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  Disposed of interest in Liberty International at 22% premium
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- **New business premium volumes up 22%**
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- **Total net premiums received up 19%**
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- **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**

DELIVERY ON STRATEGIC PLAN

Against the backdrop of challenging macro market trends, notably the volatile world investment markets and the overall flat performance of South Africa's JSE Securities Exchange (JSE), Liberty Group achieved pleasing growth in new business sales, as well as highly competitive relative investment returns.

Liberty Group has dedicated significant energy over the past two years to enhance its strategic planning process. The Group is now in a position where it has a clear focus on financial services and the capacity to ensure that business plans are implemented effectively and targets are achieved.

During 2000, as in the previous year, Liberty Group achieved most of its strategic objectives, which were set and publicised during 1999. Refer to the table on page 2.

CAPITAL REDUCTION

In accordance with the Group's previously publicised commitment to return excess capital to shareholders, a distribution to shareholders as a capital reduction is proposed as follows:

	Rand per share	Rand cost (millions)
Capital reduction	10,50	2 853
STC cost	0,86	233
	11,36	3 086
Further capital reduction in lieu of notional final 2000 dividend	1,50	406
Total cost of distribution	12,86	3 492

The capital reduction totalling R12,00 per share includes a notional final dividend of R1,50 per share. A maximum Secondary Tax on Companies (STC) cost of R233 million will be payable as a result of the capital reduction and is equivalent to 7,2% of the total cost of the cash distribution. The total cost of the distribution will accordingly be R3,5 billion.

Energised businesses deliver on their strategic plans

The cash resources of R2,1 billion available at 31 December 1999 were augmented during 2000 by:

- the receipt of the proceeds of R645 million from the disposal of Guardian National Insurance Company (accrued in the previous year); and
- accumulated interest and operational cash flows.

During January 2001 cash resources of R394 million were utilised for the acquisition of Liberty Ermitage Jersey Limited (Liberty Ermitage).

REVIEW OF OPERATIONS

In order to fund the level of capital reduction proposed, a portion of the shareholders' remaining stake in South African Breweries plc (SAB plc) of R305 million was sold during January and February 2001.

A capital reduction has been chosen in preference to a share repurchase scheme. While providing some enhancement to return on equity (ROE), return on embedded value (ROEV) and earnings per share (EPS), the financial benefits of a share repurchase programme are not as great as those that will emerge under a capital reduction. Capital reduction also provides certainty over the quantum, which can be applied immediately without any concern about market price movements. Such movements could delay or make a share repurchase programme less attractive as the market price increases. Furthermore a capital reduction ensures fair and consistent treatment of all shareholders.

The capital reduction is subject to shareholder approval at a general meeting to be held on 28 March 2001 and subsequent ratification by both the Financial Services Board and JSE.

EFFECTS OF THE CAPITAL REDUCTION

The capital reduction is projected to reduce the ratio of capital and reserves to capital adequacy requirement (CAR) from 7,4 to a more appropriate 3,6 (which represents R4,4 billion in excess of CAR requirements) as well as to improve headline ROE and ROEV by approximately 5 percentage points. The loss of interest income on the reduced cash resources will lower the consolidated earnings of the Company by approximately 66 cents per share in the 2001 financial year. On a proforma basis, however, headline earnings per share are projected to increase by approximately 2%. The combined effect of the unbundling of Liberty International and Standard Bank to shareholders during 1999, together with this capital distribution, has reduced the capital adequacy cover ratio from its peak of 18,6 at 31 December 1997 to the projected level of 3,6.

From a capital vantage point, the Group has shed excess capital and is smaller and more efficient. The remaining capital base, together with the ongoing strong positive cash flows from insurance operations, are sufficient to fund both the Group's requirements for further local acquisitions and development activities, as well as providing the basis for its international aspirations.

RESULTS OF OPERATIONS

Accounting policies and presentation

The accounting policies applied for 2000 are consistent with those applied for 1999, except for three specific instances, one of which applies to the reclassification of earnings on contingency and other reserves from "life fund operating surplus" to "earnings attributable to shareholders' funds" in respect of 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 second exception is 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 (AC125).

The third exception pertains to the adoption of the new accounting statement on Intangible Assets (AC129) with effect from 1 January 2000.

The presentation of the income statements to reflect continuing and unbundled operations has been retained 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 also included under unbundled operations.

Headline earnings

Headline earnings for the year ended 31 December 2000 of R1 543 million reflect an increase of 10% compared with R1 409 million achieved in 1999 and translate to an increase of 9% on a per share basis at 569,6 cents for the year ended 31 December 2000 (523,2 cents for the year ended 31 December 1999).

Life fund operating surplus

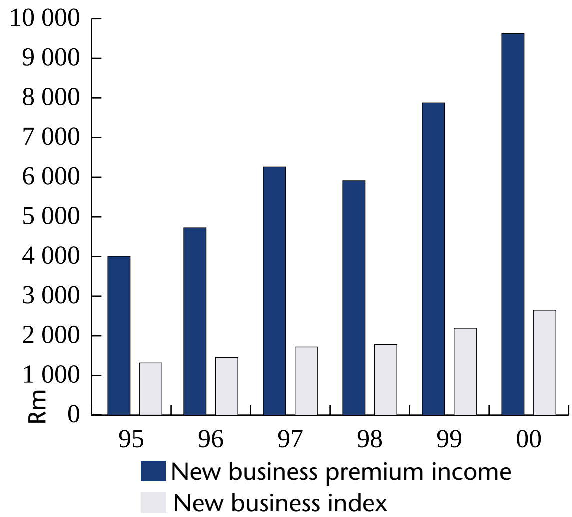
The life fund operating surplus decreased by 11% or R147 million from R1 297 million in 1999 to R1 150 million for 2000. This reduction is directly attributable to the 61% lower performance of the JSE during 2000 compared with 1999. The JSE's performance impacts on shareholders because they participate in 10% of the capital bonuses declared to policyholders on certain classes of business. The JSE-related impacts were mitigated partly by the benefits flowing from the Group's improved operational efficiencies.

Stronger new business premium income and trends

Total new business premiums for the year increased by 22% to R9,6 billion. This is a result of continued new product innovation, focused marketing and the strong commitment of the Agency and Franchise divisions' sales force, which grew by 27%, together with an increase in support from Independent Brokers. The growth in the agency sales force has been most pleasing. Franchise principals increased from 668 in 1999 to 994 in 2000 (49%) and this structure has proven to be a very successful distribution model for the Group. The traditional Agency sales force has also increased marginally from 642 in 1999 to 669 in 2000 (4%).

Strong relative investment performance further contributed to new business growth which is especially visible in the Corporate Benefits division where new single premiums have been showing a pleasing upward trend over the last few years.

Total new business premium income



New business premiums include increases sold at inception of R327,7 million in 2000 (R340,4 million in 1999). Total new business premiums, excluding these increases, amounted to R9,3 billion for the year ended 31 December 2000 and were 23% up on the R7,6 billion recorded in the prior year. New business statistics do not include continuances, that is policies that are extended beyond their original maturity date.

Analysis of new business sales

	Single premiums		Recurring premiums		Total premiums		
	2000 Rm	1999 Rm	**2000 Rm**	1999 Rm	**2000 Rm**	1999 Rm	%
Individual business	**5 590**	4 691	**1 578**	1 323	**7 168**	6 014	19
Group business	**2 166**	1 624	**292**	236	**2 458**	1 860	32
Total new business	**7 756**	6 315	**1 870**	1 559	**9 626**	7 874	22
% change	**23**		**20**		**22**		
New business index					**2 646**	2 191	21

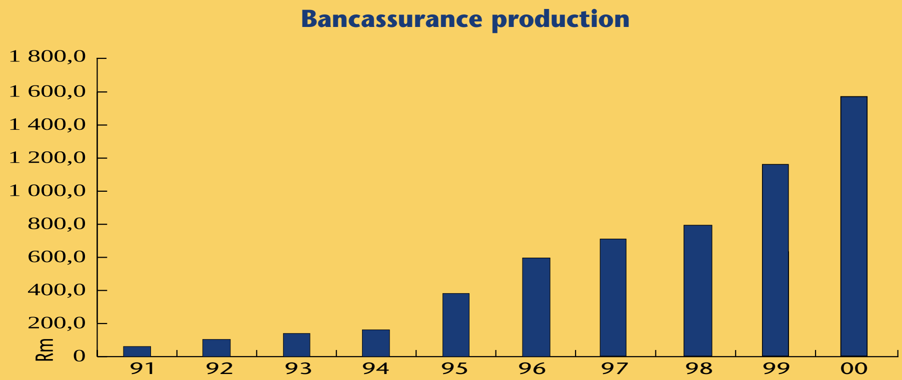
Off-balance sheet new business

Funds received in Liberty Collective Investments (formerly Guardbank) and Liberty Specialised Investments (formerly Millennium Financial Consultants and Investment Services) increased to R2,4 billion in 2000 from R1,6 billion in 1999 (an increase of 50%). These sales exclude intra-group money market unit trust investments.

Part of the Bancassurance team – Charter Life and Standard Bank working together (Left to right: Alan Woolfson, Jopie von Honschooten, Jabu Khethe, Stuart Loxton, John Hyde, Jonny Bagg, Clifford Drooke)

Bancassurance partnership generates new opportunities

The Bancassurance partnership between Liberty Group and Standard Bank gained further impetus during the year. Total new business premiums generated through the Bancassurance partnership increased, year-on-year, by 35% from R1,15 billion to R1,55 billion. The Group's targets set for the 2001 financial year reflect attractive growth in volumes of business from Bancassurance and include significantly increased targets for the sale of high advice, healthcare and pension fund products.



Liberty Group retains its sharp focus on pursuing new growth opportunities in the financial services sector, with a keen eye on South Africa's distinctive and ever-changing demographic patterns. The percentage of banked or bank-using South Africans continues to grow in the wake of sociopolitical reforms and present many exciting new opportunities for Liberty Group and its parent Standard Bank.

The lower-income groups are becoming increasingly sophisticated in terms of financial planning and management. As a result of the Group's strong Bancassurance partnership with Standard Bank, Charter Life has to date written about 200 000 new funeral policies for Standard Bank clients. A funeral policy, in time, stimulates the consumer's investment appetite and so increases his or her propensity to purchase additional investment products. Liberty has in recent years also been selling increasing numbers of education endowment policies to Standard Bank clients and has thereby extended its market share appreciably.

The essence of the distinctive Liberty brand, however, remains undiluted as a strong, loyal, respectable and innovative brand in the life insurance and financial services sector.

Investment returns

The world's volatile investment markets throughout 2000 impacted significantly on the Liberty Group. For the year ended 31 December 2000, the total return on the JSE Actuaries All-Share Index was -0,1% compared with the 61,4% achieved during 1999. Liberty's core policyholder equity portfolio returned a highly satisfactory relative performance of 5,2% during 2000, thereby outperforming its JSE Actuaries All-Share Index benchmark by 5,3% (1999 outperformance: 3,4%).

Even though the returns in 2000 were low in absolute terms, Liberty Asset Management (Libam) maintained its strong relative investment performance. The Preferred Assets Portfolio, Liberty's largest internally managed fund, maintained its position in the first quartile of asset managers in its category over one, three and five-year periods.


LIBERTY
"Liberty Group retains its sharp focus on pursuing new growth opportunities in the financial services sector..."

Liberty Asset Management winners of the Raging Bull awards
(Left to right: Sidney Place, Alan Miller, Ian Woodley, Henk Viljoen)

Since Libam adopted its new GARP (growth at a reasonable price) investment philosophy at the end of 1998, nine out of 14 Libam-managed unit trusts achieved top-quartile performance status. This sustained excellent relative performance has restored Libam's reputation as a premier fund manager and has added significant value to Liberty's business proposition.

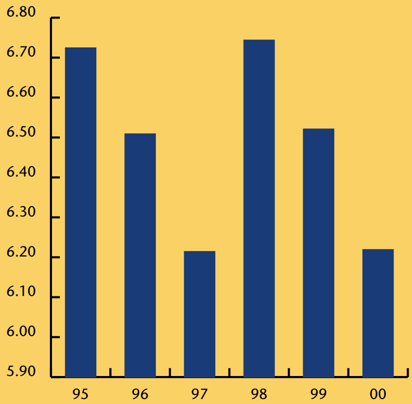
Management expenses

Management expenses increased by 12% (1999: 18%) for all insurance operations. Expenses were well contained during 2000 in Liberty Personal Benefits (the Individual Life division) with cost per policy increasing well within the actuarial assumptions. In accordance with its planned business objectives, Liberty Corporate Benefits recorded a 31% increase in expenses to R200 million for the year ended 31 December 2000 from R150 million for the year ended 31 December 1999. This large increase contributed to lower profits and value of new business from this business unit.

During 2000 a fully expensed investment was made into building capacity and expertise to enable Liberty Corporate Benefits to fulfil its aggressive sales plans for the future. Staff numbers were increased from 330 in 1999 to 450 in 2000. The new proposition, now available from Liberty Corporate Benefits, was successfully launched to the Agency, Franchise and Broker distribution channels during February 2001.

The overall management expense ratio of life insurance operations (management expenses as a percentage of net premium income) has reduced to 6,2 for the year ended 31 December 2000 compared with 6,5 for 1999 and 6,8 for 1998.

Management expense ratio – insurance operations
(management expenses as a percentage of net premium income)



Revenue earnings attributable to shareholders' funds

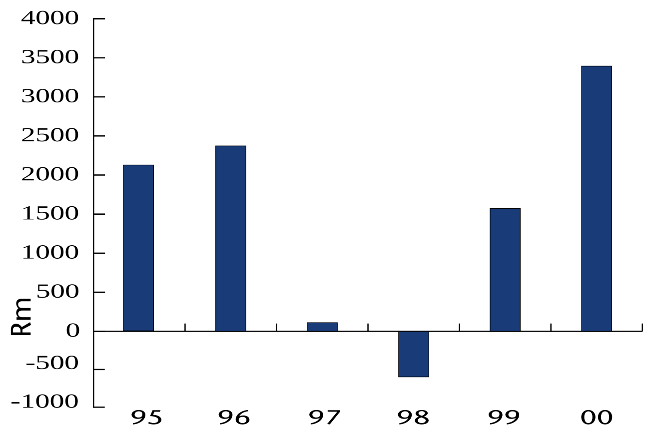
The revenue earnings of continuing operations that are attributable to shareholders' funds increased from R113 million to R433 million, bolstered by earnings on accumulated average cash balances of more than R2 billion throughout 2000 and much improved results from financial services subsidiaries.

Libam, in particular, showed excellent results with after-tax profits of R69 million for the year (1999: R12 million). Liberty Healthcare almost achieved a breakeven contribution towards Group headline earnings as opposed to the loss of R21 million recorded in 1999. MyLife recorded a start-up loss of R25 million during 2000.

Taxation

Tax on life insurance operations decreased by 20% to R468 million compared with the R582 million taxation paid during 1999. The 1999 amount, however, included an amount of R214 million for the transition tax that was accrued at the end of 1999 as a result of changes to the formula applicable to life assurers from 1 January 2000. On adjustment of the transition tax from the comparative figure, taxation payable increased by R100 million or 27%, therein reflecting the severe impact of the taxation changes that were implemented at the beginning of the year.

Net cash flows from insurance operations



Net cash flows from insurance operations – that is, net premiums less claims and benefits paid – increased by 108% from R1,6 billion to R3,4 billion. This accomplishment sustains the significant growth achieved in this measure during 1999. Net premium income increased by 19% from R11,4 billion to R13,6 billion for the year and by 16% compounded annually over the last five years. Recurring premium receipts increased by 9%, while single premiums receipts increased by 27%.

Claims and policyholder benefits increased by only 4% from R9,8 billion to R10,2 billion for the year. The low rate of increase in claims and policyholder benefits is attributable mainly to improved customer service, superior relative investment performance and new customer relationship campaigns implemented to retain existing business.

Personal Benefits' surrenders and maturities increased by only 4%. This performance is especially pleasing considering the 20% and 58% increases recorded for the 1999 and 1998 financial years, respectively. Liberty Corporate Benefits recorded only a 0,5% increase in member withdrawals and scheme terminations, thereby harvesting operational improvements it instituted during 2000.

Value of new business

The total value of new business written during 2000 increased by 7% to R391 million from the R366 million written during 1999. The value of new business written in Liberty Corporate Benefits declined from R74 million in 1999 to R43 million as a result of the increased expenditure incurred during the current development phase of Liberty Corporate Benefits' business.


LIBERTY
"Net cash flows from
insurance operations
increased by 108%..."

On eliminating the value of new business attributable to Liberty Corporate Benefits, the remaining value of new business (representing individual business) increased by 19% from R292 million in 1999 to R348 million in 2000. This rate of increase compares favourably with the 19% increase in new business sales to individual clients and maintains the same level of profit margins on individual life new business written during 2000. The comparative figures for 1999 have not been restated to take into account the higher level of investment management fees that have been paid to Libam since 1 January 2000.

Embedded value

The Group's embedded value increased from R14 306 million to R15 463 million before accounting for the capital reduction and the final 2000 notional dividend. At 31 December 2000 shareholders' funds amounted to R9 645 million also before accounting for the capital reduction. This is an increase of R95 million from the level of R9 550 million reported for 1999. The low rate of increase is attributable mainly to the reduced market value of the shareholders' investments in SAB plc (R373 million), Metro Cash and Carry (R470 million) and Edcon (R122 million), offset against an increase in value arising from the disposal of Liberty International (R319 million).

The net value of life business in force increased to R4 822 million at 31 December 2000 from R4 756 million at 31 December 1999 after a reduction in value of R233 million due to increased investment fees payable to Libam. A value enhancement of R996 million has been included in embedded value in order to increase the value of operating subsidiaries from net asset value to fair value.

Liberty has set a new standard for the South African life assurance industry and has had the embedded value and value of new business at 31 December 2000 audited by the Group's external accountants and auditors, PricewaterhouseCoopers Inc.

CORPORATE ACTIVITIES AND BUSINESS DEVELOPMENT

MyLife

Cash resources of R40 million have been invested internally into the development and launch of the Group's functionally rich online Internet financial planning portal, MyLife, which was launched recently as MyLife@bluebean.com.

The Institute of Retirement Funds' (IRF) communications quartet
(Left to right: Ian Maron, Rachel Moore, Alan McCulloch, Tracey Unser)

Liberty Corporate Benefits

The Group has also invested approximately R30 million into Liberty Corporate Benefits in order to build leading-edge systems, resources and capacity for the Group's growth strategy in its defined sector of the pensions industry.

Liberty Corporate Benefits offers a fully packaged product to medium-sized corporates. Blueprint technology allows this division to administer high volumes at a low cost. The Compass system also enables rapid introduction of enhancements. During 2000, 880 new schemes were taken on from 500 intermediaries. With improved infrastructure as a result of the significant investment during 2000, growth will be pursued in 2001 and rate increases are being implemented.

Lodestone Investments joint venture

In August 2000, Standard Bank Investment Corporation Limited (Stanbic), Liberty Group and Investment Solutions Holdings Limited (Investment Solutions Holdings) announced their formation of a new joint-venture multi-manager asset management company. The latter partner's wholly owned subsidiary company, Investment Solutions Limited (Investment Solutions), is the recognised South African market leader in multi-manager asset management.

The new company, Lodestone Investments, will initially be owned 50:50 by Liberty Group and Stanbic. After 31 March 2005, the agreement is that Investment Solutions – the partners' multi-manager investment services provider – will acquire a 40% shareholding in Lodestone Investments in an exchange for an equitably valued issue of Investment Solutions Holdings shares to Liberty Group and Stanbic.

The profits of Lodestone Investments will be shared initially in proportion to the investment business introduced to the company by Liberty Group and Stanbic. Investment Solutions, in turn, will receive fees based on the value of the assets under its management.

Lodestone's investment focus will extend the investment options open to Liberty Group clients. The new company complements the already formidable skills and assets under management of Liberty Asset Management. In addition, the Group's high-growth Liberty Collective Investments operations have established a new multi-manager business under the brand name of Liberty Multi-Manager. Lodestone Investments will provide an opportunity to expand the Group's capacity to generate new wealth through greater multi-manager interests.

Ermitage acquisition lifts growth impetus

During the past year numerous local and offshore acquisiton opportunities were explored. The Liberty Ermitage offshore operation was the investment which best met the Group's strategic goals and benchmarks for ROE and ROEV.

Expansion through strategic acquisitions and partnerships remains core to the Group's strategy. In support of this, towards year-end, the Group reached agreement with Liberty International in the United Kingdom to acquire the full interests of Liberty Ermitage Group for £33,5 million (R393,8 million) in cash. The net tangible assets of Liberty Ermitage amounted to £22,2 million (R236,8 million) at acquisition.

Founded in 1996 under the leadership of the current chief executive, Ron Mitchell, Liberty Ermitage has operations in Jersey, Bermuda, Luxembourg and London. The Company

LIBERTY

"Expansion through strategic acquisitions and partnerships remains core to the Group's strategy..."

currently manages funds with a combined value of more than US$2 billion. These funds include Standard & Poor's AAAm-rated money funds, hedge funds and a range of conventional, long only funds. The Liberty Ermitage acquisition positions the Group favourably to pursue two key objectives:

- to grow the highly focused and independent offshore funds for clients in Europe, the Middle East, Japan and Africa; and
- to provide a range of innovative offshore investment products to meet the requirements of the Group's South African clients.

While there has been no material impact on the earnings or net asset value for Liberty Group and Liberty Holdings in 2000, future benefits are expected to accrue to shareholders.

Disposal of Liberty International PLC shares

In August 2000, in line with the Group's strategy of focusing on financial services, Liberty Group completed the disposal of the majority of its stake in Liberty International PLC with the sale of its interest back to Liberty International at a price of 575 pence per share. Liberty Group disposed of its entire shareholders' interest in Liberty International (26,9 million shares), as well as 39,9 million shares held on behalf of policyholders.

The sale of Liberty International shares effectively unlocked a large proportion of the discount to net asset value of Liberty International shares for shareholders and policyholders that prevailed for the past few years. The sale price was at a premium of 22% to the price prevailing prior to acceptance of an initial offer from British Land Company PLC. It has further enabled the Group to fully match, in American dollars, the shareholders' convertible bond liability of US$240 million.

Liberty Healthcare retains sharp focus

As forecast in the 1999 annual report, Liberty Healthcare approached financial breakeven by year-end and is poised to start contributing to Group income in 2001 and ensuing financial years. During the year's protracted regulatory deliberations, Liberty Healthcare, wisely, maintained a comparatively low market profile and a conservative product development stance until it had the certainty to commit itself to a practicable product development process in harmony with the new regulatory dispensation.

To Liberty Healthcare's credit, it has been able to introduce a range of highly market-orientated and cost-effective ProVia healthcare insurance solutions in full compliance with the new legislation. The business unit has undertaken measures to contain the costs of medical inflation, while also increasing its membership base from 17 000 to 19 000 principal members during the year. Liberty Healthcare plans to achieve further growth in 2001 and plans to launch new products in the second quarter.

CULTURAL, STRUCTURAL AND MARKETING ISSUES

Group culture and structure

The overall pleasing performance of Liberty Group throughout 2000 stems, in many respects, from the Group's successful introduction of its decentralised and empowered business unit structure. Liberty Group has been transformed into business units, each of which is able to respond more swiftly and intrapreneurially to the unique challenges of its distinctive markets.

In a year of transformation and revitalisation, managers and staff have risen to their new business development challenges with enthusiasm and commitment to make restructuring work to the benefit of all stakeholders.

Customer value management initiative

Restructuring and transformation also presented the Group with an opportunity to innovate improved methods for developing and maintaining a stronger culture of customer focus and service. The most significant development in this regard during the year was the design and development of the pilot phase of the Liberty customer value management (CVM) initiative. Judging from the results already achieved through the Liberty Personal Benefits CVM pilot programme, CVM allows the Group to establish a more cohesive view and a distinct memory of each customer.

The basis of CVM is to expand the value inherent to each customer to ensure that strong, enduring and mutually beneficial relationships are maintained to support the future aspirations and needs of both customers and the Group. There is a strong drive to achieve new business from both established and prospective customers, while also improving margins, productivity, embedded value and other key performance benchmarks. Through the Group's CVM model, Liberty is fast developing or is well positioned to develop:

- better knowledge, enhanced systems and improved tools to deepen its understanding of customers and their unique needs;
- new and improved high-value products and services that comply more specifically with distinct and changing customer requirements;
- new and stronger incentives and rewards to retain customers and increase the value of their custom;
- effective programmes to reduce the comparative numbers of policy surrenders, loans and lapses; and
- additional new capacity in the form of specialised skills, centres of excellence, software and systems development and market intelligence in order to respond more efficiently and effectively to the needs of both customers and business units.

An analysis of Liberty Group's customer base revealed that clients have, on average 2,1 contracts with Liberty Group, while 59% of clients have only one contract. Clearly, significant up-sell potential exists and the focus for 2001 will be to increase the average number of contracts per client. The analysis further indicates that the age profile of new clients is significantly younger than for existing business. The younger clients typically focus on risk business, while older clients move towards the more profitable investment business. Special care will be taken to retain new clients with a view to cross-selling to them in the future.

The CVM programme is to be implemented, in phases, throughout the rest of the Group during 2001. The initiative will entail a phased capital investment of up to R150 million over three years.

Marketing and brand building

The Liberty brand remains robust and respected by investors, policyholders and the greater public. The increased investment in media advertising, select sponsorships and focused publicity during 2000 has increased brand awareness and loyalty across the desired demographic spectrum, including emergent target groups.

TECHNOLOGY AND INNOVATION

Product development and innovation

Besides the promising MyLife and CVM initiatives, as well as some of the individual product innovation highlights alluded to in the business unit highlights, the Group's intrapreneurship continues to flourish in many other forms. In one initiative, Liberty Group Properties unveiled its plans for its electronic shopping innovation, ShoppingIsMyLife, to ensure that the intrinsic consumer and tenant-related value of its premier shopping centres such as Eastgate and Sandton City is enhanced rather than eroded by the advent of Internet-based shopping.

Information systems and management

The evolution of the Group's information technology and information systems and management has become an increasingly vital function through the support services of Group Information Systems. Key to this challenge was the appointment at the start of 2000 of the Group's chief information officer, Lee Izikowitz, and the implementation of an enhanced information strategy.

Information and communication technology is central to Liberty Group's core businesses and future development in the fast-changing financial services industry. The greater formalisation of the Group's information systems strategy has several key objectives, including the need to:

- unlock further value from the Group's extensive systems investments;
- nurture world-class leadership skills to ensure continuing custodianship of future information management requirements;
- enhance the management of the governance aspects of new technology, notably the rapid advent of the Internet and the attendant challenges of managing potentially complex new e-commerce issues; and
- strengthen each business unit's information resources, while also empowering each business to have more beneficial control of its information requirements.

To continue providing appropriate information solutions to business units, the Group's front-end systems, including the trendsetting Blueprint software, are one of Liberty Group's key information technology strengths. Another is the product-engine capability. During 2001 the Group will invest substantially in information systems and management to promote CVM.

Liberty Group intends to further expand the capabilities and benefits of Blueprint. The main objective is to convert the program into a virtual financial services supermarket for even easier usage by Liberty Group intermediaries. Blueprint is also being enhanced to interact with a greater number of other software products to ensure improved information transportability and user-friendliness.

The mobility and more flexible usage of e-commerce tools by the growing sales force will become increasingly vital in the ensuing decade. This presents Group Information Systems with exciting opportunities to develop new and enhanced IT-related products and services to further empower intermediaries and to broaden the services offered to individual and corporate clients.

There are also opportunities for financial services companies to pool resources in the interests of helping their clients and the greater South African economy to derive increasing benefits from the financial services industry through information technology. Liberty has pooled extensive resources with Sanlam and Old Mutual to create the Financial Service Exchange joint venture. Branded and marketed as 'astute', this new venture is being evolved in partnership with Dimension Data, South Africa's largest information technology company.

Launched in 2000, 'astute' is a comprehensive information exchange system incorporating key financial and investment-related information from content providers in the South African life insurance industry. It is envisaged that other members of the Life Offices' Association will, in time, participate in the joint venture.

Also during the 2000 year, e-learning was introduced and provides the capability of training the entire sales force on new products in a matter of hours, without them having to travel to head office.

HUMAN CAPITAL

Incentive scheme rolled out

There is increasing emphasis in international business on harnessing human potential by incentivising employees and ensuring that a powerful core of highly skilled people is retained. To this end, a pilot corporate incentive scheme was introduced during 2000 with initial participation consisting of the Group's top 170 people. The objective of the scheme is to align the behaviour of individual leaders with the Group's strategy and objectives and value for shareholders. The scheme further assists with the retention of key staff.

This innovative senior management incentive scheme, which demanded intensive design and development, is founded on the Group's strategic principle of achieving embedded value addition.

Early indications are that the scheme is achieving the desired result: new business premiums have increased by 22% in a tough market; net insurance cash flows have improved significantly; employment equity targets have been exceeded; expenses have been well managed; and customer service has improved.

Human capital index launched

Knowledge and human talent are the Group's core assets, hence the increasing focus on developing an expanding base of highly skilled and motivated employees. Increasing numbers of major companies in Europe, North America and Japan are evolving formal programmes to monitor, audit and expand their intellectual capital. To this end, the Group designed its own internationally styled and benchmarked human capital index during the year.

The index's primary objective is to ensure that the Group maintains and refines the principles, processes and programmes needed to appreciate its human capital without achieving a decline in the value of this resource from any one quarter to the next.

Progress in implementing employment equity

The implementation of employment equity practices in South Africa has become a reality following the recent introduction of the Employment Equity Act. The Act obligates larger companies to submit employment equity plans to the Government and to institute employment equity forums in the workplace. Throughout the year the Liberty Group employment equity forum has been engaging the Group's management in accordance with its employment equity charter. The forum's diverse members are also active participants in their individual business units' employment equity implementation teams.

During the year the employment equity forum reviewed the implementation performance against its employment equity plans at the end of each quarter and advised on those areas where policy and procedural changes and additional interventions were required. The forum also helped management to develop Liberty Group's employment equity plans and to prepare the employment equity reports for the Department of Labour. Liberty Group has been included in the Equity Registry launched by the Department of Labour.

THE YEAR AHEAD

New growth opportunities and initiatives

The relationship with Standard Bank is growing in strength and focus. Apart from Bancassurance through normal channels, which is already showing pleasing growth, the Lodestone Investments joint venture has substantial merit considering that the combined distribution networks of Liberty Group and Stanbic, coupled with the expertise and systems of Investment Solutions, should enable the venture partners to capture a portion of the high-growth multi-manager market.

Liberty Ermitage has been earmarked as the Group's platform for offshore expansion and innovative product development. With ever-increasing consumer appetite for hard-currency-based products, much growth is expected in this area. In addition, Agency and Franchise productivity is to be raised with the help of specialised imported software under final development. The Group's strong distribution channels are to be expanded through both organic growth and planned new acquisitions.

Substantial investment in systems and people during 2000 and early 2001 is expected to result in a highly competent base for Liberty Corporate Benefits to pursue its objectives of increased market share and profitability. Similarly, Liberty Healthcare is well poised to pursue market share in 2001. In addition, product innovation and substantial marketing efforts are expected to provide considerable impetus for the growth of Liberty Personal Benefits' business in 2001.

Prospects

Liberty Group will focus throughout 2001 on further enhancing its core financial services operations. The main strategies which are detailed on page 27 are to:

- redeploy shareholder investments currently deployed in non core investments into financial services;
- drive the growth of the newly acquired offshore springboard business, Liberty Ermitage;
- continue to build on the success in the smaller pension fund market and aggressively target the medium-size fund market;

- implement the customer value management programme to facilitate the systematic leads generation and campaign management, among other benefits; and
- further develop Bancassurance opportunities.

The planned capital reduction, together with the improved business structures and entrepreneurial culture, are expected to enhance returns to shareholders in 2001. The life fund operating surplus remains dependent on the performance of local and international equity and bond markets.

ROY ANDERSEN
Group Chief Executive

6 March 2001

1. **Redeploy shareholder investments into financial services**

2. **Individual business – leverage the strong position in the upper-income market**

3. **Implement customer value management programme**

4. **Expand Liberty Corporate Benefits' business**

5. **Drive continued growth in Bancassurance**

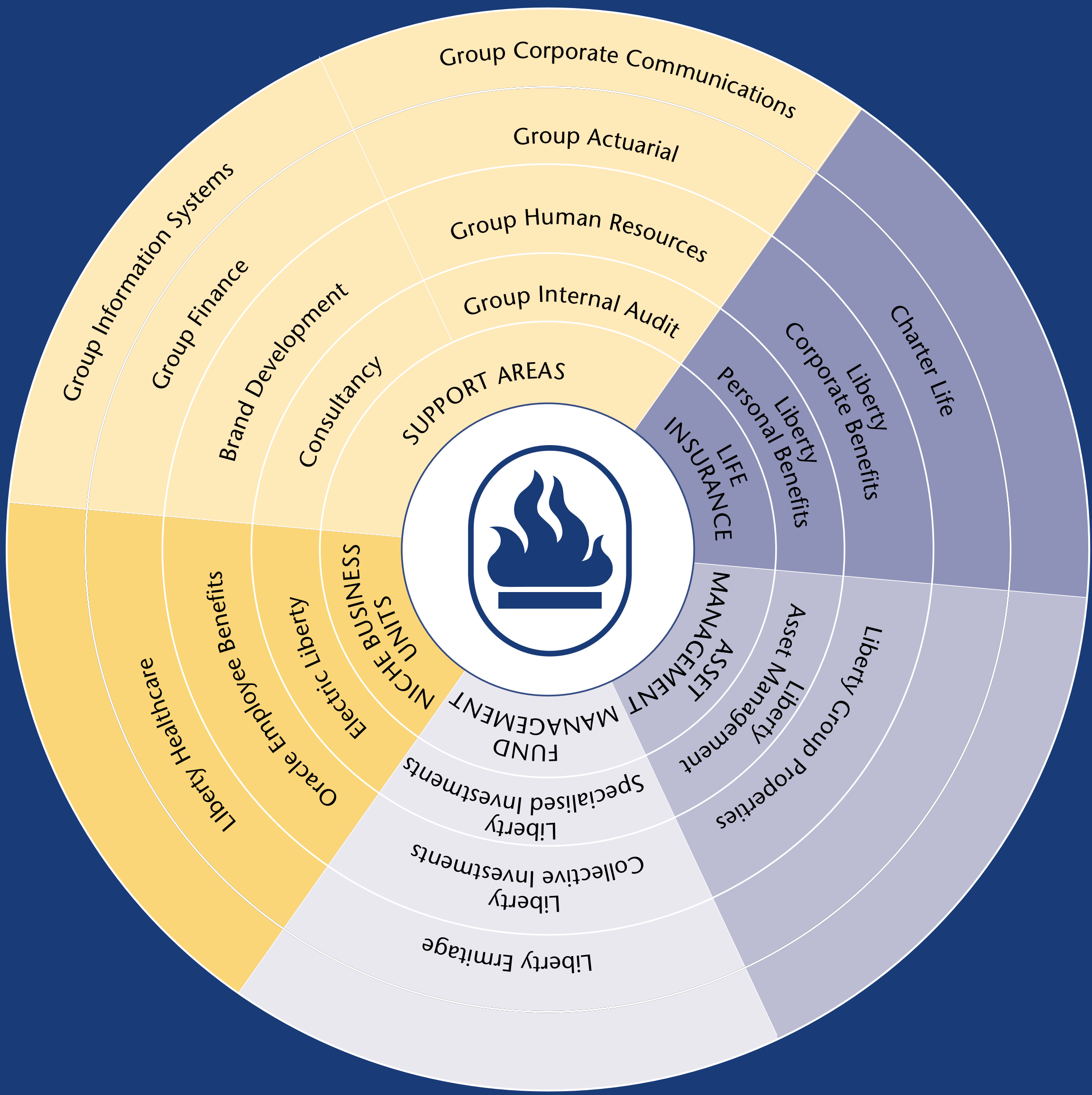
6. **Provide private banking services to clients**

7. **Achieve further synergies with Stanbic**

8. **Establish an empowerment partnership**

9. **Leverage Ermitage for international expansion**

BUSINESS STRUCTURE



LIBERTY PERSONAL BENEFITS

Managing Director: **Martin Smale**

Divisional Directors: **Allan Bulmer, David Gnodde, Francis Raffner, Stuart Wenman**

Profile

The Liberty Personal Benefits unit provides a diverse and growing range of competitive financial products and services to individuals and families. The client base is spread across a broad geographic base.

The main, competitively priced products marketed and administered by Liberty Personal Benefits include savings, retirement funds and risk benefit products.

Review of operations

The Liberty Personal Benefits division met its growth and profit targets for the year. Single premium new business increased by 18% from R3 531,6 million in 1999 to R4 152,3 million in 2000 while new recurring premiums increased by 12% from R1 146,4 million in 1999 to R1 279,1 million in 2000.

Besides sustaining a keenly focused marketing programme, much of the unit's pleasing performance is attributable to its willingness to maintain high service levels. These are considered to be among the best in the South African life insurance industry. The provision of high service levels was well supported by the Group-wide Liberty Call Centre at the Johannesburg head office. Service levels, however, remain under continuous scrutiny in the belief that any new opportunities to elevate service delivery must and will be pursued.

Another positive factor was Liberty Personal Benefits' ability to accelerate the pace of developing and launching new products into the market. New products can be developed and launched within a matter of days.

LIBERTY PERSONAL BENEFITS

The Liberty Personal Benefits product development team is working assiduously on various new investment and related products set for market launch during 2001. These new products will complement and diversify the unit's existing portfolio of products, thereby creating greater choice and flexibility for a client base that is not only growing in size, but also in its demographic diversity.

The rapidity of future product development is also set to increase to ensure future windows of marketplace opportunity are not missed in what has become a highly competitive market.

Disciplined cost management enabled the business unit to contain its costs well within budget. This success has inspired new ideas for further rationalising costs in 2001 without constraining the business unit's ability to maintain the integrity of its product development, marketing and client service principles.

Plans are in place to implement new measures during 2001 to further elevate the levels of client service. To this end, the division will also be participating in the new customer value management (CVM) initiative. The CVM project has been devised to strengthen the ability to retain clients, increase the intrinsic value of its products, enhance intermediary productivity and unlock greater value in general for the Group and its stakeholders.

LIBERTY
CORPORATE BENEFITS

Managing Director: **Ian Maron**

Divisional Directors: **Stuart Carr, Richard van Dijk, Tony Kamionsky, Patrick Mayne, Alan McCulloch, Peter Thompson and Dave Watts**

Profile

The Liberty Corporate Benefits business unit provides competitive financial products and services to a select business target market comprising mostly smaller and medium-sized companies. These, typically, are companies each with a workforce of between 10 and 200 people, but they also extend to much larger companies. The clientele is spread across a diverse geographic base and a wide range of economic sectors.

The key products marketed and administered by Liberty Corporate Benefits include retirement funds and associated risk benefits (other than healthcare) for employees and various investment funds for companies. The business unit's products are competitively priced. Its off-the-shelf offerings are highly competitive in the current South African corporate market. The business unit enables Liberty Group to expand its retirement fund membership base through a growing base of established and emergent companies.

The marketing, sales and servicing resources of Liberty Corporate Benefits are structured to maximise support to the direct intermediaries of the Liberty Consultancy division, many hundreds of independent brokers and the specialised employee benefits sales force of Standard Bank.

Review of operations

Liberty Corporate Benefits spent much of the first six months of 2000 furthering the systems optimisation, infrastructural development and employee upgrading and retention initiatives it commenced in 1999. The business unit started the year underresourced to meet the challenges of delivering prompt, professional client service. More than 100 new employees were recruited and about 1 800 training courses were attended by employees in 2000.

By year-end, Liberty Corporate Benefits had committed considerable resources to bolster the size of its management and employee complement, along with their commitment to elevating service levels. The unit has created a sound base to realise its longer-term objectives.

Performance turnaround and realignment to its new strategic objectives enabled Liberty Corporate Benefits to achieve its business targets. New single premiums increased by 33% from R1 623,6 million in 1999 to R2 166,5 million in 2000, while new recurring premiums increased by 23% from R236,8 million in 1999 to R291,9 million in 2000. The value of new business written has, however, declined from R74 million in 1999 to R43 million in 2000 as a result of the significant increases in expenses incurred during the current development phase.

The business unit has instituted an improved administrative system, which allows immediate on-line enquiries and reporting, as well as actual processing of various administrative services, to be conducted directly from the intermediary or client's office.

In addition, as a result of its ability to promote desired levels of business efficiency and cost-effectiveness, the Blueprint system continues to enable the Liberty Group, through specialist business units such as Liberty Corporate Benefits, to focus more aggressively on servicing the smaller end of the individual and corporate benefits markets without any adverse impact on economies of scale and margins.

The groundwork executed during 2000 is providing the impetus and framework to further develop employees and systems throughout 2001 with the overriding objective being to grow the client base profitably, while also sustaining improved service levels to existing corporate clients. Essential to this thrust is the renewed focus on exploiting new opportunities to offer clients a range of value-added products.

CHARTER LIFE

Managing Director: **Alan Woolfson**

Executive Director: **Jonny Bagg**

Divisional Directors: **John Hyde, Sid Kaplan, Alun Marchant, Nobert Mureriwa, Geoff Norris and Frank Schutte**

Profile

Charter Life Insurance Company Limited (Charter Life) markets a growing range of highly competitive life insurance products through Standard Bank and an expanding network of contracted independent brokers. Charter Life has fully embraced the concept of Bancassurance. It has developed a positive and functional relationship with many operational divisions within Standard Bank. A key advantage resulting from this is direct access to business from middle and lower income emerging markets.

To support its growth objectives from sources other than Bancassurance, the Company further expanded its broker network during 2000. A nationwide network of more than 1 200 independent brokers is supporting Charter Life's products. The broker network is complemented by the growing support, since July 1999, of the Liberty Group's extensive Agency and Franchise operations in South Africa.

Review of operations

Maintaining its track record, Charter Life completed another year of growth, with new premium income, increasing by 30% to R1 736,0 million in 2000 from R1 335,8 million in 1999. New single premiums increased by 24% from R1 159,3 million in 1999 to R1 436,8 million in 2000, while new recurring premiums increased by 70% from R176,5 million in 1999 to R299,2 million in 2000. Charter Life's excellent achievements are, again, attributable primarily to its Bancassurance partnership with Standard Bank, as well as the growing support of an expanding network of independent brokers and Liberty's Agency and Franchise network.

CHARTER LIFE

Charter Life continues to differentiate itself in the South African life insurance market by maintaining a focus on delivering prompt and professional personal service to clients and business partners. While focused product innovation remains key to business development, Charter Life remains convinced that effective personal service is vital in attracting new business and preserving its existing client base.

The Charter Life product offering remains simple, focused and flexible, with first-time clients being able to enter the insurance market at ground level and grow their life cover and associated investments according to their means and needs.

The Company supports its vigorous service culture with information and communication technology. This technology, including the fast-growing benefits associated with the Internet and e-commerce, is helping the Company to expedite service delivery and maintain administrative efficiency.

In 2001, the Company will continue to invest in its Bancassurance partnership with Standard Bank. This commitment will be complemented by the continuing drive to increase its share of business from the independent brokers, while also strengthening the motivation and product knowledge of the existing broker consultant complement.

LIBERTY ASSET MANAGEMENT

Managing Director:	**Alan Miller**
Chief Investment Officer:	**Sidney Place**
Chief Operating Officer:	**Anthony van Eden**
Executive Director:	**John Koel**
Other members of Executive Committee:	**Errol Shear, Imtiaz Ahmed, Henk Viljoen, Theo Botha and David Gibb**

Profile

Liberty Asset Management (Libam) is responsible for formulating and implementing the Group's overall policyholders' investment strategies. It also manages 14 of the investment portfolios of Liberty Collective Investments (formerly Guardbank Management Corporation) and an extensive range of external client portfolios.

Review of operations

The revitalisation initiatives launched during late 1998 to re-establish Libam under a focused, skilled and motivated management team maintained desired momentum during the year and, again, led to highly satisfactory relative investment performance.

The business unit's management team, systems and investment expertise have all been strengthened further. Building on the solid groundwork and improved investment performance of 1999, Libam performed exceptionally well during the 2000 year. The largest managed portfolio, the Liberty Preferred Asset Portfolio, achieved further exceptional year-on-year performance and retained its top-quartile status among its peer investment portfolios. Over the last two years, the fund has achieved an average annual return of 27,5% and outperformed its peer group by an appreciable margin.

LIBERTY ASSET MANAGEMENT

Nine of the 14 Liberty Unit Trusts funds managed by Libam achieved top-quartile status, a significant feat given the newness of some of these funds (one fund, for example, was launched in March 2000). These managed funds cover a diverse spectrum of mandates ranging from local general equity funds and special equity funds to fixed interest funds and international equity funds.

The business unit was accorded recognition for its unit trust investment performances when it won five prestigious Raging Bull Awards in January 2001 from Personal Finance and the Association of Unit Trusts. One of these awards was the Overall Award for the Best Asset Management Company, which was based on Libam's three-year investment performance.

Libam's primary drive is founded on its new mission statement that "nothing is more important to us than giving our clients the investment performance they deserve".

Managing Director: **Ron Mitchell**

Executive Directors: **Jonathan Giles, Duncan Hickman and Andrew Taylor**

Profile

Founded in 1996 and acquired by Liberty Group as a wholly owned subsidiary company towards the end of 2000, Liberty Ermitage Group is one of the most promising offshore fund management operations in Europe. Employing 51 highly skilled people, the business has growing operations in Jersey, Bermuda, Luxembourg and London.

The Company currently manages funds with a combined value of more than US$2 billion and is capitalised at US$50 million. These funds include Standard & Poors AAAm-rated money funds, as well as a range of conventional, long-only fund of funds.

Review of operations

The full acquisition of Liberty Ermitage Group by Liberty Group Limited occurred towards the end of 2000, thereby positioning Liberty Ermitage to start contributing to Group income in the 2001 and subsequent financial years.

Liberty Ermitage has been performing well and ended 2000 with two notable records:

- overall assets under management exceed the US$2 billion mark, having increased year-on-year by 7,2% to US$2,04 billion; and
- the level of third-party assets, excluding Group assets, reached a high of US$1,06 billion at year-end, an increase of 6,2% on the previous year.

Several of the business unit's hedge funds recorded impressive absolute and relative performance during the year. Alpha, Asset Selection and the recently launched Liberty HBV Merger Arbitrage Fund gained 15,10%, 15,77% and 11,35%, respectively, compared with a (0,6%) decline in the Salomon World Government Bond Index. The North American

Long/Short Fund ended the year up by 1,82% compared with a drop in the Standard & Poors 500 Index (10,14%). The European Long/Short Fund was up 22,17% compared with a drop of (3,51%) in the Morgan Stanley Capital International (MSCI) Europe Index. All of this was achieved with substantially lower volatility.

Money funds increased year-on-year by 6,3% from US$830 million to US$882 million. The Liberty Ermitage traditional equity and bond funds under management increased in value by 37,2% from US$546 million to US$749 million during 2000.

Much of Liberty Ermitage's success in recent years has been attributable to its keen focus and innovative skills, most notably its ability to continue differentiating itself in the marketplace through an excellent fund research capability.

One of its core competencies remains its hedge fund capabilities, an advantage that will be further harnessed during 2001. The significant increase in the volatility of American and other international markets since September 2000 has motivated an increasing number of private and institutional investors to strongly embrace hedge funds. Cutting-edge international hedge funds are expected to sustain strong growth over the next three to five years, a trend that augurs well for Liberty Ermitage's 2001 growth objectives, especially for the hedge fund asset class, as investors seek an effective risk diversification tool.

LIBERTY
GROUP PROPERTIES

Managing Director: **Jim McLean**

Executive Directors: **Eric Bernstein, Roger Corlett and John Dacombe**

Profile

Liberty Group Properties is responsible for developing and managing the Group's highly successful property portfolio, including investment joint ventures with other financial institutions. The Company currently markets and administers a property portfolio valued at approximately R11 billion, of which almost R9 billion is owned by the Liberty Group. Liberty Group Properties focuses on servicing value-added niche markets in select geographic regions.

About 65% of the Company's portfolio is held through 10 key properties. Major properties under the Company's management feature a number of South Africa's premier retail shopping and office complexes, including the Eastgate, Sandton City, Sandton Square and Alberton City developments in the greater Johannesburg metropolis, as well as Greenacres in Port Elizabeth.

Trading under major hotel brands, notably Intercontinental, Holiday Inn and Cullinan, operated by Southern Sun, Liberty Group Properties has more than 3 200 hotel rooms in its property management portfolio. During 2000, Liberty Group Properties developed the R350 million Sandton Convention Centre.

Review of operations

By maintaining its distinctive property development and management style, Liberty Group Properties does not compete directly with the bulk of South African property enterprises. This focus ensures that the Company remains able to deliver high-calibre services to its tenants and retail consumers, while maintaining above-average returns for Liberty Group and its co-investors.

Several improvement projects were initiated during 2000. Some have been completed successfully, while others are scheduled for completion in 2001. The year's most prominent development highlight was the completion and opening at the end of August 2000 of the 21 000m^2 Sandton Convention Centre next to Sandton City and Sandton Square in the heart of the Sandton CBD north of Johannesburg. This world-class conference and exhibition centre constitutes a R320 million investment by the Sandton Consortium (of which Liberty is the principal partner with a 60% interest) and is operated by the tenant, Tsogo Sun (Tsogo Sun's investment amounts to R30 million). Business has been brisk at the Sandton Convention Centre, which is well placed to become one of South Africa's most attractive convention destinations.

Liberty Group also increased its stake in several major properties, including the Pick 'n Pay Hypermarket complex at Norwood, Johannesburg, Alberton City in the Alberton CBD south-east of Johannesburg and in Sandton Square. These increases resulted in Liberty holding the majority share in the properties. The Company maintains an enthusiastic, high-profile marketing campaign especially for retail shopping centres such as Sandton City.

The unfortunate liquidation of John Orr, one of South Africa's oldest groups of departmental stores, is being turned into an opportunity at Sandton City. Liberty Group Properties will in 2001 unveil an entirely new food court in the space of the former John Orr Sandton store. This consumer-driven initiative will entail an investment of about R30 million.

The refurbishment and extension of the Greenacres retail complex at Port Elizabeth, complete with a new multilevel parking garage, was commenced recently at a cost of R60 million. Refurbishments and alterations at Alberton City are also under way and at Eastgate extensions have been completed, representing a combined investment of about R30 million.

In 1999, Liberty Group acquired 50% of the Cullinan Group, the four-hotel joint venture with Southern Sun Hotels. One of the hotels, the Cullinan Johannesburg International Airport Hotel, has been sold and, of the remaining three hotels, the one at Cape Town's Victoria and Alfred Waterfront currently retains the Cullinan brand. The remaining two hotels in Sandton, one on Katherine Street and the other at Morningside, were rebranded during the year under the Holiday Inn brand.

In general, the South African hotel industry endured a difficult year, with many players not being able to achieve their key performance targets such as room rates and occupancy rates. This trend impacted only slightly on Liberty Group Properties' profit objectives.

With the advent of Internet-based shopping it is becoming imperative that Liberty Group Properties develops an offering that will ensure that properties under management are protected from the impact of other external e-commerce retail initiatives. To this end, an exciting new e-commerce offering (ShoppingIsMyLife) is being developed for deployment in 2001.

LIBERTY
COLLECTIVE INVESTMENTS

LIBERTY
SPECIALISED INVESTMENTS

LIBERTY
MULTI-MANAGER

LIBERTY
UNIT TRUSTS

Managing Director: **Mike Lledo**

Executive Director: **Carlos Amaral**

Divisional Director: **Martin Rabe**

Profile

Liberty Collective Investments comprises Liberty Collective Investments Limited (formerly Guardbank Management Corporation Limited) and Liberty Specialised Investments (Proprietary) Limited (formerly Millennium Financial Consultants and Investment Services (Proprietary) Limited), both wholly owned subsidiaries of the Liberty Group.

Liberty Specialised Investments develops, distributes and administers a diverse spectrum of sophisticated investment products for individual clients. These include the Classic Collection (with investment plans, linked life annuities, preservation plans and retirement annuities), MultiVest Plans and Symphony Portfolios (comprising various satellite funds around a core fund).

Liberty Collective Investments is the Group's registered unit trust management company. It has two distinct brands. The first, Liberty Unit Trusts, has a single asset manager approach to investment. The other brand, Liberty Multi-Manager, focuses on a multi-manager approach.

Liberty Collective Investments currently markets and administers a suite of 14 Liberty unit trust funds using Liberty Asset Management or their selected manager.

Liberty Collective Investments also launched and is currently marketing and administering three multi-manager unit trust funds. Development of new products will continue in 2001 leveraging off Lodestone Investments, Liberty's new multi-manager joint venture with Standard Bank and Investment Solutions.

Review of operations

Liberty Collective Investments had an excellent year and has established a strong platform upon which to sustain growth in the year ahead. Innovative product development was complemented by a continuing high investment in developing strategic technologies and world-class human capital. The business expanded its market share and improved its overall performance.

The investments in technology included the full integration of Liberty Group's Blueprint financial information management system; the installation of sophisticated systems hardware; the integration and automation of investment systems to the MyLife@bluebean.com e-commerce venture; and the development of a far more comprehensive and useful Liberty Collective Investments website.

The company also completed a business restructuring exercise, as well as the complete integration of all its administrative functions into one suite of offices at Sandton. This has been in anticipation of not only the changes in our markets, but also the impending new Collective Investments Scheme Act, which will open the door for many new investment opportunities.

In keeping with the business unit's legacy of product innovation, Liberty Unit Trusts successfully launched six new funds: the Liberty Bond Fund, the Liberty ALSI (All-Share Index) 40 Fund, the Liberty Financials Fund, the Liberty Value Fund, the Liberty Global Brands Fund and the Liberty International Fund of Funds.

Seven of the funds performed above the median for funds older than one year. Two funds achieved top-quartile status and five Raging Bull Awards were received from Personal Finance and the Association of Unit Trusts (AUT) in January 2001. These were in recognition of the funds' overall investment performance for the three years to the end of 2000.

The Liberty Resources Fund took overall first place in the awards. This fund also won a Raging Bull Award for top performance in the mining and resources fund category, while the Liberty Income Fund achieved the top performance award for the income funds category. The Liberty Global Fund received an award as the top performer in the general funds category.

Liberty Specialised Investments continued to evolve its ability to mastermind sophisticated investment products for individual clients. The Company completed another year of exceptional growth. Its wrap fund sales, for example, doubled year-on-year. The newly launched range of Symphony wrap funds, comprising various satellite funds around a core fund, were well received during the year.

An exciting range of offshore products is in the pipeline for launch in 2001, an undertaking that has been expanded and accelerated as a result of the Group's acquisition of Liberty Ermitage.

Exciting opportunities and challenges are expected to abound in 2001 and, while 2000 was a difficult year in all the markets, Liberty Collective Investments has established a firm foundation for capturing new growth opportunities in 2001.

ELECTRIC LIBERTY

this is...
MyLife
@bluebean.com

Managing Director: **Gavin Came**

Executive Directors: **Larry McCarthy and Joe van Niekerk**

Profile

This research and development business unit will consult to the Liberty Group on the beneficial harnessing of cutting-edge technology. The unit is ideally positioned to add intrinsic value to the Group's system development initiaties.

MyLife is the Internet-based business-to-consumer product and system alluded to briefly in the Group's 1999 annual report as a major, new e-business offering under development. As a result of the highly synergistic Bancassurance partnership with Standard Bank, the Group decided to link its innovative, interactive MyLife business to Standard Bank's new Web-based e-commerce offering, bluebean.com.

Standard Bank launched bluebean.com in August 2000 and, within four months, had gained 27 500 registered shoppers and 13 000 cardholders. These cardholders represent a screened, high-income and creditworthy base that has exhibited the propensity to buy financial services online.

MyLife@bluebean.com is an interactive wealth-creation engine developed by the Liberty Group. The thinking behind the MyLife software architecture was based on Liberty Group's successful Blueprint system. It enables Standard Bank bluebean.com cardholders to access cutting-edge tools and products. The site consolidates their financial affairs online and thereby allows them to evolve their own customised wealth-creation portfolios. The products include all South African domestic and offshore unit trusts, retirement annuities, life and disability policies and wrap funds.

Review of operations

In simple terms, MyLife@bluebean.com is an online virtual marketplace and service centre where a bluebean.com cardholder can undertake all his or her own customised financial planning and management tasks, ranging from retirement planning, investment planning and estate planning through to death and disability planning.

ELECTRIC LIBERTY

In a market that will always be dominated by the successful face-to-face intermediary distribution model, the MyLife@bluebean.com venture is intended to meet the needs of the small but growing number of do-it-yourself (DIY) financial planners. It enables the individual client to customise and manage his or her own financial portfolio on a DIY basis. The client therefore has the flexibility to access real-time information and data virtually 24 hours a day, provided he or she has access to the Internet.

Managing Director: **David Gluckman**

Executive Director: **Howard Cimring**

Profile

Established as a new subsidiary company in July 1998, Oracle Employee Benefits has been strategically positioned as an independent actuarial and employee benefits consultancy to provide objective and unbiased advice in the medium- and large-corporate markets.

Oracle offers clients five principal areas of expertise: retirement fund consulting services; investment consulting services; healthcare consulting services; risk management services; and personal financial services. The business is founded on the conviction that it offers well-thought-out and highly creative solutions to complex financial and employee benefit problems.

Review of operations

In a notably successful year, Oracle Employee Benefits achieved strong new business growth and successfully retained all its existing corporate accounts. Key performance targets were, in most instances, met or exceeded.

Oracle's focus throughout 2001 will be to further build infrastructure in order to provide the same high level of service to a growing client base. There will be special emphasis on recruiting and developing key personnel.

LIBERTY HEALTHCARE

Managing Director: **Dan Pienaar**

Divisional Directors: **Brannan Hunter and Stephen Maasch**

Profile

Launched into the marketplace on 1 December 1998, the Group's wholly owned healthcare management solutions company, Liberty Healthcare, complements the other key Liberty Group business units by offering new-generation healthcare products to corporate clients. The range, due for expansion in 2001, currently comprises The ProVia Medical Scheme and The Provision Fund.

The ProVia Medical Scheme is distributed through a growing countrywide base of highly knowledgeable and motivated intermediaries, a distribution network that is frequently regarded to be the best of its kind in South Africa.

The Provision Fund is Liberty Healthcare's post-retirement healthcare funder. Given the greater emphasis, and balance sheet implications, of the new accounting statement AC116, the Provision Fund is the tailor-made solution to this potential liability.

Review of operations

Liberty Healthcare sustained growth and achieved financial results ahead of its year-end 2000 target acknowledging that the 2000 growth targets were deliberately conservative due to the regulatory uncertainty in the healthcare industry.

Liberty Healthcare played a constructive role during the prolonged regulatory development process by working with the Department of Health, the Department of Finance and the healthcare industry at large.

The new Medical Schemes Act (131 of 1998) has created sweeping changes within the industry. Having been closely involved with the development of the new legislative framework, Liberty Healthcare offered only products that conform to both the letter and the spirit of the law. This conservative approach was to the benefit of members who enjoyed certainty in an uncertain environment. Now that there is clearer direction, Liberty Healthcare has been able to develop additional comprehensive and affordable options on a base that is compliant with the new Act and the needs of its growing clientele.

Liberty Healthcare has remained one of the select few healthcare companies to contain medical inflation. Rates increases have been adjusted below general medical inflation levels, while the scope of benefits has also been widened, contrary to general industry trends during the review period. By contrast, when factoring in the impact of reduced cover or benefits, some competing companies' rate increases averaged at above 30% during 2000.

Liberty Healthcare's competitive advantage stems mostly from its proactive ability to manage risk and thereby contain inflation. A future challenge in the domestic economy is the need to contain medical costs because many of these factors are beyond the field of influence of healthcare companies. For example, the declining value of the rand increases the cost of importing essential medicines and medical equipment not manufactured in South Africa.

Maintaining its conservative stance, Liberty Healthcare increased its membership base by almost 18% from about 17 000 families or principal members to about 19 000.

Growth was achieved without sacrificing high service levels. The Company received good ratings from its three primary stakeholder groups – members, intermediaries and medical providers. At the same time, Liberty Healthcare continued to upgrade its administrative systems, including its investments in information and communication technology, and its core business skills.

The new marketing culture being nurtured at Liberty Healthcare is focused on the need to be a responsible and caring corporate citizen. One of the major highlights of 2000 was the sponsorship of the Liberty-one helicopter as the primary emergency response vehicle of the new Special Trauma Air Response (STAR) service. Based at the Johannesburg General Hospital, STAR provides a rapid-response medical emergency facility for the greater community of Gauteng, South Africa's most populous province. The Liberty-one launch was timed to coincide with the Department of Transport's Arrive Alive road safety campaign.

LIBERTY CONSULTANCY

Managing Director: **Mike Garbutt**

Divisional Directors: **Johan Coetzer, Gavin Main, James Skuse, Deryck van der Horst and Andrew Jacobs**

Profile

In line with the restructuring of the Liberty Group into strategic business units to create clearly differentiated and focused, though complementary, providers of financial services, Consultancy was tasked to fulfil the key responsibilities of co-ordinating and undertaking most of the sales and product delivery functions of the Group's other business units. Consultancy, in turn, has three primary operating channels:

- the Agency division, which employs full-time Liberty salespeople and their immediate support colleagues;
- the Franchise division, which has for the past seven years involved a growing complement of independent, external franchise operators who exclusively market, sell, deliver and support Liberty Group products and services; and
- the Broker division, comprising an expanding network of independent broker consultants who are not tied exclusively to Liberty Group products and services.

Through Consultancy, the Group maintains a desired balance of independent and exclusive sales expertise, with 54% of the operations comprising independent broker consultants and the balance of 46% comprising both Agency and Franchise personnel. The Franchise division currently has 994 franchise principals and their staff. The Broker division currently has a network of 300 independent broker consultants. The Agency division comprises 669 Liberty Group agents. The combined Franchise and Agency headcount increased by 27% from 1 310 in 1999 to 1 663 in 2000.

Review of operations

The Agency, Franchise and Broker divisions, combined, enjoyed a brisk year, with overall sales, based on new premium income, increasing by a further 22% in highly competitive markets. The Group's liberated and more focused business unit structure, linked to new incentives, has created levels of individual empowerment and motivation in the marketplace.

Throughout the year, Consultancy maintained Liberty Group's distinctive marketing and sales culture and philosophy of focusing primarily on qualitative principles rather than quantitative matters. All new sales specialists or intermediaries continue to be hand-picked, after undergoing meticulous screening, for their unique qualities and skills. They all receive specialised and continuing training and development to keep Liberty Group and its intermediaries at the cutting edge of the financial services sector.

This approach continues to reap mutually beneficial rewards, with the Group being able to retain a highly skilled and motivated complement of productive and respected specialists. At a time when many of the insurance and financial services companies in South Africa are trimming their headcount, Consultancy continues to increase its complement, albeit at a conservative pace to ensure that both the Liberty Group brand and culture remain intact.

Integral to Consultancy's intermediary recruitment and development drive is the increasing effort being invested into the development of people from designated employment equity groups. Liberty now has 200 accredited black consultants working for Consultancy and this number is set to increase appreciably before the close of 2001.

Another key issue in retaining and developing top-calibre, high-performance Consultancy specialists is the Group's ongoing investments in information systems and management, including the further development of the Blueprint system, the successful introduction of the MyLife@bluebean.com offering under Electric Liberty and other Internet-based e-commerce initiatives. Contrary to popular misconception, interactive digital systems are not being evolved by the Group to replace the traditional intermediary such as the trusted broker or financial advisor.

Instead, these innovations present both the Liberty Group and its growing base of intermediaries with increasing opportunities to work more productively and to increase the value of the products and services they market to an equally strong complement of discerning corporate and individual clients. As Liberty Group advances its information systems and management, so does it advance its investments in developing and retaining high-calibre, specialised intermediaries.

The Group and Consultancy have welcomed the imminent introduction of new legislation that is currently being developed in order to regulate the qualifications, accreditation and functions of insurance and financial services intermediaries operating in South Africa. All of the Group's intermediaries have already been formally accredited and licensed ahead of the new legislation being promulgated as part of a Group-wide commitment to maintaining high standards of professionalism and integrity. Consultancy is also assisting independent brokers with accreditation.

Building on the extensive groundwork executed during 2000, and backed by strong resources and Liberty Group brand, the highly motivated Consultancy operations are expected to achieve further significant growth in both sales and market share during 2001.

SUPPORT AREAS

CORPORATE

Group Chief Executive: **Roy Andersen**
Executive Director, Financial Services: **Mike Jackson**
Personal Assistant to the Group Chief Executive: **Misheck Mbewe**
Divisional Director: **Sherwin Charles**

BRAND DEVELOPMENT

Divisional Director: **Itseng Mogorosi**

GROUP ACTUARIAL

Executive Director, Actuarial: **David Nohr**
Divisional Directors: **Paul Lancaster and Andrew Lonmon–Davis**

GROUP FINANCE

Executive Director, Finance: **Mark Bloom**
Divisional Director: **Deon de Klerk**
Group Compliance Officer: **Mark Alexander**
Group Secretary: **John Worwood**

GROUP HUMAN RESOURCES

Human Resources Executive: **Craig Lawrence**
Divisional Director: **Alistair Souter**

GROUP INFORMATION SYSTEMS

Chief Information Officer: **Lee Izikowitz**
Divisional Directors: **Ian Cleminson and Hamid Essop**

GROUP INTERNAL AUDIT

Divisional Director: **Peter Collison**

GROUP LEGAL SERVICES

Divisional Director: **Leanne Dewey**

MEDICAL SUITES

Chief Medical Officer: **Dr Denys Schorn**

"...only performance is reality"

Harold Geneen. b. 1910, former CEO, International Telephone & Telegraph Company

Liberty Preferred Assets Portfolio

Period	Preferred Assets	Median	Quartile
1 year	**10.6%**	**6.1%**	**1st**
3 years	**18.9%**	**14.8%**	**1st**
5 years	**14.9%**	**13.3%**	**1st**

Source: Fifth Quadrant Manager Meter, Full Discretion Global Mandates, returns to 31 December 2000

The Preferred Assets Portfolio is a managed portfolio for corporate investors and retirement funds, with no minimum investment size. It combines the objectives of superior performance with prudent risk management.
Risk Profile: Moderate

LIBERTY
ASSET MANAGEMENT

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CORPORATE BENEFITS