Audited results for the year ended 31 December 2007

Financial Results

Financial Performance Indicators

for the year ended 31 December 2007

	December 2007	% change	December 2006
Group			
BEE normalised headline earnings per share (cents)	1 100,4	18,3	930,2
BEE normalised embedded value per share (R)	94,44	14,4	82,55
BEE normalised return on embedded value (%)	19,5	(12,9)	22,4
Capital reductions in lieu of dividends/dividends per share (cents)[3]	410	10,8	370
Net cash inflows/(outflows) (Rm)	17 387	>100	(2 156)
Capital adequacy requirement cover (times covered)	2,07		2,27
Insurance operations			
Indexed new business (including contractual increases) (Rm)	5 597	14,0	4 908
Indexed new business (excluding contractual increases) (Rm)	4 351	15,7	3 762
New business margin (%)	2,5		2,5
Net cash inflows (Rm)	4 280	18,0	3 627
Normalised recurring management expenses for life operations (Rm)	2 143	3,6	2 068
STANLIB[1]			
Assets under management (Rbn)	340	15,6	294
Net cash inflows/(outflows) excluding money market (Rm)	9 509	>100	(1 864)[2]
Net cash inflows/(outflows) (Rm)	13 107	>100	(5 783)

(1) *Excludes withdrawal of PIC investment in December 2006.*

(2) *Restated due to refinements in definition of categories.*

(3) *Represents total declarations in relation to the financial year.*

Relevant Definitions

BEE normalised headline earnings per share and embedded value per share

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

Indexed new business

Is a measure of new business in insurance operations representing annualised recurring premium business (at the first year's monthly premium value) and one tenth of a single premium deposit.

New business margin

Is the embedded value of new business as a percentage of the present value of future expected premiums.

Normalised recurring management expenses for life operations

Represents recurring expenses incurred to administer insurance operations and excludes non-recurring expenses, such as restructuring and integration.

Commentary on Results

Progress in shaping the future of Liberty

The past year has seen the Liberty group producing very satisfactory financial results whilst laying the foundations to fulfil its vision of becoming a market-leading wealth management company in Africa and other select emerging markets. The growth strategy approved by the directors in 2006 will see the group growing both its geographic and distribution footprints, while expanding its product offerings into a more comprehensive range of non-banking financial services in wealth creation and protection.

Strategy development and implementation is facilitated through a focus at three levels:

- Optimising existing operations – "Business as Usual"
  Core businesses are focussed on customer service, operational excellence and cost management.
- Developing current opportunities – "Leverage and Build"
  Opportunities to take aspects of the group's business to new levels by building on existing competencies and operations.
- Exploring new horizons – "Extend and Grow"
  Opportunities to expand the geographic footprint and the product manufacturing and distribution capabilities, either organically or by acquisition.

This report primarily reflects the results of improvements put in place during the past 2 years in "Business as Usual" i.e. the group's Individual Life, Corporate Benefits, and Asset Management businesses. Particularly pleasing has been the benefit received by our policy and unit holders from the much improved investment performance achieved by STANLIB.

Following the acquisition of STANLIB, management prioritised the leveraging of all sales and distribution capabilities by consolidating them into the Marketing and Distribution business unit.

Of equal importance has been the focus on positioning the group to take advantages of opportunities to leverage off its current operations and competencies, while looking to extend its capacity to deliver growth. New leadership and organisational structures have been introduced to ensure capacity to facilitate growth, while extensive management time was invested in engaging the commitment of our people as partners in building and executing our strategy. It is this combination of strategy and partnership that we believe provides the Liberty Group with a platform from which to deliver increasing value to shareholders.

As part of the "Extend and Grow" component, three new teams have been formed: Liberty Africa, to advance the group's strategies in the rest of Africa; Liberty Health to advance the Health strategy; and Strategic Ventures which is focussed on creating partnerships intended to extend our distribution footprint.

Increased levels of volatility in financial markets coupled with changes in accounting and actuarial treatment mean that insurance companies face increased levels of volatility in reported earnings and embedded value. A key "Leverage and Build" initiative is the re-assessment of the group's appetite for risk, particularly market risk, so as to ensure the delivery of returns expected by shareholders over the medium term. A risk appetite statement, which will be used to guide and direct the group's operations, will employ economic capital and earnings volatility measures as key metrics. Significant resources have been invested in further understanding the group's risk based economic capital needs. The intention is to embed the risk based capital practices within the business units to ensure that risk adjusted returns on capital are maximised.

2007 in brief

A four-year period of strong equity market performance showed signs of abating towards the end of the year. Markets were particularly volatile at the end of 2007 and into the first few weeks of 2008. The weighted average investment return, used as a proxy in relation to the policyholder bonuses on portfolios where shareholders have a 10% participation, ended the year at 14,8%, compared to 31,9% annualised at the half year and 33,0% at the end of 2006. Consequently, as compared to the position at the half-year, the group's earnings were negatively impacted including lower investment earnings on the shareholder asset base.

Despite lower investment returns, the group's headline earnings showed pleasing growth, with BEE normalised earnings per share 18,3% up on 2006. BEE normalised return on embedded value of 19,5%, is well ahead of the group's medium-term guidance of 14,5% to 15,5%. BEE normalised embedded value per share was R94,44 at 31 December 2007. Group total new business production increased by 16,0% to R135,2 billion. Group net cash flows increased significantly to R17,4 billion from a R2,1 billion net cash outflow in 2006.

The group's individual life and corporate benefits businesses continued to enjoy strong asset based fee income in 2007, however, this was to some extent offset by weaker risk profits. STANLIB's earnings were also boosted by higher asset levels.

The group has delivered on its intention, notified to the market in November 2005, to generate a value uplift of R676 million as a part of the group's restructuring and re-organisation initiatives. The group has managed to deliver a value uplift of R835 million over the period November 2005 to the end of 2007. The group managed to reduce costs by 1,7% in real terms in 2007, the third successive year in which group costs have shown a reduction in real terms. However, while cost management remains a focus and a key driver of our "Business as Usual" component, we are also cognisant of the need to invest in the growth of the business.

Two key regulatory challenges facing the group are the proposed Social Security and Retirement Reform, and the introduction of new commission regulations. Despite insufficient clarity regarding the former, the group is actively participating in the reform process through various industry bodies. We expect the implementation of the commission regulations to be completed during the latter part of 2008, and are confident that they will have little impact on the group's new business volumes.

Commentary on Results

(continued)

Contribution to BEE normalised headline earnings

	December 2007 Rm	December 2006 Rm	% change
Insurance operations	1 798	1 395	29
Asset management operations	455	247	84
Shareholders' funds	661	859	(23)
Net income on BEE preference shares accounted for in equity	100	88	14
Defined benefit pension fund employer surplus	115		
Total	3 129	2 589	21

Individual Life and Corporate Benefits

Indexed new business of R5 597 million (including contractual increases), increased by 14,0%.

Individual indexed retail sales increased by 15,6% (17,7% excluding contractual increases). Whilst good growth was recorded in risk and annuity products, very strong growth was seen in individual investment products. It would appear that personal retirement annuity business continues to suffer as a result of lower commission rates paid by the group.

The corporate market, which represents 16,0% of total new business, grew indexed new business by 6,3% (2,6% excluding contractual increases). Recurring premiums showed strong growth for the period increasing by 16,7% (22,7% excluding contractual increases). Regulatory compliance in Corporate Benefits continues to impact service delivery, however significant improvement was made over the course of the year.

The new business embedded value profit margin has remained at 2,5% despite being adversely affected by the increase in implied equity volatilities. New business profits increased by 15,3% to R700 million. The margin has benefited from a more profitable mix of new business combined with the higher new business volumes.

Net cash flows for 2007 increased by 18,0% to R4 280 million. The net cash flow includes a single premium transfer of the Investec Employee Benefit (IEB) closed book purchased in 2003, but for which court approval was effective in January 2007. The transfer resulted in a R4 487 million single premium inflow with subsequent net outflows of R635 million during 2007. Excluding the IEB closed book, Corporate Benefits experienced a net outflow of R1 480 million and Individual Life a net inflow of R1 908 million. Net cash flow pressure has resulted from higher average value policyholder claims as a result of higher investment returns.

Recurring maintenance expenses for the year are marginally higher, increasing by 2,0% and on a cost per policy basis increasing by a normalised 1,6%.

Management is currently undertaking a full strategic review of the Corporate Benefits business in the light of both the social, security and retirement reform as well as the evolving consumer landscape.

Total insurance operations' headline earnings increased by 28,9% to R1 798 million, representing 59,4% of the group's headline earnings for the year. Economic assumption changes to the investment guarantee reserve, in particular the removal of retirement funds taxation and the increase in interest rates, offset to some extent by the increase in implied equity market volatility, led to a net reduction in the investment guarantee reserve and contributed R117 million to the increase in headline earnings.

Based on the annual experience investigations performed in the second half of each year, it was considered necessary to strengthen the persistency assumptions within the valuation basis of certain risk and investment products. The negative effect on earnings was largely offset by positive changes to mortality assumptions on most in-force risk contracts. In 2008 retention initiatives will focus not only on maturing policies, but on all customer withdrawals.

In order to further leverage our current operations, additional spend on technology transformation and capital management projects of R189 million after taxation, has been provided for in the policyholder liability valuation.

Asset management operations

Asset management includes earnings from STANLIB and Liberty Properties.

STANLIB, which was wholly owned from January 2007, contributed R387 million to the group's headline earnings. Operating profit before interest and taxation was R599 million which is 19,6% higher than the R501 million achieved in 2006. This results from a combination of higher assets under management and an increase in performance fees. Performance fees which comprise 5% of total revenue remain a small component of STANLIB's earnings. Assets under management increased by 15,6% to R340 billion. Sales excluding money market, increased by 18,2% to R50 396 million. Net cash inflows for the period recovered strongly to R13 107 million compared to outflows of R5 783 million in 2006.

STANLIB continued to improve its investment performance against its peers and was awarded the Raging Bull best domestic unit trust management company for 2007. The decision to convert STANLIB into 15 focussed franchises has not only delivered superior investment performance, but has also delivered strong financial results.

Commentary on Results

(continued)

Liberty Properties, which earns development and management fees from managing the group's property portfolio, saw earnings after taxation increase by 24,3% to R46 million.

Shareholders' funds

The group's capital management committee manages capital not specifically held to match policyholder liabilities or in asset management operations. The management process balances the needs for qualifying regulatory capital, liquidity risk and an effective investment portfolio to maximise returns for shareholders. Expenses related to shareholder corporate activity, including those related to dividend and capital flows, are netted off these investment returns.

South African equity markets returned 19% in 2007, well below the 41% returned in 2006. Despite having an additional R2,0 billion of assets invested, shareholders' funds headline earnings of R661 million were 23,1% lower than those reported in 2006. Realised and unrealised capital gains, net of capital gains taxation, on the shareholder portfolio's were R281 million compared to R705 million in 2006.

Group embedded value

The group's BEE normalised embedded value per share has increased 14,4% from the R82,55 reported at 31 December 2006 to R94,44 at 31 December 2007.

Increased fair value adjustments on financial services subsidiaries, improved new business, good investment performance, and related earnings growth, are the main positive contributors to the reported annualised BEE normalised return on embedded value of 19,5%. These positive impacts were to some extent offset by the increased risk discount rate arising from higher bond yields and a deterioration in persistency.

Acquisition of STANLIB Limited

At a general meeting on the 29 January 2007 shareholders approved, for a consideration of R1 686 million, the acquisition of 62,6% of the issued ordinary shares in STANLIB Limited. STANLIB is now a wholly owned subsidiary of Liberty Group Limited.

Capital adequacy requirement (CAR)

The statutory capital adequacy requirement of Liberty Group Limited was covered 2,07 times at 31 December 2007 compared to the 2,27 times at 31 December 2006. After taking into account the group's final cash distribution and expected strategic spend, the CAR cover is in line with the group's target of 1,7 times. As previously stated, the goodwill associated with the STANLIB acquisition does not qualify as statutory capital and consequently resulted in a 0,33 times reduction in the CAR cover at the January 2007 acquisition date.

The R500 million ordinary share buy back programme announced in August 2007, was completed during November 2007. The average purchase price was R87,72 per ordinary share which compares favourably to the BEE normalised embedded value of R94,44 per ordinary share at the end of 2007.

Dividends and capital reduction

In terms of the authority granted to the directors at the 2007 annual general meeting and in accordance with the group's dividend policy, the directors have approved a capital reduction of 266 cents per ordinary share in lieu of the final dividend. This capital reduction will be paid from the share premium account.

Subject to the Financial Services Board approval, which is expected prior to 11 March 2008, the important dates pertaining to the capital reduction of 266 cents per ordinary share are as follows:

Last date to trade cum capital reduction on the JSE	Wednesday, 19 March 2008
First trading day ex capital reduction on the JSE	Thursday, 20 March 2008
Record date	Friday, 28 March 2008
Payment date	Monday, 31 March 2008

Prospects

Pursuant to the global tightening in the credit markets during 2007, there has been a sharp increase in market volatility. This reflects increased uncertainty in both the global and South African economic outlook. The group's earnings and embedded value are strongly correlated to the performance of local capital markets, and the group's new business is broadly influenced by sustainable individual disposable income and employment growth.

We expect this volatility and credit sensitivity to continue in the short term but remain confident about the future prospects for the markets in which we operate. We are therefore confident that the group should meet its actuarial assumptions over the medium term, which in turn should lead to real growth in BEE normalised embedded value.

Bruce Hemphill
Chief Executive

Saki Macozoma
Chairman

27 February 2008

Commentary on Results

(continued)

Accounting policies and presentation

The results have been prepared in accordance with International Financial Reporting Standards (IFRS).

As a result of the STANLIB transaction the group adopted an accounting policy in respect of business combinations involving businesses under common control. There were changes to the accounting policies in respect of measurement of investment guarantees to a market consistent basis and certain liability valuation models used for the lifestyle series of products. In addition the group adopted IFRS 7: *Financial Instruments: Disclosures,* which deals mainly with disclosure of financial instruments and the related quantitative and qualitative risks.

There are no prior year restatements to the group's assets, liabilities or equity as a consequence of the new policies. All other accounting policies are consistent with those applied for the year ended 31 December 2006.

Restatement of 31 December 2006 comparatives

Comparatives for the year ended 31 December 2006 have been restated to separate pledged assets from financial instruments in terms of IFRS 7 disclosure requirements. There is no impact on shareholder earnings, net asset value or statement of changes in shareholders' funds.

Audit opinion

The auditors, PricewaterhouseCoopers Inc., have issued their opinion on the group's financial statements and embedded value report for the year ended 31 December 2007. They have issued unmodified audit opinions. A copy of their audit reports are available for inspection at the company's registered office.

Share certificates

Share certificates may not be dematerialised or rematerialised between Thursday, 20 March 2008 and Friday, 28 March 2008 both days inclusive. Where applicable, distributions in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, distribution cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 31 March 2008.

Liberty Group Limited

Incorporated in the Republic of South Africa
(Registration number: 1957/002788/06)
Alpha code: LGL
Issuer code: LIBU
ISIN code: ZAE000057360

Transfer Secretaries

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Sponsor

Merrill Lynch
Global Markets & Investment Banking Group
Merrill Lynch South Africa (Pty) Ltd
Registration number 1995/001805/07
Registered Sponsor and Member of the
JSE Securities Exchange South Africa

Group Balance Sheet

as at 31 December 2007

Audited	2007 Rm	2006 Rm
Assets		
Equipment and properties under development	519	564
Owner-occupied properties	1 276	867
Investment properties	14 937	13 200
Intangible assets	1 137	1 331
Defined benefit pension fund employer surplus	162	
Deferred acquisition costs	325	308
Interests in joint ventures	295	736
Reinsurance assets	820	1 065
Operating leases – accrued income	1 180	1 164
Pledged assets	5 209	3 600
Interests in associates – mutual funds	10 297	7 157
Financial instruments	176 860	162 539
Deferred taxation	51	40
Prepayments, insurance and other receivables	3 528	3 188
Cash and cash equivalents	4 659	5 237
Total assets	221 255	200 996
Liabilities		
Policyholders' liabilities	186 137	168 898
Insurance contracts	131 552	122 875
Investment contracts with DPF	3 353	1 719
Financial liabilities under investment contracts	51 232	44 304
Financial liabilities at amortised cost	2 418	2 261
Third party financial liabilities arising on consolidation of mutual funds	8 040	8 559
Employee benefits	524	388
Deferred revenue	95	80
Deferred taxation	3 447	3 262
Provisions	60	72
Operating leases – accrued expense	238	252
Derivative financial instruments	66	96
Insurance and other payables	5 970	4 242
Current taxation	1 100	393
Total liabilities	208 095	188 503
Equity		
Ordinary shareholders' interests	11 029	10 665
Share capital	29	28
Share premium	1 790	1 361
Retained surplus	10 205	9 892
Other reserves	(995)	(616)
Minority interests	2 131	1 828
Total equity	13 160	12 493
Total equity and liabilities	221 255	200 996

Group Income Statement

for the year ended 31 December 2007

Audited	2007 Rm	2006 Rm
Revenue		
Insurance premiums	23 709	20 843
Reinsurance premiums	(693)	(777)
Net insurance premiums	23 016	20 066
Service fee income from policyholder investment contracts	837	764
Investment income	10 396	9 300
Hotel operation sales	597	506
Investment gains	14 390	28 627
Management fees on assets under management	1 005	18
Defined benefit pension fund employer surplus	162	
Total revenue	50 403	59 281
Claims and policyholders' benefits under insurance contracts	(20 739)	(17 059)
Insurance claims recovered from reinsurers	610	578
Change in policyholders' liabilities under insurance contracts	(10 554)	(21 659)
Insurance contracts	(8 838)	(21 599)
Investment contracts with DPF	(1 634)	(179)
Reinsurance assets	(82)	119
Fair value adjustment to policyholders' liabilities under investment contracts	(6 281)	(8 276)
Fair value adjustment on third party mutual fund interests	(189)	(1 480)
Acquisition costs	(2 894)	(2 413)
General marketing and administration expenses	(4 293)	(3 684)
Finance costs	(392)	(215)
Preference dividend in subsidiary	(274)	(184)
Profit on sale of subsidiaries	6	374
Equity accounted earnings from joint ventures	51	150
Profit before taxation	5 454	5 413
Taxation	(2 049)	(2 249)
Total earnings	3 405	3 164
Attributable to:		
Equity holders	3 035	2 875
Minority interests	370	289
	3 405	3 164
Earnings per share		
Total (cents)	1 173,5	1 138,3
Diluted (cents)	1 119,1	1 091,4
Dividends per share (cents)[1]	230	364
Capital reduction per share (cents)[1]	144	360

[1] *Represents the cash payments in the year.*

Headline earnings

for the year ended 31 December 2007

Audited	2007 Rm	2006 Rm
Reconciliation of headline earnings		
Total earnings attributable to equity holders	3 035	2 875
Profit on disposal of subsidiaries	(6)	(374)
Headline earnings[1]	3 029	2 501
Net income on BEE preference shares accounted for in equity	100	88
BEE normalised headline earnings	3 129	2 589
BEE normalised weighted average number of shares in issue ('000)	284 409	278 341
Headline earnings per share	Cents	Cents
Basic	1 171,3	990,4
Fully diluted	1 116,9	949,5
BEE normalised	1 100,4	930,2

[1] *Liberty has elected to early adopt the long-term insurance industry exemption contained in the addition to circular 8 of 2007 dated 22 February 2008 which allows for no headline earnings adjustment in respect of realised or unrealised remeasurements of investment properties.*

Condensed Statement of changes in Group Ordinary Shareholders' funds

for the year ended 31 December 2007

Audited	2007 Rm	2006 Rm
Balance at 1 January	10 665	9 434
Total earnings	3 035	2 875
Excess purchase price over net asset value of STANLIB	(2 198)	
Ordinary dividends	(642)	(1 013)
Capital reduction	(416)	(912)
Subscriptions for shares	846	52
Black Economic Empowerment transaction	98	89
Share-based payments	54	51
Owner-occupied properties – net fair value adjustments	86	35
Treasury shares	(515)	6
Foreign currency translation movement on subsidiaries	16	48
Ordinary shareholders' funds	11 029	10 665

Condensed Group Cash Flow Statement

for the year ended 31 December 2007

Audited	2007 Rm	2006 Rm
Cash generated from/(utilised in):		
Operating activities	8 189	5 125
Investing activities	(8 572)	(11 423)
Financing activities	(320)	(916)
Net decrease in cash and cash equivalents	(703)	(7 214)
Cash and cash equivalents at the beginning of the year	5 237	12 451
Cash acquired on acquisition of STANLIB Limited	166	
Cash disposed of on sale of Saambou Life Assurers Limited	(41)	
Cash and cash equivalents at the end of the year	4 659	5 237

Condensed segment results

for the year ended 31 December 2007

2007

	Group		Individual			Other			
	Risk Rm	Non-risk Rm	Partici-pating Rm	Non-partici-pating Rm	Prudential Rm	Asset manage-ment Rm	Shareholder operations Rm	Mutual funds Rm	Total Rm
Segment revenue	1 787	6 794	31 031	5 607	1 830	1 417	1 390	385	50 241
Segment expenses	(1 561)	(6 700)	(28 561)	(4 694)	(1 663)	(666)	(110)	(385)	(44 340)
Segment result	226	94	2 470	913	167	751	1 280	–	5 901
Profit before taxation	226	92	2 460	632	167	627	1 250		5 454
Taxation	(62)	(27)	(1 359)	(219)	(112)	(205)	(65)		(2 049)
Total earnings	164	65	1 101	413	55	422	1 185		3 405

2006

	Risk Rm	Non-risk Rm	Partici-pating Rm	Non-partici-pating Rm	Prudential Rm	Asset manage-ment Rm	Shareholder operations Rm	Mutual funds Rm	Total Rm
Segment revenue	1 776	7 430	38 184	5 554	2 631	123	1 880	1 703	59 281
Segment expenses	(1 514)	(7 293)	(35 950)	(4 872)	(2 424)	(3)	(234)	(1 703)	(53 993)
Segment result	262	137	2 234	682	207	120	1 646	–	5 288
Profit before taxation	262	135	2 275	496	207	221	1 817		5 413
Taxation	(77)	(73)	(1 504)	(176)	(150)	(25)	(244)		(2 249)
Total earnings	185	62	771	320	57	196	1 573		3 164

Embedded Value and Value of new business

as at 31 December 2007

Audited	2007 Rm	2006 Rm
Group embedded value		
Risk discount rate	11,0%	10,5%
Net worth	11 867	9 437
Ordinary shareholders' funds on published basis	11 029	10 665
Adjustment of ordinary shareholders' funds from published basis[(1)]	(2 197)	(1 470)
Financial services subsidiaries fair value adjustment[(2)]	4 124	1 406
Adjustment for carrying value of in-force business acquired[(3)]	(789)	(908)
Allowance for fair value of share options/rights	(300)	(256)
Net value of life business in-force	13 755	12 420
Value of life business in-force	14 655	13 163
Cost of solvency capital	(900)	(743)
Embedded value	25 622	21 857
Embedded value per share information		
Number of shares in issue less shares in respect of the BEE transaction ('000)	257 773	253 032
Embedded value per ordinary share (R)	99,40	86,38
Embedded value before BEE impairment (Rm)	26 781	23 016
Number of shares including shares in respect of the BEE transaction ('000)	283 569	278 828
BEE normalised embedded value per share (R)	94,44	82,55

	2007 Rm	2006 Rm
Value of new business and new business margins		
Gross value of new business	749	647
Cost of solvency capital	(49)	(40)
Net value of new business written in the year	700	607
Individual	671	572
Group	29	35
Present value of future expected premiums	28 337	24 588
New business margin	2,5%	2,5%
New business index excluding contractual increases	4 351	3 762

Embedded Value Profits

for the year ended 31 December 2007

	Embedded value		BEE normalised	
Audited	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Embedded value at the end of the year	25 622	21 857	26 781	23 016
Less capital raised	(846)	(52)	(846)	(52)
Plus impact of share buy backs	583		583	
Less share options exercised	(68)		(68)	
Plus net capital reduction paid	416	912	416	1 004
Plus dividends paid	544	924	642	1 013
Less embedded value at the beginning of the year	(21 857)	(19 153)	(23 016)	(20 404)
Embedded value profits	4 394	4 488	4 492	4 577
Return on embedded value	20,1%	23,4%	19,5%	22,4%

Analysis of Embedded Value Profits

for the year ended 31 December 2007

Audited	Net worth Rm	Value of life business in-force Rm	Cost of solvency capital Rm	Embedded value Rm
Embedded value profits for the year				
Embedded value at the end of the year	11 867	14 655	(900)	25 622
Less capital raised	(846)			(846)
Plus impact of share buy backs	583			583
Less share options exercised	(68)			(68)
Plus net capital reduction paid	416			416
Plus dividends paid	544			544
Less embedded value at the beginning of the year	(9 437)	(13 163)	743	(21 857)
Embedded value profits	3 059	1 492	(157)	4 394
Components of embedded value profits				
Value of new business written in the period	(830)	1 579	(49)	700
Expected return on value of life business		1 447	(90)	1 357
Expected net of tax profit transfer to net worth	1 867	(1 910)	43	
Operating experience variances[10]	(12)	(222)		(234)
Operating assumption changes	(52)	8		(44)
Technology transformation and capital management projects[11]	(164)	(25)		(189)
Other[12]	112	33		145
Embedded value profits from operations	973	902	(96)	1 779
Investment return on net worth	1 919			1 919
Exchange rate movements	16			16
Investment variances[13]	509	182		691
Changes in economic assumptions[14]	(98)	(37)	(9)	(144)
Changes in modelling methodology[15]	(216)	334	(51)	67
Value of in-force business acquired[16]		111	(1)	110
Change in allowance for fair value of share options/rights[17]	(44)			(44)
Total embedded value profits	3 059	1 492	(157)	4 394

Bases, Assumptions and Additional Information

for the year ended 31 December 2007

1. The amounts of R2 197 million and R1 470 million, reflected as the adjustment of shareholders' funds from the published basis, represent the change in these assets as a result of moving from a published valuation basis to the statutory valuation method. This is largely due to the elimination of certain negative rand reserves on the statutory valuation basis. The reduction in net worth results in a corresponding increase in the value of in-force.

2. The published value of financial service subsidiaries is enhanced for embedded value purposes to hold these subsidiaries at a multiple of net after tax earnings. This adjustment is shown as the "financial service subsidiaries fair value adjustment".

   This adjustment consists of the following:

	2007 Rm	2006 Rm
Liberty Group Properties (Proprietary) Limited	400	350
Liberty Jersey		140
STANLIB Limited	3 724	916
	4 124	1 406

   For STANLIB Limited a multiple of 10 was used, less the embedded value of its life business which has been included in the value of life business in-force. In 2006 STANLIB Limited was valued at Liberty's share of the excess of the transaction value over the net carrying value. For Liberty Group Properties (Proprietary) Limited a multiple of 10 was used (same as in 2006).

   Liberty Jersey are asset managers of certain group offshore investment portfolios arising from the sale of Liberty Ermitage Jersey Limited. In 2006 a multiple of 5 was used. In 2007 Liberty Jersey is included in the value for STANLIB Limited.

3. The carrying value of business acquired by Liberty (analysed below) has been deducted from shareholders' funds in order to avoid double counting. For embedded value purposes the value in respect of this amount is included in the net value of life business in-force.

	2007 Rm	2006 Rm
Investec Employee Benefits	(71)	(85)
Capital Alliance Holdings Limited (CAHL)	(679)	(775)
Business previously acquired by CAHL	(39)	(48)
	(789)	(908)

4. 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.	
	2007	2006
Government stock	8,5%	8,0%
Equities	10,5%	10,0%
Property	9,5%	9,0%
Cash	7,0%	6,5%
5. The risk discount rate has been set equal to 0,5% in excess of the investment return on equity assets	11,0%	10,5%
6. Maintenance expense inflation rate	5,0%	4,5%

Bases, Assumptions and Additional Information

for the year ended 31 December 2007 (continued)

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

8. Taxation has been allowed for at rates and on bases applicable to section 29A of the Income Tax Act. Full taxation relief on expenses to the extent permitted was assumed. Capital gains taxation has been taken into account in the embedded value. Allowance has been made for future secondary taxation on companies at 10%. No allowance has been made for the likely replacement of STC with a withholding tax on shareholders or the taxation changes announced in the Budget on 20 February 2008.

9. Other bases, bonus rates and assumptions:

   Parameters reflect best estimates of future experience, consistent with the valuation bases used by the statutory actuaries, excluding any compulsory or discretionary margins. However, in contrast to the assumptions in the valuation bases, the embedded value does make allowance for automatic premium and benefit increases.

10. The amount of R234 million shown for operating experience variances arises from worse than expected persistency experience on the individual life business, offset by actual risk experience being better than expected.

11. The amount of R189 million in respect of technology transformation and capital management projects relates to expected expenditure on strategic systems and IT build as well as risk based capital and associated projects.

12. Included in the R145 million shown for other operating assumption changes are strengthening of the withdrawal basis on certain classes of business, offset by a change in the mortality basis to better reflect recent experience. In addition allowance was made for the reduction in STC from 12,5% to 10% (R113 million) as well as the removal of retirement funds tax (RFT) (R132 million).

13. The amount of R691 million shown for investment variances includes an amount of R117 million in respect of investment guarantees.

14. The amount of R144 million shown for changes in economic assumptions arises from the change to a higher level of economic assumptions.

15. The amount of R67 million shown for changes in modelling methodology arises mainly from a rewrite of the Prophet valuation models for Liberty individual business plus allowance for a change in modelling of certain open-ended policies reflecting actual business experience.

16. The R110 million shown for value of in-force business acquired relates to a book of life business within STANLIB which is consolidated for the first time in 2007.

17. The amount of R44 million in respect of the change in the fair value of share options arises from the change in the number of shares under option and the increase in the market value of the Liberty Group Limited share price over the reporting period.

18. The assets backing the capital adequacy requirement (CAR) are assumed to be 60% equities, 10% cash, 25% preference shares and 5% gilts (previously 60% equities, 20% cash, 15% preference shares and 5% gilts).

New Business

for the year ended 31 December 2007

	2007 Rm	2006 Rm
Insurance operations including contractual increases		
Individual	15 767	14 121
Single	12 294	11 172
Recurring	3 473	2 949
Group	2 108	2 556
Single	1 348	1 905
Recurring	760	651
Insurance operations total new business	17 875	16 677
Insurance operations indexed new business including contractual increases	5 597	4 908
Insurance operations excluding contractual increases		
Individual	14 902	13 317
Single	12 294	11 172
Recurring	2 608	2 145
Group	1 727	2 214
Single	1 348	1 905
Recurring	379	309
Insurance operations total new business	16 629	15 531
Insurance operations indexed new business excluding contractual increases	4 351	3 762
STANLIB[1]		
Retail sales excluding money market	37 463	29 705
Institutional sales excluding money market	12 932	12 939
Total sales excluding money market	50 395	42 644
Money market	65 902	56 918
Total STANLIB new business	116 297	99 562

[1] *Excludes intercompany life fund sales.*

Net Cash Inflows/(Outflows)

for the year ended 31 December 2007

	2007 Rm	2006 Rm
Insurance operations		
Individual	1 908	3 608
Inflows and premiums	23 812	21 810
Claims and benefits	(21 904)	(18 202)
Group	2 372	19
Inflow on IEB transfer[1]	4 487	
Inflows and premiums	5 907	6 092
Claims and benefits	(7 387)	(6 073)
Net outflow relating to IEB book[1]	(635)	
Net cash inflows from insurance operations	4 280	3 627
STANLIB[2] [3]		
Retail net cash inflows	12 615	3 323
Institutional net cash outflows	(3 106)	(5 187)
Net cash inflows/(outflows) before money market	9 509	(1 864)
Money market inflows/(outflows)	3 598	(3 919)
Net STANLIB cash inflows/(outflows)	13 107	(5 783)

[1] *The inflow represents a single premium transfer of the IEB closed book purchased in 2003, the net outflows refer to the movement on that book for the year ended 31 December 2007.*

[2] *Excludes withdrawal of PIC investment of R32,6 billion in December 2006, and intercompany life fund cash flows.*

[3] *Restated due to refinements in definition of categories.*

STANLIB: assets under management (AUM) and funds under administration (FUA)

as at 31 December 2007

	2007 Rbn	2006 Rbn
Life funds	138	122
Segregated funds	67	65
Unit trusts	81	63
Linked investment and structured products	42	36
Rest of Africa	12	8
Total AUM and FUA	340	294

Analysis of Ordinary Shareholders' funds invested

for the year ended 31 December 2007

	Group funds invested		Contribution to earnings		Group investment gains/(losses)	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Insurance operations	789	908	1 798	1 395		
Insurance operating surplus			2 341	1 822		
Present value of in-force business acquired	789	908	(119)	(117)		
Liberty Active preference dividend			(274)	(184)		
Working capital charge[1]			(150)	(126)		
Financing of insurance operations	808	(1 722)	(39)	(68)		
Fixed assets and working capital	2 808	478	150	126		
Callable capital bonds and preference share liabilities	(2 000)	(2 200)	(189)	(194)		
Asset management	255	525	455	247		
Liberty Group Properties	18	35	46	37		
STANLIB	196	459	387	133		
Liberty Jersey			20	36		
Other operations	41	31	2	41		
Investments	9 177	10 954	632	561	284	793
Listed equity investments	2 945	2 418	112	95	102	592
Interest bearing deposits	3 073	4 275	300	286	8	
Preference shares	1 191	1 361	119	40	32	(14)
Mutual funds	802	1 460	30	40	71	90
Share of pooled portfolios	607	943	39	77	29	104
Unlisted investments	559	497	32	23	42	21
Administration expenses – shareholder allocation			(198)	(192)		
Defined benefit pension fund employer surplus			162			
Normal taxation excluding insurance operations			22	(57)		
Secondary tax on companies			(84)	(90)		
Capital gains taxation on specific shareholder assets					(3)	(88)
Net investment gains			281	705	(281)	(705)
Headline earnings	11 029	10 665	3 029	2 501		
Loss on disposal of Prefsure Holdings				(23)		
Profit on disposal of Liberty Ermitage Jersey				397		
Profit on disposal of Saambou Life Assurers			6			
Total shareholders' funds	11 029	10 665	3 035	2 875		

[1] *With effect from 1 July 2005 Liberty Group Limited established a working capital funding loan between insurance operations and shareholder assets, subsequently supported by the callable capital bonds issue. Inter-divisional interest is charged at 8,77% nacm which is equivalent to the callable capital bond's interest rate.*

Capital Commitments

as at 31 December 2007

Audited	2007 Rm	2006 Rm
Capital commitments	1 090	1 987
Business acquisitions[(1)]	386	1 575
Equipment	216	101
Investment and owner-occupied property	488	311
Under contracts	25	139
Authorised by the directors but not contracted	1 065	1 848
	1 090	1 987

Funding for the 31 December 2007 commitments will be from shareholders' funds and where applicable with proportionate recovery from minority interests.

[(1)] *The board has approved certain business acquisitions related to its stated strategy of broadening the group's financial service offerings. These acquisitions are in the final state of negotiation and separate announcements are expected within the next few months from the date of this report. In light of the sensitive nature of the negotiations and certain required regulatory approvals it is not practical to provide financial details with respect to the transactions. However, the transactions are not likely to have a material impact on the group's earnings and capital structure.*

Related Parties

as at 31 December 2007

The acquisition of STANLIB Limited is a significant related party transaction which was approved by shareholders on 29 January 2007. The consideration paid to the group's ultimate holding company, Standard Bank Group Limited for their 37,4% of the shares was R384 million in cash and the issue of 7 246 005 Liberty Group Limited ordinary shares. As a result of this acquisition, STANLIB is now a 100% held subsidiary and any transactions between Standard Bank and STANLIB are now related party transactions from a Liberty perspective. These transactions currently are:

- Asset management fees of R32 million were paid to STANLIB Asset Management Limited by The Standard Bank Group Retirement Fund;
- STANLIB makes use of banking facilities provided by Standard Bank, in the normal course of business at prevailing market rates.

There have been no further significant changes to the nature of the related party transactions as described in note 42 to the 31 December 2006 annual financial statements.

Summary of movement in investments in ordinary shares held by the group in the group's holding companies is as follows:

	Number '000	Market value Rm	Ownership %
Liberty Holdings Limited			
Balance at 31 December 2006	2 724	572	5,55%
Purchases	301	66	
Sales	(206)	(45)	
Fair value adjustments		44	
Balance at 31 December 2007	2 819	637	5,74%
Standard Bank Group Limited			
Balance at 31 December 2006	38 588	3 647	2,83%
Purchases	10 123	1 092	
Sales	(7 529)	(785)	
Fair value adjustments		168	
Balance at 31 December 2007	41 182	4 122	3,00%

Retirement Benefit Obligations

as at 31 December 2007

As at 31 December 2007, the fully provided Liberty group post retirement medical aid benefit liability was R293 million (31 December 2006: R261 million).

The apportionment of the surplus within the Liberty Pension Fund between the employer and the members was approved on 31 August 2007 by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act, 39 of 2001. The employer surplus of R162 million has been measured as the approved amount allocated at 1 January 2003 (date of apportionment) adjusted for subsequent related net investment gains to 31 December 2007. The amount will be recovered through future reductions in employer contributions to the plan.

Notes