Rm
3. Income from investments				
Income from subsidiaries			**427,2**	701,1
Dividends			**422,2**	692,1
Management fees			**5,0**	9,0
4. Taxation				
South African normal taxation	**424,7**	248,6	**0,6**	5,7
Current year				
Life insurance subsidiaries	**184,0**	381,1	**–**	–
Other sources	**0,6**	5,7	**0,6**	5,7
Prior years				
Life insurance subsidiaries	**(33,7)**	(7,7)	**–**	–
Deferred taxation				
Life insurance subsidiaries	**273,8**	(137,0)	**–**	–
Other sources	**–**	6,5	**–**	–
Other related taxes – Life insurance subsidiaries	**438,5**	333,1	**–**	–
Taxation per income statements	**863,2**	581,7	**0,6**	5,7

The tax in the holding company is low as its principal source of income is dividends which are not taxable. Other related taxes include non-recoverable value added tax, levy on financial services, stamp duties, regional council levies, secondary tax on companies, taxation on franked investment income and advance corporation tax.

The Group has estimated tax losses of R62,6 million (1998: R25,9 million) which are available for set-off against future taxable income.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

	Company 1999 Rm	Company 1998 Rm
5. Share capital and share premium		
Share capital		
Authorised share capital		
75 000 000 ordinary shares of 25 cents each	**18,8**	18,8
15 000 000 cumulative preference shares of 10 cents each	**1,5**	1,5
30 000 000 redeemable cumulative preference shares of 10 cents each	**3,0**	3,0
6 000 000 convertible redeemable cumulative preference shares of 25 cents each	**1,5**	1,5
	24,8	24,8
Unissued shares under the control of the directors		
25 137 898 (1998: 25 137 898) ordinary shares of 25 cents each	**6,3**	6,3
Unissued shares reserved		
For the purpose of the Executive Share Option Scheme (1998)		
622 034 (1998: 625 925) ordinary shares of 25 cents each	**0,2**	0,2
	6,5	6,5
Issued share capital		
49 240 068 (1998: 49 236 177) ordinary shares of 25 cents each	**12,3**	12,3
15 000 000 (1998: 15 000 000) cumulative preference shares of 10 cents each	**1,5**	1,5
	13,8	13,8
Share premium		
Balance at beginning of year	**937,5**	827,3
Premium on ordinary shares issued during the year	**0,4**	110,6
Share issue expenses	**–**	(0,4)
Balance at end of year	**937,9**	937,5
Total issued share capital and share premium	**951,7**	951,3

Interests of directors, including their families, in share capital

Direct interests	Number of ordinary shares	
Beneficial	**33 656**	76 864
Non-beneficial	**–**	46 586

Indirect interests

By virtue of either directorships in or material shareholdings held directly or indirectly by Standard Bank Investment Corporation Limited (100%), in the issued ordinary share capital of Liblife Controlling Corporation (Proprietary) Limited and by virtue of Liblife Controlling Corporation owning 54,8% of the issued ordinary share capital of Liberty Holdings Limited, Messrs D E Cooper, D D B Band, D A Hawton, J H Maree, M Rapp, A Romanis and Dr C B Strauss, all being directors of the Company and Liblife Controlling Corporation and/or Standard Bank Investment Corporation had in aggregate an indirect beneficial and non-beneficial interest in 26 963 700 ordinary shares in Liberty Holdings Limited at 31 December 1999.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

5. Share capital and share premium (continued)

Shares under option in terms of the Senior Executive Share Option Scheme (1988)

Date granted	Number of shares	Price at which granted (R)	Number exercised	Date for implementation
18 August 1993	3 225	44,77	3 225	Between 31 March 2000 and 31 March 2001
1 June 1994	20 000	94,77	20 000	Between 31 March 2000 and 31 March 2002
5 July 1995	5 000	114,77	5 000	Between 31 March 2000 and 31 March 2002
11 September 1998	12 500	91,77	12 500	Between 30 September 2000 and 31 March 2006
2 August 1999	20 228	118,77	20 228	Between 31 March 2000 and 31 March 2006
28 August 1999	66 316	127,00	65 714	Between 31 March 2000 and 31 March 2006
	127 269		126 667	

The subscription prices for options granted in previous years were adjusted for the unbundlings by the Liberty Life Group of its investments in Liberty International PLC and Standard Bank Investment Corporation Limited by R63,90 and R71,33 respectively.

The 15 000 000 cumulative preference shares are not redeemable and carry dividends at the rate of 11 cents per share per annum. The preference shares confer the right, on a winding up of the Company, to receive a return of R1 per share together with any arrears in preference dividends in priority to any payment in respect of any other class of share in the capital of the Company then issued.

6. Borrowing powers

In terms of the Company's articles of association the attributable amount which the Group may borrow is R4 982,7 million (1998: R10 134,1 million). Borrowings at 31 December 1999 computed in terms of the Company's articles of association were R886,0 million (1998: R832,3 million).

7. Life funds

	Group 1999 Rm	Group 1998 Rm
Balance at beginning of year	**64 131,0**	60 660,5
Transfers from income statement	**20 620,7**	395,8
Other transfers	**(8 255,0)**	3 074,7
Unbundled operations of Life insurance subsidiary	**(20 313,1)**	
Balance at end of year	**56 183,6**	64 131,0

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

	Group 1999 Rm	Group 1998 Rm
8. Convertible bonds and other liabilities		
Convertible bonds	**1 566,2**	3 697,2
5,5% Liberty International Holdings plc 2009	**–**	1 246,0
6,5% Liblife International B.V. 2004	**1 566,2**	1 488,9
6,25% Capital Shopping Centres plc 2006	**–**	962,3
Other long-term liabilities		
Secured	**–**	3 883,8
Mortgages and debentures	**–**	2 536,8
Bank loans	**–**	1 347,0
Unsecured	**–**	3 193,4
Bank loans	**–**	880,2
Bonds – 6,875% Capital Shopping Centres plc 2013	**–**	1 924,7
Other	**–**	388,5
	1 566,2	10 774,4
Repayment dates		
Within two years	**–**	767,7
Two to five years	**1 566,2**	381,1
Six to ten years	**–**	5 492,6
More than ten years	**–**	4 133,0
	1 566,2	10 774,4
Currencies		
Sterling	**–**	8 407,9
US dollars	**1 566,2**	2 244,1
Other	**–**	122,4
	1 566,2	10 774,4

Convertible bonds comprise:

US$258,6 million (R1,6 billion) (1998: US$258,6 million (R1,5 billion)) 6,5% convertible bonds issued by Liblife International B.V. in July 1994. The bonds are convertible by the holders into ordinary shares of Liberty Life on the basis of 403 (1998: 217) shares for every US$5 000 of bonds, which is equivalent to US$12,41 (1998: US$23,04) per Liberty Life ordinary share. The conversion terms of the bond have been adjusted to take effect of the unbundling of Liberty International and Stanbic as required by the terms of the convertible bond. Unless previously purchased and cancelled, or converted, the bonds will be redeemed on 30 September 2004.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

	Group 1999 Rm	Group 1998 Rm

9. Retirement benefits

Pension fund

In the opinion of the Group pension fund valuator, after the most recent valuation as at 1 January 2000, the plan was financially sound.

The actuarial present value of accrued retirement benefits at the date of the most recent valuation on 1 January 2000 was R705,2 million. The actuarial value of fund assets at the valuation date was R825,9 million.

The valuation of the retirement fund was based on the following principal assumptions:
Retirement age: 63 years for executives, 65 years otherwise
Anticipated after tax returns on investments: 13%
Future salary increases: 10% plus increases on promotion

The medical aid scheme ("Libcare")

For past service, the Group recognises the actuarially determined present value of expected future medical aid employer contributions as determined by the appointed actuary on an accrual basis over the working lives of current employees.

10. Deferred taxation

	1999 Rm	1998 Rm
Asset/(liability) at beginning of year	**67,3**	(61,6)
Net temporary differences	**(273,8)**	128,9
Deferred tax assets of unbundled operations	**13,7**	
(Liability)/asset at end of year	**(192,8)**	67,3
Comprising:		
Deferred tax liability	**(202,1)**	(13,7)
Deferred tax asset	**9,3**	81,0
	(192,8)	67,3

11. Investments

The aggregate redemption values of government, municipal and utility stocks, debentures, mortgages and loans are in excess of their book values.

Details of property investments are recorded in registers which may be inspected by members, or their duly authorised agents, at the Company's registered office.

12. Marketable securities

	1999 Rm	1998 Rm
Marketable securities comprise:		
Government, municipal and utility stocks	**9 666,6**	11 173,9
Debentures	**1 089,2**	1 108,0
Listed shares	**26 602,9**	46 214,7
Unit trusts	**14 800,3**	5 538,0
	52 159,0	64 034,6

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

	Group		Company	
	1999	1998	**1999**	1998
	Rm	Rm	**Rm**	Rm
13. Interests in subsidiary companies				
149 728 570 (1998: 149 728 570) ordinary shares at cost, representing 55,41% (1998: 55,90%) of the total issued share capital of Liberty Life Association of Africa Limited			**3 645,4**	3 645,4
Net amount owing by subsidiary companies			**152,3**	326,0
			3 797,7	3 971,4

The interest of the Company for the year in the aggregate taxed profits of its subsidiaries was R1 422,9 million (1998: R945,8 million).

	Group		Company	
14. Other investments				
Other investments comprise:				
Unlisted equities	**1 699,5**	1 562,3		
Mortgages and loans	**1 420,5**	1 056,3		
Deposits and money market securities	**1 850,4**	634,5		
	4 970,4	3 253,1		
15. Office furniture, computer equipment and other tangible assets				
Cost at beginning of year	**703,3**	561,9	**0,4**	0,6
Additions	**140,3**	145,3	**–**	–
Disposals	**(16,1)**	(15,8)	**(0,4)**	(0,2)
Unbundled operations	**(82,8)**	–		
Exchange difference	**–**	11,9		
Cost at end of year	**744,7**	703,3	**–**	0,4
Accumulated depreciation at beginning of year	**(394,6)**	(291,8)	**(0,3)**	(0,5)
Depreciation (net of disposals)	**(88,5)**	(96,7)	**0,3**	0,2
Unbundled operations	**54,4**	–		
Exchange difference	**–**	(6,1)		
Accumulated depreciation at end of year	**(428,7)**	(394,6)	**–**	(0,3)
Net book value at end of year	**316,0**	308,7	**–**	0,1

Fixed assets of the Group consist primarily of computer equipment and office furniture representing 86% (1998: 96%) of the total net book value.

NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

	Group 1999 Rm	Group 1998 Rm

16. Related party transactions

Holding company

Standard Bank Investment Corporation Limited is the Company's ultimate holding company.

Transactions with directors

During 1999 Standard Bank Investment Corporation Limited acquired the remaining 50% interest in Liblife Controlling Corporation (Proprietary) Limited from Liberty Investors Limited. Liblife Controlling Corporation was, at the time, the ultimate controlling company of the Liberty Group. Messrs. Donald Gordon and Michael Rapp had material interests in Liberty Investors Limited. Apart from this transaction and share options granted to directors as indicated in note 5, there were no material transactions with directors or their families during the year under review.

17. Report of the directors

A separate directors' report is not considered necessary as details of the results of the Company and its subsidiaries are contained in the group chairman's statement and review of operations for 1999. Other required disclosures are contained either in these reviews or in the annual financial statements.

18. Commitments

	Group 1999 Rm	Group 1998 Rm
Estimated amounts of commitments for future expenditure	**133,2**	2 818,3
Under contracts	**129,0**	2 281,0
Authorised by the directors but not contracted	**4,2**	537,3

The expenditure will be financed by available bank facilities, existing cash resources and funds internally generated.

CASH FLOW STATEMENTS

for the year ended 31 December 1999

		Group		Company	
		1999	1998	**1999**	1998
	Note	**Rm**	Rm	**Rm**	Rm
Cash flow from operating activities		**5 182,7**	2 423,0	**5,9**	(112,0)
Cash generated by/(utilised in) operations	1	**3 721,9**	1 382,1	**(1,5)**	(55,3)
Returns on investments and servicing of finance		**3 183,0**	3 214,4	**592,0**	437,5
Dividends paid	2	**(907,0)**	(1 564,6)	**(580,1)**	(490,6)
Taxation paid	3	**(815,2)**	(608,9)	**(4,5)**	(3,6)
Net (purchase)/sale of investments		**(5 181,6)**	(3 754,9)	**(6,2)**	112,0
Investment properties		**(35,4)**	(1 777,6)	**–**	–
Marketable securities		**(5 026,3)**	(1 137,9)	**–**	–
Interests in subsidiary companies				**(6,2)**	(333,1)
Other investments		**(351,5)**	158,6	**–**	–
Cash received on disposal of associate asset management companies				**–**	445,1
Net acquisition from/funds introduced by minorities		**231,6**	(998,0)		
Cash flow from financing activities		**(783,8)**	1 865,9	**0,4**	–
Proceeds on issue of shares		**0,4**	–	**0,4**	–
Decrease in short-term bank loans		**(61,8)**	(14,6)		
Increase in long-term borrowings		**1 429,3**	1 678,8		
(Decrease)/increase in bonds convertible to equity		**(2 151,7)**	201,7		
Net (decrease)/increase in cash and cash equivalents		**(782,7)**	534,0	**0,1**	–
Cash and cash equivalents at beginning of year		**5 254,2**	3 912,3	**–**	–
Foreign exchange movements on cash balances		**(96,5)**	807,9		
Cash balances of subsidiaries unbundled		**(3 641,1)**	–		
Cash and cash equivalents at end of year		**733,9**	5 254,2	**0,1**	–

NOTES ON THE CASH FLOW STATEMENTS

for the year ended 31 December 1999

	Group		Company	
	1999	1998	**1999**	1998
	Rm	Rm	**Rm**	Rm
1. Cash generated by/(utilised in) operations	**1 412,4**	956,3	**411,8**	**702,6**
Profit attributable to shareholders of Liberty Holdings Limited				
Adjustment for:				
Life fund transfers	**20 620,7**	395,8		
Dividends received	**(896,6)**	(1 527,4)	**(422,2)**	(692,1)
Interest received	**(2 076,6)**	(3 232,7)	**–**	(16,2)
Interest paid	**354,3**	956,5	**10,0**	–
Taxation	**863,2**	581,7	**0,6**	5,7
	20 277,4	(1 869,8)	**0,2**	–
Adjustment for non-cash items:				
Depreciation (net of disposals) and foreign exchange	**92,6**	103,0	**–**	0,1
Amortisation of fixed interest securities and foreign exchange	**(96,4)**	(114,3)		
Investment (surpluses)/deficits attributable to shareholders	**(931,1)**	5,6		
Investment (surpluses)/deficits attributable to life funds	**(16 140,9)**	1 972,8		
Income attributable to minority shareholders in subsidiaries	**958,7**	1 436,4		
	4 160,3	1 533,7	**0,2**	0,1
Working capital changes:	**(438,4)**	(151,6)	**(1,7)**	(55,4)
Net outstanding premiums and other debtors	**(660,3)**	(929,5)	**(0,1)**	12,6
Trading properties	**39,9**	83,0		
Outstanding claims, policyholders' benefits and other creditors	**311,1**	830,4	**(1,7)**	(67,9)
Fixed assets	**(129,1)**	(135,5)	**0,1**	(0,1)
Cash generated by/(utilised in) operations	**3 721,9**	1 382,1	**(1,5)**	(53,3)
2. Dividends paid				
Dividends as per statement of changes in shareholders' funds	**(388,1)**	(668,8)	**(388,1)**	(668,8)
Dividends payable at beginning of year	**(394,7)**	(326,7)	**(394,7)**	(326,7)
Dividends payable at end of year	**202,7**	394,7	**202,7**	394,7
Dividends paid to minority shareholders in subsidiaries	**(326,9)**	(1 074,0)		
Capitalisation issues	**–**	110,2	**–**	110,2
	(907,0)	(1 564,6)	**(580,1)**	(490,6)
3. Taxation paid				
Taxation as per income statement	**(863,2)**	(581,7)	**(0,6)**	(5,7)
Foreign currency movements	**(6,0)**	54,6		
Net taxation liability at beginning of year	**(235,6)**	(317,4)	**(3,9)**	(1,8)
Net taxation liability at end of year	**289,6**	235,6	**–**	3,9
	(815,2)	(608,9)	**(4,5)**	(3,6)

NOTICE TO MEMBERS

Liberty Life Association of Africa Limited

Notice is hereby given that the forty-second annual general meeting of members will be held on Tuesday, 2 May 2000 at 09:30 at the Liberty Life Conference Centre, 1 Anerley Road, Parktown, Johannesburg, to transact the following business:

1. To receive and consider the audited financial statements for the year ended 31 December 1999.

2. To elect directors in place of Mrs E Bradley and Messrs H I Appelbaum, D E Cooper, D A Hawton, R J Khoza, W S MacFarlane, S J Macozoma, J H Maree, R A Plumbridge, M Rapp, A Romanis, and E P Theron who retire in accordance with the Company's articles of association but, being eligible, offer themselves for re-election.

3. To consider and if deemed fit, to pass with or without modification, the following ordinary resolution number 1:

   "That all the unissued ordinary shares of the Company (excluding for this purpose 14 524 342 ordinary shares held in reserve to enable the Company to allot shares to present and future employees of the Group in terms of the Senior Executive Share Option Scheme, the Staff Share Incentive Scheme and the Liberty Life Share Trust and 20 839 936 ordinary shares held in reserve to enable the Company to allot shares to the holders of the Liblife International B.V. 6$^1/_2$% convertible bonds 2004) be placed under the control of the directors of the Company who be and they are hereby authorised, subject to sections 221 and 222 of the Companies Act, 1973, to allot and issue such shares in their discretion on such terms and conditions as and when they deem it fit to do so."

4. To consider and if deemed fit, to pass, with or without modification, the following ordinary resolution number 2:

   "That with the exception of a pro rata rights offer to members and subject to the passing of ordinary resolution number 1, and the requirements of the Johannesburg Stock Exchange, the directors be given the specific authority to issue ordinary shares of 10 cents each for cash as and when suitable situations arise, subject to the following limitations:

   (a) that this authority shall not extend beyond 15 (fifteen) months from the date of this general meeting;

   (b) that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of shares of that class in issue prior to the issues;

   (c) that issues in the aggregate in any one year will not exceed 10% of the number of shares of any class of the Company's issued share capital, including instruments which are compulsorily convertible into shares of that class, provided further that such issues shall not in aggregate in any three year period exceed 15% of the Company's issued share capital of that class, including instruments which are compulsorily convertible into shares of that class;

   (d) that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the average closing price of the shares in question, as determined over the 30 days prior to either the date of the paid announcement or, where no announcement is required and none has been made, the date of issue of the instruments."

   As more than 35% of the Company's issued securities are in the hands of the public, as defined by the Johannesburg Stock Exchange, the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at this meeting are required for this ordinary resolution number 2 to become effective.

5. To consider and if deemed fit, to pass the following resolution as special resolution number 1:

   "That the directors be authorised to facilitate, inter alia, the acquisition by the Company, or a subsidiary of the Company, from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time decide, but subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, the Listings Requirements from time to time of the Johannesburg Stock Exchange ("the JSE") ("the Listings Requirements") and the provisions of the Long-term Insurance Act, 1998 (Act 52 of 1998), which general approval shall endure until the following annual general meeting of the Company (whereupon this approval shall lapse unless it is renewed at the aforementioned annual general meeting, provided that it shall not extend beyond fifteen months from the date of registration of this special resolution number 1), it being recorded that the Listings Requirements currently require, inter alia, that the Company may make a general repurchase of securities only if:

   (i) the repurchase of securities is implemented on the JSE "open market";

   (ii) the Company is authorised thereto by its articles of association;

NOTICE TO MEMBERS

(continued)

(iii) the Company is authorised by shareholders in terms of a special resolution of the Company, in general meeting, which authority shall only be valid until the next annual general meeting, provided it shall not extend beyond 15 (fifteen) months from the date of the resolution;

(iv) the general purchase is limited to a maximum of 10% of the Company's issued share capital of that class at the time the authority is granted;

(v) repurchases are not made at a price more than 5% above the weighted average of the market value for the securities for the five business days immediately preceding the repurchase; and

(vi) a paid press announcement containing full details of such acquisition is published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition."

The board of directors are of the opinion that, were the Company to enter into a transaction to repurchase shares totalling 10% of the current issued share capital at the maximum price at which repurchase may take place, i.e. a 5% premium above the weighted average of the market value for the securities for the five business days immediately preceding the date of the repurchase, based on the ruling market price of the Company's ordinary shares on the JSE at the last practical date prior to the printing of the circular:

1. the Company will be able to pay its debts as they become due in the ordinary course of business;
2. the consolidated assets of the Company, fairly valued in accordance with South African Statements of Generally Accepted Accounting Practice, will exceed the consolidated liabilities of the Company;
3. the issued share capital of the Company will be adequate for the purpose of the business of the Company and of its subsidiaries for the foreseeable future; and
4. the working capital available to the Company and its subsidiaries will be sufficient for the Liberty Life Group's requirements for the foreseeable future.

REASON AND EFFECT

The reason for and effect of special resolution number 1 is to grant the Company a general authority in terms of the Companies Act, 1973 (Act 61 of 1973), as amended, to facilitate the acquisition of the Company's own shares, which general authority shall be valid until the earlier of the next annual general meeting of the Company or its variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond 15 months from the date of this general meeting. Such general authority will provide the directors with flexibility to effect a repurchase of the Company's shares, should it be in the interest of the Company to do so at any time while the general authority is in force.

6. To consider and if deemed fit, to pass the following resolution as special resolution number 2:

"That the name of the Company be and is hereby changed to 'Liberty Group Limited'."

REASON AND EFFECT

The reason for and effect of special resolution number 2 is to change the Company's name to "Liberty Group Limited" in order to reflect the Company's brand as a provider of broad financial services as opposed to life insurance services only.

By order of the board

J Worwood FCIS
Group company secretary

Johannesburg

14 March 2000

NOTICE TO MEMBERS

Liberty Holdings Limited

Notice is hereby given that the thirty-second annual general meeting of members will be held on Tuesday, 2 May 2000 at 09:45 at the Liberty Life Conference Centre, 1 Anerley Road, Parktown, Johannesburg, to transact the following business:

1. To receive and consider the audited financial statements for the year ended 31 December 1999.

2. To elect directors in place of Messrs R C Andersen, D E Cooper, J H Maree, R A Plumbridge, M Rapp and A Romanis who retire in accordance with the Company's articles of association but, being eligible, offer themselves for re-election.

3. To consider and if deemed fit, to pass with or without modification, the following ordinary resolution number 1:

   "That all the unissued ordinary shares, the unissued redeemable cumulative preference shares and the unissued convertible non-redeemable cumulative preference shares of the Company (excluding for this purpose 622 034 ordinary shares held in reserve to enable the Company to allot shares to present and future senior executives of the Group in terms of the Executive Share Option Scheme (1988)) be placed under the control of the directors of the Company who be and they are hereby authorised, subject to sections 221 and 222 of the Companies Act, 1973, to allot and issue such shares in their discretion on such terms and conditions as and when they deem it fit to do so".

4. To consider and if deemed fit, to pass, with or without modification, the following ordinary resolution number 2:

   "That with the exception of a pro rata rights offer to members and subject to the passing of ordinary resolution number 1, and the requirements of the Johannesburg Stock Exchange, the directors be given the specific authority to issue ordinary shares of 25 cents each for cash as and when suitable situations arise, subject to the following limitations:

   (a) that this authority shall not extend beyond 15 (fifteen) months from the date of this general meeting;

   (b) that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of shares of that class in issue prior to the issues;

   (c) that issues in the aggregate in any one year will not exceed 10% of the number of shares of any class of the Company's issued share capital, including instruments which are compulsorily convertible into shares of that class, provided further that such issues shall not in aggregate in any three year period exceed 15% of the Company's issued share capital of that class, including instruments which are compulsorily convertible into shares of that class;

   (d) that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the average closing price of the shares in question, as determined over the 30 days prior to either the date of the paid announcement or, where no announcement is required and none has been made, the date of issue of the instruments."

   As more than 35% of the Company's issued securities are in the hands of the public, as defined by the Johannesburg Stock Exchange, the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at this meeting are required for this ordinary resolution number 2 to become effective.

5. To consider and if deemed fit, to pass the following resolution as special resolution number 1:

   "That the directors be authorised to facilitate, inter alia, the acquisition by the Company, or a subsidiary of the Company, from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time decide, but subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, and the Listings Requirements from time to time of the Johannesburg Stock Exchange ("the JSE") ("the Listings Requirements"), which general approval shall endure until the following annual general meeting of the Company (whereupon this approval shall lapse unless it is renewed at the aforementioned annual general meeting, provided that it shall not extend beyond fifteen months from the date of registration of this special resolution number 1), it being recorded that the Listings Requirements currently require, inter alia, that the Company may make a general repurchase of securities only if:

NOTICE TO MEMBERS

for the year ended 31 December 1999

(i) the repurchase of securities is implemented on the JSE "open market";

(ii) the Company is authorised thereto by its articles of association;

(iii) the Company is authorised by shareholders in terms of a special resolution of the Company, in general meeting, which authority shall only be valid until the next annual general meeting, provided it shall not extend beyond 15 months from the date of the resolution;

(iv) the general purchase is limited to a maximum of 10% of the Company's issued share capital of that class at the time the authority is granted;

(v) repurchases are not made at a price more than 5% above the weighted average of the market value for the securities for the five business days immediately preceding the repurchase; and

(vi) a paid press announcement containing full details of such acquisition is published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition."

The board of directors are of the opinion that, were the Company to enter into a transaction to repurchase shares totalling 10% of the current issued share capital at the maximum price at which repurchase may take place, i.e. a 5% premium above the weighted average of the market value for the securities for the five business days immediately preceding the date of the repurchase, based on the ruling market price of the Company's ordinary shares on the JSE at the last practical date prior to the printing of the circular:

1. the Company will be able to pay its debts as they become due in the ordinary course of business;
2. the consolidated assets of the Company, fairly valued in accordance with South African Statements of Generally Accepted Accounting Practice, will exceed the consolidated liabilities of the Company;
3. the issued share capital of the Company will be adequate for the purpose of the business of the Company and of its subsidiaries for the foreseeable future; and
4. the working capital available to the Company and its subsidiaries will be sufficient for the Liberty Holdings Group's requirements for the foreseeable future.

REASON AND EFFECT

The reason for and effect of special resolution number 1 is to grant the Company a general authority in terms of the Companies Act, 1973 (Act 61 of 1973), as amended, to facilitate the acquisition of the Company's own shares, which general authority shall be valid until the earlier of the next annual general meeting of the Company or its variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond 15 months from the date of this general meeting. Such general authority will provide the directors with flexibility to effect a repurchase of the Company's shares, should it be in the interest of the Company to do so at any time while the general authority is in force.

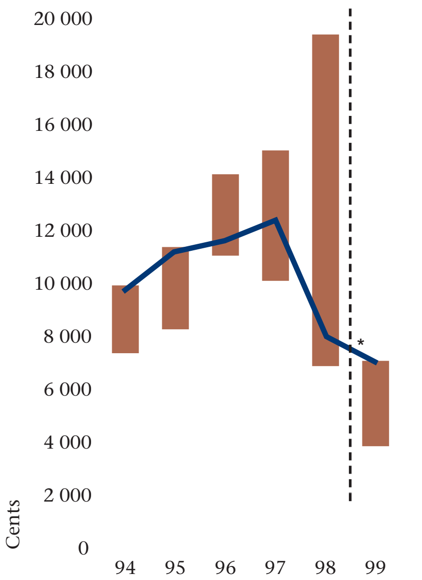
By order of the board

J Worwood FCIS
Group company secretary

Johannesburg

14 March 2000

ORDINARY SHARE ANALYSES



*Calculated excluding interests in Liberty International PLC and Standard Bank Investment Corporation Limited which were unbundled during the year.

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED

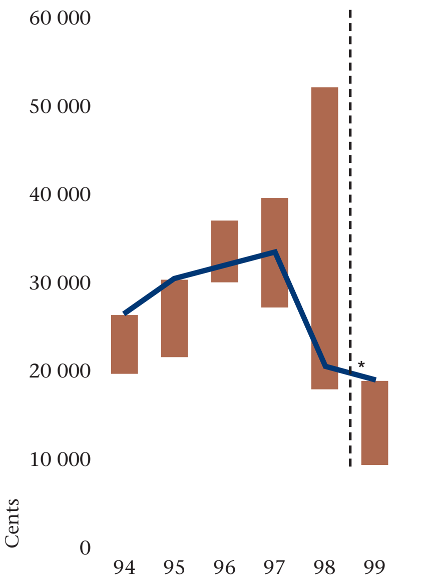
	Price per share at 31 December (cents)	High for year (cents)	Low for year (cents)	HOLDINGS	Number of share-holders	%	Number of shares	% of issued shares
1994	9 800	10 000	7 500	1 – 5 000	5 566	93,99	2 667 246	0,99
1995	11 300	11 450	8 375	5 001 – 10 000	162	2,73	1 141 328	0,42
1996	11 725	14 200	11 100	10 001 – 50 000	126	2,13	2 575 947	0,96
1997	12 500	15 100	10 220	50 001 – 100 000	30	0,51	2 236 933	0,83
1998	8 100	19 480	6 900	100 001 – and over	38	0,64	261 618 497	96,80
1999	7 100*	7 150*	3 914*		5 922	100,00	270 239 951	100,00

Volume of shares traded (000's) 153 646 (1998: 77 284)

Volume traded to weighted average number of shares in issue 57,1% (1998: 29,0%)

ANALYSIS OF HOLDINGS

Liberty Holdings Limited	1	0,02	149 728 570	55,41
Insurance companies	10	0,17	135 640	0,05
Pension funds	35	0,59	2 794 286	1,03
Unit trusts	22	0,37	160 112	0,06
Other corporate bodies and nominees	797	13,46	111 313 040	41,19
Private individuals	5 057	85,39	6 108 303	2,26
	5 922	100,00	270 239 951	100,00



*Calculated excluding interests in Liberty International PLC and Standard Bank Investment Corporation Limited which were unbundled during the year.

LIBERTY HOLDINGS LIMITED

	Price per share at 31 December (cents)	High for year (cents)	Low for year (cents)	HOLDINGS	Number of share-holders	%	Number of shares	% of issued shares
1994	26 500	26 500	20 050	1 – 5 000	5 713	97,81	1 270 780	2,58
1995	30 500	30 500	22 000	5 001 – 10 000	47	0,81	325 593	0,66
1996	32 000	37 200	30 500	10 001 – 50 000	57	0,98	1 245 850	2,53
1997	33 500	39 750	27 500	50 001 – 100 000	5	0,08	337 698	0,69
1998	20 580	52 300	18 100	100 001 – and over	19	0,32	46 060 147	93,54
1999	19 040*	19 040*	9 600*		5 841	100,00	49 240 068	100,00

Volume of shares traded (000's) 15 758 (1998: 5 984)

Volume traded to weighted average number of shares in issue 32,0% (1998: 12,2%)

ANALYSIS OF HOLDINGS

Liblife Controlling Corporation (Proprietary) Limited	1	0,02	26 963 700	54,76
Insurance companies	5	0,08	188 192	0,38
Pension funds	50	0,86	551 125	1,12
Unit trusts	25	0,43	2 533 620	5,15
Other corporate bodies and nominees	406	6,95	17 531 097	35,60
Private individuals	5 354	91,66	1 472 334	2,99
	5 841	100,00	49 240 068	100,00

SHAREHOLDERS' DIARIES

Liberty Life Association of Africa Limited

Liberty Holdings Limited

Financial year end	31 December
Annual general meeting	2 May 2000
Announcements	
Half-year results for 2000	15 August 2000
Full-year results for 2000	13 March 2001
Annual report for 2000	31 March 2001
Ordinary dividends	
Interim	
– announcement	15 August 2000
– payable	15 September 2000
Final	
– announcement	13 March 2001
– payable	13 April 2001

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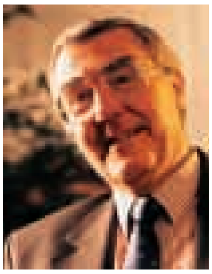
"We look to the future with confidence, focus and energy."

Roy Andersen
Group chief executive

CONTACT INFORMATION



Group Secretarial
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Group Finance
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Telephone: (011) 408-3810
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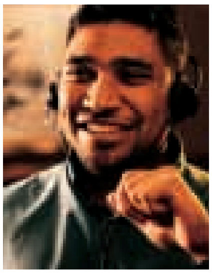

Customer Call Centre
Telephone: 0800 124 644

Head office and registered address
Liberty Life Centre
1 Ameshoff Street
Braamfontein
Johannesburg, 2001

Postal address
PO Box 10499, Johannesburg, 2000
Telephone: (011) 408-3911

Sponsored ADR depository bank
The Bank of New York
101 Barclay Street
New York NY 10286
United States of America

Transfer secretaries – South Africa
Mercantile Registrars Limited
(Registration number 1987/000519/06)
11 Diagonal Street
Johannesburg, 2001
Telephone: (011) 370-5000

Postal address
PO Box 1053, Johannesburg, 2000

Transfer secretaries – United Kingdom
IRG plc
Bourne House
34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone: (0181) 639-2000

Joint auditors:
Liberty Life Association of Africa Limited
PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill, 2157

Postal address
Private Bag X36
Sunninghill, 2157

Grant Thornton Kessel Feinstein
137 Daisy Street
Cnr. Grayston Drive
Sandown, 2196

Postal address
Private Bag X28
Benmore, 2010

Auditors:
Liberty Holdings Limited
Grant Thornton Kessel Feinstein
137 Daisy Street
Cnr. Grayston Drive
Sandown, 2196

Postal address
Private Bag X28
Benmore, 2010

Website
www.liberty.co.za

Liberty Life Association of Africa Limited

(Incorporated in the Republic of South Africa)
(Registration Number 1957/002788/06)

Proxy Form

Forty-second annual general meeting to be held on Tuesday, 2 May 2000 at 09:30

I/We

(Please print)

of

being a member/s of the Company and being the registered owner/s of

ordinary shares in the Company hereby appoint

or failing him

the chairman of the meeting to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on 2 May 2000 and at any adjournment thereof and to speak and act for me/us and, on a poll, vote on my/our behalf.

My/Our proxy shall vote as follows:

	In favour of	Against	Abstain
Adoption of financial statements			
Election of directors			
Ordinary resolution No. 1			
Ordinary resolution No. 2			
Special resolution No. 1			
Special resolution No. 2			

Indicate with a cross how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion.

Dated this day of 2000

Signature

Liberty Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration Number 1968/002095/06)

Proxy Form

Thirty-second annual general meeting to be held on Tuesday, 2 May 2000 at 09:45

I/We

(Please print)

of

being a member/s of the Company and being the registered owner/s of

ordinary shares in the Company hereby appoint

or failing him

the chairman of the meeting to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on 2 May 2000 and at any adjournment thereof and to speak and act for me/us and, on a poll, vote on my/our behalf.

My/Our proxy shall vote as follows:

	In favour of	Against	Abstain
Adoption of financial statements			
Election of directors			
Ordinary resolution No. 1			
Ordinary resolution No. 2			
Special resolution No. 1			

Indicate with a cross how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion.

Dated this day of 2000

Signature

Liberty Life Association of Africa Limited

Notes

1. Proxies must be lodged at the Company's office, Liberty Life Centre. 1 Ameshoff Street, Braamfontein, Johannesburg, 2001 (Postal address: PO Box 10499, Johannesburg, 2000) so as to be received by not later than 48 hours before the time specified for the aforementioned annual general meeting.
2. A member may appoint one or more persons of his own choice as his proxy/ies by inserting the name/s of such proxy/ies in the space provided and any such proxy need not be a member of the Company. Should this space be left blank, the proxy will be exercised by the chairman of the meeting.
3. If a member does not indicate on this instrument that his proxy is to vote in favour of or against any resolution or resolutions or to abstain from voting, or gives contradictory instructions, or should any further resolution/s or any amendment/s which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.
4. Unless the above section is completed for a lesser number of shares, this proxy shall apply to all the ordinary shares registered in the name of the member/s at the date of the annual general meeting or any adjournment thereof.
5. Companies and other corporate bodies are advised to appoint a representative in terms of section 188 of the Companies Act, 1973, for which purpose a duly certified copy of the resolution appointing such a representative should be lodged with the Company, as set out in 1 above.
6. The authority of the person signing a proxy form under a power of attorney must be attached hereto unless that power of attorney has already been recorded by the Company.
7. Any alterations made in this form of proxy must be initialled.

INCE

Liberty Holdings Limited

Notes

1. Proxies must be lodged at the Company's office, Liberty Life Centre. 1 Ameshoff Street, Braamfontein, Johannesburg, 2001 (Postal address: PO Box 10499, Johannesburg, 2000) so as to be received by not later than 48 hours before the time specified for the aforementioned annual general meeting.
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INCE