Liberty Group Limited and its Subsidiaries

(Registration number 1957/002788/06)

Annual financial statements for the year ended 31 December 2000

Liberty Group Highlights

New business premium volumes up 22%

Recurring premium new business up 20%

Total net premiums received up 19%

Net cash flow from insurance operations of R3,4 billion; up 108%

Headline earnings up 10%

Capital reduction of R12,00 per share (which includes a R1,50 notional final 2000 dividend) – total cost R3,5 billion

First Life assurer in South Africa to have embedded value audited

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REVIEW OF THE PAST SIX YEARS

	Compound annual growth %[1]	2000 £m
New business premium income		
Recurring premium income	13,0	**177,6**
Individual	13,2	**149,9**
Group	11,9	**27,7**
Single premium income	21,0	**736,5**
Individual	31,3	**364,7**
Group	21,7	**205,7**
Immediate annuities	8,0	**166,1**
New business premium income	19,2	**914,1**
New business index	15,0	**251,3**
Income statement – extracts		
Headline earnings per share (cents)	11,1	**54,1p**
Life fund operating surplus per share (cents)		**38,9p**
Revenue earnings per share attributable to shareholders' funds (cents)		**15,2p**
Net premium income	15,9	**1 288,4**
Dividends per ordinary share (cash equivalent) (cents)		**26,9p**
Management expense ratio (life insurance operations) (%)		**6,2**
Balance sheet – extracts		
Shareholders' funds	1,7	**542,4**
Life funds	8,6	**5 478,5**
Actuarial liabilities under unmatured policies		**5 478,5**
Contingency and other reserves		
Total assets	9,2	**6 696,9**
Capital adequacy cover (multiple of capital adequacy requirements)		**3,6**
Other		
Embedded value (million)		**£1 056**
Embedded value per share		**£3,88**
Value of new business written (million)		**£34,47**
Staff numbers, excluding field staff		**3 625**
Liberty share price at 31 December[5]	(3,4)	**£5,95**
Total number of shares in issue at 31 December (million)	2,2	**271,7**
Market capitalisation (million)	(1,3)	**£1 617,0**
Weighted average number of shares in issue (million)	2,3	**270,9**
R/£ exchange rate at 31 December	14,9	**11,34**
Average R/£ exchange rate for the year	13,0	**10,53**
R/US$ exchange rate at 31 December	15,8	
Average R/US$ exchange rate for the year	13,7	

(1) Calculated on rand amounts from 1995 to 2000
(2) Excludes special anniversary dividend of 40 cents per share in 1997
(3) Restated for change in tax dispensation
(4) Embedded value after capital reduction and notional final dividend
(5) Excludes Liberty International and Stanbic components

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2000 Rm	1999 Rm	1998 Rm	1997 Rm	1996 Rm	1995 Rm
1 870,2	1 559,7	1 319,3	1 213,2	1 085,9	1 015,1
1 578,3	1 322,9	1 045,8	1 012,1	930,8	848,6
291,9	236,8	273,5	201,1	155,1	166,5
7 755,6	6 314,6	4 591,7	5 045,9	3 638,1	2 987,8
3 840,2	3 203,6	2 531,5	2 803,8	1 786,7	985,4
2 166,5	1 623,6	935,4	1 323,4	829,1	810,8
1 748,9	1 487,4	1 124,8	918,7	1 022,3	1 191,6
9 625,8	7 874,3	5 911,0	6 259,1	4 724,0	4 002,9
2 645,8	2 191,2	1 778,5	1 717,8	1 449,7	1 313,9
569,6	523,2	463,6	470,5	391,3	335,9
409,7	481,3	420,1	379,9	284,8	
159,9	41,9	43,5	90,6	106,5	
13 567,3	11 439,6	9 387,2	9 533,7	7 746,4	6 492,7
283,0	282,0	462,0	385,0[2]	320,0	256,0
6,2	6,5	6,8	6,2	6,5	6,7
6 152,4	9 172,1	5 038,9	5 649,9	5 900,8	5 666,3
62 137,6	56 183,6	43 817,9	46 907,5	46 008,4	41 162,8
62 137,6	56 183,6	41 014,0	43 355,1	42 525,2	37 758,8
		2 803,9	3 552,4	3 483,2	3 404,0
75 943,1	69 271,1	52 455,3	55 263,3	54 543,6	48 959,0
3,6	7,4	4,3	4,8	7,1	7,6
R11 971[4]	R13 928	R12 156			
R44,06 [4]	R51,55	R45,39			
R391	R366[3]	R248			
3 625	3 435	3 266	3 280	3 355	3 877
R67,50	R71,00	R39,23	R81,11	R76,79	R80,25
271,7	270,2	267,8	263,5	250,1	244,0
R18 339,8	R19 184,20	R10 505,8	R21 372,5	R19 205,2	R19 581,0
270,9	269,3	266,5	253,6	247,4	241,6
11,34	9,93	9,76	8,06	7,94	5,67
10,53	9,82	9,23	7,65	6,70	5,71
7,60	6,15	5,88	4,87	4,68	3,65
6,86	6,05	5,52	4,63	4,24	3,61

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DIRECTORS

Chairman

D E Cooper (60) CA(SA)†
Appointed to the board – 1999
Chairman: Standard Bank Investment Corporation Limited

Executive Directors

R C Andersen (52) CA(SA), CPA (Texas)
Group Chief Executive and Deputy Chairman
Appointed to the board – 1997
4 years' service

H I Appelbaum (47) BA, LLB
Appointed to the board – 1993
14 years' service

M A Bloom (42) BCom, BAcc, CA(SA)
Appointed to the board – 2000
15 years' service

M J Jackson (51) MA(Hons)
Appointed to the board – 1998
26 years' service

D S Nohr (56) BSc, FASSA, FIA, ASA
Appointed to the board – 1998
36 years' service

Non-executive Directors

D D B Band (56) BCom, CA(SA)†*
Appointed to the board – 1995
Director of companies

E Bradley (62) BSc, MSc
Appointed to the board – 1999
Executive Chairman: Wesco Investments Limited

D A Hawton (63) FCIS†*
Appointed to the board – 1999
Executive Chairman: Kersaf Limited

R J Khoza (51) MA (Lancaster), PMD (Harvard) IPBM (IMD Lausanne)
Appointed to the board – 1999
Chairman: Eskom South Africa

W S MacFarlane (65) CA(SA), FCA*
Appointed to the board – 1995
Director of companies

S J Macozoma (43) BA
Appointed to the board – 1999
Joint Deputy Chairman: Standard Bank Investment Corporation Limited

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

R A Plumbridge (65) MA (Oxon), LLD(hc)
Appointed to the board – 1999
Director of companies

M Rapp (65) CA(SA)
Appointed to the board – 1975
Director of companies

A Romanis (61) CA*#
Appointed to the board – 1986
Director of companies

C B Strauss (65) BA, MS, PhD, DEcon(hc), DSc(hc)
Appointed to the board – 1983
Director of companies

E P Theron (59) BCom, LLB
Appointed to the board – 1999
Director of companies

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

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APPROVAL OF FINANCIAL STATEMENTS

for the year ended 31 December 2000

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, in all material respects, 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 14 to 25 of the chairman's statement and corporate governance booklet.

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 13 to 59 were approved by the board of directors and are signed on its behalf by:

D E Cooper
Chairman

R C Andersen
Group Chief Executive

Johannesburg
6 March 2001

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REPORT OF THE STATUTORY ACTUARY

Consolidated actuarial balance sheet at 31 December	Liberty Group Limited 2000 Rm	1999 Rm
Assets		
Total assets as per balance sheet	**75 943,1**	69 271,1
Less liabilities	**69 790,7**	60 099,0
Actuarial liabilities under unmatured policies	**62 137,6**	56 183,6
Other liabilities and minority interests	**7 653,1**	3 915,4
Excess of assets over liabilities	**6 152,4**	9 172,1
Represented by:		
Shareholders' funds	**6 152,4**	9 172,1
Capital adequacy requirement	**1 693,2**	1 245,7
Capital adequacy requirement: times covered	**3,6**	7,4

The figures at 31 December 2000 make full provision for the reduction in capital effective March 2001.

1. Certification

I have conducted an investigation into the financial position of Liberty Group Limited (Company) at 31 December 2000. 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, the Company 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 2000.

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 9,05% p.a. (1999: 11,25% p.a.).

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REPORT OF THE STATUTORY ACTUARY *(continued)*

Future investment returns were related to the medium-term government stock interest rate prevailing at the valuation date and were set at 14,5% p.a. (1999: 15,7% 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 Section 29A of the Income Tax Act as applicable at the valuation date and no allowance has been made for Capital Gains Tax which is likely to be introduced in October 2001.

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 year 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 14,12% p.a. (1999: 15,45% p.a.), being a market related rate of interest reduced by an allowance for investment expenses and 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 13,19% p.a. (1999: 14,15% p.a.) being the rate of return yielded by the matching assets, reduced by an allowance for investment expenses and 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. As a result of the declaration of smoothed bonuses for the year exceeding the investment return achieved by the underlying investment portfolios, the amount of the negative bonus stabilisation reserves existing at 31 December 1999 increased during 2000. The total of the negative stabilisation reserves amounted to R165,1 million at 31 December 2000 (R93,0 million at 31 December 1999). In aggregate the total stabilisation reserves are substantially 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 693,2 million at 31 December 2000 (R1 245,7 million at 31 December 1999).

REPORT OF THE STATUTORY ACTUARY *(continued)*

Material changes in valuation basis since the previous report

Changes in bases were made to reduce the assumed future expense inflation rate by one percentage point from the 10,05% which would have been used if the previous methodology of setting the inflation assumption had been adopted, and to realign valuation assumptions with expected future experience. These changes resulted in a net decrease in actuarial liabilities of R196,9 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.

3. Charter Life Insurance Company Limited

	Charter Life Insurance Company Limited	
Actuarial balance sheet at 31 December 2000	**2000**	1999
	Rm	Rm
Assets		
Total assets as per balance sheet	**6 136,4**	4 788,3
Less liabilities	**5 612,8**	4 316,2
Actuarial liabilities under unmatured policies	**5 430,5**	4 138,8
Current liabilities	**182,3**	177,4
Excess of assets over liabilities	**523,6**	472,1
Represented by:		
Shareholders' funds	**523,6**	472,1
Capital adequacy requirement	**87,6**	82,8
Capital adequacy requirement: times covered	**6,0**	5,7

In regard to the financial position of the life fund of Charter Life Insurance Company Limited, a wholly owned subsidiary of Liberty Group Limited, the investigation was conducted by the Statutory Actuary of Charter Life Insurance Company Limited 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 2000, such values having been determined in accordance with Generally Accepted Actuarial Standards and the Actuarial Society of South Africa guidance note, PGN 104.

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

Johannesburg
6 March 2001

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REPORT OF THE JOINT INDEPENDENT AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

To the members of Liberty Group Limited

We have audited the Company annual financial statements and Group annual financial statements of Liberty Group Limited set out on pages 13 to 59 for the year ended 31 December 2000. 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 2000 and the results of their operations, cash flows and changes in equity for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

Grant Thornton Kessel Feinstein

PricewaterhouseCoopers Inc.

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

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
6 March 2001

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
Company Secretary

Johannesburg
6 March 2001

ACCOUNTING POLICIES

Basis of preparation

The accounting policies adopted by the Company and the Group 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 consolidated financial statements are prepared on the historical-cost basis, modified by the revaluation of investment properties, owner-occupied properties and financial instruments to fair value.

These accounting policies are consistent with those applied at 31 December 1999 except for:

- The reclassification of earnings on contingency and other reserves amounting to R82,1 million from "life fund operating surplus" to "revenue earnings attributable to shareholders' funds" in respect of the earnings for 1999. This change in classification is a consequence of the transfer of the majority of "life fund contingency and other reserves" from life funds to shareholders' funds at the end of 1999, in order to more appropriately reflect the quantum of shareholders' funds.
- The reclassification of the convertible bonds into equity and liability components. The equity component has been included in revaluation and other reserves. This change in classification is in line with the requirements of the accounting statement on financial instruments (AC 125) and the effect is shown in note 16 on the financial statements.
- The reclassification of comparative figures within categories of investments in line with the requirements of the accounting statement on financial instruments (AC 125). Comparatives in notes 6 and 8 on the financial statements have been restated.
- The adoption of the new accounting statement on intangible assets (AC 129) with effect from 1 January 2000. An analysis is provided in note 10 on the financial statements.

Presentation of income statements so as to reflect continuing and unbundled operations has been retained in order to make comparison with 1999 more meaningful. Earnings amounting to R56 million for the first half of last year, from the Stanbic shares which were unbundled in the second half of 1999, are included under unbundled operations.

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. The accounting policies for subsidiaries are consistent with the policies adopted by the Group. Inter-company transactions, balances and unrealised profits are eliminated on consolidation.

Interests in subsidiary companies

In the Company annual financial statements interests in subsidiaries are accounted for using equity accounting principles. Goodwill in respect of subsidiaries acquired after 31 December 1999 is recognised separately in the balance sheet of the Company (refer to goodwill accounting policy). Accordingly interests in subsidiaries are shown at net asset value in the Company balance sheet and the Company's share of the results of subsidiaries is reflected in the income statement.

Foreign currencies

Transactions and balances

Transactions in foreign currencies are translated into South African Rands at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into South African Rands at the rates of exchange ruling at the balance sheet date. Any foreign exchange differences are included in the income statement, in the year in which the difference occurs, as investment surpluses or deficits and are shown as attributable to shareholders' or policyholders' funds as appropriate.

ACCOUNTING POLICIES *(continued)*

Foreign operations

Foreign operations are operations of which the activities are an integral part of those of the reporting enterprise. Assets and liabilities of these operations are translated into South African Rands at rates of exchange ruling at the balance sheet date. Income and expenditure of foreign operations are translated into South African Rands at the average rate of exchange during the year. Exchange differences arising from the translation of foreign operations are included in the income statement, in the year in which the difference occurs, as investment surpluses or deficits and are shown as attributable to shareholders' or policyholders' funds as appropriate.

Financial instruments

Measurement

Financial instruments are initially measured at cost. All financial instrument purchases and sales are recognised using trade date accounting. Thereafter these financial instruments are measured as set out below:

Marketable securities

Marketable securities include government, municipal and utility stocks, debentures, listed shares, unit trusts and derivatives. Marketable securities are reflected at market value. Market value is calculated by reference to regulated 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, which include mortgages, loans, deposits, money market securities and unlisted shares, are valued at fair value using appropriate models.

Convertible bonds

Convertible bonds are valued at cost net of amortised bond issue expenses. The expenses incurred are amortised over the period of the bonds.The fair value of the liability component, at initial recognition, is calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity component, is included in shareholders' equity in revaluation and other reserves.

Gains and losses

Gains and losses arising from a change in the value or on disposal of financial instruments are included in the income statement as investment surpluses or deficits and are shown as attributable to shareholders' or policyholders' funds as appropriate.

Investment properties and owner-occupied properties

Investment properties are held to earn rentals and for capital appreciation, whereas owner-occupied properties are held for use in the supply of services or for administrative purposes.

Measurement

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. Provisions are raised against properties under development and completed properties which are undergoing refurbishments. Properties are not subject to depreciation.

ACCOUNTING POLICIES *(continued)*

Gains and losses

Unrealised surpluses or deficits arising on the valuation and realised surpluses or deficits on disposal of properties are included in the income statement as investment surpluses or deficits and are shown as attributable to shareholders' or policyholders' funds as appropriate.

Goodwill

Goodwill represents the excess of the purchase consideration of an acquisition over the fair value attributable to the net identifiable assets at the date of acquisition. Goodwill on acquisitions that occurred prior to 1 January 2000 was written off in full against shareholders' funds in the year acquired. Goodwill on acquisitions occurring after 31 December 1999 is capitalised and amortised on a straight line basis over the lesser of its estimated useful life or twenty years. Goodwill amortisation periods are analysed in note 9 on the financial statements. Goodwill amortisation is included in the income statement. Goodwill is carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of goodwill is reviewed annually and is written down when permanently impaired. Impairment losses are included in the income statement.

Intangible assets

Computer software capitalisation

Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, 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 amortised on the straight line basis at rates appropriate to the expected useful lives of the assets, not exceeding five years, and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when permanently impaired. Amortisation and impairment losses are included 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 and five years in respect of computer equipment. Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income. Surpluses and deficits on disposals of assets are included in the income statement as management expenses.

Scrip lending

Marketable securities under scrip lending arrangements are reflected on the balance sheets of the Company and the Group. Scrip lending arrangements are entered into only with appropriately accredited institutions.

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 calculated annually at the balance sheet date by the Group's Statutory Actuary in accordance with prevailing legislation and Generally Accepted Actuarial Standards in South Africa. The transfers to life funds reflected in the income statements represent the increase or decrease in actuarial liabilities,

ACCOUNTING POLICIES *(continued)*

including provisions for policyholders' bonuses, net adjustments to policyholders' bonus stabilisation reserves, and net adjustments to margins held within the life funds.

Retirement benefits

Retirement fund

The Group operates a funded defined benefit pension scheme to which substantially all employees belong. 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 using the projected cost method of valuation.

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.

Medical fund

The Group operates a post-retirement medical aid scheme for employees who joined the Group prior to 1 July 1998 to which substantially all employees belong. Medical aid costs are included in the income statement as management expenses in the period during which the employees render services to the Group. For past service, the Group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis.

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.

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. Premium income is shown net of reinsurance.

Investment income

Investment income for the Group comprises income from financial services activities, net rental income from properties, 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 is accounted for on an accrual basis. Net rental income comprises rental income net of property expenses. Rental income in respect of Group owner-occupied properties is eliminated.

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ACCOUNTING POLICIES *(continued)*

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.

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 Standards.

Segment information

The principal business segments of the Group have been identified based on related products and services with similar business risks and returns.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with bankers, net of bank loans but do not include deposits and money market securities held for investment. In the balance sheet, bank loans are included in current liabilities.

BALANCE SHEETS

at 31 December 2000

	Notes	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
Assets					
Investments		**71 543,1**	64 990,7	**65 973,9**	60 396,8
Investment properties	2	**8 103,8**	7 260,3	**8 094,8**	7 250,7
Owner-occupied properties	3	**646,8**	601,0	**646,8**	601,0
Marketable securities	6	**56 184,6**	52 587,6	**47 999,5**	44 140,4
Interests in subsidiary companies	7			**3 150,2**	4 147,7
Other investments	8	**6 607,9**	4 541,8	**6 082,6**	4 257,0
Goodwill	9	**123,3**	–	**116,3**	–
Intangible assets	10	**57,5**	6,9	**27,4**	–
Office furniture, computer equipment and other tangible assets	11	**310,3**	309,1	**228,5**	225,5
Deferred taxation	12	**61,1**	–	**57,5**	–
Current assets		**3 847,8**	3 964,4	**2 790,1**	3 359,6
Net outstanding premiums, accrued investment income and other debtors		**2 423,5**	3 140,0	**1 903,8**	2 723,8
Amounts due by Group companies		**–**	57,2	**540,2**	504,5
Balances with bankers		**1 424,3**	767,2	**346,1**	131,3
Total assets		**75 943,1**	69 271,1	**69 193,7**	63 981,9
Capital, reserves and liabilities					
Shareholders' funds	13	**6 152,4**	9 172,1	**6 152,4**	9 172,1
Share capital and share premium	14	**2 079,2**	5 278,9	**2 079,2**	5 278,9
Retained surplus and other reserves		**4 073,2**	3 893,2	**4 073,2**	3 893,2
Minority interests		**1,0**	1,9		
Life funds	15	**62 137,6**	56 183,6	**57 634,9**	52 802,0
Convertible bonds	16	**1 827,3**	1 486,7		
Retirement benefit obligation	17	**114,4**	97,7	**114,4**	97,7
Deferred taxation	12	**–**	192,8	**–**	191,8
Current liabilities		**5 710,4**	2 136,3	**5 292,0**	1 718,3
Outstanding claims, policyholders' benefits and other creditors		**1 700,9**	1 627,9	**1 345,1**	1 264,3
Amounts due to Group companies		**8,9**	–	**–**	–
Taxation		**740,6**	96,8	**686,9**	75,7
Shareholders for capital reduction (1999: dividends)		**3 260,0**	378,3	**3 260,0**	378,3
Bank loans		**–**	33,3	**–**	–
Total capital, reserves and liabilities		**75 943,1**	69 271,1	**69 193,7**	63 981,9
Total assets under management	1	**113 672,4**	98 948,9		

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GROUP INCOME STATEMENT

for the year ended 31 December 2000

		Continuing operations		Unbundled operations[1]		Total operations	
		2000	1999	**2000**	1999	**2000**	1999
	Notes	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
Life fund operating surplus		**1 149,8**	1 297,0		–	**1 149,8**	1 297,0
Net premium income	19	**13 567,3**	11 439,6		3 043,3	**13 567,3**	14 482,9
Dividend, interest and net rental income attributable to life funds	20	**2 825,9**	2 869,3		423,9	**2 825,9**	3 293,2
Investment surpluses attributable to life funds	21	**3 353,5**	13 942,6		2 198,3	**3 353,5**	16 140,9
Claims and policyholders' benefits	22	**(10 188,8)**	(9 817,7)		–	**(10 188,8)**	(9 817,7)
Commissions		**(1 028,5)**	(822,8)		–	**(1 028,5)**	(822,8)
Management expenses	23	**(838,1)**	(746,1)		(30,3)	**(838,1)**	(776,4)
Taxation	24	**(468,5)**	(582,4)		–	**(468,5)**	(582,4)
Life fund transfers	15	**(6 073,0)**	(14 985,5)		(5 635,2)	**(6 073,0)**	(20 620,7)
Revenue earnings attributable to shareholders' funds	13	**433,3**	112,9		227,3	**433,3**	340,2
Operating income from financial services activities	20	**441,5**	285,2		638,9	**441,5**	924,1
Dividend, interest and net rental income attributable to shareholders' funds	20	**516,9**	285,1		82,5	**516,9**	367,6
Management expenses	23	**(367,7)**	(302,7)		(75,3)	**(367,7)**	(378,0)
Taxation	24	**(157,4)**	(154,2)		(125,9)	**(157,4)**	(280,1)
Income attributable to minority shareholders		**–**	(0,5)		(292,9)	**–**	(293,4)
Preference dividend in subsidiary		**(40,1)**	(0,9)		–	**(40,1)**	(0,9)
Headline earnings		**1 543,0**	1 409,0		227,3	**1 543,0**	1 636,3
Secondary tax on companies relating to capital reduction	24	**(232,8)**				**(232,8)**	
Goodwill amortisation	9	**(6,5)**				**(6,5)**	
Investment (deficits)/surpluses attributable to shareholders' funds	13, 21	**(782,1)**	765,0		166,1	**(782,1)**	931,1
Total earnings		**521,6**	2 174,0		393,4	**521,6**	2 567,4
Earnings per share details:		**cents**	cents		cents	**cents**	cents
Headline earnings per share	25						
Basic		**569,6**	523,2		84,4	**569,6**	607,6
Fully diluted		**556,8**	510,2		78,3	**556,8**	588,5
Total earnings per share	25						
Basic		**192,5**	807,3		146,1	**192,5**	953,4
Fully diluted		**206,1**	773,9		135,6	**206,1**	909,5

[1] Unbundled operations relate to the unbundlings (distributions) of Liberty International Holdings plc (Liberty International) and Standard Bank Investment Corporation Limited (Stanbic) to shareholders.

COMPANY INCOME STATEMENT

for the year ended 31 December 2000

	Notes	Continuing operations 2000 Rm	Continuing operations 1999 Rm	Unbundled operations[1] 2000 Rm	Unbundled operations[1] 1999 Rm	Total operations 2000 Rm	Total operations 1999 Rm
Life fund operating surplus		**1 149,8**	1 297,0		–	**1 149,8**	1 297,0
Net premium income	19	**11 644,3**	10 472,3		–	**11 644,3**	10 472,3
Dividend, interest and net rental income attributable to life funds	20	**2 653,0**	2 763,3		–	**2 653,0**	2 763,3
Investment surpluses attributable to life funds	21	**3 190,5**	13 253,7		–	**3 190,5**	13 253,7
Claims and policyholders' benefits	22	**(9 445,2)**	(9 351,4)		–	**(9 445,2)**	(9 351,4)
Commissions		**(870,8)**	(720,8)		–	**(870,8)**	(720,8)
Management expenses	23	**(767,5)**	(681,8)		–	**(767,5)**	(681,8)
Taxation	24	**(421,6)**	(552,5)		–	**(421,6)**	(552,5)
Life fund transfers	15	**(4 832,9)**	(13 885,8)		–	**(4 832,9)**	(13 885,8)
Revenue earnings attributable to shareholders' funds	13	**433,3**	112,9		227,3	**433,3**	340,2
Operating income from financial services subsidiaries	20	**81,0**	29,8		171,2	**81,0**	201,0
Dividend, interest and net rental income attributable to shareholders' funds	20	**500,9**	258,9		56,1	**500,9**	315,0
Management expenses	23	**(43,4)**	(64,2)		–	**(43,4)**	(64,2)
Taxation	24	**(105,2)**	(111,6)		–	**(105,2)**	(111,6)
Preference dividend in subsidiary		**(40,1)**	(0,9)		–	**(40,1)**	(0,9)
Headline earnings		**1 543,0**	1 409,0		227,3	**1 543,0**	1 636,3
Secondary tax on companies relating to capital reduction	24	**(232,8)**				**(232,8)**	
Goodwill amortisation	9	**(6,5)**				**(6,5)**	
Investment (deficits)/surpluses attributable to shareholders' funds	13, 21	**(782,1)**	765,0		166,1	**(782,1)**	931,1
Total earnings		**521,6**	2 174,0		393,4	**521,6**	2 567,4

[1] Unbundled operations relate to the unbundlings (distributions) of Liberty International Holdings plc (Liberty International) and Standard Bank Investment Corporation Limited (Stanbic) to shareholders.

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STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

for the year ended 31 December 2000

	Share capital Rm	Share premium Rm	Revaluation and other reserves[1] Rm	Retained surplus Rm	Total Rm
Shareholders' funds at 1 January 1999	26,8	5 082,3	(70,2)	–	**5 038,9**
Dividend in specie (movement in carrying value of investments from 31 December 1998 to date of unbundling)					
Standard Bank Investment Corporation Limited			(364,1)		**(364,1)**
Liberty International plc			198,0		**198,0**
Exchange difference in respect of contingent liabilities assumed by Liberty International shareholders on unbundling			5,4		**5,4**
Total earnings				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**
Exchange difference relating to equity component of the convertible bonds (refer to note 16)			3,7		**3,7**
Subscriptions for shares (refer to note 14)	0,3	169,5			**169,8**
Shareholders' funds at 31 December 1999	27,1	5 251,8	3 018,4	874,8	**9 172,1**
Total earnings				521,6	**521,6**
Investment deficits attributable to shareholders' funds			(782,1)	782,1	**–**
Ordinary dividends					
Interim dividend No. 69 of 133 cents – LDR 1 September 2000				(360,3)	**(360,3)**
Capital reduction of 1 200 cents – LDR 30 March 2001		(3 260,0)			**(3 260,0)**
Exchange difference relating to equity component of the convertible bonds (refer to note 16)			18,7		**18,7**
Subscriptions for shares (refer to note 14)	0,1	60,2			**60,3**
Shareholders' funds at 31 December 2000	27,2	2 052,0	2 255,0	1 818,2	**6 152,4**

(1) Revaluation and other reserves are distributable in terms of the Company's articles of association.

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NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

	Life insurance [1] 2000 Rm	Life insurance [1] 1999 Rm	Asset management [2] 2000 Rm	Asset management [2] 1999 Rm
1. Segment information				
Income statements – extracts				
Life fund operating surplus	**1 149,8**	1 297,0		
Revenue earnings attributable to shareholders' funds			**80,6**	25,2
Income from financial services activities			**243,9**	139,3
Dividend, interest and net rental income attributable to shareholders' funds				
Management expenses			**(134,1)**	(110,6)
Taxation			**(29,2)**	(3,5)
Income attributable to minority shareholders				
Preference dividend in subsidiary	**(40,1)**	(0,9)		
Headline earnings	**1 109,7**	1 296,1	**80,6**	25,2
Secondary tax on companies relating to capital reduction				
Goodwill amortisation				
Investment (deficits)/surpluses attributable to shareholders' funds			**2,7**	94,7
Total earnings	**1 109,7**	1 296,1	**83,3**	119,9
Balance sheets – extracts				
Liabilities	**66 173,4**	57 768,3	**586,7**	291,7
South Africa	**66 173,4**	57 768,3	**586,7**	291,7
United Kingdom and other[6]				
Assets	**71 369,1**	60 146,9	**886,3**	608,3
South Africa	**71 369,1**	60 146,9	**886,3**	608,3
United Kingdom and other[6]				
Total assets under management	**71 369,1**	60 146,9	**24 003,7**[5]	26 486,3[5]
South Africa	**71 369,1**	60 146,9	**24 003,7**[5]	26 486,3[5]
United Kingdom and other[6]				

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

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

(3) Liberty Collective Investments Limited, Liberty Specialised Investments (Proprietary) Limited and Liberty Ermitage Jersey Limited.

(4) Other shareholders' investments of Liberty Group Limited including Liberty Healthcare (Proprietary) Limited and Electric Liberty (Proprietary) Limited.

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

(6) Non-South African operations.

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

Fund management [3]		Other investments [4]		Total	
2000 Rm	1999 Rm	**2000 Rm**	1999 Rm	**2000 Rm**	1999 Rm
				1 149,8	1 297,0
27,2	30,5	**325,5**	57,2	**433,3**	112,9
130,2	115,8	**67,4**	30,1	**441,5**	285,2
		516,9	285,1	**516,9**	285,1
(92,8)	(71,7)	**(140,8)**	(120,4)	**(367,7)**	(302,7)
(10,2)	(13,1)	**(118,0)**	(137,6)	**(157,4)**	(154,2)
–	(0,5)			**–**	(0,5)
				(40,1)	(0,9)
27,2	30,5	**325,5**	57,2	**1 543,0**	1 409,0
		(232,8)		**(232,8)**	
		(6,5)		**(6,5)**	
(3,0)	6,8	**(781,8)**	663,5	**(782,1)**	765,0
24,2	37,3	**(695,6)**	720,7	**521,6**	2 174,0
92,5	74,4	**2 937,1**	1 962,7	**69 789,7**	60 097,1
85,9	74,4	**1 109,8**	476,0	**67 955,8**	58 610,4
6,6		**1 827,3**	1 486,7	**1 833,9**	1 486,7
431,4	196,5	**3 256,3**	8 319,4	**75 943,1**	69 271,1
167,4	196,5	**410,9**	5 215,1	**72 833,7**	66 166,8
264,0		**2 845,4**	3 104,3	**3 109,4**	3 104,3
17 888,7	3 996,3	**410,9**	8 319,4	**113 672,4**	98 948,9
6 728,7	3 996,3	**410,9**	5 215,1	**102 512,4**	95 844,6
11 160,0			3 104,3	**11 160,0**	3 104,3

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
2. Investment properties				
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.				
Completed properties				
Open-market value at beginning of year	**7 017,2**	6 229,8	**7 007,6**	6 219,7
Additions	**191,2**	143,1	**191,2**	143,1
Acquisitions	**162,6**	–	**162,6**	–
Capitalised subsequent expenditure	**28,6**	143,1	**28,6**	143,1
Disposals	**(153,1)**	(282,0)	**(152,5)**	(281,5)
Revaluations	**704,0**	900,3	**704,0**	900,3
Transfers from properties under development	**364,6**	26,0	**364,6**	26,0
Open-market value at end of year	**8 123,9**	7 017,2	**8 114,9**	7 007,6
Properties under development				
Cost at beginning of year	**257,4**	78,5	**257,4**	78,5
Additions – Capitalised subsequent expenditure	**107,7**	204,9	**107,7**	204,9
Transfers to completed properties	**(364,6)**	(26,0)	**(364,6)**	(26,0)
Cost at end of year	**0,5**	257,4	**0,5**	257,4
Provisions				
Provisions at beginning of year	**(14,3)**	(14,0)	**(14,3)**	(14,0)
Additional provisions raised	**(20,6)**	(14,3)	**(20,6)**	(14,3)
Provisions used	**14,3**	14,0	**14,3**	14,0
Provisions at end of year	**(20,6)**	(14,3)	**(20,6)**	(14,3)
Total investment properties	**8 103,8**	7 260,3	**8 094,8**	7 250,7
At the end of the year investment properties comprised the following property types:				
Office buildings	**1 631,4**	1 522,5	**1 630,3**	1 519,3
Shopping malls	**5 299,0**	4 733,9	**5 299,0**	4 733,9
Hotels	**930,9**	866,1	**923,0**	859,7
Other	**242,5**	137,8	**242,5**	137,8
Total	**8 103,8**	7 260,3	**8 094,8**	7 250,7
3. Owner-occupied properties				
Open-market value at beginning of year	**601,0**	564,2	**601,0**	564,2
Additions	**5,7**	13,4	**5,7**	13,4
Revaluations	**40,1**	23,4	**40,1**	23,4
Open-market value at end of year	**646,8**	601,0	**646,8**	601,0
Carrying amount that would have been included in the financial statements had owner-occupied properties been carried at cost less depreciation	**158,2**	161,9	**158,2**	161,9

LIBERTY

4. Financial instruments and risk management

The Liberty 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 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:

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate in Rands due to changes in foreign exchange rates.

The following shareholders' assets and liabilities denominated in foreign currencies are included in the balance sheet as at 31 December:

	Shareholders	
	2000	1999
	Rm	Rm
British pound denominated		
Listed shares – 26,9 million shares in Liberty International PLC	**–**	1 194,3
Unit trusts	**203,0**	
Deposits and money market securities	**27,3**	
Other net assets/(liabilities)	**31,4**	(19,4)
	261,7	1 174,9
US dollar denominated		
Cash and cash equivalents – Jersey assets	**1 982,8**	
6,5% Liblife International B.V. convertible bonds (as detailed in note 16)	**(1 963,8)**	(1 590,1)
Other net assets	**45,2**	33,4
	64,2	(1 556,7)

On 14 August 2000, Liberty Group Limited completed the sale of its stake in Liberty International PLC with the repurchase by Liberty International PLC of the shares held in Liblife (Jersey) Limited. These shares provided security to the convertible bondholders in Liblife International B.V. On disposal an amount approximating the outstanding capital on the Liblife International B.V. bond was set aside in dollar denominated investments to maintain the security provided to convertible bondholders in terms of the keepwell agreement.

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.

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.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

4. Financial instruments and risk management (continued)

Currency risk (continued)

At 31 December 2000, the Group's subsidiary, Liberty Ermitage Jersey Limited, had entered into forward cover contracts amounting to R201,5 million. The cover was obtained at a rate of 1,4918 US dollars to the British pound and matures on 31 December 2001.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The following policyholders' and shareholders' investments which are based at fair value will be directly impacted by changes in market interest rates:

			Average maturity		Average nominal interest rates	
	2000	1999	**2000**	1999	**2000**	1999
	Rm	Rm	**Years**	Years	**%**	%
Policyholders						
Government, municipal and utility stocks	**10 324,4**	9 642,9	**7,2**	6,8	**11,9**	11,7
Debentures	**2 374,5**	1 297,9	**4,3**	4,2	**15,3**	15,8
Mortgages and loans	**1 620,2**	1 420,6	**2,5**	3,5	**–**	–
Deposits and money market securities	**2 875,3**	679,2	**0,2**	0,2	**8,6**	6,4
	17 194,4	13 040,6				
Shareholders						
Government, municipal and utility stocks	**24,9**	23,7	**5,1**	7,4	**13,0**	12,8
Debentures	**2,0**	–	**2,5**	–	**14,0**	–
Deposits and money market securities	**1 280,6**	1 491,4	**0,1**	0,2	**10,5**	10,7
	1 307,5	1 515,1				

Market risk

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

Policyholders' and shareholders' investments in all listed shares and unit trusts are valued at market value and are therefore susceptible to market fluctuations. Shareholders' earnings are also directly impacted by the 10% of capital bonuses arising from equity market movements on some classes of business. The Group makes use of futures, options, other derivatives and hedge funds in order to defend market positions in the equity portfolios. Investments subject to market risk are analysed in note 6 on the financial statements.

4. Financial instruments and risk management (continued)

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 financial instruments is monitored in accordance with the parameters which have been established by the Group Finance Committee.

Scrip lending counterparties are restricted to appropriately accredited institutions. During 2000 the highest level of equity scrip lending activity at any one time amounted to R1 550,0 million (1999: R591,7 million) and at the balance sheet date R405,3 million (1999: R12,6 million). Scrip lending activities have resulted in R10,6 million (1999: R10,7 million) in scrip lending fees and Rnil (1999: R225,9 million) in manufactured dividends being recognised as income.

Other investments as detailed in note 8 on the financial statements include an amount of R1 294,8 million (1999: R1 099,4 million) representing forward sales of equities and bonds in terms of agreements entered into with appropriately accredited institutions.

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. The Liberty International B.V. convertible bonds are fully matched against cash deposits (refer to currency risk above).

Refer to note 28 for the Company's borrowing powers.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The following policyholders' and shareholders' investments which are based at fair value will be directly impacted by changes in cash flow without a change in their fair value:

	Policyholders		**Shareholders**	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
Deposits and money market securities	**752,5**	65,8	**184,3**	658,4

Investment risk

Investment risk is the risk that the investment returns on policyholders' 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 contracts entered into and the preferences expressed by the policyholders. Within these parameters, investments are managed with the aim of maximising policyholders' returns while limiting risk to acceptable levels within the framework of statutory requirements.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

4. Financial instruments and risk management (continued)

Investment risk (continued)

The most significant portion of the Group's insurance business comprises market related (linked) business. The policyholders' 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. For guaranteed immediate annuity business it is the Group's policy to fully match the policyholder liabilities with appropriate assets.

Legal risk

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

During the development stage of any new product and for any corporate transactions the legal resources of the Group and, if required, external resources 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 will be 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 3,6 times at 31 December 2000 (1999: 7,4 times).

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 amounting to more than R60 million (1999: R50 million) in terms of death catastrophe cover and more than R30 million (1999: R30 million) in terms of war and riots.

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.

4. Financial instruments and risk management (continued)

Claims risk

Claims risk is the risk that the Group will incur excessive mortality and morbidity losses on any group of policies.

The legitimacy of claims is verified by internal, financial and operating controls in place that are designed to contain and monitor claims risks. Procedures used to control and manage the underwriting risks, per above, are also applicable to claims risk.

Operational risk

Operational risk is the risk that the Group will incur a financial loss through error, fraud, theft or failure to act timeously due to a breakdown in internal controls and corporate governance.

The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designed to ensure the completeness, accuracy and validity of all transactions. Controls are further strengthened by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning. The internal control systems and procedures are also subjected to regular internal audit reviews.

Taxation risk

Taxation risk is the risk that the Group will incur a financial loss due to an incorrect interpretation and application of tax legislation or due to the impact of new tax legislation on existing structures.

During the development stage of any new product and prior to any corporate transactions the legal resources of the Group and, if required, external resources identify and advise on the potential tax impact thereof.

5. Derivative financial instruments

The Company and the Group are parties to derivative financial instruments, all of which are included in the consolidated balance sheet. These instruments are used primarily to limit or reduce risk, and comprise mainly futures, options, swaps and forward foreign exchange contracts.

Derivative financial instruments are either traded on a regulated exchange (South African Futures Exchange, "SAFEX") or negotiated over-the-counter (OTC) as a direct arrangement between two counterparties. Instruments traded on SAFEX are margined and SAFEX is the counterparty to each and every trade. OTC instruments are only entered into with appropriately accredited counterparties and are entered into in terms of signed International Swap and Derivative Agreements with each counterparty.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
6. Marketable securities				
Marketable securities comprise:				
Government, municipal and utility stocks	**10 349,3**	9 666,6	**8 946,4**	8 382,1
Debentures	**2 376,5**	1 297,9	**2 152,8**	1 232,9
Listed shares	**31 955,1**	30 130,7	**30 073,3**	27 637,5
Unit trusts	**11 503,7**	11 492,4	**6 827,0**	6 887,9
Total marketable securities	**56 184,6**	52 587,6	**47 999,5**	44 140,4
Maturity profile of government, municipal and utility stocks and debentures:				
Due in one year or less	**9,3**	569,7	**9,3**	547,4
Due after one year through five years	**6 568,4**	2 940,5	**5 491,6**	2 294,5
Due after five years through ten years	**4 357,2**	5 992,6	**3 833,7**	5 441,6
Due after ten years	**1 790,9**	1 461,7	**1 764,6**	1 331,5
	12 725,8	10 964,5	**11 099,2**	9 615,0

Due to the long-term nature of the Group's business marketable securities are generally held to maturity. Investment portfolios are, however, aligned on an ongoing basis with required risk profiles.

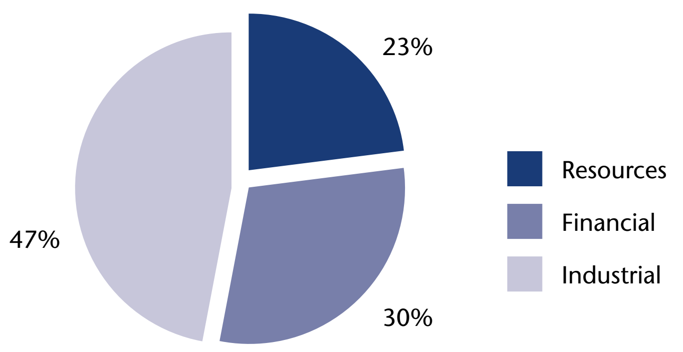
Refer to note 4 (credit risk) for details of scrip lending activities.

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

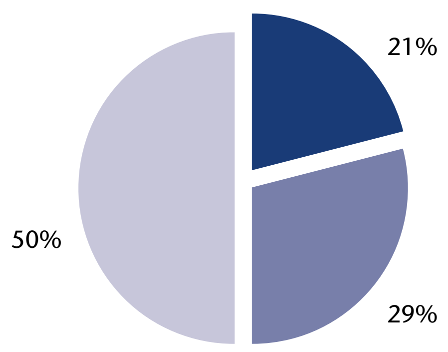
Details of listed and unlisted investments are recorded in registers which may be inspected by members, or their duly authorised agents, at the Company's registered office.

Sectoral analysis of listed investments – Group
South African operations

2000



1999



	Company 2000 Rm	Company 1999 Rm
7. Interests in subsidiary companies		
Shares at valuation	**5 300,1**	5 001,0
Amounts owing to subsidiaries	**(2 149,9)**	(853,3)
	3 150,2	4 147,7

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Amount of issued share capital 2000	Percentage of issued share capital 2000 %	1999 %	Shares held at valuation 2000 Rm	1999 Rm	Amount owing by/(to) subsidiary 2000 Rm	1999 Rm
7. Interests in subsidiary companies (continued)							
Principal subsidiaries							
Charter Life Insurance Company Limited *[Life insurance]*	**R4 750 000**	**100,0**	100,0	**521,6**	471,1	**–**	–
Electric Liberty (Proprietary) Limited *[e-commerce and systems development]*	**R200**	**100,0**		**14,4**		**–**	
Liberty Asset Management Limited *[Fund management]*	**R600 000**	**100,0**	100,0	**293,7**	310,2	**–**	–
Liberty Collective Investments Limited *[Unit trust management]*	**R1 500 000**	**100,0**	100,0	**69,5**	124,3	**–**	–
Liberty Ermitage Jersey Limited (Incorporated in Jersey) *[Fund management]*	**£25 010**	**100,0**		**257,4**		**–**	
Liberty Group Properties (Proprietary) Limited *[Property administration]*	**R100**	**100,0**	100,0	**5,9**	6,4	**–**	–
Liberty Healthcare (Proprietary) Limited *[Healthcare solutions]*	**R801**	**100,0**	100,0	**9,4**	11,1	**35,0**	35,0
Liberty Specialised Investments (Proprietary) Limited *[Marketing and administration of investment products]*	**R1 000 000**	**100,0**	94,0	**11,9**	0,9	**–**	–
Liblife International B.V. (Incorporated in the Netherlands) *[Investment holding]*	**nlg 42 082**	**100,0**	100,0	**118,4**	92,7	**(116,0)**	(93,9)
Liblife (Jersey) Limited (Incorporated in Jersey) *[Investment holding]*	**£24**	**100,0**	100,0	**2 575,2**	1 618,8	**(1 552,9)**	–
Libsil Holdings (Proprietary) Limited *[Investment holding]*	**R1**	**100,0**	100,0	**1 314,1**	2 079,0	**(459,4)**	(526,0)
Oracle Employee Benefits (Proprietary) Limited *[Employee benefits consultancy]*	**R301**	**100,0**	100,0	**(1,9)**	(3,2)	**–**	–
Other subsidiaries				**110,5**	289,7	**(56,6)**	(268,4)
				5 300,1	5 001,0	**(2 149,9)**	(853,3)

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

7. Interests in subsidiary companies (continued)

Liberty, 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 Group Limited 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 R75,8 million (1999: R364,3 million) and in the losses was R60,9 million (1999: R31,8 million).

Acquisition

With effect from 1 October 2000 the Company acquired 100% of Liberty Ermitage Jersey Limited from Liberty International PLC for a consideration of £33,5 million (R356,1 million). The consideration was settled in cash on 17 January 2001 amounting to R393,8 million after taking into account foreign exchange movements.

Details of the acquisition are set out below:

	Fair value Rm
Investments	**225,3**
Debtors	**16,6**
Creditors	**(19,9)**
Net cash	**9,5**
Fixed assets	**5,3**
Net asset value	**236,8**
Goodwill	**119,3**
Consideration	**356,1**

	Group		**Company**	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
8. Other investments				
Other investments comprise:				
Unlisted equities	**831,8**	950,6	**831,8**	950,6
Mortgages and loans	**1 620,2**	1 420,6	**1 577,8**	1 381,7
Deposits and money market securities	**4 155,9**	2 170,6	**3 673,0**	1 924,7
Total other investments	**6 607,9**	4 541,8	**6 082,6**	4 257,0

Due to the long-term nature of the Group's business, other investments are generally held to maturity. Investment portfolios are, however, aligned on an ongoing basis with required risk profiles.

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
9. Goodwill				
Cost at beginning of year	**–**	–	**–**	–
Acquisitions	**129,8**	–	**119,3**	–
Cost at end of year	**129,8**	–	**119,3**	–
Accumulated amortisation at beginning of year	**–**	–	**–**	–
Amortisation	**(6,5)**	–	**(3,0)**	–
Amortisation per income statement	**(6,5)**	–	**(6,5)**	–
Attributable to subsidiary	**–**	–	**3,5**	–
Accumulated amortisation at end of year	**(6,5)**	–	**(3,0)**	–
Net carrying amount at end of year	**123,3**	–	**116,3**	–

Goodwill comprises:	**Goodwill paid Rm**	**Amortisation period**	**Goodwill net of amortisation Rm**
Liberty Ermitage Jersey Limited	119,3	10 years	116,3
Liberty Specialised Investments (Proprietary) Limited	10,5	3 years	7,0
	129,8		123,3

	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
10. Intangible assets				
Computer software – internally generated				
Cost at beginning of year	**10,2**	7,1	**–**	–
Additions	**70,6**	3,1	**34,1**	–
Cost at end of year	**80,8**	10,2	**34,1**	–
Accumulated amortisation at beginning of year	**(3,3)**	(1,7)	**–**	–
Amortisation	**(10,6)**	(1,6)	**(6,7)**	–
Impairment losses recognised	**(9,4)**	–	**–**	–
Accumulated amortisation at end of year	**(23,3)**	(3,3)	**(6,7)**	–
Net carrying amount at end of year	**57,5**	6,9	**27,4**	–

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
11. Office furniture, computer equipment and other tangible assets				
Cost at beginning of year	**734,5**	613,1	**558,6**	460,6
Additions	**135,1**	137,1	**94,6**	111,3
Disposals	**(90,9)**	(15,7)	**(82,1)**	(13,3)
Cost at end of year	**778,7**	734,5	**571,1**	558,6
Accumulated depreciation at beginning of year	**(425,4)**	(338,2)	**(333,1)**	(268,8)
Depreciation (net of disposals)	**(43,0)**	(87,2)	**(9,5)**	(64,3)
Accumulated depreciation at end of year	**(468,4)**	(425,4)	**(342,6)**	(333,1)
Net book value at end of year	**310,3**	309,1	**228,5**	225,5

Computer equipment and office furniture represent 91% (1999: 88%) of the total net book value.

	Group		Company	
	2000	1999	**2000**	1999
12. Deferred taxation				
(Liability)/asset at beginning of year	**(192,8)**	81,0	**(191,8)**	81,0
Net temporary differences	**253,9**	(273,8)	**249,3**	(272,8)
Asset/(liability) at end of year	**61,1**	(192,8)	**57,5**	(191,8)
Deferred taxation comprises:				
Deferred tax liabilities	**(32,7)**	(202,1)	**(30,5)**	(232,1)
Section 29A transition tax		(203,4)		(203,4)
Net prepaid commission accruals	**(32,7)**	1,3	**(30,5)**	(28,7)
Deferred tax asset (primarily assessed losses)	**93,8**	9,3	**88,0**	40,3
	61,1	(192,8)	**57,5**	(191,8)

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group Funds invested 2000 Rm	Group Funds invested 1999 Rm	Group Net revenue earned 2000 Rm	Group Net revenue earned 1999 Rm	Group investment Surpluses/(deficits) 2000 Rm	Group investment Surpluses/(deficits) 1999 Rm
13. Shareholders' funds						
Analysis of shareholders' funds invested:						
Life insurance activities	**522,6**	472,1	**29,6**	14,1	**5,4**	64,5
Charter Life	**522,6**	472,1	**86,2**[(1)]	130,5[(1)]	**5,4**	64,5
Less included in life fund operating surplus			**(56,6)**	(116,4)		
Operating income from financial services subsidiaries	**677,4**	484,1	**81,0**	29,8	**(0,5)**	101,5
Liberty Asset Management	**293,7**	310,2	**69,3**	12,1	**3,2**	95,3
Liberty Collective Investments	**69,5**	124,7	**15,8**	17,0	**(0,6)**	6,8
Liberty Ermitage Jersey	**257,4**		**1,4**		**(2,4)**	
Liberty Group Properties	**5,9**	23,6	**11,3**	13,1	**(0,5)**	(0,6)
Liberty Healthcare	**26,5**	18,4	**(2,6)**	(21,3)	**(0,1)**	–
Liberty Specialised Investments	**11,9**	10,4	**10,0**[(2)]	13,5	–	–
Electric Liberty	**14,4**		**(25,5)**		**(0,1)**	
Oracle Employee Benefits	**(1,9)**	(3,2)	**1,3**	(4,6)	–	–
Listed investments	**2 446,8**	4 562,2	**143,8**	205,5	**(677,2)**	677,1
Adcock Ingram -N- shares				2,5		(9,8)
Edcon	**59,1**	181,0	**3,1**	2,2	**(121,9)**	150,0
Guardian National				28,3	**(3,7)**	(28,7)
Liberty International		1 234,9	**60,4**	54,0	**319,3**	(119,4)
Metro Cash and Carry	**83,3**	549,8	**5,5**	8,2	**(469,8)**	243,5
The Premier Group	**0,5**	33,2	**–**	0,4	**(14,9)**	101,2
The South African Breweries	**2 108,7**	2 482,3	**68,9**	109,9	**(373,0)**	416,8
Other equities	**195,2**	81,0	**5,9**	–	**(13,2)**	(76,5)
Other investments	**2 505,6**	3 653,7	**327,6**	39,3	**(109,8)**	(78,1)
Cash and cash equivalents	**3 002,2**	2 095,5	**269,9**	13,6		
Capital reduction	**(3 260,0)**					
Guardian National proceeds of sale		645,5				
Cash and cash equivalents – Jersey assets	**1 982,8**		**51,7**		**152,8**	
Convertible bonds	**(1 827,3)**	(1 486,7)	**(131,8)**	(110,8)	**(368,9)**	(67,2)
Unlisted equities	**4,8**	184,2	**–**	14,7	**(3,9)**	19,9
Other	**2 603,1**	2 215,2	**137,8**	121,8	**110,2**	(30,8)
Management expenses			**(43,5)**	(64,2)		
Taxation			**(105,2)**	(111,6)		
	6 152,4	9 172,1	**433,3**	112,9	**(782,1)**[(3)]	765,0[(3)]

(1) Prior to deducting the dividend paid to preference shareholders of R40,1 million (1999: R0,9 million).
(2) Prior to amortisation of goodwill amounting to R3,5 million (1999: Rnil) as indicated in note 9.
(3) Refer to note 21.

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Company 2000 Rm	Company 1999 Rm
14. Share capital and share premium		
Share capital		
Authorised share capital		
400 000 000 (1999: 400 000 000) ordinary shares of 10 cents each	**40,0**	40,0
Unissued shares under the control of the directors		
94 135 672 (1999: 94 395 771) ordinary shares of 10 cents each	**9,4**	9,4
Unissued shares reserved		
For the purpose of the convertible bond issue 20 275 736 (1999: 20 839 936) ordinary shares of 10 cents each	**2,0**	2,1
For the purpose of the Senior Executive Share Option Scheme 2 414 376 (1999: 3 224 616) ordinary shares of 10 cents each	**0,3**	0,3
For the purpose of the Staff Share Incentive Scheme 3 378 239 (1999: 3 986 948) ordinary shares of 10 cents each	**0,3**	0,4
For the purpose of the Share Trust 8 127 652 (1999: 7 312 778) ordinary shares of 10 cents each	**0,8**	0,7
	3,4	3,5
Issued share capital		
271 668 325 (1999: 270 239 951) ordinary shares of 10 cents each	**27,2**	27,1
Share premium		
Balance at beginning of year	**5 251,8**	5 082,3
1 428 374 (1999: 396 997) ordinary shares issued at an average premium of R42,19 (1999: R26,21) per share in terms of the Senior Executive Share Option Scheme, Staff Share Incentive Scheme and Share Trust	**60,2**	10,4
Nil (1999: 2 004 254) capitalisation shares issued at a premium of Rnil (1999: R79,40) per share	**–**	159,1
Capital reduction of R12,00 per share in issue (271 668 325)	**(3 260,0)**	–
Balance at end of year	**2 052,0**	5 251,8
Total issued share capital and share premium	**2 079,2**	5 278,9

	Company 2000 Number of shares	Company 1999 Number of shares
Interests of directors, including their families, in share capital		
Direct interests		
Beneficial (ordinary shares of 10 cents each)		
R C Andersen	**104**	104
H I Appelbaum	**22 783**	17 734
M A Bloom (Appointed – 1 September 2000)	**7 719**	–
E Bradley	**8 285**	8 285
W E Cesman (Retired – 31 March 2000)	**–**	290 000
S Handler (Retired – 31 August 2000)	**–**	179 525
M J Jackson	**61 275**	48 000
C E Maynard (Resigned – 3 November 2000)	**–**	500
D S Nohr	**107 550**	102 800
A Romanis (Retired as an executive director – 31 March 2000)	**208 516**	208 516
C B Strauss	**112**	112
	416 344	855 576

Non-beneficial (ordinary shares of 10 cents each)
No directors held any non-beneficial direct interests in share capital.

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14. Share capital and share premium (continued)

Interests of directors, including their families, in share capital (continued)

Indirect interests

By virtue of either directorships in or material shareholdings held directly or indirectly by Standard Bank Investment Corporation Limited 100% (1999: 100%) in the issued ordinary share capital of Liblife Controlling Corporation (Proprietary) Limited and by virtue of Liblife Controlling Corporation (Proprietary) Limited owning 54,7% (1999: 54,8%) of the issued ordinary share capital of Liberty Holdings Limited and by virtue of Liberty Holdings Limited owning 54,8% (1999: 55,4%) of the issued ordinary share capital of Liberty Group Limited, Mrs E Bradley, Dr C B Strauss 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 and E P Theron, all being directors of the Company and/or Liberty Holdings Limited and/or Liblife Controlling Corporation (Proprietary) Limited and/or Standard Bank Investment Corporation Limited, had in aggregate an indirect beneficial and non-beneficial interest in 148 928 570 (1999: 149 728 570) ordinary shares in Liberty Group Limited at 31 December 2000.

Shares under option

The Company operates three share incentive schemes, being the Liberty Group Staff Share Incentive Scheme, Liberty Group Senior Executive Share Option Scheme and the Liberty Group Share Trust. Options are granted to permanent employees at the discretion of the directors in terms of which shares in Liberty Group Limited may be acquired at prices prevailing at the dates of grant of the options. Delivery of the shares so acquired is effected at future dates which are determined at the time of granting the options. Shares acquired through the incentive schemes have to be paid for by the employees at the subscription prices as determined in the option contracts. The Company does not provide any assistance to the employees in order to purchase such shares. Shares under option, which have not yet been delivered to participants, carry no rights accruing to option holders. In terms of the rules of the Liberty Group Share Trust, Liberty Group Limited may advance funds to the Share Trust for purposes of acquiring shares in Liberty Group Limited in the market for delivery against outstanding share options.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

14. Share capital and share premium (continued)

Shares under option (continued)

Movements in shares under option in terms of the Liberty Group Senior Executive Share Option Scheme, the Liberty Group Staff Share Incentive Scheme and the Liberty Group Limited Share Trust:

Date granted	Price payable per share	Expiry date	Shares under option at beginning of year	Options granted during year
13 November 1991	R0,10	31 March 2000	7 000	
12 November 1992	R5,64	31 March 2000	1 250	
12 November 1992	R5,64	31 March 2001	96 100	
28 March 1994	R39,64	31 March 2002	890 845	
10 July 1995	R54,14	31 March 2002	14 500	
4 December 1996	R72,39	30 September 2003	91 500	
25 August 1997	R95,64	31 March 2005	9 000	
18 May 1998	R110,64	31 March 2006	243 980	
28 August 1998	R33,64	31 March 2006	41 000	
10 September 1998	R46,94	31 March 2006	220 000	
12 November 1998	R55,64	31 March 2006	59 572	
12 November 1998	R55,64	31 March 2005	4 500	
2 August 1999	R53,04	31 March 2005	169 519	
28 September 1999	R47,50	31 March 2005	5 619 549	
15 November 1999	R57,70	30 September 2003	1 164 700	
18 February 2000	R68,40	30 September 2003		288 100
14 April 2000	R55,80	30 September 2005		1 012 800
17 July 2000	R64,30	31 March 2006		101 500
21 November 2000	R56,80	30 September 2006		590 200
			8 633 015	1 992 600

	Company 2000 Rm	Company 1999 Rm
Market value of shares under option at 31 December	**548,4**	612,9
Loan to Liberty Group Limited Share Trust outstanding at 31 December	**131,4**	173,2
Aggregate proceeds of shares issued from options implemented	**60,3**	10,5

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

Options implemented during year	Options cancelled during year	**Shares under option at end of year**	**Options exercised at end of year**	**Executive directors' options outstanding at end of year**
3 000	4 000			**–**
1 250				**–**
83 325	8 725	**4 050**	**4 050**	**–**
478 278	60 334	**352 233**	**346 838**	**41 500**
	9 500	**5 000**	**5 000**	**–**
	45 500	**46 000**	**42 000**	**–**
	9 000			**–**
	107 800	**136 180**	**74 800**	**–**
	20 000	**21 000**	**14 000**	**–**
1 792	25 708	**192 500**	**177 500**	**97 500**
	27 700	**31 872**	**11 136**	**–**
	4 500			**–**
	101 421	**68 098**	**22 329**	**–**
860 041	359 841	**4 399 667**	**4 202 181**	**474 337**
688	220 212	**943 800**	**734 000**	**242 800**
	44 000	**244 100**	**36 700**	**–**
	9 000	**1 003 800**	**953 400**	**168 700**
		101 500	**5 300**	**–**
	15 300	**574 900**	**340 000**	**31 400**
1 428 374	1 072 541	**8 124 700**	**6 969 234**	**1 056 237**

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

14. Share capital and share premium (continued)

Executive directors' interests in shares under option

Movement in executive directors' interests in shares under option:

Director	Date granted	Average price payable per share	Expiry date
R C Andersen			
Prior years		R50,58	31 March 2006
2000	14 April 2000	R55,80	30 September 2005
H I Appelbaum			
Prior years		R45,17	31 March 2006
M A Bloom			
(Appointed – 1 September 2000)			
Prior years		R49,84	31 March 2006
2000	14 April 2000	R55,80	30 September 2005
	21 November 2000	R56,80	30 September 2006
S Handler			
(Retired – 31 August 2000)			
Prior years		R43,63	31 March 2006
M J Jackson			
Prior years		R48,98	31 March 2006
2000	14 April 2000	R55,80	30 September 2005
C E Maynard			
(Resigned – 3 November 2000)			
Prior years		R53,35	31 March 2006
D S Nohr			
Prior years		R49,40	31 March 2006
2000	14 April 2000	R55,80	30 September 2005
A Romanis			
(Retired as an executive director – 31 March 2000)			
Prior years		R44,94	31 March 2002
Totals			

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

Shares under option at beginning of year	Options granted during year	Options implemented during year	Options cancelled during year	Shares under option at end of year
362 506				362 506
	78 900			78 900
362 506	78 900			441 406
81 135		5 000		76 135
132 618		19 501		113 117
	19 800			19 800
	31 400			31 400
132 618	51 200	19 501		164 317
50 806		50 806		–
164 475		13 452		151 023
	43 100			43 100
164 475	43 100	13 452		194 123
223 259			223 259	–
124 999		17 750		107 249
	26 900			26 900
124 999	26 900	17 750		134 149
46 107				46 107
1 185 905	**200 100**	**106 509**	**223 259**	**1 056 237**

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

14. Share capital and share premium (continued)

Ordinary share analysis

	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
1999	7 100	7 150	3 914	1 – 5 000	4 659	94,48	2 100 271	0,77
2000	6 750	8 500	4 800	5 001 – 10 000	118	2,39	834 009	0,31
				10 001 – 50 000	101	2,05	2 073 937	0,76
				50 001 – 100 000	25	0,51	1 869 791	0,69
				100 001 – and over	28	0,57	264 790 317	97,47
					4 931	100,00	271 668 325	100,00

Volume of shares traded (000's) 77 485 (1999: 153 646)

Volume traded to weighted average number of shares in issue 28,6% (1999: 57,1%)

Analysis of holdings

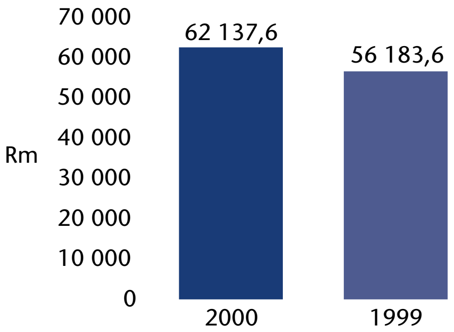
Liberty Holdings Limited	1	0,02	148 928 570	54,82
Insurance companies	9	0,18	175 828	0,07
Pension funds	15	0,30	1 493 325	0,55
Unit trusts	18	0,37	158 928	0,06
Other corporate bodies and nominees	598	12,13	115 859 684	42,64
Private individuals	4 290	87,00	5 051 990	1,86
	4 931	100,00	271 668 325	100,00

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

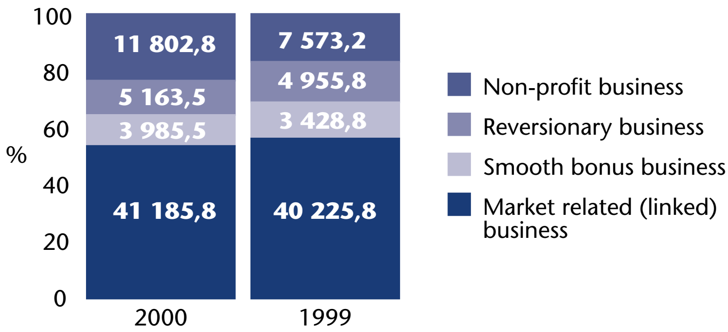
for the year ended 31 December 2000

	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
15. Life funds				
Balance at beginning of year	**56 183,6**	43 817,9	**52 802,0**	41 189,8
Transfers from income statement	**6 073,0**	14 985,5	**4 832,9**	13 885,8
Other transfers	**(119,0)**	(2 619,8)	**–**	(2 273,6)
Balance at end of year	**62 137,6**	56 183,6	**57 634,9**	52 802,0

Actuarial liabilities under unmatured policies – growth



Actuarial liabilities under unmatured policies – mix



16. Convertible bonds

	Group 2000 Rm	Group 1999 Rm
6,5% Liblife International B.V. 2004		
Nominal value (US$258,6 million)	**1 963,8**	1 590,1
Unamortised bond issue costs	**(23,1)**	(23,9)
Bonds acquired for cancellation	**(15,2)**	
Total convertible bonds	**1 925,5**	1 566,2
Liability component	**1 827,3**	1 486,7
Equity component	**98,2**	79,5
Total convertible bonds	**1 925,5**	1 566,2

Convertible bonds comprise:
US$258,6 million (R1,9 billion) (1999: US$258,6 million (R1,6 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 Group Limited on the basis of 403 (1999: 403) shares for every US$5 000 of bonds, which is equivalent to US$12,41 (1999: US$12,41) per Liberty Group Limited ordinary share. Unless previously purchased and cancelled, or converted, the bonds will be redeemed on 30 September 2004.

Convertible bonds with a nominal value of US$2 million were purchased by Liblife (Jersey) Limited in December 2000 and a further US$5 million in January 2001. These bonds were cancelled in January 2001. The diluted earnings per share calculations have been treated as if the purchased convertible bonds had already been cancelled.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group and Company			
	Defined benefit pension fund[1]		Post-retirement medical aid	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
17. Retirement benefit obligation				
Actuarial valuations are required to be performed every three years for the 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.				
Change in funded obligation:				
Present value of funded obligation at beginning of year	**705,2**	588,4		
Adjustments	**7,4**	–		
Service cost – benefits earned during the year	**43,5**	35,6		
Interest cost – on projected benefit obligation	**100,0**	84,1		
Actuarial loss	**18,7**	36,1		
Benefits paid	**(40,9)**	(39,0)		
Present value of funded obligation at end of year	**833,9**	705,2		
Change in plan assets:				
Fair value of plan assets at beginning of year	**825,9**	773,7		
Adjustments	**7,4**	–		
Actuarial return on plan assets	**99,3**	379,5		
Actuarial gain/(loss)	**108,9**	(323,9)		
Employer contribution	**43,5**	35,6		
Benefits paid	**(40,9)**	(39,0)		
Fair value of plan assets at end of year	**1 044,1**	825,9		
Fund excess	**210,2**	120,7		
Excess not recognised	**210,2**	120,7		
Present value of unfunded obligation			**114,4**	97,7
Net liability recognised in balance sheet	**–**	–	**114,4**	97,7

[1] With effect from 1 March 2001 approximately 85% of staff members, representing approximately 70% of the active member liability, accepted an offer to convert their retirement plans from defined benefit to defined contribution.

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group and Company			
	Defined benefit pension fund		Post-retirement medical aid	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
17. Retirement benefit obligation (continued)				
Retirement benefit service costs recognised in the income statement	**43,5**	35,6	**16,7**	17,2
The valuation was based on the following principal actuarial assumptions:				
Retirement age: – executives	**63**	63	**63**	63
– others	**65**	65	**65**	65
Medical cost trend rates			**11%**	11%
Anticipated after-tax returns on investments	**13%**	13%	**13%**	13%
Future salary increases (excluding increases on promotion)	**10%**	10%		
Investments in excess of 5% of plan assets				
BOE Fixed deposit	**100,0**	–		
Liberty Group Limited	**–**	378,8		
	100,0	378,8		
Investments in employer and holding companies				
Standard Bank Investment Corporation Limited	**36,0**	44,0		
Liberty Holdings Limited	**14,3**	19,2		
Liberty Group Limited	**–**	378,8		
	50,3	442,0		

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
18. New business premium income				
Recurring premium income	**1 870,2**	1 559,7	**1 571,0**	1 383,2
Individual	**1 578,3**	1 322,9	**1 279,1**	1 146,4
Group	**291,9**	236,8	**291,9**	236,8
Single premium income	**7 755,6**	6 314,6	**6 318,8**	5 155,2
Individual	**3 840,2**	3 203,6	**2 705,8**	2 361,5
Group	**2 166,5**	1 623,6	**2 166,5**	1 623,6
Immediate annuities	**1 748,9**	1 487,4	**1 446,5**	1 170,1
New business premium income	**9 625,8**	7 874,3	**7 889,8**	6 538,4
Individual premium income	**5 418,5**	4 526,5	**3 984,9**	3 507,9
Group premium income	**2 458,4**	1 860,4	**2 458,4**	1 860,4
Immediate annuities	**1 748,9**	1 487,4	**1 446,5**	1 170,1
New business premium income	**9 625,8**	7 874,3	**7 889,8**	6 538,4
New business index	**2 645,8**	2 191,2	**2 202,9**	1 898,8
Natural increases	**327,7**	340,4	**321,9**	334,7
Recurring net of natural increases	**1 542,5**	1 219,2	**1 249,1**	1 048,6
New business index net of natural increases	**2 318,1**	1 850,8	**1 881,0**	1 564,1

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
19. Net premium income				
Recurring premium income	**5 671,2**	5 214,0	**5 137,0**	4 822,0
Individual	**4 370,9**	4 074,2	**3 836,7**	3 682,2
Group	**1 300,3**	1 139,8	**1 300,3**	1 139,8
Single premium income	**7 896,1**	6 225,6	**6 507,3**	5 650,3
Individual	**3 899,7**	3 043,9	**2 813,3**	2 785,8
Group	**2 273,3**	1 703,8	**2 273,3**	1 703,8
Immediate annuities	**1 723,1**	1 477,9	**1 420,7**	1 160,7
Net premium income	**13 567,3**	11 439,6	**11 644,3**	10 472,3
Individual premium income	**8 270,6**	7 118,1	**6 650,0**	6 468,0
Group premium income	**3 573,6**	2 843,6	**3 573,6**	2 843,6
Immediate annuities	**1 723,1**	1 477,9	**1 420,7**	1 160,7
Net premium income	**13 567,3**	11 439,6	**11 644,3**	10 472,3

Premium income is shown net of reinsurance of R96,6 million (1999: R85,0 million).

	Group		Company	
	2000	1999	**2000**	1999
20. Investment income net of interest paid				
Dividend, interest and net rental income	**3 342,8**	3 154,4	**3 153,9**	3 022,2
Attributable to life funds	**2 825,9**	2 869,3	**2 653,0**	2 763,3
Attributable to shareholders' funds	**516,9**	285,1	**500,9**	258,9
Operating income from financial services activities	**441,5**	285,2		
Operating income from financial services subsidiaries			**81,0**	29,8
Investment income net of interest paid	**3 784,3**	3 439,6	**3 234,9**	3 052,0

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
20. Investment income net of interest paid (continued)				
Comprising:				
Income from subsidiaries			**250,4**	276,2
(Accumulated loss)/retained income of subsidiaries			**(39,3)**	48,3
Dividends received from subsidiaries			**289,7**	227,9
Dividends received	**846,0**	815,1	**637,9**	586,1
Listed shares	**829,8**	768,8	**621,7**	539,8
Unlisted shares	**16,2**	46,3	**16,2**	46,3
Income on unit trusts	**235,2**	95,8	**198,5**	68,5
Interest received	**1 975,6**	1 882,5	**1 636,4**	1 599,0
Net rental income†	**572,4**	522,0	**571,8**	521,0
Rental income	**846,6**	770,4	**781,1**	713,8
Direct operating expenses	**(274,2)**	(248,4)	**(209,3)**	(192,8)
Portfolio management fees	**276,1**	228,0	**(63,5)**	–
Scrip lending fees	**10,6**	10,7	**10,6**	10,7
Sundry income	**14,5**	5,4	**12,6**	5,3
Investment income	**3 930,4**	3 559,5	**3 254,7**	3 066,8
Interest paid	**(146,1)**	(119,9)	**(19,8)**	(14,8)
Investment income net of interest paid	**3 784,3**	3 439,6	**3 234,9**	3 052,0

†Notional rent relating to owner-occupied properties of R67,7 million (1999: R61,4 million) has been eliminated.

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
21. Investment surpluses				
Investment surpluses attributable to life insurance operations	**3 353,5**	13 942,6	**3 190,5**	13 253,7
Investment properties	**704,0**	900,3	**704,0**	900,3
Owner-occupied properties	**40,1**	23,4	**40,1**	23,4
Marketable securities	**2 382,4**	11 779,4	**2 218,5**	11 071,8
Other investments	**227,0**	1 239,5	**227,9**	1 258,2
Investment (deficits)/surpluses attributable to shareholders' funds (Refer to note 13)	**(782,1)**	765,0	**(782,1)**	765,0
Marketable securities	**(677,2)**	677,1	**(506,2)**	139,2
Other investments	**(104,9)**	87,9	**(275,9)**	625,8
	2 571,4	14 707,6	**2 408,4**	14 018,7
Comprising:				
Unrealised (deficits)/surpluses	**(2 670,1)**	11 555,9	**(2 771,2)**	10 948,2
Realised surpluses	**5 241,5**	3 151,7	**5 179,6**	3 070,5
	2 571,4	14 707,6	**2 408,4**	14 018,7

Unrealised (deficits)/surpluses include a surplus of R13,7 million representing exchange differences on translation of shareholders' foreign assets and liabilities (1999: deficit of R2,4 million).

	Group		Company	
22. Claims and policyholders' benefits	**2000**	1999	**2000**	1999
Individual death and disability claims	**1 058,1**	974,7	**934,1**	897,5
Individual policy surrenders and maturities	**5 107,8**	4 931,6	**4 712,0**	4 702,9
Annuity payments	**1 279,7**	1 212,1	**1 055,9**	1 053,2
Group death and disability claims	**218,7**	186,5	**218,7**	184,9
Group scheme terminations and transfers	**1 038,8**	868,7	**1 038,8**	868,7
Group scheme member withdrawals	**1 485,7**	1 644,2	**1 485,7**	1 644,2
	10 188,8	9 817,7	**9 445,2**	9 351,4

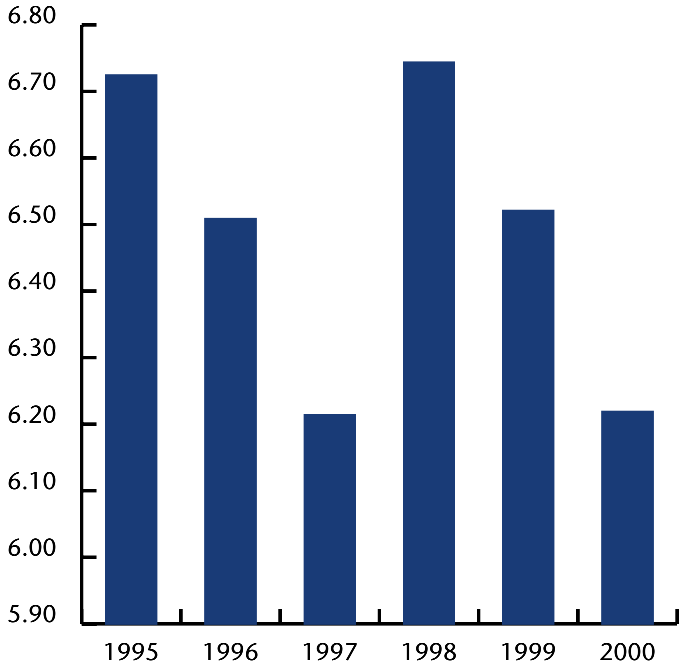
Claims and policyholders' benefits are shown net of reinsurance recoveries of R78,5 million (1999: R68,3 million).

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
23. Management expenses				
Management expenses attributable to life insurance operations	**838,1**	746,1	**767,5**	681,8
Management expenses attributable to shareholders' investments, including subsidiaries	**367,7**	302,7	**43,4**	64,2
	1 205,8	1 048,8	**810,9**	746,0
Comprising:				
Employee costs	**633,8**	560,7	**422,1**	387,1
Office costs	**438,7**	386,9	**300,7**	286,3
Training and development costs	**106,0**	63,3	**67,3**	46,4
Other	**27,3**	37,9	**20,8**	26,2
	1 205,8	1 048,8	**810,9**	746,0

Management expense ratio – life insurance operations



Ratio of management expenses to premium income

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
23. Management expenses (continued)				
Management expenses include the following:				
Auditors' remuneration	**7,5**	6,2	**5,0**	4,4
Audit fees – current year	**6,3**	4,5	**4,0**	2,9
– prior year	**0,7**		**0,7**	
Other services	**0,5**	1,7	**0,3**	1,5
Amortisation – intangible assets	**10,6**	1,6	**6,7**	–
Depreciation	**91,9**	89,5	**75,1**	74,0
Consultancy fees	**43,3**	32,7	**27,8**	22,7
Actuarial	**1,2**	1,4	**1,0**	1,4
Other	**42,1**	31,3	**26,8**	21,3

Directors' emoluments	**R'000**	R'000
Chairman and non-executive directors' fees	**1 485**	223
Executive directors†		
Total emoluments	**27 496**	19 060
Basic salaries	**7 137**	9 010
Bonuses and performance related payments	**7 230**	1 847
Retirement and medical benefits	**9 113**	3 686
Other incentives and benefits[1]	**4 016**	4 517
Paid by subsidiaries	**(4 385)**	(3 792)
Emoluments paid by the Company	**24 596**	15 491
Aggregate months paid	**89**	109
Total emoluments paid by the Company	**24 596**	15 491
Total emoluments paid by subsidiaries	**4 385**	3 792
Total directors' emoluments	**28 981**	19 283

M A Bloom was appointed as an executive director on 1 September 2000. W E Cesman and S Handler retired on 31 March 2000 and 31 August 2000 respectively. A Romanis retired as an executive director on 31 March 2000 but has remained as a non-executive director. C E Maynard resigned on 3 November 2000.

No executive directors hold service contracts.

[1]Includes gains on implementation of share options of R2 130 497 not included in management expenses (1999: R1 088 540).

†Refer to note 14 for details of share option schemes.

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Company 2000 R'000	Company 1999 R'000
23. Management expenses (continued)		
Directors' emoluments (continued)		
Fees paid to the chairman – D E Cooper	**1 010**	6
Fees paid to non-executive directors		
D D B Band	**50**	22
E Bradley	**28**	8
D A Hawton	**80**	42
R J Khoza	**28**	9
W S MacFarlane	**70**	55
S J Macozoma	**30**	8
J H Maree	**30**	8
R A Plumbridge	**25**	9
M Rapp	**27**	8
A Romanis	**37**	–
C B Strauss	**40**	21
E P Theron	**30**	9
R M Gordon	**–**	2
P T W Curtis	**–**	8
M H Vosloo	**–**	8
	1 485	223

	Basic salaries R'000	Bonuses and performance related payments R'000	Retirement and medical benefits R'000	Other incentives and benefits R'000	Total emoluments R'000
Executive directors' total emoluments comprise:					
2000					
Paid by Company					
Current directors	**4 738**	**3 491**	**635**	**2 467**	**11 331**
R C Andersen	**1 920**	**1 035**	**235**	**427**	**3 617**
H I Appelbaum	**764**	**69**	**106**	**396**	**1 335**
M A Bloom (Appointed – 1 September 2000)	**322**	**392**	**44**	**211**	**969**
M J Jackson	**882**	**1 013**	**132**	**851**	**2 878**
D S Nohr	**850**	**982**	**118**	**582**	**2 532**
Directors retired and resigned	**1 883**	**2 775**	**5 649**	**1 473**	**11 780**
S Handler (Retired – 31 August 2000)	**512**	**–**	**2 179**	**1 228**	**3 919**
C E Maynard (Resigned – 3 November 2000)	**781**	**2 773**	**97**	**114**	**3 765**
A Romanis (Retired as an executive director – 31 March 2000)	**590**	**2**	**3 373**	**131**	**4 096**
	6 621	**6 266**	**6 284**	**3 940**	**23 111**
Paid by subsidiaries					
Directors retired and resigned					
C E Maynard (Resigned – 3 November 2000)	**265**	**943**	**33**	**39**	**1 280**
W E Cesman (Retired – 31 March 2000)	**251**	**21**	**2 796**	**37**	**3 105**
	516	**964**	**2 829**	**76**	**4 385**
Total paid	**7 137**	**7 230**	**9 113**	**4 016**	**27 496**

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Basic salaries R'000	Bonuses and performance related payments R'000	Retire-ment and medical benefits R'000	Other incentives and benefits R'000	Total emolu-ments R'000
23. Management expenses (continued)					
Directors' emoluments (continued)					
1999					
Paid by Company					
Current directors	3 837	600	504	1 248	6 189
R C Andersen	1 661	402	204	376	2 643
H I Appelbaum	699	62	96	267	1 124
M J Jackson	735	71	106	301	1 213
D S Nohr	742	65	98	304	1 209
Directors retired and resigned	3 242	242	2 927	2 668	9 079
Y G J D'Halluin (Retired – 26 March 1999)	241	34	37	328	640
D Gordon (Retired – 30 June 1999)	980	–	2 600	1 000	4 580
S Handler	700	72	105	477	1 354
A Romanis	900	92	129	660	1 781
P D Wharton-Hood (Retired – 31 July 1999)	421	44	56	203	724
	7 079	842	3 431	3 916	15 268
Paid by subsidiaries					
Directors retired and resigned					
C E Maynard	1 021	925	122	142	2 210
W E Cesman	910	80	133	459	1 582
	1 931	1 005	255	601	3 792
Total paid	9 010	1 847	3 686	4 517	19 060

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
24. Taxation				
Taxation attributable to life insurance operations	**468,5**	582,4	**421,6**	552,5
Taxation attributable to shareholders' funds	**157,4**	154,2	**105,2**	111,6
Secondary tax on companies relating to capital reduction	**232,8**		**232,8**	
	858,7	736,6	**759,6**	664,1
Comprising:				
South African taxation	**352,3**	296,3	**287,1**	263,8
Current year normal taxation	**407,5**	56,2	**338,7**	24,7
Prior years normal taxation including tax on transition	**197,7**	(33,7)	**197,7**	(33,7)
Deferred taxation [1]	**(252,9)**	273,8	**(249,3)**	272,8
Other related South African taxes	**271,9**	438,5	**239,7**	400,3
Financial services levy	**2,2**	4,1	**2,0**	3,9
Retirement fund tax	**82,8**	188,1	**81,0**	185,3
Secondary tax on companies	**19,4**	104,0	**15,0**	87,0
Non-recoverable value added tax	**114,1**	105,5	**92,7**	90,2
Regional services council levies	**12,4**	10,6	**11,7**	10,0
Stamp duty	**41,0**	26,2	**37,3**	23,9
Foreign taxation – current year normal taxation	**1,7**	1,8		
Total included in headline earnings	**625,9**	736,6	**526,8**	664,1
Secondary tax on companies relating to capital reduction	**232,8**		**232,8**	
Total taxation	**858,7**	736,6	**759,6**	664,1

	Group		Company	
	2000	1999	**2000**	1999
	%	%	**%**	%
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	**26,7**	57,7	**19,5**	49,7
Secondary tax on companies	**(3,3)**	(30,2)	**(2,8)**	(35,9)
Taxation excluding secondary tax on companies	**23,4**	27,5	**16,7**	13,8
The charge for the year has been reduced/(increased) as a consequence of:				
Dividends received	**5,7**	16,9	**22,3**	51,8
Non-deductible expenses	**(0,6)**	(13,9)	**(9,0)**	(29,2)
Other permanent differences	**1,5**	(0,5)	**–**	(6,4)
Standard rate of South African taxation	**30,0**	30,0	**30,0**	30,0

The Group has estimated tax losses attributable to shareholders' funds of R125,9 million (1999: R62,6 million) which are available for set-off against future taxable income.

[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.

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Continuing operations		Unbundled operations		Total operations	
	2000	1999	**2000**	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm	**Rm**	Rm
25. Earnings per share						
Basic headline earnings per share						
Headline earnings	**1 543,0**	1 409,0		227,3	**1 543,0**	1 636,3
Weighted average number of shares in issue (millions)	**270,9**	269,3		269,3	**270,9**	269,3
Basic headline earnings per share (cents)	**569,6**	523,2		84,4	**569,6**	607,6

Basic headline earnings per share is calculated by dividing the headline earnings by the weighted average number of shares in issue during the year.

	Continuing operations		Unbundled operations		Total operations	
	2000	1999	**2000**	1999	**2000**	1999
Fully diluted headline earnings per share						
Headline earnings	**1 543,0**	1 409,0		227,3	**1 543,0**	1 636,3
Adjustment for bond interest	**78,5**	71,2			**78,5**	71,2
Fully diluted headline earnings	**1 621,5**	1 480,2		227,3	**1 621,5**	1 707,5
Weighted average number of shares in issue (millions)	**270,9**	269,3		269,3	**270,9**	269,3
Adjustment for conversion of bonds into equity	**20,3**	20,8		20,8	**20,3**	20,8
Fully diluted weighted average number of shares in issue	**291,2**	290,1		290,1	**291,2**	290,1
Fully diluted headline earnings per share (cents)	**556,8**	510,2		78,3	**556,8**	588,5

The calculation of fully diluted headline earnings per share assumes full conversion of the convertible bonds except for bonds with a nominal value of $7 million acquired by Liblife (Jersey) Limited and cancelled in January 2001.

	Continuing operations		Unbundled operations		Total operations	
	2000	1999	**2000**	1999	**2000**	1999
Total earnings per share						
Total earnings	**521,6**	2 174,0		393,4	**521,6**	2 567,4
Weighted average number of shares in issue (millions)	**270,9**	269,3		269,3	**270,9**	269,3
Earnings per share (cents)	**192,5**	807,3		146,1	**192,5**	953,4

Basic total earnings per share is calculated by dividing the total earnings by the weighted average number of shares in issue during the year.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Continuing operations		**Unbundled operations**		**Total operations**	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm	**2000 Rm**	1999 Rm
25. Earnings per share (continued)						
Fully diluted total earnings per share						
Total earnings	**521,6**	2 174,0		393,4	**521,6**	2 567,4
Adjustment for bond interest	**78,5**	71,2			**78,5**	71,2
Fully diluted total	**600,1**	2 245,2		393,4	**600,1**	2 638,6
Weighted average number of shares in issue (millions)	**270,9**	269,3		269,3	**270,9**	269,3
Adjustment for conversion of bonds into equity	**20,3**	20,8		20,8	**20,3**	20,8
Fully diluted weighted average number of shares in issue	**291,2**	290,1		290,1	**291,2**	290,1
Fully diluted total earnings per share (cents)	**206,1**	773,9		135,6	**206,1**	909,5

The calculation of fully diluted total earnings per share assumes full conversion of the convertible bonds except for bonds with a nominal value of $7 million acquired by Liblife (Jersey) Limited and cancelled in January 2001.

26. Related party transactions

Holding company

Liberty'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 provides certain administrative and secretarial services to Liberty Holdings Limited for which it is reimbursed at cost.

Banking arrangements

The Group makes use of banking facilities provided by its ultimate holding company (Standard Bank Investment Corporation Limited). At 31 December 2000 substantially all of the cash and cash equivalents amounting to R648,0 million (1999: R651,6 million) were held with Stanbic. In addition, term deposits and other money market securities with Standard Bank amounted to R597,5 million at 31 December 2000 (1999: R1 574,3 million). These deposits were made in the normal course of business at prevailing market rates.

LIBERTY

26. 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 Group Properties (Proprietary) Limited, a subsidiary of Liberty Group Limited. Rentals and management fees received by Liberty Group Properties (Proprietary) Limited from related parties for the year ended 31 December 2000 amounted to R40,3 million (1999: R42,1 million).

Bancassurance

Liberty Group Limited and Charter Life Insurance Company Limited have entered into a joint venture agreement with Standard Bank Investment Corporation Limited for the sale and promotion of insurance products. New business premium income received in respect of this business in 2000 amounted to R1,6 billion (1999: R1,1 billion). In terms of the joint venture agreement Charter Life Insurance Company Limited has paid a preference dividend of R40,1 million (1999: R0,9 million) to Standard Bank Investment Corporation Limited in the current year in respect of the embedded value profits earned on the business.

Insurance policies

Inter-company insurance policies are eliminated on consolidation. Premium income in this regard amounted to R52 million in respect of 2000 (1999: R521 million). During 2000 Standard Bank Investment Corporation Limited paid a R612 million single premium to Liberty following the transfer of Standard Bank's post-retirement medical liabilities to Liberty Corporate Benefits.

Transactions with directors

Apart from share options granted to directors, as indicated in note 14, there were no material transactions with directors or their families during the year under review.

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
27. Commitments				
Estimated amounts of commitments for future capital expenditure	**126,4**	133,2	**115,0**	130,0
Under contracts	**100,6**	129,0	**100,6**	129,0
Authorised by the directors but not contracted	**25,8**	4,2	**14,4**	1,0

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

28. Borrowing powers

In terms of the Company's articles of association the attributable amount which the Group may borrow is R6 152,4 million (1999: R9 172,1 million). Borrowings at 31 December 2000 computed in terms of the Company's articles of association were R1 827,3 million (1999: R1 520,0 million).

29. Comparatives

Where necessary, comparative figures have been restated to ensure consistency of disclosure.

LIBERTY

CASH FLOW STATEMENTS

for the year ended 31 December 2000

	Notes	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
Cash flow from operating activities		**3 902,1**	1 641,5	**3 041,0**	1 144,9
Cash generated by/(utilised in) operations	1	**2 399,8**	(48,9)	**1 681,1**	(352,4)
Returns on investments and servicing of finance		**2 710,6**	3 150,9	**2 496,1**	2 878,1
Dividends paid	2	**(739,5)**	(1 080,5)	**(738,6)**	(1 079,6)
Taxation paid	3	**(468,8)**	(380,0)	**(397,6)**	(301,2)
Net purchase of investments		**(3 350,1)**	(1 683,9)	**(2 850,8)**	(988,2)
Investment properties		**(158,2)**	212,8	**(158,2)**	212,8
Marketable securities		**(2 137,9)**	(1 545,2)	**(2 448,0)**	(2 328,3)
Interests in subsidiary companies				**1 433,0**	1 473,8
Other investments		**(1 054,0)**	(351,5)	**(1 677,6)**	(346,5)
Cash flow from financing activities		**126,4**	175,5	**24,6**	(169,6)
Proceeds on issue of shares		**60,3**	169,8	**60,3**	169,8
Repayments by/(advances to) Group companies		**66,1**	5,7	**(35,7)**	(339,4)
Net increase/(decrease) in cash and cash equivalents		**678,4**	133,1	**214,8**	(12,9)
Cash and cash equivalents at beginning of year		**733,9**	602,9	**131,3**	144,2
Cash balance from subsidiary acquired		**9,5**			
Foreign exchange movements on cash balances		**2,5**	(2,1)		
Cash and cash equivalents at end of year		**1 424,3**	733,9	**346,1**	131,3
Reconciliation of cash and cash equivalents per the cash flow statement to cash and cash equivalents per the balance sheet					
Cash and cash equivalents at end of year		**1 424,3**	733,9	**346,1**	131,3
Balances with bankers		**1 424,3**	767,2	**346,1**	131,3
Bank loans			(33,3)		
Cash and cash equivalents per the balance sheet		**1 424,3**	733,9	**346,1**	131,3

LIBERTY

NOTES ON THE CASH FLOW STATEMENTS

for the year ended 31 December 2000

	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
1. Cash generated by/(utilised in) operations				
Earnings including investment surpluses/(deficits) attributable to shareholders' funds	**521,6**	2 174,0	**521,6**	2 174,0
Adjustments for:				
Life fund transfers	**6 073,0**	14 985,5	**4 832,9**	13 885,8
Dividends received	**(991,3)**	(863,0)	**(1 056,6)**	(848,3)
Interest received	**(2 065,5)**	(1 930,6)	**(1 705,9)**	(1 633,2)
Interest paid	**146,1**	119,9	**19,8**	14,8
Taxation	**858,7**	736,6	**759,6**	664,1
	4 542,6	15 222,4	**3 371,4**	14 257,2
Adjustments for non-cash items:				
Retained income of subsidiaries			**79,4**	(47,4)
Amortisation on intangible assets	**10,6**	1,6	**6,7**	
Depreciation	**91,9**	89,5	**75,1**	74,0
Amortisation on goodwill	**6,5**		**6,5**	
Loss/(profit) on disposal of tangible assets	**5,3**	(0,7)	**4,1**	(0,1)
Amortisation on fixed interest securities and foreign exchange	**(24,3)**	(110,7)	**(45,8)**	(104,4)
Investment deficits/(surpluses) attributable to shareholders	**782,1**	(765,0)	**782,1**	(765,0)
Investment surpluses attributable to life funds	**(3 353,5)**	(13 942,6)	**(3 190,5)**	(13 253,7)
Income attributable to minority shareholders in subsidiaries	**40,1**	0,1		
	2 101,3	494,6	**1 089,0**	160,6
Working capital changes:	**298,5**	(543,5)	**592,1**	(513,0)
Net outstanding premiums and other debtors	**903,7**	(643,6)	**988,8**	(648,9)
Outstanding claims, policyholders' benefits and other creditors	**(434,4)**	224,5	**(279,6)**	233,9
Fixed assets and intangible assets	**(170,8)**	(124,4)	**(117,1)**	(98,0)
Cash generated by/(utilised in) operations	**2 399,8**	(48,9)	**1 681,1**	(352,4)
2. Dividends paid				
Dividends payable at beginning of year	**(378,3)**	(696,4)	**(378,3)**	(696,4)
Dividends as per statement of changes in shareholders' funds	**(3 620,3)**	(761,5)	**(3 620,3)**	(761,5)
Dividends paid to minority shareholders in subsidiary	**(0,9)**	(0,9)		
Dividends payable at end of year	**3 260,0**	378,3	**3 260,0**	378,3
	(739,5)	(1 080,5)	**(738,6)**	(1 079,6)
3. Taxation paid				
Net taxation (liability)/asset at beginning of year	**(289,6)**	67,0	**(267,4)**	95,5
Taxation as per income statement	**(858,7)**	(736,6)	**(759,6)**	(664,1)
Net taxation liability at end of year	**679,5**	289,6	**629,4**	267,4
	(468,8)	(380,0)	**(397,6)**	(301,2)

LIBERTY

REPORT OF THE INDEPENDENT AUDITORS ON THE GROUP EMBEDDED VALUE

To the directors of Liberty Group Limited

We have audited the Group embedded value report for the year ended 31 December 2000 on pages 61 to 64 which has been prepared in accordance with the embedded value basis set out in paragraphs 1 and 6. This report should be read in conjunction with the audited annual financial statements where the insurance liabilities are calculated on the financial soundness valuation basis, which are on pages 13 to 59.

Comparative figures

We have not audited the comparative figures contained in the Group embedded value report in respect of the year ended 31 December 1999.

Respective responsibilities of directors and auditors

The directors are responsible for the annual financial statements, as described on page 7, as well as the Group embedded value report. Our responsibilities in relation to the annual financial statements, are set out on page 11.

Our responsibilities, as independent auditors, in relation to the Group embedded value report are, as set out in our letter of engagement agreed with the directors dated 19 September 2000, to report to the directors our opinion as to whether the Group embedded value report has been properly prepared in accordance with the embedded value basis set out in paragraphs 1 and 6 of the Group embedded value report.

Basis of audit opinion

We conducted our audit in accordance with Statements of South African Auditing Standards. Our audit included examination, on a test basis, of evidence supporting the amounts and disclosures in the Group embedded value report. The evidence included an assessment of the significant estimates and judgements made by the directors in the preparation of the Group embedded value report, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group embedded value report is free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group embedded value report.

Opinion

In our opinion the Group embedded value at 31 December 2000 has been properly prepared in accordance with the basis set out in paragraphs 1 and 6 of the Group embedded value report.

Subject to any changes that may be required had we audited the Group embedded value at 31 December 1999, the group embedded value profits for the year ended 31 December 2000 have been properly stated in accordance with the embedded value basis set out in paragraphs 1 and 6 of the Group embedded value report.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
6 March 2001

LIBERTY

GROUP EMBEDDED VALUE REPORT

Group Embedded value at 31 December 2000 and the value of new business written during 2000 in respect of Liberty Group Limited and its wholly owned subsidiary Charter Life Insurance Company Limited

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.

The embedded value consists of shareholders' net assets at fair value together with the discounted value of the projected stream of future after-tax shareholder 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 supporting the projected capital adequacy requirements.

The value of the new business written over the year is the present value, at the time of sale, of the projected stream of after-tax profits from that business.

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

2. Embedded value and value of new business

	31 December 2000 Rm	31 December 1999 Rm
Risk discount rate	**15,00%**	16,25%
Shareholders' net assets before capital reduction (1999: final dividend)	**9 645,2**	9 550,3
Net value of life business in force	**4 822,0**	4 755,9
Value of life business in force	**4 832,1**	4 765,0
Cost of solvency capital	**(10,1)**	(9,1)
Financial services subsidiaries fair value adjustment	**996,3**	
Embedded value before capital reduction (1999: final dividend)	**15 463,5**	14 306,2
Capital reduction including secondary tax on companies (STC) (1999: final dividend)	**(3 492,8)**	(378,3)
Embedded value after capital reduction (1999: final dividend)	**11 970,7**	13 927,9
Value of new business written in the year	**390,6**	365,9

The value for shareholders' net assets reflects the value of the net assets as shown in the balance sheet. During the year ended 31 December 2000, investment management fees paid by the Group to Liberty Asset Management Limited were increased to a market related level. This increase has resulted in reduced future profit streams in the life fund and has accordingly reduced the embedded value of in-force business. In previous financial statements, financial services subsidiaries were included at a value of the tangible net assets as shown in the balance sheet and no attempt was made to reflect fair value. An adjustment to fair value has now been reflected in respect of all financial services subsidiaries giving rise to an enhancement over net asset value amounting to R996,3 million. The basis for calculation of this figure is indicated in paragraph 6 below.

The shareholders' net assets in respect of 1999 have been restated to reflect the change in classification of the convertible bonds into components of equity and liability.

GROUP EMBEDDED VALUE REPORT

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 are shown below for various changes in assumptions. Each value is shown with only the indicated parameter being changed.

	Value of life business in force less cost of solvency capital at 31 December 2000 Rm	**Value of new business written in 2000 Rm**
Base value	**4 822,0**	**390,6**
Risk discount rate increases one percentage point to 16,00%	**4 489,5**	**347,4**
Future investment returns reduce by one percentage point	**4 489,1**	**352,3**
Withdrawal rates increase by 10%	**4 605,7**	**358,7**
Acquisition and maintenance expenses (other than commissions) increase by 10%	**4 584,5**	**330,9**

These values illustrate the effect of a negative change in assumptions.

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

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, provide a measure of a company's financial performance over the year.

	12 months to	
	31 December 2000 Rm	31 December 1999 Rm
Embedded value at the end of the year	**11 970,7**	13 927,9
Less embedded value at the beginning of the year	**(13,927,9)**	(12 080,5)
Plus dividends declared	**360,3**	761,5
Plus capital reduction/(less capital raised)	**3 199,7**	(169,8)
Embedded value profits	**1 602,8**	2 439,1
Return on shareholders' net assets	**17,5%**	33,2%
Return on embedded value	**11,5%**	20,2%

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5. Analysis of embedded value profits

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

	2000	1999
	Rm	Rm
Investment return on shareholders' net assets	**(376,6)**	1 761,1
Expected return on value of life business	**770,8**	844,6
Investment experience variations on life business	**(76,2)**	967,2
Other experience variations	**43,0**	(375,9)
Changes in assumptions	**144,7**	(332,0)
Variation in taxation	**126,9**	(623,6)
Value of new business	**390,6**	365,8
Allowance for current and future STC	**(151,4)**	(168,1)
Change in modelling methodology	**(32,8)**	
Net financial services subsidiaries fair value adjustment	**763,8**	
Increase for the year in financial services subsidiaries fair value adjustment	**996,3**	
Less reduction in embedded value due to increased investment fees	**(232,5)**	
Embedded value profits	**1 602,8**	2 439,1

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 returns used are:

	Investment return p.a.	
	2000	1999
Government stock	**13,00%**	14,25%
Equities	**15,00%**	16,25%
Property	**14,00%**	15,25%

(ii) The risk discount rate has been set equal to the investment return on equity assets	**15,00%**	16,25%
(iii) Maintenance expense inflation rate	**9,05%**	11,25%

This reduction in the maintenance expense inflation rate includes a one percentage point increase in the difference between the investment return used for government stock and the assumed inflation rate. This change in basis is the main reason for the profit of R144,7 million shown for "Changes in assumptions" above.

(iv) For both years shown, tax has been 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 permitted was assumed. No account has been taken of Capital Gains Tax likely to be introduced with effect from October 2001.

GROUP EMBEDDED VALUE REPORT

The reduction in value of R623,6 million in 1999 shown in paragraph 5 above indicates the impact of the change in the tax dispensation applicable from 1 January 2000.

The profit of R126,9 million in 2000 mainly arises from an overprovision of tax from the previous year.

The reduction in value of R151,4 million arises from the STC of R232,8 million payable on the capital reduction offset by the release of future STC allowances.

(v) Other bases, bonus rates and assumptions:

In general, parameters reflect best estimates of future experience, consistent with the valuation basis described in paragraph 2 of the report of the Statutory Actuary 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.

(vi) Basis of calculation of financial services subsidiaries fair value adjustment:

In general, to obtain the fair value in excess of the tangible net assets, the method adopted was to apply a Price Earnings ratio multiplier to the net after tax recurring earnings of the subsidiary derived from normal trading operations. The multiplier used was 20 in the case of Liberty Asset Management Limited and 10 for Liberty Group Properties (Proprietary) Limited, Liberty Specialised Investments (Proprietary) Limited and Liberty Collective Investments Limited.

In the case of Liberty Asset Management the value represented 1,10% of assets under management at 31 December 2000.

No adjustment has been made for subsidiaries acquired during the year.

7. Audit

As indicated by PricewaterhouseCoopers' report the embedded value for the year ended 31 December 2000 has been audited.

As reported last year, Tillinghast-Towers Perrin, international consulting actuaries, had reviewed the results and confirmed that, overall, the calculations, methodology and assumptions used to determine the embedded value at 31 December 1999 and the value of new business for the year then ended were reasonable.

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

Johannesburg
6 March 2001

Annual financial statements for the year ended 31 December 2000

Liberty Holdings Highlights

Dividend of R34,62 per ordinary share declared

Headline profit per ordinary share based on underlying continuing operations of 1 691 cents up 8%

LIBERTY

REVIEW OF THE PAST SIX YEARS

	2000 Rm
Income statement – extracts	
Profit attributable to shareholders	**834,5**
Dividends on preference shares	**(1,7)**
Headline profit attributable to ordinary shareholders*	**832,8**
Headline profit per ordinary share (cents)	**1 691,0**
Dividends per ordinary share (cash equivalent) (cents)	**3 847,0**
Balance sheet – extracts	
Shareholders' funds	**3 378,6**
Minority interests	**2 780,6**
Total assets	**75 943,5**
Other	
Liberty Holdings Limited share price at 31 December (cents)	**18 000**
Total number of shares in issue at 31 December (000's)	**49 286**
Market capitalisation (R million)	**8 871,5**
Weighted average number of shares in issue (000's)	**49 253**

* Excludes investment (deficits)/surpluses attributable to shareholders in life insurance subsidiary
† Subsequent to the unbundling by Liberty Group Limited of Liberty International Holdings plc and Standard Bank Investment Corporation Limited to shareholders

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1999† Rm	1998 Rm	1997 Rm	1996 Rm	1995 Rm
896,5	959,4	825,5	666,1	566,6
(1,7)	(1,7)	(3,8)	(9,0)	(11,3)
894,8	957,7	821,7	657,1	555,3
1 817,3	1 948,0	1 679,1	1 359,9	1 170,5
785,0	1 355,0	1 125,0	900,0	700,0
5 026,7	10 176,5	10 059,8	8 689,6	7 282,0
4 092,1	23 904,6	20 243,0	17 830,2	13 293,7
69 214,4	113 589,7	101 708,4	83 419,6	70 553,0
19 040	20 580	33 500	32 000	30 500
49 240	49 236	49 007	48 730	47 912
9 375,3	10 132,8	16 417,4	15 593,6	14 613,2
49 237	49 162	48 937	48 319	47 441

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DIRECTORS

Chairman
D E Cooper (60) CA(SA)
Appointed to the board – 1999

Executive Director
R C Andersen (52) CA(SA), CPA (Texas)
Appointed to the board – 1997

Non-executive Directors
D D B Band (56) BCom, CA(SA)*
Appointed to the board – 1995

D A Hawton (63) FCIS*
Appointed to the board – 1999

W S MacFarlane (65) CA(SA), FCA*
Appointed to the board – 1995

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

R A Plumbridge (65) MA, LLD(hc)
Appointed to the board – 1999

M Rapp (65) CA(SA)
Appointed to the board – 1976

A Romanis (61) CA*#
Appointed to the board – 1993

C B Strauss (65) 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 2000

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, in all material respects, 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 14 to 25 of the chairman's statement and corporate governance booklet.

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 95 were approved by the Board of Directors and are signed on its behalf by:

D E Cooper
Chairman

R C Andersen
Executive Director

Johannesburg
6 March 2001

LIBERTY

REPORT OF THE JOINT INDEPENDENT AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

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 72 to 95 for the year ended 31 December 2000. 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 2000 and the results of their operations, cash flows and changes in equity for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act.

Grant Thornton Kessel Feinstein

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
6 March 2001

LIBERTY

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
Company Secretary

Johannesburg
6 March 2001

LIBERTY

ACCOUNTING POLICIES

Basis of preparation

The accounting policies adopted by the Company and the Group 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 consolidated financial statements are prepared on the historical-cost basis, modified by the revaluation of investment properties, owner-occupied properties and financial instruments to fair value.

These accounting policies are consistent with those applied at 31 December 1999 except for:

- The reclassification of the convertible bonds into equity and liability components. The equity component has been included in revaluation and other reserves. This change in classification is in line with the requirements of the accounting statement on financial instruments (AC 125) and the effect is shown in note 12 on the financial statements.
- The adoption of the new accounting statement on intangible assets (AC 129) with effect from 1 January 2000. An analysis is provided in note 7 on the financial statements.

The financial statements of Liberty Holdings incorporate both the continuing operations of its sole subsidiary, Liberty Group Limited, as well as the unbundled operations and the 1999 results therefore are not comparable with those of 2000. Details regarding the basis of preparation and disclosures relating to Liberty Group Limited are included on pages 17 to 61 on the financial statements.

In order to reflect the performance of the underlying continuing operations of Liberty Group Limited, headline profit per ordinary share based on the underlying continuing operations of Liberty Group Limited has been calculated for 1999.

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. The accounting policies for subsidiaries are consistent with the policies adopted by the Group. Inter-company transactions, balances and unrealised profits are eliminated on consolidation.

Interests in subsidiary companies

In the Company annual financial statements interests in subsidiaries are shown at cost.

Foreign currencies

Transactions and balances

Transactions in foreign currencies are translated into South African Rands at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into South African Rands at the rates of exchange ruling at the balance sheet date. Any foreign exchange differences are included in the income statement, in the year in which the difference occurs, as investment surpluses or deficits and are shown as attributable to shareholders' or policyholders' funds as appropriate.

Foreign operations

Foreign operations are operations of which the activities are an integral part of those of the reporting enterprise. Assets and liabilities of these operations are translated into South African Rands at rates of exchange ruling at the balance sheet date. Income and expenditure of foreign operations are translated into South African Rands at the average rate of exchange during the year. Exchange differences arising from the translation of foreign operations are included in the income statement, in the year in which the difference occurs, as investment surpluses or deficits and are shown as attributable to shareholders' or policyholders' funds as appropriate.

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Financial instruments

Measurement

Financial instruments are initially measured at cost. All financial instrument purchases and sales are recognised using trade date accounting. Thereafter these financial instruments are measured as set out below:

Marketable securities

Marketable securities include government, municipal and utility stocks, debentures, listed shares, unit trusts and derivatives. Marketable securities are reflected at market value. Market value is calculated by reference to regulated 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, which include mortgages, loans, deposits, money market securities and unlisted shares, are valued at fair value using appropriate models.

Convertible bonds

Convertible bonds are valued at cost net of amortised bond issue expenses. The expenses incurred are amortised over the period of the bonds.The fair value of the liability component, at initial recognition, is calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity component, is included in shareholders’ equity in revaluation and other reserves.

Gains and losses

Gains and losses arising from a change in the value or on disposal of financial instruments are included in the income statement as investment surpluses or deficits and are shown as attributable to shareholders’ or policyholders’ funds as appropriate.

Investment properties and owner-occupied properties

Investment properties are held to earn rentals and for capital appreciation, whereas owner-occupied properties are held for use in the supply of services or for administrative purposes.

Measurement

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. Provisions are raised against properties under development and completed properties which are undergoing refurbishments. Properties are not subject to depreciation.

Gains and losses

Unrealised surpluses or deficits arising on the valuation and realised surpluses or deficits on disposal of properties are included in the income statement as investment surpluses or deficits and are shown as attributable to shareholders’ or policyholders’ funds as appropriate.

Goodwill

Goodwill represents the excess of the purchase consideration of an acquisition over the fair value attributable to the net identifiable assets at the date of acquisition. Goodwill on acquisitions that occurred prior to 1 January 2000 was written off in full against shareholders’ funds in the year acquired. Goodwill on acquisitions occurring after 31 December 1999 is capitalised and amortised on a straight line basis over the lesser of its estimated useful life or twenty years. Goodwill

ACCOUNTING POLICIES *(continued)*

amortisation periods are analysed in note 6 on the financial statements. Goodwill amortisation is included in the income statement. Goodwill is carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of goodwill is reviewed annually and is written down when permanently impaired. Impairment losses are included in the income statement.

Intangible assets

Computer software capitalisation

Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, 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 amortised on the straight line basis at rates appropriate to the expected useful lives of the assets, not exceeding five years, and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when permanently impaired. Amortisation and impairment losses are included 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 and five years in respect of computer equipment. Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income. Surpluses and deficits on disposals of assets are included in the income statement as management expenses.

Scrip lending

Marketable securities under scrip lending arrangements are reflected on the balance sheets of the Company and the Group. Scrip lending arrangements are entered into only with appropriately accredited institutions.

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 calculated annually at the balance sheet date by the Group's Statutory Actuary in accordance with prevailing legislation and Generally Accepted Actuarial Standards. 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.

Retirement benefits

Retirement fund

The Group operates a funded defined benefit pension scheme to which substantially all employees belong. 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 using the projected cost method of valuation.

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)*

Medical fund

The Group operates a post-retirement medical aid scheme for employees who joined the Group prior to 1 July 1998 to which substantially all employees belong. Medical aid costs are included in the income statement as management expenses in the period during which the employees render services to the Group. For past service, the Group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis.

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.

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. Premium income is shown net of reinsurance.

Investment income

Investment income for the Group comprises income from financial services activities, net rental income from properties, 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 is accounted for on an accrual basis. Net rental income comprises rental income net of property expenses. Rental income in respect of Group owner-occupied properties is eliminated.

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.

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 Standards.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with bankers, net of bank loans but do not include deposits and money market securities held for investment. In the balance sheet, bank loans are included in current liabilities.

BALANCE SHEETS

at 31 December 2000

	Notes	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
Assets					
Investments		**71 543,1**	64 990,7	**3 625,9**	3 797,7
Investment properties	1	**8 103,8**	7 260,3		
Owner-occupied properties	2	**646,8**	601,0		
Marketable securities	3	**56 184,6**	52 587,6		
Interests in subsidiary company	4			**3 625,9**	3 797,7
Other investments	5	**6 607,9**	4 541,8		
Goodwill	6	**123,3**	–		
Intangible assets	7	**57,5**	6,9		
Office furniture, computer equipment and other tangible assets	8	**310,3**	309,1		
Deferred taxation	9	**61,1**	–		
Current assets		**3 848,2**	3 907,7	**9,3**	0,6
Net outstanding premiums, accrued investment income and other debtors		**2 423,9**	3 140,4	**0,4**	0,5
Amounts due by Group companies				**8,9**	–
Balances with bankers		**1 424,3**	767,3	**–**	0,1
Total assets		**75 943,5**	69 214,4	**3 635,2**	3 798,3
Capital, reserves and liabilities					
Shareholders' funds		**3 378,6**	5 026,7	**1 844,6**	3 590,3
Share capital and share premium	10	**956,7**	951,7	**956,7**	951,7
Revaluation and other reserves		**1 031,8**	3 199,8	**391,4**	2 140,0
Retained profit		**1 390,1**	875,2	**496,5**	498,6
Minority interests		**2 780,6**	4 092,1		
Life funds	11	**62 137,6**	56 183,6		
Convertible bonds	12	**1 827,3**	1 486,7		
Retirement benefit obligation	13	**114,4**	97,7		
Deferred taxation	9	**–**	192,8		
Current liabilities		**5 705,0**	2 134,8	**1 790,6**	208,0
Outstanding claims, policyholders' benefits and other creditors		**3 179,3**	1 801,9	**5,6**	5,3
Taxation		**818,6**	96,8	**77,9**	–
Shareholders for dividends		**1 707,1**	202,7	**1 707,1**	202,7
Bank loans		**–**	33,4	**–**	–
Total capital, reserves and liabilities		**75 943,5**	69 214,4	**3 635,2**	3 798,3

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INCOME STATEMENTS

for the year ended 31 December 2000

	Notes	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
Profit before taxation	14	**2 155,8**	2 489,1	**186,9**	412,4
From the following sources:					
Life insurance subsidiary		**2 165,9**	2 498,9		
Management expenses net of income		**(10,1)**	(9,8)	**(10,1)**	(9,8)
Dividends from subsidiary				**197,0**	422,2
Taxation	17	**(731,8)**	(863,2)	**(0,7)**	(0,6)
Profit after taxation		**1 424,0**	1 625,9	**186,2**	411,8
Minority interests		**(589,5)**	(729,4)		
Total headline profit		**834,5**	896,5	**186,2**	411,8
Secondary tax on companies relating to capital reduction	17	**(205,6)**		**(77,9)**	
Goodwill amortisation	6	**(3,5)**			
Investment (deficits)/surpluses		**(428,7)**	515,9		
Investment (deficits)/surpluses attributable to shareholders in life insurance subsidiary		**(782,1)**	931,1		
Less minority interests		**353,4**	(415,2)		
Total consolidated profit		**196,7**	1 412,4	**108,3**	411,8
Dividends on preference shares		**(1,7)**	(1,7)	**(1,7)**	(1,7)
Total consolidated profit attributable to ordinary shareholders		**195,0**	1 410,7	**106,6**	410,1
Headline profit after preference dividends per ordinary share (cents)		**1 691,0**	1 817,3		
Total consolidated profit per ordinary share attributable to shareholders (cents)		**396,0**	2 865,2		
Weighted average number of shares in issue (000's)		**49 253**	49 237		
Headline profit after preference dividend based on underlying continuing investments		**832,8**	783,2		
Headline profit after preference dividend per share based on underlying continuing investments (cents)		**1 691,0**	1 560,8		

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STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' FUNDS

for the year ended 31 December 2000

	Share capital Rm	Share premium Rm	Revaluation and other reserves Rm	Retained profit Rm	Total Rm
Shareholders' funds at 1 January 1999	13,8	937,5	6 966,8	2 258,4	**10 176,5**
Total consolidated profit				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 of retained surplus by subsidiary company			1 891,6	(1 891,6)	–
Transfer from contingency and other reserves by subsidiary company			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)**
Exchange difference relating to equity component of the convertible bonds (refer to note 12)			1,6		**1,6**
Subscriptions for shares (refer to note 10)		0,4			**0,4**
Shareholders' funds at 31 December 1999	13,8	937,9	3 199,8	875,2	**5 026,7**
Total consolidated profit				196,7	**196,7**
Investment surpluses on shareholders' investments reflected directly in reserves			37,6		**37,6**
Investment deficits attributable to shareholders' funds			(428,7)	428,7	–
Preference dividend				(1,7)	**(1,7)**
Ordinary dividends			(1 706,3)	(189,6)	**(1 895,9)**
Interim dividend No. 62 of 385 cents – LDR 1 September 2000				(189,6)	**(189,6)**
Final dividend No. 63 of 3 462 cents – LDR 30 March 2001			(1 706,3)		**(1 706,3)**
Secondary tax on companies relating to capital reduction and final dividend			(77,9)	77,9	–
Transfer of revaluation and other reserves			(2,9)	2,9	–
Exchange difference relating to equity component of the convertible bonds (refer to note 12)			10,2		**10,2**
Subscriptions for shares (refer to note 10)		5,0			**5,0**
Shareholders' funds at 31 December 2000	13,8	942,9	1 031,8	1 390,1	**3 378,6**

Refer to note 4 for the treatment by Liberty Holdings Limited of the capital reduction by Liberty Group Limited.

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NOTES ON THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

	Group 2000 Rm	Group 1999 Rm
1. Investment properties		
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.		
Completed properties		
Open-market value at beginning of year	**7 017,2**	6 229,8
Additions	**191,2**	143,1
Acquisitions	**162,6**	–
Capitalised subsequent expenditure	**28,6**	143,1
Disposals	**(153,1)**	(282,0)
Revaluations	**704,0**	900,3
Transfers from properties under development	**364,6**	26,0
Open-market value at end of year	**8 123,9**	7 017,2
Properties under development		
Cost at beginning of year	**257,4**	78,5
Additions – Capitalised subsequent expenditure	**107,7**	204,9
Transfers to completed properties	**(364,6)**	(26,0)
Cost at end of year	**0,5**	257,4
Provisions		
Provisions at beginning of year	**(14,3)**	(14,0)
Additional provisions raised	**(20,6)**	(14,3)
Provisions used	**14,3**	14,0
Provisions at end of year	**(20,6)**	(14,3)
Total investment properties	**8 103,8**	7 260,3
At the end of the year investment properties comprised the following property types:		
Office buildings	**1 631,4**	1 522,5
Shopping malls	**5 299,0**	4 733,9
Hotels	**930,9**	866,1
Other	**242,5**	137,8
Total	**8 103,8**	7 260,3

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
2. Owner-occupied properties				
Open-market value at beginning of year	**601,0**	564,2		
Additions	**5,7**	13,4		
Revaluations	**40,1**	23,4		
Open-market value at end of year	**646,8**	601,0		
Carrying amount that would have been included in the financial statements had owner-occupied properties been carried at cost less depreciation	**158,2**	161,9		
3. Marketable securities				
Marketable securities comprise:				
Government, municipal and utility stocks	**10 349,3**	9 666,6		
Debentures	**2 376,5**	1 297,9		
Listed shares	**31 955,1**	30 130,7		
Unit trusts	**11 503,7**	11 492,4		
Total marketable securities	**56 184,6**	52 587,6		
Maturity profile of government, municipal and utility stocks and debentures:				
Due in one year or less	**9,3**	569,7		
Due after one year through five years	**6 568,4**	2 940,5		
Due after five years through ten years	**4 357,2**	5 992,6		
Due after ten years	**1 790,9**	1 461,7		
	12 725,8	10 964,5		

Due to the long-term nature of the Group's business, marketable securities are generally held to maturity. Investment portfolios are, however, aligned on an ongoing basis with required risk profiles.

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

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

	Group		Company	
4. Interests in subsidiary company				
149 728 570 ordinary shares at cost, representing 55,41% of the total issued share capital of Liberty Group Limited at beginning of year			**3 645,4**	3 645,4
Disposed during the year – 800 000 shares			**(19,5)**	
Write down of investment in subsidiary company following capital reduction			**(1 787,1)**	
148 928 570 ordinary shares at cost representing 54,82% of the total issued share capital of Liberty Group Limited at end of year			**1 838,8**	3 645,4
Dividend accrued			**1 787,1**	209,7
Net amount owing by subsidiary company			**–**	(57,4)
			3 625,9	3 797,7

The interest of the Company for the year in the aggregate taxed profits of its subsidiary was R285,9 million (1999: R1 422,9 million).

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group 2000 Rm	Group 1999 Rm
5. Other investments		
Other investments comprise:		
Unlisted equities	**831,8**	950,6
Mortgages and loans	**1 620,2**	1 420,6
Deposits and money market securities	**4 155,9**	2 170,6
Total other investments	**6 607,9**	4 541,8

Due to the long-term nature of the Group's business, other investments are generally held to maturity. Investment portfolios are, however, aligned on an ongoing basis with required risk profiles.

	Group 2000 Rm	Group 1999 Rm
6. Goodwill		
Cost at beginning of year	**–**	–
Acquisitions	**129,8**	–
Cost at end of year	**129,8**	–
Accumulated amortisation at beginning of year	**–**	–
Amortisation	**(6,5)**	–
Goodwill amortisation per the income statement	**(3,5)**	–
Attributable to minority interests	**(3,0)**	–
Accumulated amortisation at end of year	**(6,5)**	–
Net carrying amount at end of year	**123,3**	–

Goodwill comprises:	**Goodwill paid**	**Amortisation period**	**Goodwill net of amortisation**
Liberty Ermitage Jersey Limited	119,3	10 years	116,3
Liberty Specialised Investments (Proprietary) Limited	10,5	3 years	7,0
	129,8		123,3

	Group 2000 Rm	Group 1999 Rm
7. Intangible assets		
Computer software – internally generated		
Cost at beginning of year	**10,2**	7,1
Additions	**70,6**	3,1
Cost at end of year	**80,8**	10,2
Accumulated amortisation at beginning of year	**(3,3)**	(1,7)
Amortisation	**(10,6)**	(1,6)
Impairment losses recognised	**(9,4)**	–
Accumulated amortisation at end of year	**(23,3)**	(3,3)
Net carrying amount at end of year	**57,5**	6,9

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
8. Office furniture, computer equipment and other tangible assets				
Cost at beginning of year	**734,5**	696,2	**–**	0,4
Additions	**135,1**	137,2	**–**	–
Disposals	**(90,9)**	(16,1)	**–**	(0,4)
Unbundled operations		(82,8)		–
Cost at end of year	**778,7**	734,5	**–**	–
Accumulated depreciation at beginning of year	**(425,4)**	(392,9)	**–**	(0,3)
Depreciation (net of disposals)	**(43,0)**	(86,9)	**–**	0,3
Unbundled operations		54,4		–
Accumulated depreciation at end of year	**(468,4)**	(425,4)	**–**	–
Net book value at end of year	**310,3**	309,1	**–**	–

Computer equipment and office furniture represent 91% (1999: 88%) of the total net book value.

	Group 2000 Rm	Group 1999 Rm
9. Deferred taxation		
(Liability)/asset at beginning of year	**(192,8)**	67,3
Net temporary differences	**253,9**	(273,8)
Deferred tax assets of unbundled operations		13,7
Asset/(liability) at end of year	**61,1**	(192,8)
Comprising:		
Deferred tax liabilities	**(32,7)**	(202,1)
Section 29A transition tax		(203,4)
Net prepaid commission accruals	**(32,7)**	1,3
Deferred tax asset (primarily assessed losses)	**93,8**	9,3
	61,1	(192,8)

10. Share capital and share premium

	Company 2000 Rm	Company 1999 Rm
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

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Company 2000 Rm	Company 1999 Rm
10. Share capital and share premium (continued)		
Unissued shares under the control of the directors		
25 137 898 (1999: 25 137 898) ordinary shares of 25 cents each	**6,3**	6,3
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
Unissued shares reserved		
For the purpose of the Senior Executive Share Option Scheme (1988)		
575 627 (1999: 622 034) ordinary shares of 25 cents each	**0,2**	0,2
	11,0	11,0
Issued share capital		
49 286 475 (1999: 49 240 068) ordinary shares of 25 cents each	**12,3**	12,3
15 000 000 (1999: 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	**937,9**	937,5
46 407 (1999: 3 891) ordinary shares issued at an average premium of R108,35 (1999: R94,30) per share in terms of the Senior Executive Share Option Scheme (1988)	**5,0**	0,4
Balance at end of year	**942,9**	937,9
Total issued share capital and share premium	**956,7**	951,7

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.

	Company 2000 Number of shares	Company 1999 Number of shares
Interests of directors, including their families, in share capital		
Direct interests		
Beneficial (ordinary shares of 25 cents each)		
R C Andersen	**760**	760
D D B Band	**3 180**	3 180
W E Cesman (Retired – 31 March 2000)	**–**	28 000
C B Strauss	**109**	109
	4 049	32 049
Non-beneficial (ordinary shares of 25 cents each)		
W S MacFarlane	**3 000**	–

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

10. Share capital and share premium (continued)

Interests of directors, including their families, in share capital (continued)

Indirect interests

By virtue of either directorships in or material shareholdings held directly or indirectly by Standard Bank Investment Corporation Limited 100% (1999: 100%), in the issued ordinary share capital of Liblife Controlling Corporation (Proprietary) Limited and by virtue of Liblife Controlling Corporation (Proprietary) Limited owning 54,7% (1999: 54,8%) of the issued ordinary share capital of Liberty Holdings Limited, Messrs R C Andersen, 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 (Proprietary) Limited and/or Standard Bank Investment Corporation Limited, had in aggregate an indirect beneficial and non-beneficial interest in 26 963 700 (1999: 26 963 700) ordinary shares in Liberty Holdings Limited at 31 December 2000.

Movements in shares under option in terms of the Liberty Holdings Senior Executive Share Option Scheme (1988):

Date granted	Price payable per share	Expiry date	Shares under option at beginning of year	Options granted during year
18 August 1993	R44,77	31 March 2001	3 225	
1 June 1994	R94,77	31 March 2002	20 000	
5 July 1995	R114,77	31 March 2002	5 000	
11 September 1998	R91,77	31 March 2006	12 500	
2 August 1999	R118,77	31 March 2006	20 228	
28 September 1999	R127,00	31 March 2006	66 316	
			127 269	

	Company 2000 Rm	Company 1999 Rm
Market value of shares under option at 31 December	**14,6**	24,2
Aggregate proceeds of shares issued from options implemented	**5,0**	0,4

Executive directors' interests in shares under option

Director	Average price payable per share	Expiry date
R C Andersen		
Prior years	R125,67	31 March 2006

Shares under option

The Company operates the Liberty Holdings Senior Executive Share Option Scheme (1988). Options are granted to permanent employees at the discretion of the directors in terms of which shares in Liberty Holdings Limited may be acquired at prices prevailing at the dates of grant of the options. Delivery of the shares so acquired is effected at future dates, which are determined at the time of granting the options. Shares acquired through the incentive scheme have to be paid for by the employees at the subscription prices as determined in the option contracts. The Company does not provide any assistance to the employees in order to purchase such shares. Shares under option, which have not yet been delivered to participants, carry no rights accruing to option holders.

Options implemented during year	**Options cancelled during year**	**Shares under option at end of year**	**Options exercised at end of year**	**Executive directors' options outstanding at end of year**
3 225				**–**
15 000		**5 000**	**5 000**	**–**
3 750		**1 250**	**1 250**	**–**
		12 500	**12 500**	**–**
7 201		**13 027**	**13 027**	**6 723**
17 231		**49 085**	**49 085**	**35 010**
46 407		**80 862**	**80 862**	**41 733**

Shares under option at beginning of year	**Options granted during year**	**Options implemented during year**	**Options cancelled during year**	**Shares under option at end of year**
41 733				41 733

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

10. Share capital and share premium (continued)

Ordinary share analysis

	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
1999	19 040	19 040	9 600	1 – 5 000	5 040	98,32	977 978	1,98
2000	18 000	21 500	13 500	5 001 – 10 000	23	0,45	160 465	0,33
				10 001 – 50 000	41	0,80	917 805	1,86
				50 001 – 100 000	3	0,06	209 435	0,43
				100 001 – and over	19	0,37	47 020 792	95,40
					5 126	100,00	49 286 475	100,00

Volume of shares traded (000's) 5 580 (1999: 15 758)

Volume traded to weighted average number of shares in issue 11,3% (1999: 32,0%)

Analysis of holdings

Liblife Controlling Corporation (Proprietary) Limited	1	0,02	26 963 700	54,71
Insurance companies	3	0,06	9 236	0,02
Pension funds	8	0,15	23 187	0,05
Unit trusts	20	0,39	2 532 499	5,14
Other corporate bodies and nominees	329	6,42	18 666 162	37,87
Private individuals	4 765	92,96	1 091 691	2,21
	5 126	100,00	49 286 475	100,00

11. Life funds

	Group 2000 Rm	Group 1999 Rm
Balance at beginning of year	**56 183,6**	64 131,0
Transfers from income statement	**6 073,0**	20 620,7
Other transfers	**(119,0)**	(8 255,0)
Unbundled operations of Life insurance subsidiary		(20 313,1)
Balance at end of year	**62 137,6**	56 183,6

LIBERTY

	Group 2000 Rm	Group 1999 Rm
12. Convertible bonds		
6,5% Liblife International B.V. 2004		
Nominal value (US$258,6 million)	**1 963,8**	1 590,1
Unamortised bond issue costs	**(23,1)**	(23,9)
Bonds acquired for cancellation	**(15,2)**	
Total convertible bonds	**1 925,5**	1 566,2
Liability component	**1 827,3**	1 486,7
Equity component	**98,2**	79,5
Total convertible bonds	**1 925,5**	1 566,2

Convertible bonds comprise:

US$258,6 million (R1,9 billion) (1999: US$258,6 million (R1,6 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 Group Limited on the basis of 403 (1999: 403) shares for every US$5 000 of bonds, which is equivalent to US$12,41 (1999: US$12,41) per Liberty Group Limited ordinary share. Unless previously purchased and cancelled, or converted, the bonds will be redeemed on 30 September 2004.

Convertible bonds with a nominal value of US$2 million were purchased by Liblife (Jersey) Limited in December 2000 and a further US$5 million in January 2001. These bonds were cancelled in January 2001.

	Group Defined benefit pension fund 2000 Rm	Group Defined benefit pension fund 1999 Rm
13. Retirement benefit obligation		
Actuarial valuations are required to be performed every three years for the 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.		
Change in funded obligation:		
Present value of funded obligation at beginning of year	**705,2**	588,4
Adjustments	**7,4**	–
Service cost – benefits earned during the year	**43,5**	35,6
Interest cost – on projected benefit obligation	**100,0**	84,1
Actuarial loss	**18,7**	36,1
Benefits paid	**(40,9)**	(39,0)
Present value of funded obligation at end of year	**833,9**	705,2

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group			
	Defined benefit pension fund[1]		**Post-retirement medical aid**	
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm
13. Retirement benefit obligation (continued)				
Change in plan assets:				
Fair value of plan assets at beginning of year	**825,9**	773,7		
Adjustments	**7,4**	–		
Actuarial return on plan assets	**99,3**	379,5		
Actuarial gain/(loss)	**108,9**	(323,9)		
Employer contribution	**43,5**	35,6		
Benefits paid	**(40,9)**	(39,0)		
Fair value of plan assets at end of year	**1 044,1**	825,9		
Fund excess	**210,2**	120,7		
Excess not recognised	**210,2**	120,7		
Present value of unfunded obligation			**114,4**	97,7
Net liability recognised in balance sheet	**–**	–	**114,4**	97,7
Retirement benefit service costs recognised in the income statement	**43,5**	35,6	**16,7**	17,2
The valuation was based on the following principal actuarial assumptions:				
Retirement age: – executives	**63**	63	**63**	63
– others	**65**	65	**65**	65
Medical cost trend rates			**11%**	11%
Anticipated after-tax returns on investments	**13%**	13%	**13%**	13%
Future salary increases (excluding increases on promotion)	**10%**	10%		
Investments in excess of 5% of plan assets				
BOE Fixed deposit	**100,0**	–		
Liberty Group Limited	**–**	378,8		
	100,0	378,8		
Investments in employer and holding companies				
Standard Bank Investment Corporation Limited	**36,0**	44,0		
Liberty Holdings Limited	**14,3**	19,2		
Liberty Group Limited	**–**	378,8		
	50,3	442,0		

[1] With effect from 1 March 2001 approximately 85% of staff members, representing approximately 70% of the active member liability, accepted an offer to convert their retirement plans from defined benefit to defined contribution.

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NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group			
	2000		1999	
	Life insurance Rm	**Management expenses net of income Rm**	Life insurance Rm	Management expenses net of income Rm
14. Profit before taxation				
Consolidated profit before taxation is arrived at as follows:				
Income	**20 705,1**	**–**	34 915,4	7,6
Net premium income	**13 567,3**	**–**	14 482,9	–
Dividend, net interest and rental income†	**3 342,8**	**–**	3 367,5	7,6
Income from financial service activities	**441,5**	**–**	924,1	–
Investment surpluses/(deficits) attributable to life funds	**3 353,5**	**–**	16 140,9	–
Expenses	**(18 496,1)**	**(10,1)**	(32 415,6)	(17,4)
Claims and policyholders' benefits	**(10 188,8)**	**–**	(9 817,7)	–
Commissions	**(1 028,5)**	**–**	(822,8)	–
Management expenses	**(1 205,8)**	**(10,1)**	(1 154,4)	(17,4)
Life fund transfers	**(6 073,0)**	**–**	(20 620,7)	–
Preference dividend in subsidiary	**(40,1)**		(0,9)	
Minority interest in goodwill amortisation	**(3,0)**			
Profit before taxation	**2 165,9**	(10,1)	**2 498,9**	(9,8)
Total consolidated profit before taxation	**2 155,8**		2 489,1	

†Notional rent relating to owner-occupied properties of R67,7 million (1999: R61,4 million) has been eliminated.

	Company	
	2000 Rm	1999 Rm
15. Income from investment		
Income from subsidiary	**197,0**	427,2
Dividends	**197,0**	422,2
Management fees	**–**	5,0

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
16. Management expenses				
Management expenses include the following:				
Auditors' remuneration	**7,6**	6,2	**0,1**	–
Audit fees – current year	**6,4**	4,5	**0,1**	–
– prior year	**0,7**			
Other services	**0,5**	1,7		
Amortisation – intangible assets	**10,6**	1,6		
Depreciation	**91,9**	89,5		
Consultancy fees	**43,3**	32,7		
Actuarial	**1,2**	1,4		
Other	**42,1**	31,3		
Directors' emoluments			**R'000**	R'000
Non-executive directors				
Fees			**475**	381
Executive directors†				
Total emoluments			**10 818**	12 750
Basic salaries			**2 761**	6 079
Bonuses and performance related payments			**1 058**	618
Retirement and medical benefits			**6 404**	3 264
Other incentives and benefits			**595**	2 789
Paid by subsidiaries			**(11 043)**	(11 532)
Emoluments paid by the Company			**250**	1 599
Aggregate months paid			**18**	62
Total emoluments paid by the Company			**250**	1 599
Total emoluments paid by subsidiaries			**11 043**	11 532
Total directors' emoluments			**11 293**	13 131

No executive directors hold service contracts.

†Refer to note 10 for details of share option schemes.

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Company 2000 R'000	Company 1999 R'000
16. Management expenses (continued)		
Directors' emoluments (continued)		
Fees paid to the chairman – D E Cooper	**250**	131
Fees paid to non-executive directors were as follows:		
D D B Band	**30**	30
P T W Curtis	**–**	12
R M Gordon	**–**	8
D A Hawton	**30**	42
J M Kahn	**–**	5
W S MacFarlane	**30**	62
J H Maree	**30**	15
E Molobi	**–**	5
R A Plumbridge	**25**	12
M Rapp	**30**	15
A Romanis	**20**	–
C B Strauss	**30**	29
M H Vosloo	**–**	15
	475	381

Executive directors' total emoluments comprise:	Basic salaries R'000	Bonuses and performance related payments R'000	Retirement and medical benefits R'000	Other incentives and benefits R'000	Total emoluments R'000
2000					
Paid by subsidiaries					
Current director					
R C Andersen	**1 920**	**1 035**	**235**	**427**	**3 617**
Directors retired and resigned during 2000	**841**	**23**	**6 169**	**168**	**7 201**
W E Cesman (Retired – 31 March 2000)	**251**	**21**	**2 796**	**37**	**3 105**
A Romanis (Retired as an executive director – 31 March 2000)	**590**	**2**	**3 373**	**131**	**4 096**
	2 761	**1 058**	**6 404**	**595**	**10 818**
1999					
Paid by Company					
Directors retired and resigned					
R Fine (Retired – 29 July 1999)	552	–	66	91	709
D Gordon (Retired – 30 June 1999)	655	–	76	–	731
	1 207	–	142	91	1 440
Paid by subsidiaries					
Current director					
R C Andersen	1 661	402	204	376	2 643
Directors retired and resigned	3 211	216	2 918	2 322	8 667
W E Cesman	910	80	133	459	1 582
D Gordon (Retired – 30 June 1999)	980	–	2 600	1 000	4 580
A Romanis	900	92	129	660	1 781
P D Wharton-Wood (Retired – 31 July 1999)	421	44	56	203	724
	4 872	618	3 122	2 698	11 310
Total paid	6 079	618	3 264	2 789	12 750

LIBERTY

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2000

	Group		Company	
	2000	1999	**2000**	1999
	Rm	Rm	**Rm**	Rm
17. Taxation				
South African normal taxation	**353,0**	422,9	**0,7**	0,6
Current year				
Life insurance subsidiaries	**407,5**	182,2		
Other sources		0,6		0,6
Prior years				
Life insurance subsidiaries	**197,7**	(33,7)		
Other sources	**0,7**		**0,7**	
Deferred taxation				
Life insurance subsidiaries	**(252,9)**	273,8		
Other related taxes – Life insurance subsidiaries	**271,9**	438,5		
Foreign taxation – Life insurance subsidiaries	**1,7**	1,8		
Taxation per income statements	**626,6**	863,2	**0,7**	0,6
Secondary tax on companies relating to capital reduction	**310,8**		**77,9**	
Attributable to Group and Company	**205,6**		**77,9**	
Attributable to minorities	**105,2**			
Total taxation	**937,4**	863,2	**78,6**	0,6

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 service council levies, secondary tax on companies, taxation on franked investment income and advance corporation tax.

The Group has estimated tax losses of R116,2 million (1999: R62,6 million) which are available for set-off against future taxable income.

18. Related party transactions

Holding company

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

Banking arrangements

The Group makes use of banking facilities provided by its ultimate holding company (Standard Bank Investment Corporation Limited). At 31 December 2000 substantially all of the cash and cash equivalents amounting to R648,0 million (1999: R651,6 million) were held with Stanbic. In addition, term deposits and other money market securities with Standard Bank amounted to R597,5 million at 31 December 2000 (1999: R1 574,3 million). These deposits were made in the normal course of business at prevailing market rates.

18. 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 Group Properties (Proprietary) Limited, a subsidiary of Liberty Group Limited. Rentals and management fees received by Liberty Group Properties (Proprietary) Limited from related parties during the year ended 31 December 2000 amounted to R40,3 million (1999: R42,1 million).

Bancassurance

Liberty Group Limited and Charter Life Insurance Company Limited have entered into a joint venture agreement with Standard Bank Investment Corporation Limited for the sale and promotion of insurance products. New business premium income received in respect of this business in 2000 amounted to R1,6 billion (1999: R1,1 billion). In terms of the joint venture agreement Charter Life Insurance Company Limited has paid a preference dividend of R40,1 million (1999: R0,9 million) to Standard Bank Investment Corporation Limited in the current year in respect of the embedded value profits earned on the business.

Insurance policies

Inter-group insurance policies are eliminated on consolidation. Premium income in this regard amounted to R52 million in respect of 2000 (1999: R521 million). During 2000 Standard Bank Investment Corporation Limited paid a R612 million single premium to Liberty following the transfer of Standard Bank's post-retirement medical liabilities to Liberty Corporate Benefits.

Transactions with directors

Apart from share options granted to directors as indicated in note 10, there were no material transactions with directors or their families during the year under review.

	Group	
	2000	1999
	Rm	Rm
19. Commitments		
Estimated amounts of commitments for future capital expenditure	**126,4**	133,2
Under contracts	**100,6**	129,0
Authorised by the directors but not contracted	**25,8**	4,2

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

20. Borrowing powers

In terms of the Company's articles of association the attributable amount which the Group may borrow is R3 378,6 million (1999: R5 026,7 million). Borrowings at 31 December 2000 computed in terms of the Company's articles of association were R1 827,3 million (1999: R1 520,1 million).

21. Comparatives

Where necessary, comparative figures have been restated to ensure consistency of disclosure.

CASH FLOW STATEMENTS

for the year ended 31 December 2000

		Group		Company	
		2000	1999	**2000**	1999
	Notes	**Rm**	Rm	**Rm**	Rm
Cash flow from operating activities		**3 905,2**	5 182,7	**3,0**	5,9
Cash generated by/(utilised in) operations	1	**2 390,1**	3 721,9	**(9,7)**	(1,5)
Returns on investments and servicing of finance		**2 710,7**	3 183,0	**406,6**	592,0
Dividends paid	2	**(726,1)**	(907,0)	**(393,2)**	(580,1)
Taxation paid	3	**(469,5)**	(815,2)	**(0,7)**	(4,5)
Net purchase of investments		**(3 292,1)**	(5 181,6)	**(8,1)**	(6,2)
Investment properties		**(158,2)**	(35,4)		
Marketable securities		**(2 079,9)**	(5 026,3)	**58,0**	
Interests in subsidiary companies				**(66,1)**	(6,2)
Other investments		**(1 054,0)**	(351,5)		
(Net acquisition from)/funds introduced by minorities		**–**	231,6		
Cash flow from financing activities		**65,3**	(783,8)	**5,0**	0,4
Proceeds on issue of shares		**65,3**	0,4	**5,0**	0,4
Decrease in short-term bank loans		**–**	(61,8)		
Increase in long-term borrowings		**–**	1 429,3		
Decrease in bonds convertible to equity		**–**	(2 151,7)		
Net increase/(decrease) in cash and cash equivalents		**678,4**	(782,7)	**(0,1)**	0,1
Cash and cash equivalents at beginning of year		**733,9**	5 254,2	**0,1**	
Cash balances from subsidiary acquired/ (eliminated on unbundling of subsidiaries)		**9,5**	(3 641,1)		
Foreign exchange movements on cash balances		**2,5**	(96,5)		
Cash and cash equivalents at end of year		**1 424,3**	733,9	**–**	0,1

Reconciliation of cash and cash equivalents per the cash flow statement to cash and cash equivalents per the balance sheet

Cash and cash equivalents at end of year	**1 424,3**	733,9	**–**	0,1
Balances with bankers	**1 424,3**	767,3	**–**	0,1
Bank loans		(33,4)		
Cash and cash equivalents per the balance sheet	**1 424,3**	733,9	**–**	0,1

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NOTES ON THE CASH FLOW STATEMENTS

for the year ended 31 December 2000

	Group 2000 Rm	Group 1999 Rm	Company 2000 Rm	Company 1999 Rm
1. Cash generated by/(utilised in) operations				
Profit attributable to shareholders of Liberty Holdings Limited	**196,7**	1 412,4	**108,3**	411,8
Adjustment for:				
Life fund transfers	**6 073,0**	20 620,7		
Dividends received	**(991,3)**	(896,6)	**(197,0)**	(422,2)
Interest received	**(2 065,5)**	(2 076,6)		
Interest paid	**146,1**	354,3	**–**	10,0
Taxation	**937,3**	863,2	**78,6**	0,6
	4 296,3	20 277,4	**(10,1)**	0,2
Adjustment for non-cash items:				
Amortisation on intangible assets	**10,6**	1,6		
Depreciation	**91,9**	89,5		
Amortisation on goodwill	**6,5**	–		
Loss/(profit) on disposal of tangible assets	**5,3**	(0,7)		
Amortisation of fixed interest securities and foreign exchange	**(24,3)**	(94,2)		
Investment deficits/(surpluses) attributable to shareholders	**428,7**	(931,1)		
Investment surpluses attributable to life funds	**(3 353,5)**	(16 140,9)		
Income attributable to minority shareholders in subsidiaries	**629,6**	958,7		
	2 091,1	4 160,3	**(10,1)**	0,2
Working capital changes:	**299,0**	(438,4)	**0,4**	(1,7)
Net outstanding premiums and other debtors	**903,9**	(660,3)	**0,1**	(0,1)
Trading properties	**–**	39,9		
Outstanding claims, policyholders' benefits and other creditors	**(434,1)**	311,1	**0,3**	(1,7)
Fixed assets and intangible assets	**(170,8)**	(129,1)		0,1
Cash generated by/(utilised in) operations	**2 390,1**	3 721,9	**(9,7)**	(1,5)
2. Dividends paid				
Dividends payable at beginning of year	**(202,7)**	(394,7)	**(202,7)**	(394,7)
Dividends as per statement of changes in shareholders' funds	**(1 897,6)**	(388,1)	**(1 897,6)**	(388,1)
Dividends paid to minority shareholders in subsidiaries	**(332,9)**	(326,9)		
Dividends payable at end of year	**1 707,1**	202,7	**1 707,1**	202,7
	(726,1)	(907,0)	**(393,2)**	(580,1)
3. Taxation paid				
Net taxation liability at beginning of year	**(289,6)**	(235,6)	**–**	(3,9)
Taxation as per income statement	**(937,4)**	(863,2)	**(78,6)**	(0,6)
Foreign currency movements		(6,0)		
Net taxation liability at end of year	**757,5**	289,6	**77,9**	–
	(469,5)	(815,2)	**(0,7)**	(4,5)

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GLOSSARY OF TERMS

Capital adequacy cover

The capital adequacy cover is the ratio of shareholders' funds 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. These reserves, to the extent that they related to specific liabilities, were retained in the life funds and the balance was transferred to shareholders' funds at the end of 1999.

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

A determination of the economic value of a life insurance company excluding any value which may be attributed to future new business.

Embedded value profits

The embedded value profits are 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.

Return on embedded value (ROEV)

ROEV is the ratio of embedded value profits to the embedded value at the beginning of the year.

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.

GLOSSARY OF TERMS *(continued)*

Value of new business written

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

Revenue earnings attributable to shareholders' funds

Earnings excluding goodwill amortisation, secondary tax on companies relating to capital reduction, preference dividend in subsidiary and 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 head office and 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.

Keepwell arrangement

An arrangement entered into providing ringfenced guarantees to the Liblife International B.V. bondholders by a subsidiary company of Liberty Group Limited.

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