FINANCIAL RESULTS

LIBERTY HOLDINGS LIMITED

2008 ANNUAL RESULTS PRESENTATION

Contents

Financial performance indicators

for the year ended 31 December 2008

	December 2008	% change	December 2007
Liberty Holdings Limited			
Basic earnings per share (cents)	**709,3**	(32,6)	1 051,8[4]
BEE normalised embedded value per share (R)	**95,12**		n/a
Final capital reduction/dividends per share (cents)	**291**	22,3	238[4]
Liberty Group Limited			
BEE normalised headline earnings per share (cents)	**574,6**	(47,8)	1 100,4
BEE normalised headline earnings per share before net capital gains/(losses) on shareholder investment portfolios (cents)	**670,5**	(33,1)	1 001,7
BEE normalised embedded value per share (R)	**95,27**	(0,9)	96,10[5]
BEE normalised return on embedded value (%)	**3,7**	(82,9)	21,6[5]
Capital adequacy requirement cover (times covered)	**2,66**	31,0	2,03[7]
Insurance operations[1]			
Indexed new business (excluding contractual increases) (Rm)	**4 782**	9,9	4 351
New business margin (%)	**2,6**	(7,1)	2,8[5]
Net cash (outflows)/inflows (Rm)	**(2 861)**	(>100)	(207)[6]
Asset management			
Assets under management (Rbn)[2]	**337**	(5,6)	357
Net cash inflows (Rm)[3]	**13 374**	2,0	13 107

(1) *Includes insurance business written under any of the group's life licences.*

(2) *Includes STANLIB, Liberty Africa and Liberty Properties asset management operations.*

(3) *Includes STANLIB and Liberty Africa excluding intergroup life fund cash flows.*

(4) *Restated to adjust for the 3:1 share split in 2008 as if it occurred at the beginning of 2007.*

(5) *Restated on application of revised actuarial practice guidance note 107.*

(6) *Excluding IEB positive transfer of R4 487 million.*

(7) *Restated for the regulator deeming the defined pension fund surplus asset as an inadmissable asset.*

Relevant definitions

BEE normalised headline earnings per share, embedded value per share and return on embedded value

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

Indexed new business

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

New business margin

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

Commentary on results

Introduction

During the fourth quarter, shareholders of Liberty Holdings Limited (Liberty or "group") and Liberty Group Limited (LGL) approved a restructure which effectively resulted in LGL becoming a wholly owned subsidiary of Liberty from 1 December 2008. Therefore to assist in understanding comparative performance, the consolidated results of Liberty and additional information on the consolidated results of LGL are presented.

Financial markets in 2008

During 2008, the international banking sector developed three inter-linked problems: a huge pool of troubled or 'toxic' assets, partly in the form of mortgage backed securities, inadequate levels of capital given the extensive write-downs in asset values and a lack of liquidity.

The resultant global credit and banking sector turmoil severely impacted global financial markets particularly in the latter part of 2008. The rush to low risk assets by investors led to a sudden, broad-based weakening in financial markets.

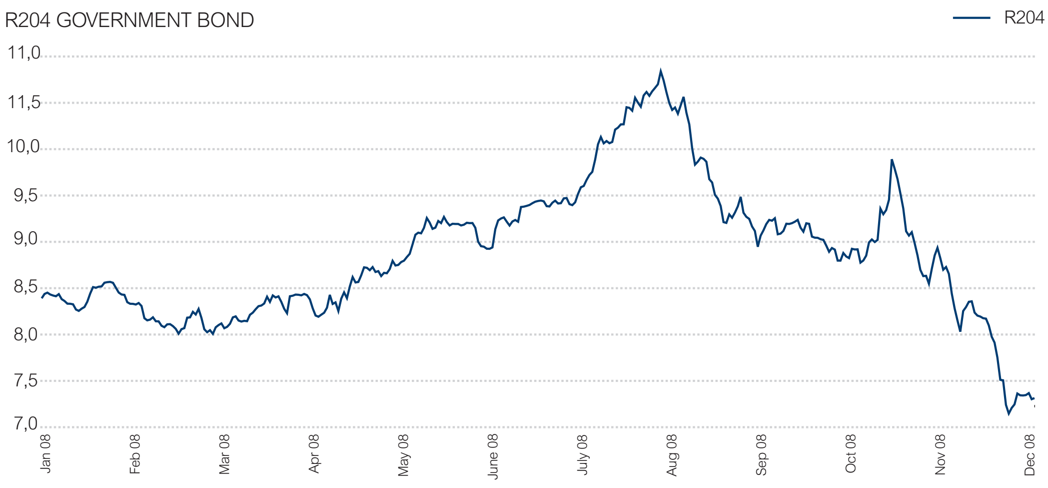
Currently all the major developed economies are in recession including the United States, United Kingdom, Euro-area and Japan. In spite of massive government support in these countries for ailing industries and consumers, the current economic environment remains extremely challenging, with the greatest concern being the escalation in numbers of job losses.

Against the backdrop of a sharply weakening global economy, economic activity in South Africa (SA) has slowed in recent months, especially consumer spending and export activity. Furthermore, the outlook for the next few quarters point to ongoing weakness, with the current slowdown expected to broaden across most components of the economy.

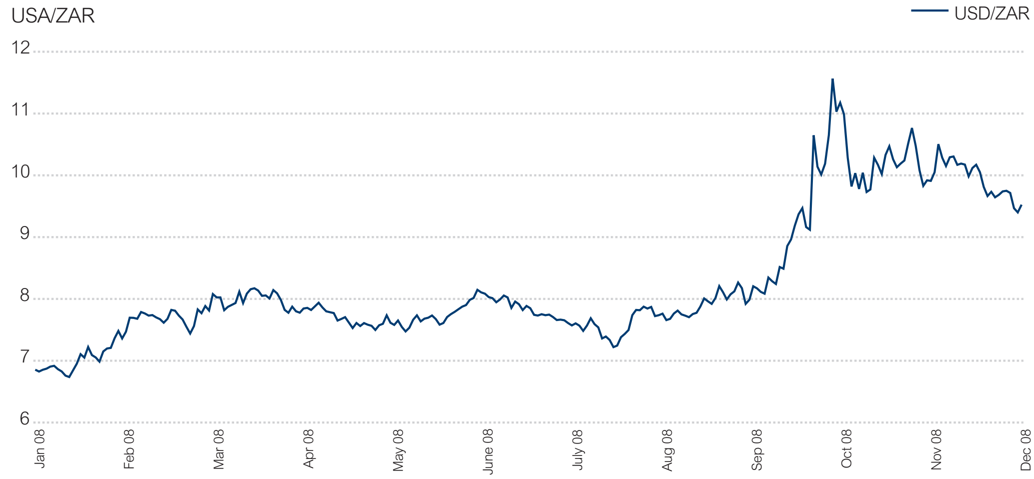
As indicated in the graphs below, the bond market was characterised by increasing yields in the first half with an equally rapid decline in the second half.

The SA equity market declined by 23,2% in 2008, making it the second worst annual (calendar) equity performance since 1960, and hence a rare event. Interestingly, the equity market was actually up 6,4% in the first half of 2008.

In line with the trend of decreased liquidity and de-risking, investment flows from foreigners have been negative in recent months, driving the Rand weaker. The Rand ended the year at R9,31 to the US$ representing a 36,7% decline over the year.



Commentary on results



2008 performance review

Management of the market crisis

As the global economic crisis unfolded, management was able to utilise the risk and capital management framework and capabilities that were implemented over the twelve months preceding the crisis to manage market and credit risk.

With the establishment of Liberty Financial Services (LibFin) in mid 2008, the group was positioned to protect solvency and mitigate earnings impacts through hedging activities. As a result, the group's capital position was strengthened and earnings were protected.

Strategy implementation continues notwithstanding . . .

Liberty's intention is to become the leading wealth management company in Africa and other select emerging markets. Liberty intends to succeed by having distinct areas of specialised financial skill, which combine to create a powerful collective wealth group.

The objective is diversification not only in terms of the wealth solutions offered, but also diversification in terms of targeted countries and markets, and in distribution channels.

The board do not see the need to change the strategic direction despite the current global financial crisis. These conditions only serve to confirm that diversification is a business imperative.

Commentary on results

During 2008 key foundations to achieve this goal have been put in place, including the following:

Liberty Holdings restructure

After Standard Bank increased its effective ownership of Liberty to 53,7%, and to facilitate the group's diversification strategy, shareholders in LGL were offered and accepted a share swop for Liberty shares. LGL was subsequently delisted, leaving Liberty as the remaining listed entity. Significant capital efficiency and operational benefits will be realised from this restructure over future years.

Business unit structures

Business unit structures were formed to ensure more focus on strategy and operational execution.

Three business units were created from the traditional life business, being Individual Life, Corporate Benefits and LibFin. This has already brought benefits including a more effective focus on product innovation, investment management and improved client retention strategies.

LibFin was established in July 2008 to specifically focus on the strategic management of the group's market, credit and liquidity risks. This business unit will also focus on the management of policyholder assets (at the strategic level) as well as the maximisation of risk adjusted returns on shareholder investments and insurance contract mismatch positions.

Strengthening the executive team

The senior management team was strengthened during 2008. Key appointments were made in the new business units as well as Liberty Africa, Liberty Health and Group Information Technology, providing Liberty with a renewed level of leadership ability.

Diversification strategy

The following diversification successes were realised:

- ***Liberty Health:*** Significant progress was made during 2008 in achieving the health strategy of becoming a technology-enabled, multiple-revenue health solutions business. The acquisition of the key strategic enabler, Neil Harvey and Associates (NHA) – the largest independent health IT vendor in Africa, providing technology solutions to over 1 000 000 lives – was concluded after approval was obtained from the Competition Commission. Furthermore, Liberty Health acquired V Medical Aid Administrators (VMed) – an accredited medical aid administrator that uses the NHA system and provides administration and managed care to Medical Schemes, Health Insurers and Health Maintenance Organisations. The growth objectives in South Africa were achieved through the take-on of Medicover, Selfmed, Libcare and Liberty Health Medical Scheme. Good progress has been made in expanding this business into Africa.
- ***Liberty Africa***: During 2008 the group pursued its strategy of expanding into the rest of Africa with Liberty Africa being used as the vehicle to begin building the leading wealth management company in the rest of the continent. Footprints have been established in the following African countries: Namibia, Botswana, Swaziland, Lesotho, Kenya and Uganda. Progress is being made to expand further into East, South and West Africa. In light of the market turmoil, certain targeted acquisitions were, delayed or not pursued.

Financial performance highlights

Lower equity markets, and an approximate 100 basis points reduction in the ten year government bond yield were the main contributors to the group's basic earnings per share decrease of 32,6% and LGL's BEE normalised headline earnings per share decrease of 47,8%. Interest rate derivatives entered into in the second half of 2008 shielded the group's earnings from the sharp fall (350 bps) in long-term rates in the second half to the extent of R1 billion (before tax). Although shareholder long-term and 90-10 equity portfolio exposures remained largely unchanged, other equity exposures were reduced where possible, and some hedging was undertaken.

Earnings were also impacted by a persistency strain arising from higher policyholder withdrawals, offset by good risk profits.

Embedded value was also affected by markets, risk profits and persistency expenses, resulting in LGL's return on BEE normalised embedded value reducing from 21,6% (restated) in 2007 to 3,7%. LGL BEE normalised embedded value per share decreased slightly to R95,27 at 31 December 2008 compared to the R96,10 (restated) at 31 December 2007.

Commentary on results *(continued)*

Insurance operations, excluding the results of investment market exposures, continue to contribute the major portion of the group's earnings and remained strong. Insurance new business sales in the context of an increasingly difficult consumer environment performed well and on an indexed basis were 9,9% higher than 2007. Cost control in the second half was excellent and no further strengthening of actuarial assumptions in this regard were required to those reported at the half year.

Risk products continued to show positive experience variances to actuarial assumptions which allowed for a positive change in forward looking assumptions, together contributing R1 191 million to group embedded value.

However, the increasingly difficult consumer conditions combined with the impacts of the increased ability of policyholders to transfer, or make paid up retirement annuity products, have contributed to higher withdrawal experience variances of R940 million, of which R557 million impacted value of in force and R383 million earnings. Future withdrawal assumptions have therefore been strengthened which resulted in a further R1 040 million negative effect to embedded value, split R709 million in respect of value in force and R331 million reduction to net asset value.

The net cash flows of the group's asset management operations benefited from strong money market and dividend income fund flows and ended R13,4 billion positive (2007: R13,1 billion positive).

Profits from the group's asset management operations (STANLIB, Liberty Africa, Liberty Properties and Fountainhead) are similar to last year. Negative equity markets impacted on the values of assets under management particularly in the second half of 2008 putting pressure on fee income. Strong performance fees and good cost discipline offset this effect.

Contributions to earnings

Audited	**December 2008 Rm**	December 2007 Rm	% change
Insurance operations[1]	**885**	1 784	(50,4)
– Individual Life	**729**	1 555	(53,1)
– Corporate	**156**	229	(31,9)
Asset management operations	**459**	453	1,3
Shareholders' investment returns (LibFin)	**334**	819	(59,2)
Shareholder expenses and sundry income	**(175)**	(155)	(12,9)
Growth initiatives (Liberty Africa and Liberty Health)	**(1)**	13	(>100)
Net income on BEE preference shares accounted for in equity	**117**	100	17,0
Defined benefit pension fund employer surplus	**–**	115	(100,0)
Liberty Group Limited BEE normalised headline earnings	**1 619**	3 129	(48,3)
BEE preference share dividend accrual	**(117)**	(100)	
Liberty Group Limited headline earnings	**1 502**	3 029	(50,4)
Attributed to minority shareholders in Liberty Group Limited	**(346)**	(1 512)	77,1
Liberty Holdings Limited company net loss	**(44)**	(54)	18,5
Preference share dividend	**(2)**	(2)	–
Loss on sale of subsidiaries	**–**	(3)	100,0
Liberty Holdings Limited headline earnings	**1 110**	1 458	(23,9)

[1] *R522 million loss (2007: R297 million profit) is included in insurance operations relating to the activities of LibFin's management of market risks within the Life funds.*

Individual Life

Indexed new business (excluding contractual increases) rose by 9,0% to R4 154 million. Whilst good growth was recorded in risk and ELM products, individual investment products are only marginally up on 2007.

The new business embedded value profit margin of 3,1% (2007: 3,2% restated) has decreased as a result of strengthened persistency assumptions.

Net cash flows were positive R407 million for the year, lower sales of single premium investment business being the main reason for the decline over last year's R1 868 million.

Commentary on results *(continued)*

Due to high short-term equity volatilities, poor equity returns and lower long-term interest rates, the valuation of the embedded investment guarantees, contained in certain investment and risk products, gave rise to a mark-to-market loss of R410 million, after taxation and net of interest rate derivatives. This was further offset by the economic assumption change of R232 million.

The weighted average investment return, used as a proxy in relation to policyholder bonuses on portfolios where shareholders have a 10% participation, ended the year negative 12,4%, compared to the 14,8% positive performance in 2007.

Corporate

Corporate, which represents 12,0% of total new insurance business, grew indexed new business (excluding contractual increases) by 11,5%.

Net cash outflows for the year are however negative at R3 319 million (2007: R2 115 million negative) and were impacted by certain scheme terminations and scheme member withdrawals.

Liberty Financial Solutions (LibFin)

In light of the financial market turmoil most of LibFin's activities to date have been focussed on managing market and credit risk to protect the group's capital. Utilising various strategies, the group's on-balance sheet exposure to interest rate risk has been significantly reduced. In addition these risk mitigation positions allowed for the reduction in LGL's minimum required capital.

Asset management operations

STANLIB contributed R395 million to LGL's headline earnings. Operating profit before interest and taxation was R585 million which is 2,3% lower than the R599 million achieved for 2007. These results were lower as a consequence of the lower value of assets under management in the second half, which decreased by 8,7% to R299 billion. Net cash inflows for the period were R5 115 million benefiting from the flight to cash and the oversubscribed interest in the newly launched dividend income fund. There has been a net outflow from retail and institutional funds.

Liberty Properties, which earns development and management fees from managing the group's property portfolio, performed well and earnings after taxation increased by 26,1% to R58 million. Liberty Properties is managing a number of property developments and consequently development fees were higher.

As announced to shareholders on 27 March 2008, a 50% interest in Fountainhead was acquired with effect from 1 April 2008. Net earnings to 31 December 2008 attributable to the group were R6 million.

Shareholders' investment returns (LibFin)

Earnings on shareholders' funds of R334 million for 2008 were R485 million lower than the R819 million reported in 2007.

Assets, not specifically held to match policyholder liabilities or utilised in asset management operations, are held to back regulatory capital and minimise liquidity risk. Currently, portfolios are balanced between long-term equity holdings and interest related investments to achieve an investment portfolio designed to maximise long-term returns for shareholders. Equity portfolios are currently biased towards financial and industrial sectors which performed negatively, partly offset by currency profits on foreign assets. These combined effects resulted in the group's earnings being negatively impacted to the extent of R270 million (net of taxation) (2007: R281 million profit). However, interest revenue has benefited from the higher average short-term rates experienced during 2008.

Shareholder expenses

Shareholder expenses relate to shareholder corporate activity including costs associated with implementing the group's diversification strategy and developing its risk management capabilities.

Growth initiatives

Growth initiatives include Liberty Africa and Liberty Health.

The newly formed Liberty Africa business unit incurred a loss of R1 million to 31 December 2008. Liberty Africa has spent substantial time seeking out business opportunities within Africa and it is expected results will be more positive going forward. The existing asset management businesses operating under the Stanbic brand enjoyed positive net cash flows of R8 259 million.

Commentary on results *(continued)*

Liberty Health completed the announced acquisition of the technology services provider, NHA. Due to delays in obtaining Competition Commission approval, the purchase was only effective from 1 December 2008. Consequently, the acquisition did not add appreciably to the business unit's results. Various contracts to administer medical schemes were obtained in the latter part of 2008 and there were associated one off costs incurred to build the required capacity. The business unit broke even in 2008, but is now well placed to contribute positive earnings going forward.

Group embedded value

LGL BEE normalised embedded value per share is R95,27, comparable to the R96,10 (restated) at 31 December 2007. Liberty BEE normalised embedded value per share is very similar at R95,12.

Capital adequacy requirement (CAR)

The statutory CAR of LGL was covered 2,66 times at 31 December 2008 compared to the 2,03 times (restated) at 31 December 2007. After taking into account the final shareholder distribution and the expected strategic spend, the CAR cover is well above LGL's historic target of 1,7 times.

Capital reduction in lieu of a final dividend

In terms of the authority granted to the directors at the 2008 annual general meeting and in accordance with the group's dividend policy, the directors have approved a capital reduction of 291 cents per ordinary share in lieu of a final dividend.

The important dates pertaining to the capital reduction of 291 cents per ordinary share are as follows:

Last date to trade cum dividend on the JSE	Friday, 20 March 2009
First trading day ex dividend on the JSE	Monday, 23 March 2009
Record date	Friday, 27 March 2009
Payment date	Monday, 30 March 2009

Share certificates may not be dematerialised or rematerialised between Monday, 23 March 2009 and Friday, 27 March 2009, both days inclusive. Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to shareholders. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 30 March 2009.

Prospects

Globally, the economic outlook for 2009 remains uncertain and as yet no strong signals are evident that a turning point has been reached. South Africa appears to have been shielded from the worst of the international crisis, but the local environment could deteriorate further during 2009.

The expectation is that the current difficult economic situation will continue for at least the first half of 2009, making trading conditions challenging. In these circumstances the focus on managing market risks and capital will continue. Plans include reducing volatility in shareholders' investment returns where possible and, in addition, the group will continue with its approved diversification strategy.

Bruce Hemphill
Chief Executive

Saki Macozoma
Chairman

25 February 2009

Commentary on results *(continued)*

Accounting policies and presentation

The results have been prepared in accordance with International Financial Reporting Standards (IFRS) including full compliance with IAS 34 *Interim Financial Reporting*. They are also in compliance with the Listing Requirements of the JSE Limited and the Companies Act of South Africa. There have been no changes to accounting policies from those applied in the year ended 31 December 2007.

The group has chosen to adopt early the amendments to IAS 1 *Presentation of Financial Statements* and the IFRS 8 *Operating Segments* standard.

The IAS 1 amendment requires a statement of comprehensive income which is more relevant to Liberty as it helps eliminate current mismatches in the income statement between the measurement of policyholder attributable assets and liabilities. Comprehensive income for a period includes profit or loss for that period plus other income or expense items that are not recognised in profit or loss as required or permitted by other standards. The standard does not change the recognition or measurement of specific transactions, but only where they are presented in the primary statements. All owner changes in equity remain recognised in the statement of changes in ordinary shareholders' funds.

Accordingly, the statement of comprehensive income now includes the foreign currency translation of subsidiaries, the revaluation of owner-occupied properties and the related taxation expenses with the profit or loss for the period.

The balance sheet is now referred to as the statement of financial position.

The IFRS 8 Standard requires an entity to report financial and descriptive information about its reportable segments based on information provided to key management.

Restatement of comparatives

The December 2008 and 2007 statements have been restated to reflect the above changes.

No prior year restatements to the group's assets, liabilities or equity were required as a consequence of adopting the amendments to IAS 1 or IFRS 8 standard.

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 2008. They have issued unmodified audit opinions. A copy of their audit reports are available for inspection at the company's registered office.

Liberty Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 1968/002095/06)
Alpha code: LBH
ISIN code: ZAE000004032

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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

Statement of financial position
at 31 December 2008

Liberty Holdings Limited

Audited	2008 Rm	2007 Rm
Assets		
Equipment and properties under development	**946**	519
Owner-occupied properties	**1 282**	1 276
Investment properties	**16 771**	14 937
Intangible assets	**1 444**	1 137
Defined benefit pension fund employer surplus	**144**	162
Deferred acquisition costs	**344**	325
Interests in joint ventures	**505**	295
Reinsurance assets	**827**	820
Operating leases – accrued income	**1 067**	1 180
Pledged assets	**1 622**	5 209
Interests in associates – mutual funds	**4 726**	10 297
Financial instruments	**170 968**	176 223
Deferred taxation	**131**	51
Prepayments, insurance and other receivables	**5 884**	3 528
Cash and cash equivalents	**5 112**	4 688
Total assets	**211 773**	220 647
Liabilities		
Policyholders' liabilities	**172 069**	186 137
Insurance contracts	**122 091**	131 552
Investment contracts with discretionary participation features	**2 648**	3 353
Financial liabilities under investment contracts	**47 330**	51 232
Financial liabilities at amortised cost	**2 430**	2 418
Third party financial liabilities arising on consolidation of mutual funds	**10 481**	8 040
Employee benefits	**642**	524
Deferred revenue	**114**	95
Deferred taxation	**2 897**	3 484
Provisions	**64**	60
Operating leases – accrued expense	**215**	238
Derivative financial instruments	**77**	66
Insurance and other payables	**8 210**	5 993
Current taxation	**748**	1 101
Total liabilities	**197 947**	208 156
Equity		
Ordinary shareholders' interests	**11 633**	5 288
Share capital	**26**	14
Share premium	**9 276**	903
Retained surplus	**3 166**	4 906
Other reserves	**(835)**	(535)
Minority interests	**2 193**	7 203
Total equity	**13 826**	12 491
Total equity and liabilities	**211 773**	220 647

Statement of comprehensive income

for the year ended 31 December 2008

Liberty Holdings Limited

Audited	2008 Rm	2007 Rm
Revenue		
Insurance premium revenue	22 986	23 709
Reinsurance premiums	(727)	(693)
Net insurance premiums	22 259	23 016
Service fee income from investment contracts	799	837
Investment income	13 552	10 372
Hotel operations sales	714	597
Investment (losses)/gains	(15 476)	14 346
Fee revenue	1 144	1 005
Defined benefit pension fund employer surplus		162
Total revenue	22 992	50 335
Claims and policyholders' benefits under insurance contracts	(23 596)	(20 739)
Insurance claims recovered from re-insurers	535	610
Change in policyholder liabilities	10 173	(10 554)
Insurance contracts	9 461	(8 838)
Investment contracts with discretionary participation features	705	(1 634)
Applicable to reinsurers	7	(82)
Fair value adjustment to policyholders' liabilities under investment contracts	1 025	(6 281)
Fair value adjustment on third party mutual fund interests	(134)	(189)
Acquisition costs	(2 822)	(2 894)
General marketing and administration expenses	(5 151)	(4 297)
Finance costs	(356)	(392)
Preference dividend in subsidiary	(308)	(274)
Profit on sale of subsidiary		6
Equity accounted earnings from joint ventures	40	51
Profit before taxation	2 398	5 382
Taxation	(607)	(2 105)
Total earnings	1 791	3 277
Other comprehensive income	(20)	102
Owner occupied properties – fair value adjustment	26	127
Foreign currency translation	(40)	16
Income tax relating to components of other comprehensive income	(6)	(41)
Total comprehensive income	1 771	3 379
Total earnings attributable to:		
Ordinary shareholders' interests	1 112	1 463
Minority interest	679	1 814
	1 791	3 277
Total comprehensive income attributable to:		
Ordinary shareholders' interests	1 072	1 516
Minority interest	699	1 863
	1 771	3 379
	Cents	Restated[(1)] Cents
Basic earnings per share	709,3	1 051,8
Fully diluted basic earnings per share	683,3	1 051,8
Dividends per share	259,3	352,3

[(1)] *2007 earnings and dividends per share amounts have been restated to adjust for the 3:1 share split in 2008 as if it occurred at the beginning of 2007.*

Headline earnings
for the year ended 31 December 2008

Audited	31 December 2008 Rm	31 December 2007 Rm
Liberty Holdings Limited		
Headline earnings and earnings per share		
Reconciliation of total earnings to headline earnings attributable to equity holders		
Total earnings attributable to equity holders	**1 112**	1 463
Adjustments		
Preference share dividend	**(2)**	(2)
Total earnings attributable to ordinary shareholders	**1 110**	1 461
Profit on sale of subsidiaries		(3)
Headline earnings[2]	**1 110**	1 458
Weighted average number of shares in issue ('000)	**156 530**	138 957
	Cents	Restated[1] Cents
Earnings per share		
Total earnings attributable to ordinary equity holders		
Basic	**709,3**	1 051,8
Headline	**709,3**	1 049,7
Fully diluted		
Basic	**683,3**	1 051,8
Headline	**683,3**	1 049,7

Audited	31 December 2008 Rm	31 December 2007 Rm
Liberty Group Limited		
Headline earnings and earnings per share		
Reconciliation of total earnings to headline earnings attributable to equity holders		
Total earnings attributable to equity holders	**1 502**	3 035
Profit on sale of subsidiaries		(6)
Headline earnings[2]	**1 502**	3 029
Net income earned on BEE preference shares	**117**	100
BEE normalised headline earnings attributable to ordinary shareholders	**1 619**	3 129
Weighted average number of shares in issue ('000)	**255 947**	258 613
BEE normalised weighted average number of shares in issue ('000)	**281 743**	284 409
	Cents	Cents
Earnings per share		
Total earnings attributable to ordinary equity holders		
Basic	**586,8**	1 173,5
Headline	**586,8**	1 171,3
BEE normalised headline	**574,6**	1 100,4

(1) *2007 shares in issue and earnings per share figures have been restated to adjust for the 3:1 share split in 2008 as if it occurred at the beginning of 2007.*

(2) *Liberty 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 ordinary shareholders' funds

for the year ended 31 December 2008

Liberty Holdings Limited

Audited	31 December 2008 Rm	31 December 2007 Rm
Balance at 1 January on ordinary shareholders' funds	**5 288**	5 247
Total comprehensive income	**1 072**	1 516
Excess purchase price over net asset value of STANLIB		(1 148)
Excess purchase price over net asset value of Liberty Group	**(3 145)**	
Ordinary dividends	**(372)**	(503)
Preference dividend	**(2)**	(2)
Black economic empowerment transaction	**57**	49
Share based payments	**31**	28
Treasury shares	**324**	(269)
Change in effective ownership	**(5)**	370
Subscription for shares	**8 395**	
Section 311 Liberty transaction costs	**(10)**	
Balance at 31 December on ordinary shareholders' funds	**11 633**	5 288
Minority interests	**2 193**	7 203
Total shareholders' funds	**13 826**	12 491

Condensed statement of cash flows

for the year ended 31 December 2008

Liberty Holdings Limited

Audited	31 December 2008 Rm	31 December 2007 Rm
Operating activities	**1 907**	7 989
Investing activities	**(1 702)**	(7 711)
Financing activities	**203**	(957)
Net increase/(decrease) in cash and cash equivalents	**408**	(679)
Cash and cash equivalents at the beginning of the year	**4 688**	5 242
Cash and cash equivalents acquired through business acquisition	**16**	166
Cash and cash equivalents disposed through business disposal		(41)
Cash and cash equivalents at the end of the year	**5 112**	4 688

Condensed segment information

for the year ended 31 December 2008

Liberty Holdings Limited

Audited Rm	Long-term insurance Individual	Long-term insurance Corporate	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Segment revenue	22 304	5 928	1 699	57	625	30 613	(7 621)	22 992
Segment expenses	(21 161)	(5 711)	(1 050)	(122)	(537)	(28 581)	7 987	(20 594)
Profit before taxation	1 143	217	649	(65)	88	2 032	366	2 398
Taxation	(399)	(61)	(198)	46	30	(582)	(25)	(607)
Total earnings	744	156	451	(19)	118	1 450	341	1 791
Attributable to:								
Equity holders	566	119	337	–	90	1 112	–	1 112
Minorities	178	37	114	(19)	28	338	341	679
For the year ended 31 December 2007								
Segment revenue	42 060	15 872	1 417		1 360	60 709	(10 374)	50 335
Segment expenses	(38 764)	(15 554)	(759)		(577)	(55 654)	10 701	(44 953)
Profit before taxation	3 296	318	658		783	5 055	327	5 382
Taxation	(1 727)	(89)	(205)		(121)	(2 142)	37	(2 105)
Total earnings	1 569	229	453		662	2 913	364	3 277
Attributable to:								
Equity holders	803	117	229		314	1 463	–	1 463
Minorities	766	112	224		348	1 450	364	1 814

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

Group embedded value report
Audited

1. Introduction

The embedded value is a determination of the economic value of a life insurance company before making allowance for any value which may be attributed to future new business. The embedded value and value of new business have been prepared in accordance with PGN 107, the guidance note on embedded values and value of new business issued by the Actuarial Society of South Africa.

2. Group structure

The structure of the group changed with effect from 1 December 2008. Prior to that date Liberty Holdings Limited housed Standard Bank Limited's controlling interest in Liberty Group Limited. Both Liberty Holdings Limited and Liberty Group Limited were listed on the Johannesburg Stock Exchange (JSE). The restructure resulted in Liberty Group Limited becoming a wholly owned subsidiary of Liberty Holdings Limited and was delisted from the JSE.

3. Adoption of revised PGN 107

A revised version of Professional Guidance Note PGN 107 comes into force for all financial year ends on or after 31 December 2008. PGN 107 governs the way in which embedded values are reported. The main changes are:

- A reassessment of the equity risk premium. This has been assessed at 3,5% (2% previously).
- The setting of the risk discount rate as the risk free rate plus a proportion of the equity risk premium. The proportion has been determined by assessing the beta (volatility of Liberty's share price to that of the equity market) and the weighted average cost of capital of the group. Previously the risk discount rate was set as the risk free rate plus 2,5%. This has resulted in the risk discount rate increasing by 0,25%.
- The use of required capital, being the target multiple of statutory capital.

The embedded value consists of:

- The free surplus attributed to the covered business;
- Plus the required capital identified to support the in-force covered business;
- Plus the present value of future shareholder cash flows from in-force covered business (PVIF);
- Less the cost of required capital.

The PVIF is the discounted value of the projected stream of after tax shareholder profits arising from existing in force covered business. These shareholder profits arise from the release of margins under the statutory basis of valuing liabilities. This value is reduced by the present value of after tax future shareholder recurring and non-recurring expenses. Covered business is defined as business regulated by the FSB as long-term insurance business. This business comprises life assurance policies, investment policies (smooth bonus, reversionary bonus, market-related and linked), annuities and group pensions business.

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

The required capital is defined as the level of capital that is restricted for distribution to shareholders. This comprises the statutory CAR calculated in accordance with PGN 104 plus any additional capital considered by the Board appropriate given the risks in the business. For Liberty Group Ltd, required capital is calculated as 1,7 x CAR. The cost of required capital is the present value, at the risk discount rate, of the projected release of the required capital allowing for investment returns on the assets supporting the projected required capital.

The value of new business written over the year is the present value at the point of sale of the projected stream of after tax profits from that business, reduced by the cost of required capital. New business is defined as covered business arising from the sale of new policies and once off premium increases in respect of in force covered business during the year. Only policies where at least one premium has been received are included. This definition is consistent with that used in the financial statements.

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

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

Group embedded value report *(continued)*

Audited

4. Liberty Holdings Limited

4.1 Embedded value and embedded value per share

Embedded value per share information

	31 December 2008 Embedded value	31 December 2008 BEE normalised embedded value
Liberty Group Limited embedded value (Rm)	25 889	27 048
Liberty Holdings net asset value (Rm)	159	159
Liberty Holdings embedded value (Rm)	26 048	27 207
Number of applicable shares ('000)	260 226	286 022
Embedded value per ordinary share (R)	100,10	95,12

5. Liberty Group Limited

5.1 Embedded value and value of new business

Group embedded value

	31 December 2008 Rm	Restated[1] 31 December 2007 Rm
Risk discount rate	10,25%	11,25%
Net worth	11 701	11 900
Ordinary shareholders' funds on published basis	11 474	11 062
Adjustment of ordinary shareholders' funds from published basis[1]	(3 012)	(2 197)
Financial service subsidiaries fair value adjustment[2]	4 107	4 124
Adjustment for carrying value of in-force business acquired[3]	(683)	(789)
Allowance for fair value of share options/rights	(185)	(300)
Net value of life business in-force	14 188	14 191
Value of life business in-force	14 640	15 282
Cost of required capital	(452)	(1 091)
Embedded value	25 889	26 091

[1] *Refer to note 3 for details of the restatement.*

Group embedded value report *(continued)*
Audited

5. Liberty Group Limited (continued)

5.1 Embedded value and value of new business (continued)

Value of new business and new business margins

	31 December 2008 Rm	Restated[1] 31 December 2007 Rm
Gross value of new business	**763**	845
Cost of required capital	**(39)**	(60)
Net value of new business written in the year	**724**	785
Individual	**701**	756
Group	**23**	29
New business index excluding natural increases	**4 782**	4 351
Present value of future expected premiums	**28 180**	28 337
Margin	**2,6%**	2,8%

[1] *Refer to note 3 for details of the restatement.*

The value of new business is the value at the point of sale derived from the new business premium income net of contractual increases. The new business margin is the value of new business as a percentage of the present value of future expected premiums.

5.2 Embedded value profits

Embedded value profits are equal to the change in the embedded value over the year increased by any dividends paid, capital reductions or share buy backs made during the year and decreased by any capital raised during the year. Embedded value profits provide a measure of a company's financial performance over the year.

	Embedded value		BEE normalised	
	2008 Rm	Restated[1] 2007 Rm	2008 Rm	Restated[1] 2007 Rm
Embedded value at the end of the year	**25 889**	26 091	**27 048**	27 250
Less capital raised		(846)		(846)
Plus impact of share buy backs		583		583
Less share options/rights exercised	**(18)**	(68)	**(18)**	(68)
Plus net capital reduction paid	**640**	372	**754**	416
Plus dividends paid	**466**	588	**466**	642
Less embedded value at the beginning of the year	**(26 091)**	(21 857)	**(27 250)**	(23 016)
Embedded value profits	**886**	4 863	**1 000**	4 961
Return on net worth	**7,4%**	51,5%	**8,4%**	52,6%
Return on embedded value	**3,4%**	22,2%	**3,7%**	21,6%

[1] *Refer to note 3 for details of the restatement.*

Group embedded value report *(continued)*
Audited

5. Liberty Group Limited (continued)

5.3 Analysis of embedded value profits

An analysis of the components of embedded value profits for the year ended 31 December 2008 is summarised below.

	Net worth Rm	Value of in-force covered business Rm	Cost of required capital Rm	Embedded value Rm
Embedded value profits for the year				
Embedded value at the end of the year	11 701	14 640	(452)	25 889
Less capital raised				
Plus impact of share buy backs				
Less share options/rights exercised	(18)			(18)
Plus net capital reduction paid	640			640
Plus dividends paid	466			466
Less restated embedded value at the beginning of the year	(11 900)	(15 282)	1 091	(26 091)
Embedded value at the beginning of the year	(11 867)	(14 655)	900	(25 622)
PGN 107 restatement	(33)	(627)	191	(469)
Embedded value profits	889	(642)	639	886
Components of embedded value profits				
Value of new business written in the year	(915)	1 678	(39)	724
Expected return on value of life business(7)		1 626	(128)	1 498
Expected net of tax profit transfer to net worth	1 895	(2 104)	209	
Operating experience variances(10)	(47)	(426)	212	(261)
Operating assumption changes(11)	(298)	(208)	(2)	(508)
Change in respect of allowance for STC(12)		351		351
Embedded value profits from operations	635	917	252	1 804
Investment return on net worth	640			640
Exchange rate movements	(42)			(42)
Investment variances	(120)	(1 340)	27	(1 433)
Changes in economic assumptions(13)	71	74	361	506
Changes in modelling methodology(14)		(293)	(1)	(294)
Change in allowance for fair value of share options/rights(15)	115			115
Change in respect of investment guarantees(16)	(410)			(410)
Total embedded value profits	889	(642)	639	886

Group embedded value report *(continued)*

Audited

5. Liberty Group Limited (continued)

5.4 Bases, assumptions and additional information

1. The amounts of R3 012 million and R2 197 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:

	31 December 2008 Rm	31 December 2007 Rm
Liberty Group Properties (Proprietary) Limited	**504**	400
STANLIB Limited	**3 603**	3 724
	4 107	4 124

   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. For Liberty Group Properties (Proprietary) Limited a multiple of 10 was used (both same as in 2007).

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.

	2008 Rm	2007 Rm
Investec Employee Benefits	**(58)**	(71)
Capital Alliance Holdings Limited (CAHL)	**(590)**	(679)
Business previously acquired by CAHL	**(35)**	(39)
	(683)	(789)

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. (%)	
	2008	2007
Government stock	**7,50**	8,50
Equities	**11,00**	12,00
Property	**8,50**	9,50
Cash	**6,00**	7,00
5. The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium	**10,25**	11,25
6. Maintenance expense inflation rate	**4,5**	5,0

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.

Group embedded value report *(continued)*
Audited

5. Liberty Group Limited (continued)

5.4 Bases, assumptions and additional information (continued)

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.

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. Operating experience variances consist of the combined effect on net worth and value in force of operating experience proving different from that anticipated at the prior year end.

    The net 2008 operating experience variance of negative R261 million is made up of two principal components being a positive variance of R567 million in respect of mortality experience, offset by a negative variance of R940 million arising from policyholder behaviour.

    Approximately R470 million of this R940 million results from an unanticipated increase in retirement annuity policies being made paid-up. This level of paid-ups is a recent occurrence and is thought to be connected to the deterioration in economic conditions. As such, this effect is considered to be cyclical and unlikely to persist at this level over the run-off of the relevant book of policies. However, short-term assumptions have been further strengthened to allow for potential further losses on retirement annuity paid-ups during 2009 and 2010. (Refer withdrawals amounts in note 11 below).

    Long-term assumptions have been strengthened in line with experience investigations.

11. Operating assumption changes of R508 million comprise:

	Rm
Future project costs	(139)
Net maintenance expenses	(121)
Change in corporate tax rate (29% to 28%)	168
Withdrawals	(1 040)
Individual – to maturity	(729)
Individual – short-term	(270)
Corporate – to maturity	(41)
Individual mortality	624
	(508)

12. The amount of R351 million in respect of the change in the allowance for STC represents the reduction in future tax payable arising from the restructure of the group.

13. The amount of R506 million shown for changes in economic assumptions arises from the change to a lower level of economic assumptions.

14. The amount of R294 million shown for changes in modelling methodology arises from the transfer of a discretionary AIDS margin into the best estimate assumptions.

15. The amount of R115 million in respect of the change in the fair value of share options/rights arises from the change in the number of shares under option and the decrease in the market value of the Liberty Group Limited and Liberty Holdings Limited share prices over the reporting period.

16. The amount of R410 million in respect of the change in investment guarantees represents the increase in the reserve over the year less the investment return on the assets backing the reserve.

17. The assets backing the required capital are assumed to be 60% equities, 25% preference shares, 10% cash and 5% gilts.

New business
for the year ended 31 December 2008

Liberty Holdings Limited

Unaudited	31 December 2008 Rm	31 December 2007 Rm
Insurance operations[4]		
Individual	**14 911**	14 902
Single	**11 891**	12 294
Recurring	**3 020**	2 608
Corporate	**1 984**	1 727
Single	**1 567**	1 348
Recurring	**417**	379
Total new business	**16 895**	16 629
Single	**13 458**	13 642
Recurring	**3 437**	2 987
Indexed new business[2]	**4 782**	4 351
Asset management operations		
Total STANLIB sales excluding money market[1]	**42 880**	40 331
Retail sales excluding money market	**37 551**	32 269
Institutional sales excluding money market	**5 329**	8 062
Money market	**95 266**	65 902
Total STANLIB sales	**138 146**	106 233
Total Liberty Africa sales excluding money market[1]	**14 695**	5 797
Retail sales excluding money market	**2 954**	927
Institutional sales excluding money market	**11 741**	4 870
Money market	**4 809**	4 268
Total Liberty Africa sales[3]	**19 504**	10 065
Total asset management sales	**157 650**	116 298

(1) *Excludes intercompany life fund sales.*
(2) *Restated in accordance with new definitions applied to December 2007.*
(3) *Liberty group owns less than 100% of the various entities that make up Liberty Africa. Sales information is recorded at 100% and is not adjusted for proportional legal ownership.*
(4) *Includes Liberty Africa.*

Net cash inflows/(outflows)

for the year ended 31 December 2008

Liberty Holdings Limited

Unaudited	31 December 2008 Rm	31 December 2007 Rm
Insurance operations[3]		
Individual	**458**	1 908
Inflows and premiums	**24 387**	23 812
Claims and benefits	**(23 929)**	(21 904)
Corporate	**(3 319)**	2 372
Inflow on IEB transfer[1]		4 487
Inflows and premiums	**6 468**	5 907
Claims and benefits	**(9 111)**	(7 387)
Net outflow relating to IEB book[1]	**(676)**	(635)
Net cash (outflows)/inflows from insurance operations	**(2 861)**	4 280
Asset management		
STANLIB before money market	**(14 157)**	5 290
Retail net cash (outflows)/inflows	**(3 830)**	11 110
Institutional net cash outflows	**(10 327)**	(5 820)
Money market inflows	**19 272**	3 598
Net STANLIB cash inflows	**5 115**	8 888
Liberty Africa before money market	**7 468**	3 424
Retail net cash inflows	**2 046**	710
Institutional net cash inflows	**5 422**	2 714
Money market inflows	**791**	795
Net Liberty Africa inflows[2]	**8 259**	4 219
Net cash inflows from asset management	**13 374**	13 107
Total net cash inflows	**10 513**	17 387

(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 to 31 December 2008.*

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

(3) *Includes Liberty Africa.*

Assets under management (AUM)

for the year ended 31 December 2008

Liberty Holdings Limited

Audited	31 December 2008 Rbn	31 December 2007 Rbn
Life funds	**111**	129
Segregated funds	**62**	69
Unit trusts (including money market)	**109**	100
Linked Investment and structured products	**36**	42
Net cash inflows from insurance operations	**318**	340
Liberty Africa	**19**	12
STANLIB	**299**	328

(1) *Includes funds under administration.*

Analysis of ordinary shareholders' funds invested

for the year ended 31 December 2008

Liberty Group Limited

Unaudited	Group funds invested 2008 Rm	Group funds invested 2007 Rm	Contribution to earnings 2008 Rm	Contribution to earnings 2007 Rm	Capital investment gains/(losses) 2008 Rm	Capital investment gains/(losses) 2007 Rm
Ordinary shareholders' interests						
Analysis of shareholders' interests:						
Insurance operations[2]	**681**	789	**885**	1 784		
Insurance operating surplus			**1 511**	2 327		
Present value of in-force business	**681**	789	**(118)**	(119)		
Liberty Active preference dividend			**(308)**	(274)		
Working capital charge[1]			**(200)**	(150)		
Statement of intent						
Financing of insurance operations	**(252)**	808	**21**	(39)		
Fixed assets and working capital[1]	**1 748**	2 808	**200**	150		
Callable capital bonds and preference share liabilities	**(2 000)**	(2 000)	**(179)**	(189)		
Financial services operations	**898**	255	**474**	469		
Liberty Group Properties	**46**	18	**58**	46		
STANLIB	**343**	196	**395**	387		
Liberty Jersey (long only fund fees)				20		
Liberty Africa	**87**		**(1)**	16		
Fountainhead	**187**		**6**			
Liberty Health	**234**			(3)		
Other	**1**	41	**16**	3		
Investments	**10 147**	9 177	**740**	632	**(373)**	284
Listed equities	**1 934**	2 945	**92**	112	**(633)**	102
Interest bearing deposits	**4 609**	3 073	**421**	300	**113**	8
Preference shares	**1 323**	1 191	**108**	119	**(18)**	32
Mutual funds	**1 788**	802	**38**	30	**101**	71
Share of pooled portfolios	**285**	607	**76**	39	**(89)**	29
Unlisted investments	**208**	559	**5**	32	**153**	42
Administration expenses – shareholder allocation			**(289)**	(198)		
Pension fund surplus				162		
Normal taxation excluding insurance operations			**(31)**	22	**42**	
Secondary tax on companies			**(28)**	(84)		
Capital gains taxation on shareholder specific assets					**61**	(3)
Net investment gains			**(270)**	281	**270**	(281)
Headline earnings			**1 502**	3 029		
Profit on sale of Saambou Life Assurers				6		
Total shareholders' funds	**11 474**	11 029	**1 502**	3 035		

[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.*

[2] *Includes all insurance operations in South Africa, other insurance operations external to South Africa are included in Liberty Africa.*

Capital commitments

for the year ended 31 December 2008

Liberty Holdings Limited

Audited	31 December 2008 Rm	31 December 2007 Rm
Capital commitments	**3 843**	1 090
Business acquisitions	**194**[1]	386
Equipment	**391**	216
Investment and owner-occupied property	**3 258**	488
Under contracts	**1 767**	25
Authorised by the directors but not contracted	**2 076**	1 065
	3 843	1 090

The group's share of commitments of joint ventures amounting to R18 million (2007: R16 million). The above 2008 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds, R429 million (2007: R7 million) from minorities in unincorporated property partnerships, and R13,5 million from minorities in Liberty Health Holdings (Pty) Limited.

[1] *The board has approved an allocated amount towards possible business acquisitions related to its stated strategy of broadening the group's financial services offerings.*

Related parties
for the year ended 31 December 2008

Liberty Holdings Limited

The following significant related party transactions have occurred in the 2008 financial year:

1) **Acquisition of the remaining issued ordinary share capital of Liberty Holdings Limited**
On 27 May 2008, Standard Bank Group Limited announced their intention to acquire the remaining issued ordinary share capital of Liberty Holdings Limited.

The consideration offered was 21 925 cents per ordinary share. Liberty Group Limited sold 2 717 247 shares for a total consideration of R596 million in Liberty Holdings Limited in terms of this offer.

2) **Acquisition of Fountainhead Property Trust Management Limited and Evening Star Trading 768 (Pty) Limited**
Liberty Group Limited, with effect from 1 April 2008, acquired from Standard Bank South Africa Limited, a wholly-owned subsidiary of Standard Bank Group Limited, 50% of the issued share capital of Fountainhead Property Trust Management Limited and Evening Star Trading 768 (Pty) Limited for a consideration of R46,7 million.

Liberty Group Limited also acquired from Standard Bank Properties (Pty) Limited, a wholly-owned subsidiary of Standard Bank Group Limited, equity loan claims of R139,5 million against Evening Star Trading 768 (Pty) Limited.

3) **Derivatives**
Certain derivative transactions were entered into between Liberty Group Limited and the Corporate & Investment Banking Division of Standard Bank Group Limited (CIB).

These include interest rate swaps, swaptions, bond forwards and equity options. All transactions were entered into in order to mitigate the market risk inherent in the group's assets and liabilities.

Interest rate swaps on a notional amount of R2 915 million were entered into during the year for various terms between 12 years and 20 years. All of these were outstanding at year end.

Swaptions, which give an option to enter into a swap in the future, were entered into with CIB during the year. The total notional of the swaptions is R3 400 million and cover various terms from 10 years to 30 years. All were outstanding at year end and the premium paid for these options amounted to R100 million in total.

Bond forwards were entered into to purchase BESA listed government gilts at future dates with the forward yield being set at current market rates. These are all less than 6 months in duration and for a total notional amount of R2 200 million.

Premiums paid for equity options amounted to R25 million in total. These were for a total notional amount of R1 100 million.

The transactions were entered into on an arm's length basis and only after obtaining competitive pricing quotations from several market players who conduct business in these markets.

The total fair value of these instruments at 31 December 2008 is R593 million (2007: R186 million).

4) **Summary of movement in investment in ordinary shares held by the group in the group's holding company is as follows:**

	Number '000	Market value Rm	Ownership %
Standard Bank Group Limited			
Balance at 31 December 2007	41 182	4 122	3,00
Purchases	7 892	697	
Sales	(18 163)	(1 771)	
Fair value adjustments		(482)	
Balance at 31 December 2008	**30 911**	**2 566**	**2,03**

5) **Construction contracts**
Certain of the group's investment properties namely the Liberty Promenade, Sandton City and Eastgate complexes are undergoing refurbishments and extensions. Grinaker-LTA Limited, a subsidiary of Aveng Limited, has been awarded construction contracts to the value of R1 455 million. Angus Band who through his directorship of Liberty is defined as a key manager, is currently the chairman of Aveng Limited.

Retirement benefit obligations

for the year ended 31 December 2008

Liberty Holdings Limited

Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for employees who joined the group prior to 1 July 1998. Medical aid costs are included in the income statement within general marketing and administration expenses in the period during which the employees render services to the group. For past service the group recognises and provides for the actuarially determined present value of post-retirement medical aid employer contributions on an accrual basis using the projected unit credit method.

As at 31 December 2008, the Liberty post-retirement medical aid benefit liability was R344 million (31 December 2007: R293 million).

Defined benefit retirement funds

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

Notes