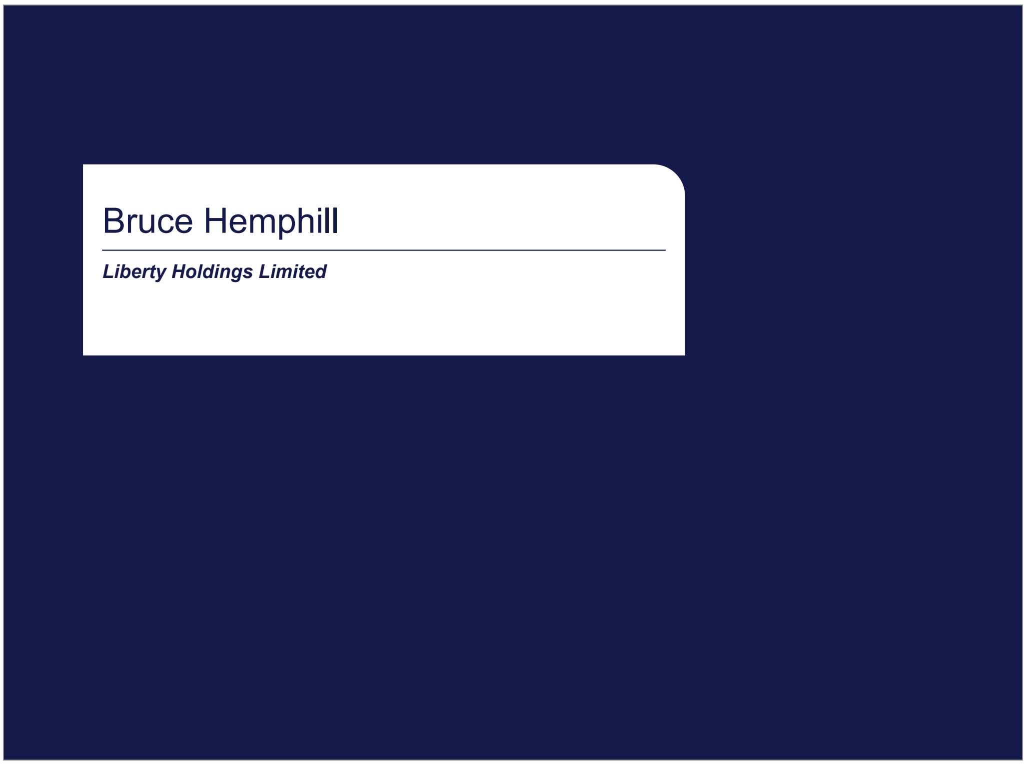

LIBERTY
Liberty Holdings Limited
Annual results
for the year ended 31 December
2013


Bruce Hemphill
Liberty Holdings Limited

Notes

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Liberty Holdings – fundamental transformation

Financial results

- 31 December 2013 results, the best in the last 10 years;
  - › Headline earnings R4bn 11%
  - › Long-term insurance value of new business R839m 21%
  - › Long-term insurance new business R6.9bn 15%
  - › Long-term insurance cash flows R6.3bn 38%
  - › Asset management cash flows in South Africa in excess of R21bn

Management change

- Leadership continuity
- Team is in place
- Strategy is clear

Financial performance review

Liberty Holdings Limited
Casper Troskie

Notes

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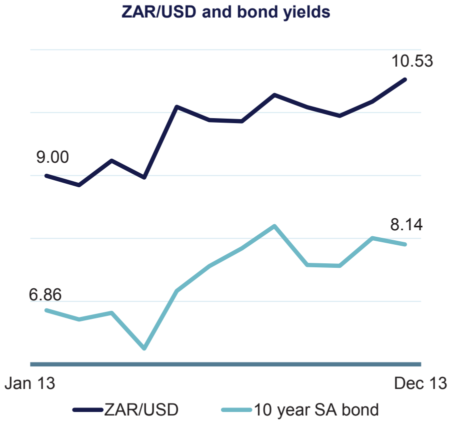
Operating environment



- US quantitative easing impacts net inflows to bonds and equities
- Weaker SA currency exacerbates current account deficit
- Socio-political factors weigh on investor sentiment

Source: I-Net Bridge and Bloomberg
* *Indices based to 1 Jan 2013 = 100*

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Group financial summary

Rm *(unless stated otherwise)*	**Dec 13**	Dec 12*	% Δ
IFRS operating earnings	**2 198**	1 723	28
LibFin Investments	**1 878**	1 965	(4)
BEE normalised headline earnings per share (c)	**1 439.6**	1 300.1	11
BEE normalised headline earnings	**4 076**	3 688	11
Embedded value of insurance new business	**839**	691	21
Indexed long-term insurance new business	**6 947**	6 055	15
Long-term insurance net customer cash flows	**6 316**	4 572	38
Asset management net cash inflows	**15 725**	14 327	10
Retail and Institutional excluding Money Market	**13 527**	11 744	15
Money Market	**2 198**	2 583	(15)
LGL CAR cover (times covered)	**2.56**	2.71	(6)
BEE normalised Group Equity Value per share (R)	**126.08**	115.43	9
BEE normalised RoGEV (%)	**16.1**	20.8	(23)
BEE normalised RoE (%)	**23.3**	24.0	(3)

* *Where applicable comparative restated for IAS19 employee benefits accounting policy change*

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Changes in key assumptions and comparatives

- Risk discount rate increased by 1.25%
- No significant operating assumption changes made
- Modelling changes include refinements for cost of CAR, reinsurance modelling and Liberty Corporate expenses
- Comparatives for Retail SA and Corporate have been restated to accommodate the accounting policy change for IAS19

No significant impacts from changes in non-economic assumptions

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Business unit BEE normalised operating earnings

Rm	Dec 13	Dec 12[1]	% Δ
Insurance			
Retail segment[2]	**1 467**	1 179	24
Institutional segment	**133**	45	>100
Liberty Corporate	**121**	66	83
Liberty Africa Insurance	**52**	21	>100
Liberty Health	**(40)**	(42)	5
Balance sheet management			
LibFin Markets	**137**	151	(9)
Credit Portfolio	**132**	109	21
LibFin ALM	**5**	42	(88)
Asset management			
STANLIB	**633**	537	18
Liberty Properties	**44**	39	13
Fountainhead	**-**	9	-
Central overheads and sundry income	**(216)**	(237)	9
BEE normalised operating earnings	**2 198**	**1 723**	**28**

1. Where applicable comparative restated for IAS19 employee benefits accounting policy change
2. Retail segment includes Retail SA, ECM and DFS

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Sources of BEE normalised Group Equity Value earnings

Rm	Dec 13	Dec 12	% Δ
Value of long-term insurance new business	**839**	691	21
Expected return on SA covered business	**1 843**	1 763	5
Variances/changes in operating assumptions	**(67)**	(112)	40
Headline earnings of other businesses	**616**	502	23
Operational Equity Value earnings	**3 231**	2 844	14
Development costs and non headline earnings adjustment	**(208)**	(7)	(>100)
Investment return on net worth and investment variances	**2 301**	1 580	46
Changes in economic assumptions - SA covered business	**(603)**	507	(>100)
Increase in fair value adjustment on value of other businesses	**484**	1 163	(58)
Change in allowance for share option rights	**76**	(201)	>100
Group Equity Value earnings	**5 281**	**5 886**	**(10)**

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Long-term insurance indexed new business[1]

Rm	Dec 13	Dec 12	% Δ
South Africa	**6 789**	5 917	15
Retail segment	**6 000**	5 305	13
Institutional segment	**789**	612	29
Rest of Africa	**158**	138	15
Institutional segment	**158**	138	15
Total	**6 947**	**6 055**	**15**

Excellent sales in a tough economic environment

1. Excludes natural increases

Notes

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Value of new business

	Dec 13	Dec 12	% Δ
Value of new business (Rm)	**839**	691	21
Retail segment	**742**	625	19
Institutional segment	**97**	66	47
New business margins (%)	**2.2**	2.0	10
Retail segment	**2.4**	2.3	4
Institutional segment	**1.3**	1.0	30

Value up substantially despite margins being impacted by interest rates

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Long-term insurance net customer cash flows

Rm	Dec 13	Dec 12	% Δ
South Africa	**5 991**	4 263	41
Retail segment	**6 111**	6 058	1
Institutional segment	**(120)**	(1 795)	93
Rest of Africa	**325**	309	5
Institutional segment	**325**	309	5
Total	**6 316**	**4 572**	**38**

Significant turnaround in Corporate business cash flows

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Assets under management

Rbn	Dec 13	Dec 12	% Δ
Assets under management	**611**	528	16
STANLIB	**545**	473	15
LibFin & GateWay LISP	**41**	32	28
Externally managed	**25**	23	9

Rm	Dec 13	Dec 12	% Δ
Asset management net cash flows[1]	**15 725**	14 327	10
Retail and Institutional	**13 527**	11 744	15
Money Market	**2 198**	2 583	(15)

Good overall asset growth with increased higher margin retail assets

1. Excluding intergroup

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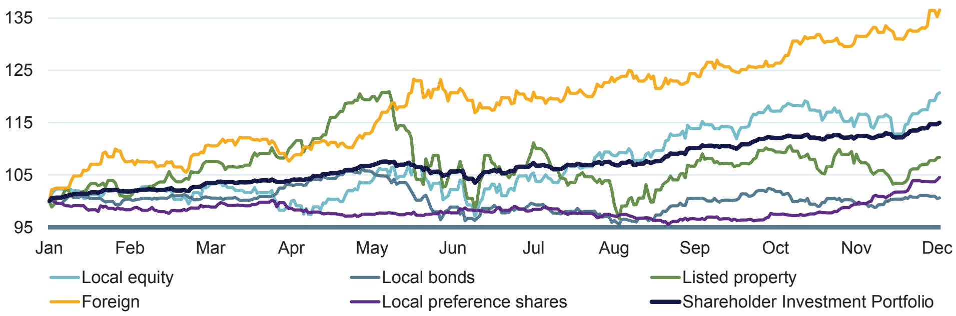
LibFin Investments

Asset class performances in 2013



Gross return (%)

Selection of indices	2009	2010	2011	2012	2013
SWIX	29.9	20.9	4.3	29.1	**20.7**
ALBI	(1.0)	15.0	8.8	16.0	**0.6**
STEFI	9.1	6.9	5.7	5.6	**5.2**
R/$ exchange	(26.4)	11.6	22.0	4.7	**23.8**

Returns in a volatile market remain ahead of benchmark – gross return 14.6%

Notes

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LibFin Investments – Shareholder Investment Portfolio

Rm	Dec 13	% ∆	Dec 12	% ∆
Equities	**3 216**	**14**	3 751	18
Bonds	**4 957**	**22**	4 422	21
Cash	**5 149**	**21**	2 445	12
Preference shares	**620**	**3**	1 343	7
Property	**3 126**	**14**	2 942	14
Other	**677**	**3**	201	1
Foreign*	**5 192**	**23**	5 666	27
Total	**22 937**	**100**	**20 770**	**100**
Assets backing capital	**10 775**	**47**	9 424	45
Assets backing life funds	**7 491**	**33**	7 251	35
90:10 exposure	**4 671**	**20**	4 095	20
Total	**22 937**	**100**	**20 770**	**100**
Rand	**17 745**	**77**	15 104	73
Foreign currency*	**5 192**	**23**	5 666	27

* *For foreign split by asset class refer to supplementary information*

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LibFin Markets

Less volatile second half after sharp increase in interest rates

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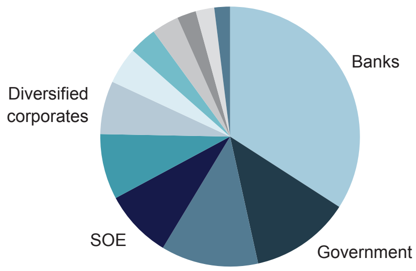
LibFin Markets - Credit Portfolio



	Dec 13	Dec 12	% ∆
Total ALM assets managed by LibFin (Rbn)	**36**	27	33
ALM assets diversified (Rbn)	**19**	12	58
Credit Portfolio earnings (Rm)	**132**	109	21
Equity Value (Rm)	**650**	500	30

Risk adjusted returns on credit portfolio continue to improve through diversification

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Capital position – 31 December 2013

Rm	Liberty Holdings Limited	Liberty Group Limited
IFRS		
IFRS shareholder funds	**17 654**	15 070
BEE preference shares	**905**	905
BEE normalised shareholders' funds	**18 559**	15 975
Regulatory capital		
Shareholder assets	**14 304**	11 695
Regulatory capital requirement	**(4 987)**	(4 564)
Surplus above minimum requirement	**9 317**	7 131
Actual capital ratio	**2.87**	2.56
Target minimum capital coverage ratio	**1.50**	1.50
Capital buffer	**6 824**	4 849
Capital ratio at period end	**2.87**	**2.56**

Notes

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Capital management

- Capital management
  - › Additional R1bn tier 2 capital bond issued during August 2013, total debt; R3bn
  - › Fitch rating affirmed at;
    - Subordinated debt: 'A+(zaf)'
    - National IFS rating: 'AA(zaf)'; outlook stable
- Return targets have been refined;
  - › Cost of equity; risk free rate + 4.5%
  - › Return targets (EV based); risk free rate + 5%
  - › Through the cycle ROE target >19%

Appropriate capital levels – continued focus on capital efficiency

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Distributions

Per cycle - cents per share	**Dec 13**	Dec 12	% ∆
Interim	**212**	192	10
Final	**369**	336	10
Total	**581**	**528**	**10**
Special dividend	**-**	130	

The dividend is set with reference to underlying core earnings with considerations to;

- Balance capital and legislative requirements
- Retain earnings and cash flows to support future growth
- Provide a sustainable dividend for shareholders within 2-2.5x cover

Dividend paid in line with approved dividend policy

Notes

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Regulatory developments

Industry

- National treasury proposals on retirement savings costs remain uncertain
- Tax reforms applicable to the financial industry, key issues;
  - Life tax reform
  - Hedge funds and financial instruments
  - VAT on financial services and apportionment ratio

Liberty

- Regulatory change initiatives integrated in the business have impacted costs by > R300m over the last 3 years;
  - SAM, PoPI and TCF
- Tax impacts of new legislation cannot be reliably estimated due to continued uncertainty
- Financial, risk and capital forecasting capabilities enhanced and leveraged across all business units
- Life licence rationalisation completed in September 2013

New regulation has had a significant impact on costs

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Financial performance dashboard

Earnings		Group Equity Value	
Operational earnings	● (green)	Expected return ± variances, assumption changes	● (green)
Balance sheet management	● (green)	Return on NAV, investment variances, economic assumption changes	● (green)
Shareholder Investment Portfolio	● (green)	Value of new business	● (green)
Insurance sales, new business strain	● (green)	Value of mature non-life subsidiaries	● (green)
Assets under management	● (green)	Business Development operations	● (amber)

Notes

Insurance performance review

Liberty Holdings Limited
Steven Braudo

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Retail SA Insurance – key performance measures

Rm *(unless stated otherwise)*	**Dec 13**	Dec 12*	% Δ
Headline earnings	**1 467**	1 179	24
Gross sales	**22 414**	18 879	19
Indexed new business	**6 000**	5 305	13
Insurance net customer cash flows	**6 111**	6 058	1
Value of new business	**742**	625	19
Retail SA margin excluding STANLIB (%)	**2.6**	2.4	8
STANLIB 'on balance sheet' margin	**0.1**	0.1	-
New business margin including STANLIB	**2.4**	2.3	4

Continued excellent performance in a tough economic environment

* *Where applicable comparative restated for IAS19 employee benefits accounting policy change and the inclusion of DFS*

Notes

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Retail SA Insurance

Key successes;

- Sales momentum continues across the Retail SA business supported by;
  - Innovative new products
  - Retention and attraction of quality advisors
- Increased new business margin despite higher risk discount rate and managed to better than model
- Significant positive cash inflows during the period
- Continued positive risk, persistency and expense variances
- Operating model change

Remained focused on growing market share at the right price

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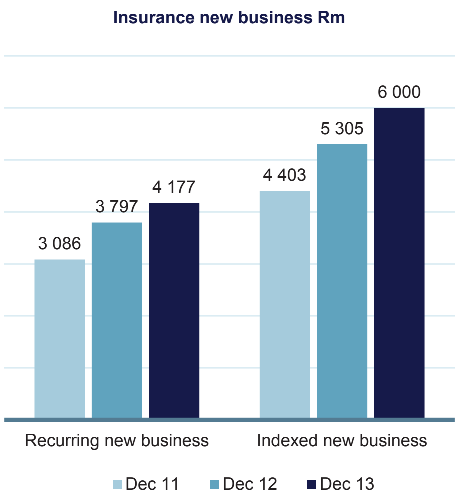
Healthy growth in new business volumes



- Continued growth in indexed new business with premiums up 13%
- Liberty Evolve product sales in 2013 were R3.6bn
- GateWay off balance sheet single premium sales of R949m
- Excellent single premium sales following new investment product launches

Focus on improving the customer experience while driving efficiency

Notes

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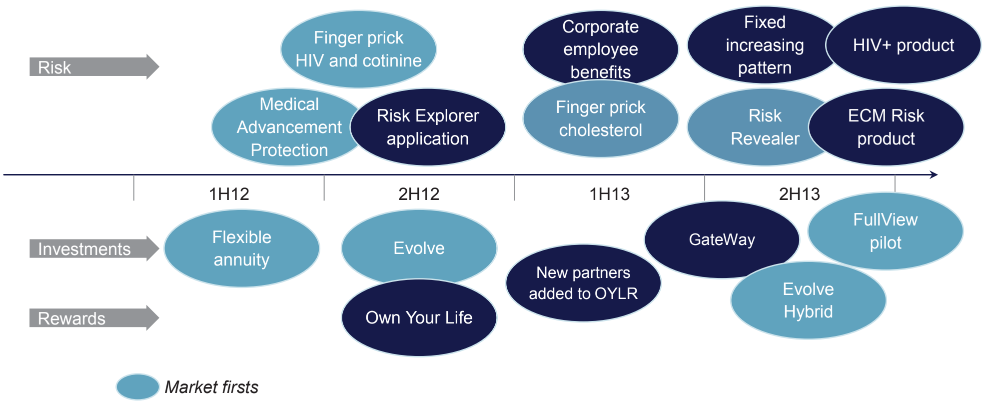
Product innovation remains a key driver of sales

- New generation products Evolve (now Evolve Hybrid) and GateWay have sold R5.4bn since launch in October 2012 with R4.5bn in 2013 alone
- FullView pilot is launched - automated reporting software reflecting a client's net wealth;
  - Accessing data from more than 100 product providers, asset managers and banks in SA and globally
  - 1 800 IFAs subscribed during the pilot phase in October 2013
- New Brand campaign improves visibility in the SA market



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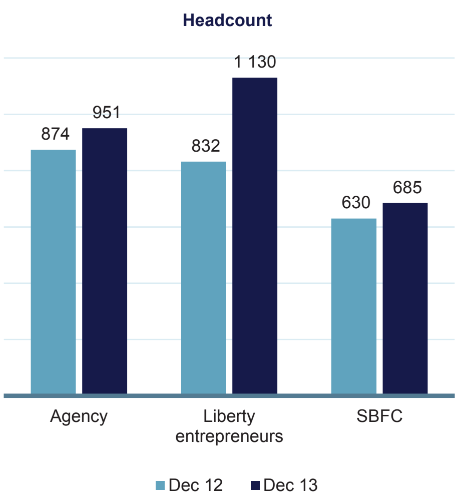
Quality distribution sustains productivity



- Financial Adviser Value Proposition (FAVP);
  - Remains the most valuable and competitive offering in the market
  - Record retention levels of experienced advisors with sustained levels of productivity
  - Improved quality of new recruits
  - Increased broker support
- Increased the number of agents with experience in excess of 3 years by >22% since 2011
- Sustained growth in SBFC sales capacity reflected in new business result

Long-term focus on FAVP results in sustainable growth in sales capacity

Notes

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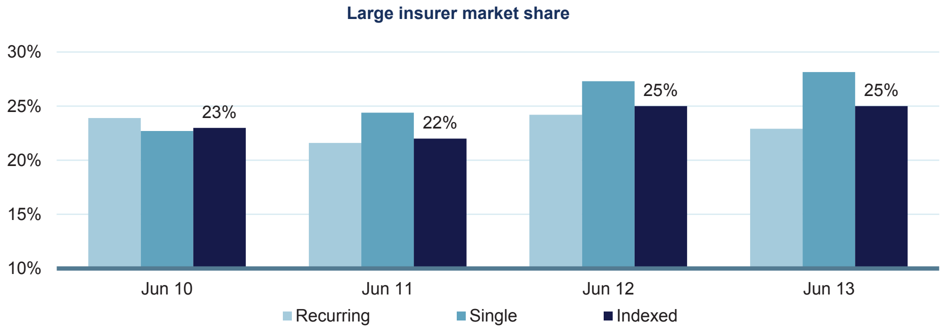
Market share maintained and opportunities in the SA investment market increasing



- Liberty has a small share of the investment market
- The product opportunity in the investment market was successfully addressed in 2013;
  - › Evolve product enhancement
  - › Retail Linked Investment Platform (GateWay)
  - › FullView
- Number of individuals in the mass affluent market increasing

Focus on the customer, product innovation and sales productivity

Source: ASISA

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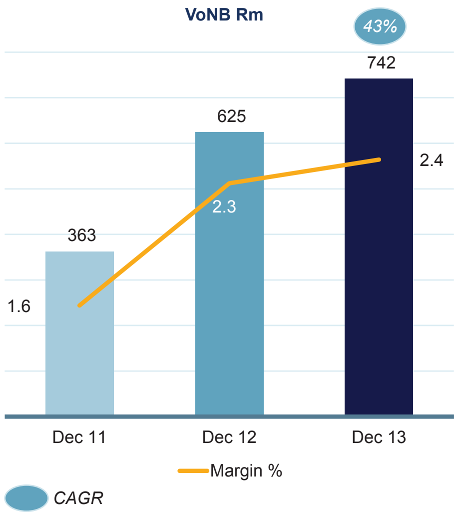
Volumes benefit value of new business and margins



- 43% compound growth in 3 years
- Margin towards top of mid-term range due to;
  - › Good volumes
  - › Improved product mix
  - › Controlled acquisition expenses
  - › Negative impact by interest rates

VoNB – the highest achieved in over 10 years

Notes

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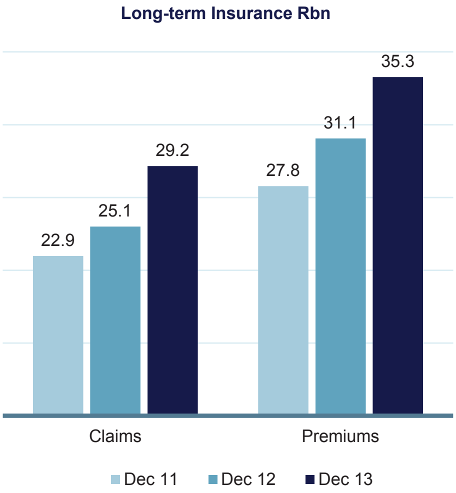
Cash flows supported by new business growth and retention initiatives



- Insurance net cash flows more than R6bn for the last two years
- A good barometer of health of the business
- GateWay contributed net inflows of R882m to off balance sheet net client cash flows
- Claims below budget reflecting successful retention efforts

Achieved despite pressure on income and higher claims due to strong markets

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Positive risk, persistency and expense variances

- Claims experience slightly better than expected and re-insurance treaties renegotiated
- Withdrawal rates on all key product lines have stabilised with continued focus on retention initiatives
- Maintenance expenses controlled with benefits realised from;
  - › Life Licence Rationalisation completed
  - › Consolidation of contact centres
  - › Head office space consolidation project
  - › Procurement
  - › Legacy book rationalisation project

Book managed to better than model

Notes

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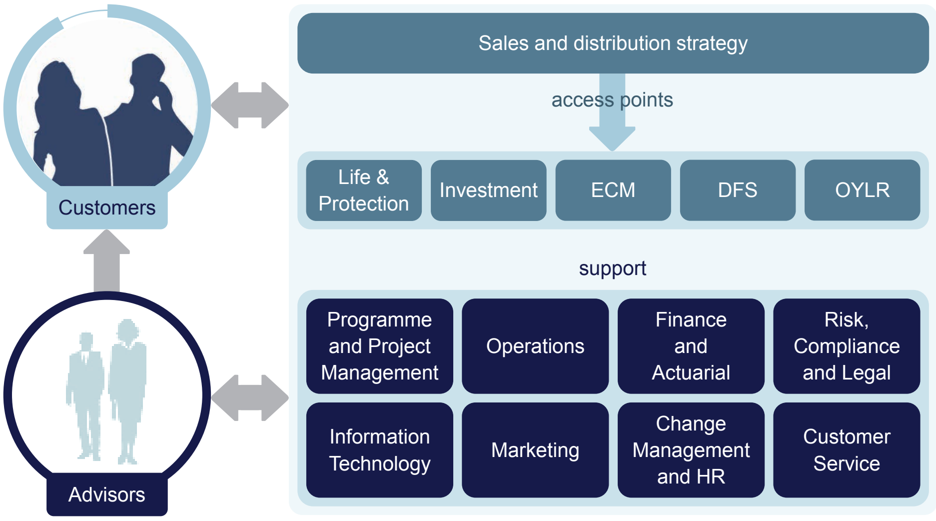
Retail SA – Operating model changes align the business to strategy



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To summarise

- Re-established a diverse and unique insurance business;
  - With the ability to innovate aggressively and address market needs through our products
  - Utilising LibFin skills to optimise balance sheet to deliver unique client solutions
  - Leverage distribution channels through effective partnerships, including direct
  - Efficiently support intermediaries with technology and improved underwriting processes
- The insurance business remains attractive and relevant to the traditional mass affluent market in South Africa;
  - Market share gains sustainable in a growing market
  - Consumers under cost pressure but growth remains
- Cost focus and project delivery now embedded in our business
- Exciting product pipeline

We are listening to our customers and have proven leadership & execution ability

Notes

Asset Management and Institutional performance review

Liberty Holdings Limited
Thabo Dloti

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Key performance measures

Rm	Dec 13	Dec 12[1]	% Δ
Asset management headline earnings	**633**	**537**	**18**
South Africa	**571**	489	17
Rest of Africa	**62**	48	29
Asset management net cash flows	**15 725**	**12 467**	**26**
South Africa[2]	**21 662**	18 452	17
Rest of Africa	**(5 937)**	(5 985)	(1)
Institutional headline earnings	**133**	**45**	**>100**
South Africa (Corporate & Health)	**81**	24	>100
Rest of Africa	**52**	21	>100
Institutional long-term insurance net customer cash flows	**242**	**(1 739)**	**>100**
South Africa	**(83)**	(2 048)	96
Rest of Africa	**325**	309	5

Excellent results in a tough economic environment

1. *Where applicable comparative restated for IAS19 employee benefits accounting policy change*
2. *Multi-manager insurance funds' cash flows and AUM (R1 860) have been reclassified to intergroup effective 1 January 2013*

Notes

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Asset management in South Africa

STANLIB

- Delivered strong earnings growth of 17%, underpinned by;
  - › A growing book from past growth in client cash flows
  - › A diversified income stream outside of traditional money market funds to better margin products
- Delivered record high cash flows of R21bn;
  - › Strong capabilities gaining market confidence
  - › The investment proposition being better understood
- Continued to deliver to clients' investment objectives;
  - › Focused on meeting client investment objectives through a specialist approach
  - › Competitive returns in the medium to long-term
  - › External recognition of key successes with various market awards (4 Raging Bulls)
- Refined our client value proposition by removing initial fees, negatively impacting margins but improved support in the Retail distribution channels
- Repositioned our brand to align with investment proposition;
- Continued to strengthen our capability set;
  - › Raised seeding for all Alternative franchises

Earnings growth reflects the impact of the strategy implemented in prior years

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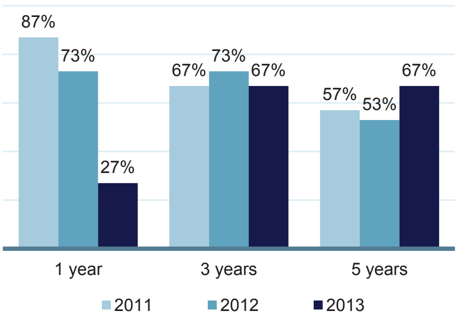
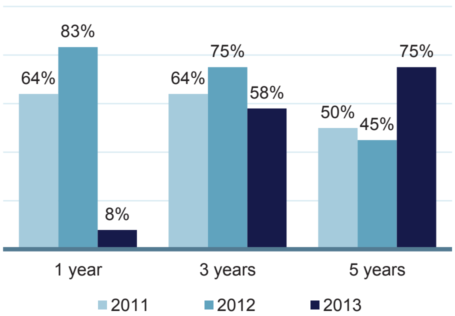
Continue to deliver to clients' investment objectives

Core Retail funds in first and second quartile



Institutional funds in first and second quartile*



- Continue to strengthen our investment capabilities to ensure that;
  - › Our teams are strengthened with additional specialist skills
  - › They are able to make high conviction calls in context of their investment philosophies and processes
  - › Integrated an investment risk management capability (PARI) in all investment decisions

Focus remains on delivering sustainable long-term performance

* *Source: Morningstar, Alexander Forbes December 2013*

Notes

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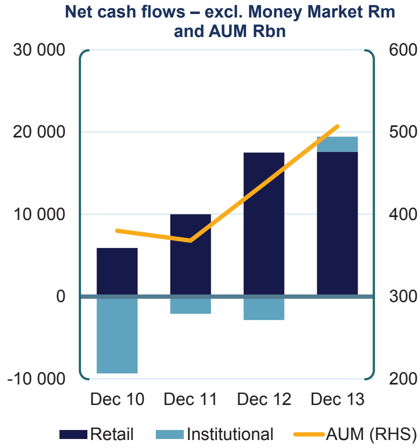
Significantly improved client cash flows and AUM

South Africa - Rm	Dec 13	Dec12	% Δ
STANLIB excl. Money Market	**19 433**	14 660	33
Retail	**17 584**	17 511	-
Institutional	**1 849**	(2 851)	>100
Money Market	**2 229**	3 792	(41)
Retail	**(1 689)**	(1 778)	5
Institutional	**3 918**	5 570	(30)
Net STANLIB external client cash flows*	**21 662**	**18 452**	**17**
Average margin	**0.31**	0.34	(9)



- Continued growth in non-Money Market flows
- Retail margins benefited from flows to better margin products, offset by higher cost of distribution due to the waiving of initial fees and reduced LISP fees

Diversification of capabilities is translating to better quality client cash flows

* *2012 comparative includes the R1 860 intergroup reclassification entry*

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Rest of Africa's positive contribution continues

Rest of Africa - Rm	Dec 13	Dec12	% Δ
Headline earnings	**62**	48	29
AUM	**38**	36	6
Net client cash flows	**(5 937)**	(5 985)	(1)
Non-money market	**(5 906)**	(4 776)	(24)
Money market	**(31)**	(1 209)	97

- Earnings growth of 29% from improved cost efficiencies and better margins on new flows
- Improved fees from East Africa region combined with better expense management
- R6bn net cash outflows from one sovereign experiencing short-term funding deficits
- Good progress made in aligning operations to South Africa
- Continue to diversify asset and client mix;
  - › Growth in longer duration products in Southern Africa
  - › Increase Pensions business in East Africa

Starting to contribute meaningfully to the asset management earnings

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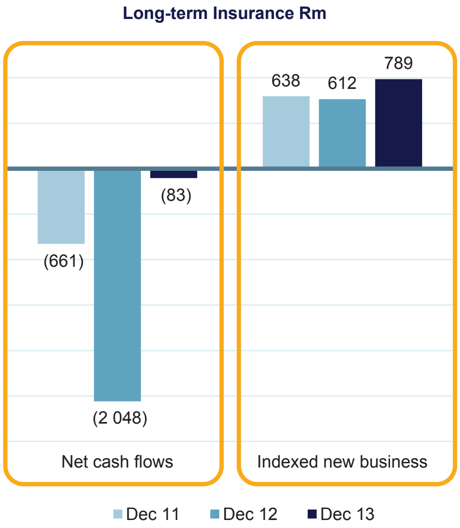
Institutional Insurance in South Africa



- Liberty Corporate achieve strong earnings growth of 83%;
  - VoNB grows >100% following profitable new products and a more diversified client base
  - Innovative prefunded post-retirement medical liability management solution
  - Additional retirement investment products, including a specialised Liability Driven Solution (LDS) capability and a Passive Range
  - Awarded Best Employee Benefits Product Supplier - FIA
- Liberty Health;
  - Improved headline earnings loss
  - Product offering differentiated and distribution being leveraged across the Group

Growth in new markets paying off with sustainable earnings delivered

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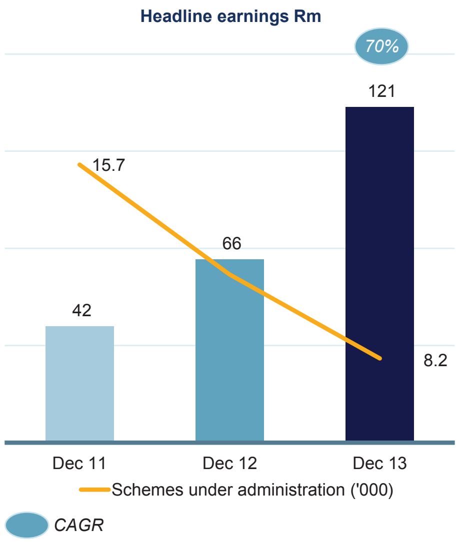
Liberty Corporate – the turnaround journey



- Building a successful foundation for growth;
  - IT and administration efficiencies realised and backlog largely resolved
- Enhancing product offerings;
  - New Liber8 Smart umbrella product and niche investment products launched
  - New product propositions for non-retirement fund clients - large investment deals of 1.3bn
  - Strengthened the commercial partnership with Standard Bank
- Diversifying and strengthening distribution channels;
  - Intelligent Insurance capability focused on institutional market
  - Improved penetration in the large corporate market through Intelligent Insurance

Turnaround strategy is now beginning to deliver results

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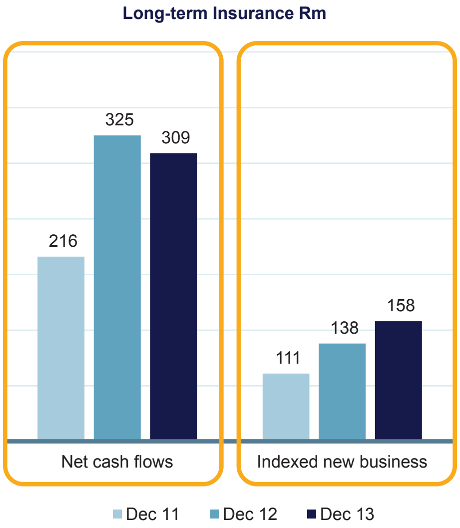
Rest of Africa



Insurance – a positive story

- Insurance operations, before adjusting for non-controlling interests achieved headline earnings in excess of R100m – a first, since inception
- Liberty's share of earnings, R52m;
  - Strong underwriting results across Life and short-term businesses
  - Good year on year growth in premiums across the Life Insurance business
  - Improved persistency and expense management in CfC Life
  - Currency exchange rate benefit from East Africa region
- Early success as we continue to diversify product and channel mix

Liberty Health – a work in progress

- Provider relationships created will in time open opportunities to include long and short-term solutions

Long-term insurance continues to grow and attract high margin business

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To summarise

- Strong growth in earnings across board
- STANLIB continues to deliver good results
  - Record net client cashflows in South Africa
  - Strong earnings growth in East Africa
- The turnaround strategy in Liberty Corporate is delivering results
  - Excellent earnings, margins and client flows
  - Stabilised the operating environment
  - Launched new client propositions for future growth
- The investments in rest of Africa insurance businesses are gaining traction
  - Good earnings growth
  - Continued growth in new business written at good margins
- Continuing to invest in capability to improve offering

Investments made are delivering above expectation

Notes

Conclusion

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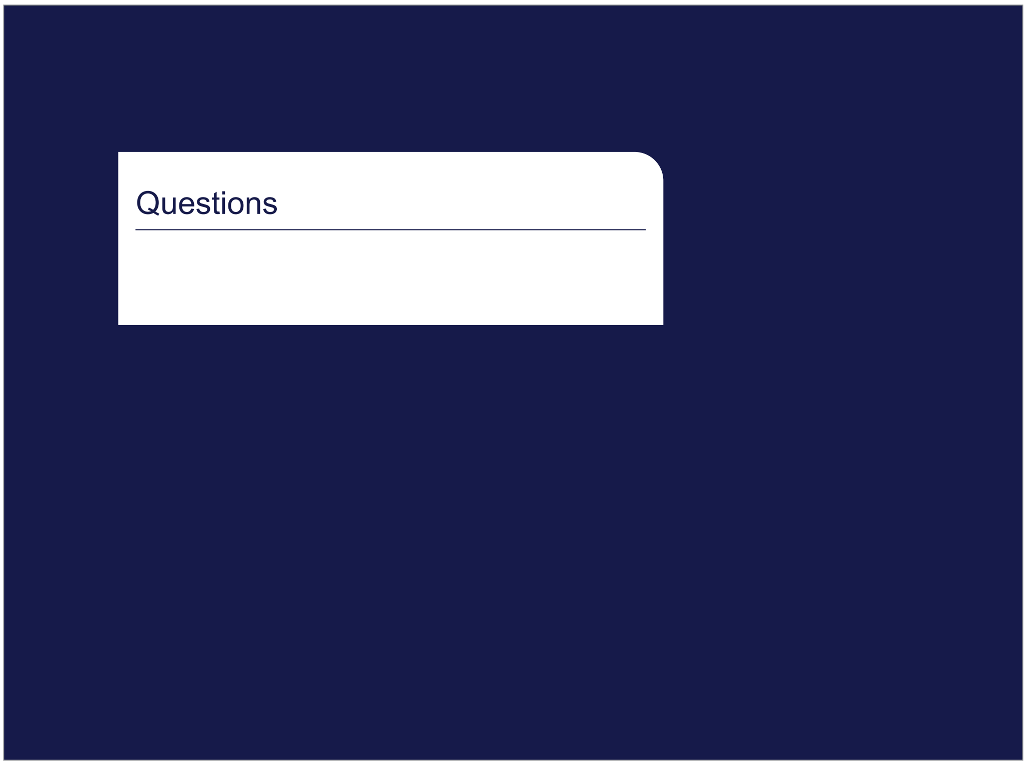
Conclusion

- Delivered an excellent Group result
  - › Strong South African franchises, supported by innovative products, multi-distribution capabilities and risk management
  - › Profitable bancassurance arrangement enhancing penetration
  - › Investments made are delivering value
  - › Strong capital position
- An established strategy that has delivered results
- Our track record of delivery enables a strong base to accelerate growth
- Operating environments face challenges;
  - › Financial markets
  - › Regulatory and consumer
- But growth opportunities remain;
  - › Growing middle class consumer across the continent
  - › Remain committed to a west Africa acquisition
- Committed to deliver ongoing improvements in returns to all our stakeholders

The group is transformed, delivering and set for sustainable growth

Notes



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Liberty Holdings Limited

Financial results 2013

For the year ended 31 December

Highlights

BEE normalised operating earnings
up **28**%

SIP return substantially ahead of benchmark
15%

BEE normalised headline earnings
up **11**%

BEE normalised return on equity
23%

return on BEE normalised group equity value
16%

value of long-term insurance new business
up **21**%

retail long-term insurance new business margin
2,4%

long-term insurance indexed new business
up **15**%

customer net cash inflows
R22 billion

Full dividend
up **10**%

Liberty Group Limited CAR cover
2,56 times

Contents

Financial performance indicators

for the year ended 31 December 2013

	2013	Restated [1] 2012	% change
Liberty Holdings Limited			
Earnings [1]			
Basic earnings per share (cents)	**1 517,9**	1 433,6	5,9
BEE normalised headline earnings per share (cents)	**1 439,6**	1 300,1	10,7
BEE normalised operating earnings (Rm)	**2 198**	1 723	27,6
BEE normalised return on equity (%)	**23,3**	24,0	(2,9)
Group equity value			
BEE normalised group equity value per share (R)	**126,08**	115,43	9,2
BEE normalised return on group equity value (%)	**16,1**	20,8	(22,6)
Distributions per share (cents)			
Normal dividend	**581**	528	10,0
Interim dividend	**212**	192	10,4
Final dividend	**369**	336	9,8
Special dividend	**n/a**	130	
Total assets under management (Rbn)	**611**	528	15,7
Long-term insurance operations			
Indexed new business (excluding contractual increases) (Rm)	**6 947**	6 055	14,7
New business margin (%)	**2,2**	2,0	10,0
Net customer cash inflows (Rm)	**6 316**	4 572	38,1
Capital adequacy cover of Liberty Group Limited (times covered)	**2,56**	2,71	(5,5)
Asset management – STANLIB			
Assets under management (Rbn)	**545**	473	15,2
Net cash inflows including money market (Rm) [2]	**15 725**	14 327	9,8
Retail and institutional net cash inflows excluding money market (Rm) [2]	**13 527**	11 744	15,2
Money market net cash inflows (Rm) [2]	**2 198**	2 583	(14,9)

(1) *2012 earnings have been restated for the change in accounting policy relating to the adoption of the amendments to IAS 19 Employee Benefits.*

(2) *Excludes intergroup life funds; multi-manager insurance funds have been reclassified to Liberty intergroup effective 1 January 2013.*

Preparation and supervision:

This announcement on Liberty Holdings Limited's interim results for the year ended 31 December 2013 has been prepared and supervised by JC Hubbard (Group Chief Financial Officer) BCom CA(SA) and CG Troskie (Executive Director – Finance and Risk) BCom (Hons) CA(SA).

The 2013 group financial results are one of the best in the group's history, with a number of key indicators demonstrating substantially improved performance. In particular, there has been significant growth in the value of long-term insurance new business, customer cash inflows, operating earnings and the group's Shareholder Investment Portfolio (SIP) outperformance.

Return on equity at 23,3% and return on group equity value of 16,1% are well ahead of the group's medium term target levels. We continued to produce positive experience variances in our long-term insurance business and our balance sheet management capability successfully managed the volatile interest rate and currency markets experienced during 2013.

This performance has been supported by innovative new products, solid insurance new business growth, good investment performance, growth in assets under management and our demonstrated ability to manage to model. BEE normalised headline earnings of R4 076 million are 11% up, representing a 28% growth in operating earnings and a gross investment return on the SIP of 14,6% (2012: 16,0%). The SIP performance was considerably higher than benchmark benefiting from tactical allocations to developed market equities and other foreign assets. The growth in operating earnings has been achieved without any significant contribution from assumption or modelling changes. This converts to a 11% increase in BEE normalised headline earnings per ordinary share to R14,40 (2012: restated R13,00).

BEE normalised group equity value per share of R126,08 is 9% up on 31 December 2012, and reflects R5 281 million of equity value profits, or a 16,1% return on group equity value despite being impacted by a higher interest rate environment. The return is higher than the estimated cost of capital target of 12,1%.

Long-term indexed insurance sales of R6 947 million are up 15% on the prior year. This combined with improved pricing, produced a 21% improvement in the group embedded value of long-term insurance new business to R839 million at an overall margin of 2,2% (2012: 2,0%). The new Evolve and Stable Growth investment product ranges launched in 2012 have been very successful.

Group asset management net cash inflows of R15,7 billion are 10% up compared to the R14,3 billion cash inflows for 2012. STANLIB's South African business had a good year attracting R21,7 billion of net cash inflows of which R19,4 billion went into higher margin non money market retail and institutional mandates. Assets under management across the group grew by 16% from 31 December 2012 to R611 billion.

It is worth noting that in 2013 the group attracted a total net customer cash inflow of R22,9 billion (asset management R16,2 billion and insurance operations R6,7 billion) which is R3,6 billion or 19% higher than 2012.

LibFin's management of the group's market risk within risk appetite has supported the maintenance of the group's strong capital position with the capital adequacy ratio in the group's main long-term insurance licence being 2.56 times (2012: 2.71 times) the regulatory minimum. The reported ratio reduced post the successful rationalisation of South African life licences in the second half of 2013. This is due to the technical nature of the formulae in dealing with subsidiaries. On a like for like basis the 2012 ratio would have been 2.11 times.

The 2013 result further demonstrates our ability to deliver against the group's chosen strategic objectives which remain focused on:

- managing the core South African insurance operations within acceptable sustainable long-term assumption sets, whilst profitably capturing greater shares of both the existing and developing markets;
- developing innovative products to service targeted customer segments;
- optimising the balance sheet within board approved risk appetite limits;
- improving asset management capability, while leveraging off the strong property, fixed income, balanced and money market franchises and new alternative capability to capture a larger share of the retail and institutional fund flows;
- achieving the business cases of business development initiatives across the group;
- expanding the geographical footprint into expected high growth regions of sub-Saharan Africa; and
- maximising opportunities under the Standard Bank bancassurance agreement.

We continue to prepare for the implementation of the proposed new long-term insurance solvency regime (SAM) and we believe the group is appropriately positioned from a capital perspective.

Earnings by business unit

for the year ended 31 December 2013

Unaudited	2013 Rm	Restated[1] 2012 Rm	% change
Insurance			
Retail segment [1]	**1 467**	1 179	24,4
Institutional segment	**133**	45	>100
Liberty Corporate [1]	**121**	66	83,3
Liberty Africa Insurance [2] [3]	**52**	21	>100
Liberty Health	**(40)**	(42)	4,8
Balance sheet management			
LibFin Markets – credit portfolio	**132**	109	21,1
Libfin Markets – asset/liability matching	**5**	42	(88,0)
Asset management			
STANLIB	**633**	537	17,9
South Africa	**571**	489	16,8
Other Africa [3]	**62**	48	29,2
Liberty Properties	**44**	48	(8,3)
Development and management	**44**	39	12,8
Fountainhead (sold 1 August 2012)		9	
Central overheads and sundry income [1]	**(216)**	(237)	8,9
BEE normalised operating earnings	**2 198**	1 723	27,6
LibFin Investments	**1 878**	1 965	(4,4)
BEE normalised headline earnings	**4 076**	3 688	10,5
BEE preference share adjustment	**(62)**	(62)	
Headline earnings	**4 014**	3 626	10,7

(1) *2012 earnings have been restated for the change in accounting policy relating to the adoption of the amendments to IAS 19 Employee Benefits.*

(2) *Liberty Africa Insurance includes long-term and short-term insurance products sold to both the retail and institutional markets. The business unit has been classified under the institutional segment as the majority of premiums are derived from institutional clients.*

(3) *With effect from 1 January 2013, STANLIB manages all the group's African asset management businesses that are located in South Africa as well as other African territories. Prior year comparatives have been restated to reflect this change.*

Business unit financial review

for the year ended 31 December 2013

Retail segment
(includes Retail SA and Direct Financial Services)

Headline earnings for the year of R1 467 million are 24% up compared to the restated R1 179 million in 2012. This increase is supported by on-going positive persistency and risk variances, good annual contract increases and higher management fees due to the 2012 growth in underlying investment portfolios. Earnings have also absorbed the build costs of the transactional joint venture with Standard Bank, investments in our emerging consumer market (ECM) business during the year and various regulatory compliance projects.

We continue to innovate and new investment products have been recently launched, particularly supporting our strategy of developing investment propositions that are low cost but provide relevant options to consumers. In addition, a Linked Investment Service Provider (LISP) capability was built and became functional from mid July 2013. The LISP attracted almost R1 billion in new investments. This offering makes direct investments into a range of collective investment schemes available to retail customers through a cost-efficient platform and complements the life wrapper investment product range.

Indexed new business sales (excluding contractual increases) of R6,0 billion have increased by 13% over 2012. The new Evolve range of single premium investment products delivered very encouraging new business sales totalling R3,6 billion for the year. Recurring premium investment and risk business was up 10% and single premium business up 21%. Initiatives targeting sales growth in the emerging consumer segment off the direct financial services platform were not as successful as originally hoped. This has led to the decision to consolidate the various group direct capabilities from the beginning of 2014 in order to develop a more comprehensive focussed retail multi-channel distribution capability. The Retail SA new business margin of 2,4% is above that achieved in 2012 despite higher interest rates and is at the upper end of the medium-term targeted range of between 2,0% and 2,5%. Significant increases in the South African bond yields have had the effect of reducing the value of new business margin by 0,3% from December 2012.

Net cash inflows in 2013 were strong at R6,1 billion and were supported by higher contributions from our sales of single premium investment products and good persistency experience leading to lower than anticipated withdrawals, despite the increase in policy values due to positive investment returns. Expenses were managed within assumption and the in-force file has increased over 2013.

The recently launched comprehensive loyalty programme, "*Own your life REWARDS*", continues to successfully attract membership with over twenty thousand principal members at 31 December 2013.

Institutional segment

Liberty Corporate

Following last year's launch of the new flagship investment product, the Liberty Stable Growth Fund, as well as a unique index tracking investment range, Liberty Corporate was recognised by the Financial Intermediary Association as the best employee benefits product supplier. This is indicative of the recent focus on enhancing service levels and establishing a distribution and product capability for larger corporates and retirement funds through the Intelligent Insurance division. The business has been successful in winning several large mandates in the latter half of the year supporting the indexed new business growth of 29% to R789 million. Value of new business for the year is up R34 million to R64 million at a significantly improved margin of 0,9% (2012: 0,5%).

Improved headline earnings of R121 million (up 83%) are mainly a function of improved risk claims experience, higher asset based management fees and cost efficiency. Net customer cash flows were marginally negative at R83 million compared to the over R2 billion net outflows last year.

Liberty Africa Insurance

East and Southern Africa (outside of South Africa) contributed R52 million (2012: R21 million) to Liberty's headline earnings for the year. The result has been supported by higher investment markets and consistent claims loss ratios in the short-term insurance business. Long-term insurance new business margins at 9,2% (2012: 9,6%) remain pleasing.

The positive sub-Saharan Africa growth outlook is gaining in credibility and consequently the group has reserved capital resources to take advantage of investment opportunities as they arise.

Liberty Health

Liberty's share of Liberty Health's headline loss for the year is R40 million (2012: R42 million loss). Whilst recent operational efficiencies are producing better cost ratios, the business does not, as yet, have sufficient scale to leverage the investment in systems and processes. Assisting the medical scheme administration clients to grow their membership therefore remains management's top priority.

Our health risk products targeted at employees in African countries, excluding South Africa, provides cover for over seventy eight thousand lives. The slight increase in claims loss ratio at 68% (2012: 64%) is due to the capitation book in Nigeria.

Balance sheet management

Market risk exposures and credit portfolio (LibFin Markets)

LibFin Markets continued to manage market risk exposures within a narrow range despite considerable volatility in interest rate markets and emerging market currencies. The credit portfolio assets backing guaranteed investment products contributed R132 million to headline earnings while the net result of asset liability matching activities was virtually break even for the year at R5 million. This is in line with its mandated objective. LibFin directly managed R36 billion of assets at 31 December 2013 (2012: R27 billion).

Shareholder Investment Portfolio (SIP) (LibFin Investments)

LibFin Investments manages the SIP which comprises the group's investment market exposure to the 90:10 book of business and the assets backing capital in the insurance operations. The portfolio which is managed under a low risk balanced mandate produced a gross return of 14,6% (2012: 16,0%) which was well ahead of benchmark. This return benefited from a weaker rand, positive equity markets and portfolio construction partially offset by lower domestic bond returns.

Asset management

With effect from 1 January 2013, STANLIB manages all the group's African asset management businesses that are located in South Africa as well as other African territories. Prior year comparatives have been restated to reflect this change.

STANLIB South Africa

STANLIB experienced substantial net inflows of R21,7 billion during 2013 of which the majority (R19,4 billion) are into higher margin non money market institutional and retail mandates. Total assets under management increased to R507 billion at 31 December 2013 (2012: R437 billion).

The majority of funds under management continue to produce satisfactory performance and STANLIB's unit trusts recently received four Raging Bull awards.

STANLIB's headline earnings at R571 million are 17% higher compared to the equivalent period in 2012 despite the increased costs associated with additional investment capabilities developed in late 2012. Earnings have benefited from gross fee income growth of 16% driven by a higher opening asset base and a better fund mix reflecting the higher proportion of retail flows in recent periods.

STANLIB Other Africa

Assets under management at 31 December 2013 remained high at R38 billion (2012: R36 billion) despite the further drawdown of R7,0 billion of assets under a government mandate in East Africa. Headline earnings for the year were 29% higher at R62 million (2012: R48 million) benefiting from improved cost efficacy and rand weakness.

Liberty Properties

Liberty Properties, which comprises property management and development, has benefited from growth in property management fees supported by increases in rentals at the flagship shopping centres. Development fee income, however, remains low reflecting little development activity for the year. Headline earnings are R44 million for the year (2012: R39 million, excluding Fountainhead sold in 2012).

Bancassurance

The commercial bancassurance joint venture relationship with Standard Bank, which is applicable across the group's asset management and insurance operations, is continuing to make a considerable contribution to new business volumes and earnings. Indexed sales of insurance products for the year from bancassurance channels are 17% higher than 2012 and STANLIB received a 14% growth in net asset management fees related to assets acquired through the Standard Bank distribution channel.

The total SA covered business embedded value of in-force contracts sold under the agreement attributable to Liberty at 31 December 2013 increased to R1,3 billion (2012: R1,2 billion) despite the higher required discount rates.

Tax legislation

The Taxation Laws Amendment Act, 2013 was promulgated on 12 December 2013. The Act includes additional changes to the expense relief formulae to those which became applicable to long-term insurers in the 2012 Amendment Act. The recent changes have not allowed for the inclusion of the aggregate annual taxable unrealised capital gains in respect of assets allocated to the policyholder funds which is contrary to the stated intention. Whilst we anticipate that National Treasury will amend the Act in 2014 to a more equitable outcome with retrospective effect, full provision has been made for the impacts resulting from the application of the current Act.

Capital adequacy cover and life licence rationalisation

The capital adequacy cover of Liberty Group Limited remains strong at 2,56 times the statutory requirement (2012: 2,71 times). All the other group subsidiary life licences are well capitalised.

The rationalisation of transferring three of the South African long-term insurance licenced entities (Capital Alliance Life Limited, Liberty Growth Limited and Liberty Active Limited) into the main licence entity, Liberty Group Limited, was successfully completed with effect from 1 September 2013. The rationalisation will result in improved capital efficiency under the SAM framework and simplification of operational requirements.

The Liberty Group Limited's post-rationalisation capital adequacy cover ratio (CAR) reflects the combined statutory capital and the combined capital requirements of the four entities. This has led to a lower cover ratio than previously reported for Liberty Group Limited but a higher capital surplus.

Business unit financial review (continued)

The pro-forma CAR ratio of Liberty Group Limited at 31 December 2012 assuming rationalisation had been implemented at that date is 2,11 times the statutory requirement.

Dividends

2013 final dividend

In line with the group's dividend policy, the board has approved and declared a gross final dividend of 369 cents per ordinary share. The final dividend will be payable out of income reserves and payable to all ordinary shareholders recorded in the books of Liberty Holdings Limited at the close of business on Friday, 28 March 2014.

There are no STC credits to be utilised for this final dividend. The dividend of 369 cents per ordinary share will be subject to a local dividend tax rate of 15% which will result in a net final dividend, to those shareholders who are not exempt from paying dividend tax, of 314 cents per ordinary share. Liberty Holdings Limited's income tax number is 9050/191/71/8. The number of ordinary shares in issue in the company's share capital at the date of declaration is 286 202 373.

The important dates pertaining to the dividend is as follows:

Last date to trade cum dividend on the JSE	Thursday, 20 March 2014
First trading day ex dividend on the JSE	Monday, 24 March 2014
Record date	Friday, 28 March 2014
Payment date	Monday, 31 March 2014

Share certificates may not be dematerialised or rematerialised between Monday, 24 March 2014 and Friday, 28 March 2014, both days inclusive. Where applicable, in terms of instructions received by the company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date.

In the absence of specific mandates, 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 2014.

Prospects

Our continued improvement in performance in 2013 further supports our belief that the group can continue to produce sustainable growth. Our core insurance and asset management businesses are performing better than assumptions and we anticipate that they will continue to attract higher levels of new business within our targeted margin ranges.

We are confident that our balance sheet management capability will continue to manage our investment market risk exposures within risk appetite and competently deal with any protracted period of volatility in investment markets and the higher interest rate environment in South Africa.

Bruce Hemphill
Chief Executive

Saki Macozoma
Chairman

26 February 2014

LIBERTY
www.libertyholdings.co.za

Liberty Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 1968/002095/06)
JSE code: LBH
ISIN code: ZAE000127148
Telephone +27 11 408 3911

Transfer Secretaries
Computershare Investor Services (Pty) Limited
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Sponsor
Merrill Lynch
A subsidiary of Bank of America Corporation

These results are available at www.libertyholdings.co.za

Independent auditor's report on summary financial statements

To the shareholders of Liberty Holdings Limited

The summary consolidated financial statements of Liberty Holdings Limited, set out on pages 37 to 65 of the preliminary report, which comprise the summary consolidated statement of financial position as at 31 December 2013, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, as set out in Appendix A are derived from the audited consolidated financial statements of Liberty Holdings Limited for the year ended 31 December 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 26 February 2014. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Liberty Holdings Limited.

Directors' Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of these summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out on page 37 of the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Liberty Holdings Limited for the year ended 31 December 2013 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out on page 37 of the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other Reports Required by the Companies Act

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 26 February 2014 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2013, we have read the Directors' Report, the Group Audit and Actuarial Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: V Muguto
Registered Auditor

Johannesburg
26 February 2014

Independent auditor's report on summary financial statements
(continued)

Appendix A

Audited consolidated statement of financial position as at 31 December 2013;

Audited consolidated statement of comprehensive income for the year ended 31 December 2013;

Audited headline earnings and earnings per share for the year ended 31 December 2013;

Audited summary statement of changes in shareholders' funds for the year ended 31 December 2013;

Audited summary statement of cash flows for the year ended 31 December 2013;

Audited summary segment information for the year ended 31 December 2013;

Audited group equity value report;

Unaudited long-term insurance new business for the year ended 31 December 2013;

Audited long-term insurance net cash flows for the year ended 31 December 2013;

Unaudited assets under management as at 31 December 2013;

Unaudited asset management net cash flows – STANLIB for the year ended 31 December 2013;

Audited short-term insurance net cash flows for the year ended 31 December 2013;

Audited capital commitments as at 31 December 2013;

Audited retirement benefit obligations as at 31 December 2013;

Audited related parties for the year ended 31 December 2013;

Audited financial instruments measurement as at 31 December 2013;

Audited offsetting note; and

Appendix – audited restatement of prior period financial statements.

Accounting policies

The 2013 summary consolidated annual financial statements of Liberty Holdings Limited have been prepared in accordance with and containing information required by International Financial Reporting Standards (IFRS) including IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and comply with the South African Companies Act No. 71 of 2008.

The financial statements have been prepared in compliance with IFRS and interpretations for year ends commencing on or after 1 January 2013. The accounting policies are consistent with those adopted in the previous year except for significant changes as detailed below.

Mandatory changes in accounting policies resulting from the adoption of new and revised IFRS with retrospective application

Refer to the appendix for details of the required restatements to the previously reported statements of financial position at 1 January 2012 and 31 December 2012 and the statement of comprehensive income for the year ended 31 December 2012. The group's summary statement of cash flows have been restated for the increase in cash and cash equivalents resulting from the consolidation of additional mutual funds and the corresponding flows from investing activities. The summary segment information has been restated in line with the changes to the statements of comprehensive income.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 (Revised) Separate Financial Statements, IAS 28 (Revised) Investments in Associates and Joint Ventures and IFRS 12 Disclosures of Interests in Other Entities

The group has compulsorily adopted the control suite of standards and revisions which deal with the accounting treatment for the group's involvement in investments in entities for which the group is assessed to have more than an insignificant influence as well as IFRS 12 *Disclosures of Interests in Other Entities*. These have resulted in changes in accounting policies effective for the year commencing 1 January 2013 and have been applied retrospectively in line with the transitional requirements. The group consequently re-examined the combined impact of these standards on all of its investments and certain reclassifications of investments in mutual funds were required. There have been no reclassifications of investments in other types of entities.

Previously, investments in mutual funds that amounted to between 20% and 50% of the total fund value or voting rights were considered to be interests in associates – measured at fair value (mutual funds), and those greater than 50% were considered to be subsidiaries. As a result of the adoption of IFRS 10, which has redefined the definition of control, the group has removed the reference to specific percentage holdings in the group's accounting policy as the defining parameter. This has led to an increased number of mutual funds being classified as subsidiaries or associates at a consolidated level, as well as reclassifications between these categories and financial instruments. No investments in mutual funds have met the new definition of joint arrangements.

The group continues to account for its interests in associates – mutual funds, as at fair value through profit or loss by applying the measurement exemption for investment-linked insurance funds in IAS 28.

The revised IAS 28 *Investments in Associates and Joint Ventures* allows entities to apply the measurement exemption for interests in joint ventures which are held indirectly by investment-linked insurance funds to be designated on initial recognition as at fair value through profit or loss.

Liberty elected to apply this exemption to the measurement of its interest in the joint venture, The Cullinan Hotel (Pty) Limited, on adoption of the revised standard, which resulted in a change in accounting policy. As the fair value equated to the carrying value of the investment in the joint venture including equity accounted earnings, there was no resultant change to the group's total earnings, comprehensive income, shareholders' funds or net asset value.

IFRS 12 *Disclosures of Interests in Other Entities* mandates the disclosure requirements related to subsidiaries, associates, joint arrangements and unconsolidated structured entities and is applicable retrospectively. There was no impact on net earnings or earnings per share as a result of the adoption of IFRS 12.

Amendments to IAS 19 Employee Benefits

The group has adopted the amendments to IAS 19 *Employee Benefits*, which has resulted in a change in accounting policy effective for the year commencing 1 January 2013, with retrospective application. The amendments have changed the basis for recognition of movements in post-retirement employee benefits liabilities or assets, with certain remeasurements of the relevant liability or asset now being mandatorily recognised in other comprehensive income. In prior periods the group recognised all remeasurements in post-retirement employee benefit plan liabilities or assets in profit or loss as previously allowed or mandated in IAS 19.

Mandatory changes in accounting policy resulting from the adoption of new IFRS with prospective application

IFRS 13 Fair Value Measurement

The group has adopted IFRS 13 *Fair Value Measurement* which is effective for years commencing 1 January 2013. IFRS 13 defines fair value and describes in a single standard a framework for measuring fair value. IFRS 13 defines fair value on the basis of an exit price notion which results in a market-based, rather than entity-specific measurement. The standard introduces enhanced disclosure requirements, amongst others the inclusion of all assets and liabilities measured at fair value in a fair value hierarchy table (previously this was limited to financial assets and liabilities). There were no significant measurement changes to the valuations of any assets or liabilities as a consequence of the adoption of IFRS 13.

Accounting policies (continued)

Voluntary adoption of new accounting policy

During the year under review, the group has entered into certain agreements of sale and repurchase of financial instruments as part of the group's asset/liability matching processes. This necessitated the adoption of a new accounting policy as follows:

Securities sold subject to linked repurchase agreements are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. Such securities are measured in accordance with the measurement policy for financial assets. The liability to the counterparty is included under investment creditors within insurance and other payables on the statement of financial position.

The difference between the repurchase and sales price is treated as interest and amortised over the life of the reverse repurchase agreement using the effective interest method and disclosed as finance costs in the statement of comprehensive income. The transactions entered into during 2013 have been accounted for in compliance with this new accounting policy.

Directors' responsibility

The summary group financial statements included in this announcement are the full responsibility of the directors. The directors confirm that the financial information has been correctly extracted from the underlying audited consolidated group annual financial statements which are available for inspection at the company's registered office on request.

Definitions

BEE normalised: headline earnings per share, return on equity, group equity value per share and return on group equity 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.

Capital adequacy requirement (CAR)

The capital adequacy requirement is the minimum amount by which the Financial Services Board requires an insurer's assets to exceed its liabilities. The assets, liabilities and CAR must be calculated using a method which meets the Financial Services Board's requirements. Capital adequacy cover refers to the amount of capital the insurer has as a multiple of the minimum requirement.

Long-term insurance operations – Indexed new business

This is a measure of new business which is calculated as the sum of twelve months' premiums on new recurring premium policies and one tenth of single premium sales.

Long-term insurance operations – Value of new business and margin

The present value, at point of sale, of the projected stream of after tax profits for new business issued, net of the cost of required capital. The present value is calculated using a risk adjusted discount rate. Margin is calculated using the value of new business divided by the present value of future modelled premiums.

Short-term insurance operations – Claims loss ratio

This is a measure of underwriting risk and is measured as a ratio of claims incurred divided by the net premiums earned.

FCTR

Foreign Currency Translation Reserve.

Development costs

Represents project costs incurred on developing or enhancing future revenue opportunities.

Negative rand reserves

A portion of expected future management and administration fees are present valued and recognised at point of sale. Prospective measurement takes place at each valuation date until received.

Consolidated statement of financial position

as at 31 December 2013

Audited	31 December 2013 Rm	Restated 31 December 2012 Rm	Restated 1 January 2012 Rm
Assets			
Equipment and owner-occupied properties under development	**1 114**	952	897
Owner-occupied properties	**1 410**	1 378	1 598
Investment properties	**27 299**	24 133	23 470
Intangible assets	**475**	759	933
Defined benefit pension fund employer surplus	**210**	186	199
Deferred acquisition costs	**527**	449	403
Interests in joint ventures	**404**	378	626
Reinsurance assets	**1 609**	1 170	1 104
Long-term insurance	**1 161**	978	902
Short-term insurance	**448**	192	202
Operating leases – accrued income	**1 315**	1 277	1 085
Pledged assets held at fair value through profit or loss	**1 348**		
Assets held for trading	**6 387**	6 910	3 790
Interests in associates – equity accounted	**72**	72	
Interests in associates – measured at fair value	**15 361**	14 359	11 717
Financial investments	**279 043**	242 015	208 696
Deferred taxation	**354**	253	183
Prepayments, insurance and other receivables	**3 841**	3 628	2 656
Cash and cash equivalents	**9 870**	10 418	12 432
Total assets	**350 639**	308 337	269 789
Liabilities			
Long-term policyholder liabilities	**263 944**	236 684	208 565
Insurance contracts	**180 742**	164 666	145 558
Investment contracts with discretionary participation features	**9 056**	3 855	3 447
Financial liabilities under investment contracts	**74 146**	68 163	59 560
Short-term insurance liabilities	**846**	525	466
Financial liabilities at amortised cost	**3 167**	2 177	2 195
Third party financial liabilities arising on consolidation of mutual funds	**39 983**	30 015	27 717
Employee benefits	**1 344**	1 198	1 082
Deferred revenue	**194**	174	159
Deferred taxation	**3 586**	2 715	2 819
Deemed disposal taxation liability	**544**	918	
Provisions	**195**	338	371
Operating leases – accrued expense		30	93
Derivative liabilities	**4 860**	6 098	3 113
Insurance and other payables	**9 716**	8 230	6 312
Current taxation	**904**	724	614
Total liabilities	**329 283**	289 826	253 506
Equity			
Ordinary shareholders' interests	**17 654**	15 410	13 211
Share capital	**26**	26	26
Share premium	**5 985**	6 078	6 133
Retained surplus	**12 454**	10 332	7 683
Other reserves	**(811)**	(1 026)	(631)
Non-controlling interests	**3 702**	3 101	3 072
Total equity	**21 356**	18 511	16 283
Total equity and liabilities	**350 639**	308 337	269 789

FINANCIAL RESULTS

Consolidated statement of comprehensive income

for the year ended 31 December 2013

Audited	2013 Rm	Restated 2012 Rm
Revenue		
Insurance premiums	**35 782**	30 720
Reinsurance premiums	**(1 316)**	(1 089)
Net insurance premiums	**34 466**	29 631
Service fee income from investment contracts	**900**	881
Investment income	**13 220**	13 606
Hotel operations sales	**809**	720
Investment gains	**33 554**	31 108
Fee revenue and reinsurance commission	**2 324**	1 800
Total revenue	**85 273**	77 746
Claims and policyholder benefits under insurance contracts	**(25 904)**	(25 004)
Insurance claims recovered from reinsurers	**1 357**	672
Change in long-term policyholder liabilities	**(20 698)**	(19 532)
Insurance contracts	**(15 937)**	(19 228)
Investment contracts with discretionary participation features	**(4 941)**	(380)
Applicable to reinsurers	**180**	76
Fair value adjustment to policyholder liabilities under investment contracts	**(10 135)**	(10 035)
Fair value adjustment on third party mutual fund interests	**(7 832)**	(4 748)
Acquisition costs	**(4 233)**	(3 818)
General marketing and administration expenses	**(9 079)**	(7 573)
Finance costs	**(327)**	(243)
Profit share allocations under bancassurance and other agreements	**(984)**	(800)
Profit on sale of joint venture		135
Equity accounted earnings from joint ventures		3
Profit before taxation	**7 438**	6 803
Taxation	**(2 968)**	(2 685)
Total earnings	**4 470**	4 118
Other comprehensive income	**88**	90
Items that may be reclassified subsequently to profit or loss	**56**	5
Net change in fair value on cash flow hedges	**(183)**	(29)
Income and capital gains tax relating to net change in fair value on cash flow hedges	**53**	8
Foreign currency translation	**186**	26
Items that may not be reclassified to profit or loss	**32**	85
Owner-occupied properties – fair value adjustment	**28**	(192)
Income and capital gains tax relating to owner-occupied properties fair value adjustment	**(10)**	66
Change in long-term policyholder insurance liabilities (application of shadow accounting)	**(22)**	131
Actuarial gains on post-retirement medical aid liability	**24**	127
Income tax relating to post-retirement medical aid liability	**(7)**	(36)
Net adjustments to defined benefit pension fund[(1)]	**26**	(15)
Income tax relating to defined benefit pension fund	**(7)**	4
Total comprehensive income	**4 558**	4 208
Total earnings attributable to:		
Ordinary shareholders' interests	**3 908**	3 699
Non-controlling interests	**562**	419
	4 470	4 118
Total comprehensive income attributable to:		
Ordinary shareholders' interests	**3 936**	3 780
Non-controlling interests	**622**	428
	4 558	4 208
Basic and fully diluted earnings per share	**Cents**	Cents
Basic earnings per share	**1 517,9**	1 433,6
Fully diluted basic earnings per share	**1 393,4**	1 341,7

[(1)] Net adjustments to defined benefit pension fund include actuarial gains or losses, return on plan assets, reduced by the interest on the net defined benefit asset, and the effect of the application of the asset ceiling.

FINANCIAL RESULTS

Headline earnings and earnings per share

for the year ended 31 December 2013

Audited	2013 Rm	Restated 2012 Rm
Reconciliation of total earnings to headline earnings attributable to equity holders		
Total earnings attributable to equity holders	**3 908**	3 699
Preference share dividend	**(2)**	(2)
Basic earnings attributable to ordinary shareholders	**3 906**	3 697
Profit on sale of joint venture		(117)
Derecognition and impairment of intangible assets	**126**	44
FCTR recycled through profit or loss	**(18)**	2
Headline earnings attributable to ordinary shareholders	**4 014**	3 626
Net income earned on BEE preference shares	**62**	62
BEE normalised headline earnings attributable to ordinary shareholders	**4 076**	3 688
Earnings per share	**Cents**	Cents
Total earnings attributable to ordinary shareholders		
Basic	**1 517,9**	1 433,6
Headline	**1 559,8**	1 406,0
BEE normalised headline	**1 439,6**	1 300,1
Fully diluted earnings attributable to ordinary shareholders		
Basic	**1 393,4**	1 341,7
Headline	**1 431,9**	1 316,0

Summary statement of changes in shareholders' funds

for the year ended 31 December 2013

Audited	2013 Rm	2012 Rm
Balance of ordinary shareholders' interests at 1 January	**15 410**	13 211
Ordinary dividends	**(1 566)**	(1 396)
Special dividend	**(371)**	
Total comprehensive income	**3 936**	3 780
Share buy-backs net of share subscriptions	**(15)**	(389)
Black Economic Empowerment transaction	**171**	126
Share-based payments	**109**	78
Preference dividends	**(2)**	(2)
FCTR recycled through profit or loss	**(18)**	2
Ordinary shareholders' interests	**17 654**	15 410
Balance of non-controlling interests at 1 January	**3 101**	3 072
Total comprehensive income	**622**	428
Unincorporated property partnerships net distributions	**(6)**	(182)
Non-controlling share of subsidiary dividend	**(17)**	(16)
FCTR recycled through profit or loss	**2**	
Acquisition of interest in Total Health Trust Limited		33
Disposal of Alberton City unincorporated property partnership		(234)
Non-controlling interests	**3 702**	3 101
Total equity	**21 356**	18 511

Summary statement of cash flows

for the year ended 31 December 2013

Audited	2013 Rm	Restated 2012 Rm
Operating activities	**8 196**	4 557
Investing activities	**(10 014)**	(6 203)
Financing activities	**1 157**	(407)
Net decrease in cash and cash equivalents	**(661)**	(2 053)
Cash and cash equivalents at the beginning of the year	**10 418**	12 432
Foreign currency translation	**113**	10
Cash and cash equivalents acquired through business acquisition		29
Cash and cash equivalents at the end of the period	**9 870**	10 418

Summary segment information

for the year ended 31 December 2013

The audited segment results for the year ended 31 December 2013 are as follows:

2013 Rm	Long-term insurance Retail	Long-term insurance Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	**66 124**	**17 319**	**1 076**	**3 064**	**288**	**1 817**	**89 688**	**(4 415)**	**85 273**
Profit/(loss) before taxation	5 161	298	116	926	(274)	653	6 880	558	7 438
Taxation	(2 585)	(78)	(51)	(258)	46	(42)	(2 968)		(2 968)
Total earnings/(loss)	2 576	220	65	668	(228)	611	3 912	558	4 470
Other comprehensive (loss)/income	(44)	2	57	28		45	88		88
Total comprehensive income/(loss)	2 532	222	122	696	(228)	656	4 000	558	4 558
Attributable to:									
Non-controlling interests	(46)	(17)	(52)	(9)	57	3	(64)	(558)	(622)
Equity holders	2 486	205	70	687	(171)	659	3 936		3 936
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	2 576	220	65	668	(228)	611	3 912	558	4 470
Attributable (to)/from non-controlling interests	(14)	(17)	(25)	(8)	57	3	(4)	(558)	(562)
Preference share dividend						(2)	(2)		(2)
Intangible assets impairment	27				99		126		126
FCTR recycled through profit or loss					6	(24)	(18)		(18)
Headline earnings/(loss)	2 589	203	40	660	(66)	588	4 014		4 014
Net income earned on BEE preference shares						62	62		62
BEE normalised headline earnings/(loss)	2 589	203	40	660	(66)	650	4 076		4 076

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

Summary segment information (continued)

for the year ended 31 December 2013

The audited segment results for the year ended 31 December 2012 are as follows:

Restated Rm	Long-term insurance Retail	Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	62 096	16 395	904	2 419	289	1 634	83 737	(5 991)	77 746
Profit/(loss) before taxation	4 553	113	128	785	(132)	910	6 357	446	6 803
Taxation	(2 392)	(20)	(15)	(216)	38	(14)	(2 619)	(66)	(2 685)
Total earnings/(loss)	2 161	93	113	569	(94)	896	3 738	380	4 118
Other comprehensive income	71	10	7	2			90		90
Total comprehensive income/(loss)	2 232	103	120	571	(94)	896	3 828	380	4 208
Attributable to:									
Non-controlling interests	(22)	1	(59)	(7)	23	16	(48)	(380)	(428)
Equity holders	2 210	104	61	564	(71)	912	3 780		3 780
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	2 161	93	113	569	(94)	896	3 738	380	4 118
Attributable (to)/from non-controlling interests	(17)	1	(55)	(7)	23	16	(39)	(380)	(419)
Preference share dividend						(2)	(2)		(2)
Intangible assets derecognition and impairment	44						44		44
Profit on sale of joint venture						(117)	(117)		(117)
FCTR recycled through profit or loss					2		2		2
Headline earnings/(loss)	2 188	94	58	562	(69)	793	3 626		3 626
Net income earned on BEE preference shares						62	62		62
BEE normalised headline earnings/(loss)	2 188	94	58	562	(69)	855	3 688		3 688

(1) Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.

Group equity value report

1. Introduction

Liberty presents a "group equity value" report to reflect the combined value of the various components of Liberty's businesses.

Section 2 below describes the valuation bases used for each reported component. It should be noted the group equity value is presented to provide additional information to shareholders to assess performance of the group. The total equity value is not intended to be a fair value calculation of the group but should provide indicative information of the inherent value of the component parts.

2. Component parts of the group equity value and valuation techniques used

Group equity value has been calculated as the sum of the following component parts:

2.1 South African covered business:

The wholly owned subsidiary, Liberty Group Limited, comprises the cluster of South African long-term insurance entities and related asset holding entities. The embedded value methodology in terms of Actuarial Practice Note 107 issued by the Actuarial Society of South Africa continues to be used to derive the value of this business cluster described as "South African covered business". The embedded value report of the South African covered business has been reviewed by the group's statutory actuary. The full embedded value report is included in the supplementary information section.

2.2 Other businesses:

STANLIB	Valued using a 10 times (2012: 10 times) multiple of estimated sustainable earnings.
Liberty Properties	Valued using a 10 times (2012: 10 times) multiple of estimated sustainable earnings.
Liberty Health	As Liberty Health has yet to establish a history to support a sustainable earnings calculation, adjusted IFRS net asset value is applied.
Liberty Africa Insurance	Liberty Africa Insurance is an emerging cluster of both long and short-term insurance businesses located in various African countries outside of South Africa. A combination of valuation techniques including embedded value, discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of group equity value and therefore a detailed analysis of this valuation has not been presented. At 31 December 2013 the combined valuations approximated the group's IFRS net asset value. Therefore the IFRS net asset value was used.
LibFin Credit	LibFin originates appropriate illiquid assets that provide acceptable illiquidity premiums. The value of this origination is reflected at a 10 times multiple of estimated sustainable earnings adjusting for related expenses and prudential margin.
Liberty Holdings	The net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in any subsidiaries which are valued separately.

2.3 Other adjustments:

These comprise the fair value of share options/rights allocated to staff not employed by the South African covered businesses and allowance for certain shareholder recurring costs incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (December 2012: 9 times).

Group equity value report (continued)

3. BEE normalised group equity value

3.1 Analysis of BEE normalised group equity value

Audited 2013 Rm	SA covered business	Other busi-nesses	Group funds invested	Adjust-ments	Net worth	Value of in-force: SA covered business	Total
SA insurance operations	10 775		10 775	(5 350)	5 425	21 637	27 062
Retail segment						19 830	
Corporate						1 807	
Value of in-force acquired	150		150	(150)			
Working capital and other assets	4 145		4 145	(381)	3 764		3 764
South African insurance operations	15 070		15 070	(5 881)	9 189	21 637	30 826
Other group businesses:							
STANLIB		570	570	5 080	5 650		5 650
South Africa		396	396	4 854	5 250		5 250
Other Africa		174	174	226	400		400
Liberty Properties		50	50	350	400		400
Liberty Health (including Total Health Trust)		87	87	(87)			
Liberty Africa Insurance		488	488		488		488
LibFin Credit				650	650		650
Liberty Holdings		1 389	1 389	(47)	1 342		1 342
Cost of required capital						(1 566)	(1 566)
Net equity as reported under IFRS	15 070[(1)]	2 584	17 654	65	17 719	20 071	37 790
BEE preference funding	905		905		905		905
Allowance for future shareholders costs		(247)	(247)		(247)	(1 970)	(2 217)
Allowance for employee share options/rights	(236)	(175)	(411)		(411)		(411)
BEE normalised equity value	15 739	2 162	17 901	65	17 966	18 101	36 067

Summary of adjustments:	SA covered business	Other busi-nesses	Group funds invested
Negative rand reserves	(5 350)		(5 350)
Deferred acquisition costs	(513)		(513)
Deferred revenue liability	185		185
Internally generated software	(53)	53	
Carrying value of in-force business acquired	(150)		(150)
Fair value adjustment of non SA covered business		5 993	5 993
Liberty Health loan impairment		(100)	(100)
	(5 881)	5 946	65

(1) Reconciliation to SA covered business net worth as per analysis in supplementary information	
Net equity of SA covered business as reported under IFRS	*15 070*
Adjustments as above	*(5 881)*
Allowance for employee share options/rights	*(236)*
BEE preference share funding	*905*
Net worth as reported in supplementary information	*9 858*

3. BEE normalised group equity value (continued)

3.1 Analysis of BEE normalised group equity value (continued)

Audited 2012 Rm	SA covered business	Other businesses	Group funds invested	Adjustments	Net worth	Value of in-force: SA covered business	Total
SA insurance operations	9 424		9 424	(4 796)	4 628	20 268	24 896
Retail segment						18 589	
Corporate						1 679	
Value of in-force acquired	230		230	(230)			
Working capital and other assets	3 535		3 535	(416)	3 119		3 119
South African insurance operations	13 189		13 189	(5 442)	7 747	20 268	28 015
Other group businesses:							
STANLIB		359	359	4 588	4 947		4 947
South Africa		262	262	4 438	4 700		4 700
Other Africa		97	97	150	247		247
Liberty Properties		45	45	355	400		400
Liberty Health (including Total Health Trust)	41	186	227		227		227
Liberty Africa Insurance	40	336	376		376	33	409
LibFin Credit				500	500		500
Liberty Holdings		1 214	1 214	37	1 251		1 251
Cost of required capital						(1 477)	(1 477)
Net equity as reported under IFRS	13 270[1]	2 140	15 410	38	15 448	18 824	34 272
BEE preference funding	1 012		1 012		1 012		1 012
Allowance for future shareholders costs		(236)	(236)		(236)	(1 785)	(2 021)
Allowance for employee share options/rights	(305)	(218)	(523)		(523)		(523)
BEE normalised equity value	13 977	1 686	15 663	38	15 701	17 039	32 740
Summary of adjustments:							
Negative rand reserves	(4 796)		(4 796)				
Deferred acquisition costs	(439)		(439)				
Deferred revenue liability	165		165				
Internally generated software	(37)	37					
Carrying value of in-force business acquired	(230)		(230)				
Fair value adjustment of non SA covered business	(100)	5 443	5 343				
Impact of discounting on deferred tax asset	(5)		(5)				
	(5 442)	5 480	38				

[1] *Reconciliation to SA covered business net worth as per analysis in supplementary information.*	
Net equity of SA covered business as reported under IFRS	*13 270*
Adjustments as above	*(5 442)*
Allowance for employee share options/rights	*(305)*
BEE preference share funding	*1 012*
Net worth as reported in supplementary information	*8 535*

Group equity value report (continued)

3. BEE normalised group equity value (continued)

3.2 BEE normalised group equity value earnings and value per share

Audited Rm	2013 SA covered business	2013 Other busi-nesses	2013 Total	2012 SA covered business	2012 Other busi-nesses	2012 Total
BEE normalised equity value at the end of the year	**27 959**	**8 108**	**36 067**	25 574	7 166	32 740
Equity value at the end of the year	**27 054**	**8 108**	**35 162**	24 562	7 166	31 728
BEE preference shares	**905**		**905**	1 012		1 012
Adjustments from group restructure	**(6)**	**6**				
Capital transactions		**15**	**15**		389	389
Funding of restricted share plan	**87**	**(87)**		87	(87)	
Intergroup dividends	**1 653**	**(1 653)**		1 701	(1 701)	
Dividends paid		**1 939**	**1 939**		1 396	1 396
BEE normalised equity value at the beginning of the year	**(25 574)**	**(7 166)**	**(32 740)**	(23 185)	(5 454)	(28 639)
Equity value at the beginning of the year	**(24 562)**	**(7 166)**	**(31 728)**	(22 110)	(5 454)	(27 564)
BEE preference shares	**(1 012)**		**(1 012)**	(1 075)		(1 075)
BEE normalised equity value earnings	**4 119**	**1 162**	**5 281**	4 177	1 709	5 886
BEE normalised return on group equity value	**16,2%**	**16,1%**	**16,1%**	18,1%	33,7%	20,8%
BEE normalised number of shares (000's)			**286 057**			283 635
Number of shares in issue (000's)			**257 801**			256 440
Shares held for the employee restricted share scheme (000's)			**2 460**			1 399
Adjustment for BEE shares (000's)			**25 796**			25 796
BEE normalised group equity value per share (rand)			**126,08**			115,43

3. BEE normalised group equity value (continued)

3.3 Sources of BEE normalised group equity value earnings

Audited Rm	2013 SA covered business	2013 Other businesses	2013 Total	2012 SA covered business	2012 Other businesses	2012 Total
Value of new business written in the year	**806**	**33**	**839**	660	31	691
Expected return on value of in-force business	**1 843**		**1 843**	1 763		1 763
Variances/changes in operating assumptions	**(14)**	**(53)**	**(67)**	37	(149)	(112)
Operating experience variances (including incentive outperformance)	**249**	**(15)**	**234**	131	(42)	89
Operating assumption changes	**(59)**	**(38)**	**(97)**	272	(107)	165
Changes in modelling methodology	**(204)**		**(204)**	(366)		(366)
Headline earnings of other businesses	**(48)**	**664**	**616**	(45)	547	502
Operational equity value profits	**2 587**	**644**	**3 231**	2 415	429	2 844
Non headline earnings adjustments		**(126)**	**(126)**	(2)	73	71
Development costs	**(53)**	**(29)**	**(82)**	(78)		(78)
Investment return on net worth	**1 089**	**182**	**1 271**	760	120	880
Investment variances	**1 030**		**1 030**	700		700
Change in economic assumptions	**(603)**		**(603)**	507		507
Increase in fair value adjustments on value of other businesses		**484**	**484**		1 163	1 163
Change in allowance for share options/rights	**69**	**7**	**76**	(125)	(76)	(201)
Group equity value earnings	**4 119**	**1 162**	**5 281**	4 177	1 709	5 886

3.4 Analysis of value of long-term insurance, new business and margins

Audited Rm	2013	2012
South African covered business:		
Retail segment	**1 580**	1 420
Traditional Life	**1 387**	1 208
Direct channel	**91**	84
Credit Life	**102**	128
Corporate	**141**	110
Gross value of new business	**1 721**	1 530
Overhead acquisition costs impact on value of new business	**(833)**	(782)
Cost of required capital	**(82)**	(88)
Net value of South African covered new business	**806**	660
South African life licences	**806**	655
Liberty Africa Insurance subsidiaries		5
Present value of future expected premiums	**37 753**	33 510
Margin	**2,1%**	2,0%
Liberty Africa Insurance:		
Net value of new business	**33**	31
Present value of future expected premiums	**362**	311
Margin	**9,1%**	10,0%
Total group net value of new business	**839**	691
Total group margin	**2,2%**	2,0%

Long-term insurance new business

for the year ended 31 December 2013

Unaudited	**2013 Rm**	2012 Rm
Sources of insurance operations total new business by customer segment		
Retail segment	**22 505**	18 990
Single	**18 270**	15 105
Recurring	**4 235**	3 885
Institutional segment	**2 816**	1 500
Single	**2 144**	934
Recurring	**672**	566
Total new business	**25 321**	20 490
Single	**20 414**	16 039
Recurring	**4 907**	4 451
Sources of insurance indexed new business	**6 947**	6 055
Retail	**6 000**	5 305
Corporate	**789**	612
Liberty Africa Insurance [1]	**158**	138

[1] Liberty owns less than 100% of the various entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.

Long-term insurance net cash flows

for the year ended 31 December 2013

Audited	2013 Rm	2012 Rm
Premiums		
Recurring	**24 936**	23 627
Retail	**17 544**	16 498
Corporate	**7 392**	7 129
Single	**21 979**	16 972
Retail	**11 463**	9 519
Corporate	**3 798**	2 035
Immediate annuities	**6 718**	5 418
Net premium income from insurance contracts and inflows from investment contracts	**46 915**	40 599
Claims and policyholders benefits		
Retail	**(29 378)**	(25 149)
Death and disability claims	**(4 879)**	(4 557)
Policy surrender and maturity claims	**(20 374)**	(16 783)
Annuity payments	**(4 125)**	(3 809)
Corporate	**(11 221)**	(10 878)
Death and disability claims	**(1 859)**	(1 714)
Scheme terminations and member withdrawals	**(9 007)**	(8 882)
Annuity payments	**(355)**	(282)
Net claims and policyholders benefits	**(40 599)**	(36 027)
Long-term insurance net cash flows	**6 316**	4 572
Sources of insurance operations cash flows by business unit:		
Retail	**6 111**	6 058
Corporate	**(83)**	(2 048)
STANLIB Multi-Manager	**(37)**	253
Liberty Africa Insurance[1]	**325**	309

[1] *Liberty owns less than 100% of the various entities that make up Liberty Africa. The information is recorded at 100% and is not adjusted for proportional legal ownership.*

Assets under management[1]

as at 31 December 2013

Unaudited	2013 Rbn	2012 Rbn
Managed by group business units	**586**	505
STANLIB South Africa	**507**	437
STANLIB Other Africa[2]	**38**	36
LibFin	**36**	27
Other internal managers	**5**	5
Externally managed	**25**	23
Total assets under management	**611**	528

(1) *Includes funds under administration.*

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

Asset management net cash flows – STANLIB

for the year ended 31 December 2013

Unaudited	2013 Rm	2012 Rm
South Africa		
Non-money market	**19 433**	16 520
Retail	**17 584**	17 511
Institutional	**1 849**	(991)
Money market	**2 229**	3 792
Retail	**(1 689)**	(1 778)
Institutional	**3 918**	5 570
Net South Africa cash inflows[1]	**21 662**	20 312
Other Africa		
Non-money market	**(5 906)**	(4 776)
Retail	**1 539**	990
Institutional	**(7 445)**	(5 766)
Money market	**(31)**	(1 209)
Net other Africa cash outflows[1][2]	**(5 937)**	(5 985)
Net cash inflows from asset management	**15 725**	14 327

(1) *STANLIB and Liberty Africa cash flows exclude intergroup life funds.*

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

Short-term insurance net cash flows

for the year ended 31 December 2013

Audited		2013 Rm	2012 Rm
Premiums		**930**	756
Liberty Health	– medical risk	**640**	496
Liberty Africa Insurance	– motor, property, medical and other	**290**	260
Claims		**(559)**	(427)
Liberty Health	– medical risk	**(438)**	(318)
Liberty Africa Insurance	– motor, property, medical and other	**(121)**	(109)
Net cash inflows from short-term insurance		**371**	329
Claims loss ratio (%)			
Liberty Health		**68**	64
Liberty Africa Insurance		**42**	42
Combined loss ratio (%)			
Liberty Health		**100**	101
Liberty Africa Insurance		**98**	94

Capital commitments

as at 31 December 2013

Audited	2013 Rm	2012 Rm
Equipment	**563**	551
Investment and owner-occupied property	**3 544**	1 937
Total capital commitments	**4 107**	2 488
Under contracts	**435**	838
Authorised by the directors but not contracted	**3 672**	1 650

The group's share of commitments of joint ventures amounts to R9 million (31 December 2012: R4 million) and is to be financed by the existing facilities in the joint venture operations.

The above 2013 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds and R218 million (31 December 2012: R198 million) from non-controlling interests in unincorporated property partnerships.

Retirement benefit obligations

as at 31 December 2013

Audited

Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for permanent employees who joined the group prior to 1 February 1999 and agency staff who joined prior to 1 March 2005.

As at 31 December 2013, the Liberty post-retirement medical aid benefit liability was R375 million (31 December 2012: R371 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.

FINANCIAL RESULTS

Related parties

for the year ended 31 December 2013

Audited

Standard Bank Group Limited and any subsidiary (excluding Liberty) is referred to as Standard Bank in the context of this section.

The following selected significant related party transactions have occurred in the 2013 financial period:

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

	Number '000	Fair value Rm	Ownership %
Standard Bank Group Limited			
Balance at 1 January 2013	**7 749**	**922**	**0,49**
Purchases	**3 202**	**380**	
Sales	**(3 889)**	**(460)**	
Fair value adjustments		**72**	
Balance at 31 December 2013	**7 062**	**914**	**0,44**

2) Bancassurance

The Liberty group has extended the joint venture bancassurance agreements with the Standard Bank group for the manufacture, sale and promotion of insurance, investment and health products through the Standard Bank's African distribution capability. New business premium income in respect of this business in 2013 amounted to R7 630 million (2012: R5 984 million). In terms of the agreements, Liberty's group subsidiaries pay joint venture profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts accrued as payable to the Standard Bank group for the year to 31 December 2013 is R868 million (2012: R775 million).

The bancassurance agreements are evergreen agreements with a 24-month notice period for termination, but neither party could have given notice of termination until February 2014. As at the date of the approval of the integrated annual report, neither party had given notice.

A binder agreement has been entered into with Standard Bank effective from 31 December 2012. The binder agreement is associated with the administration of policies sold under the bancassurance agreement, and shall remain in force for an indefinite period with a 90 day notice period for termination. Fees accrued for the year to 31 December 2013 is R94 million.

In December 2013 Liberty Group Limited, a 100% held subsidiary of Liberty, issued 5 000 cumulative, participating, non-controlling redeemable preference shares for a total value of R5 million to The Standard Bank of South Africa Limited in order to facilitate the payment of profit shares under the bancassurance agreement. This followed the discontinuance of business in Liberty Active Limited, which previously was contracted to make payment.

3) Sale and repurchase agreements

As described in the accounting policies section of this announcement, the group has entered into certain agreements of sale and repurchase of financial instruments as part of the group's asset/liability matching processes.

A total of R7,5 billion in assets have been traded with Standard Bank under a repurchase agreement with various repurchase dates to 13 January 2014 (at 31 December 2013 open contracts totalled R1,1 billion). Finance costs recognised in respect of these agreements as at 31 December 2013 was R52 million, with total finance costs over the term of the various agreements totalling R54 million.

4) Purchases and sales of other financial instruments

In the normal course of conducting Liberty's insurance business, Liberty deposits cash with Standard Bank, purchases and sells financial instruments issued by Standard Bank and enters into derivative transactions with Standard Bank. These transactions are at arm's length and are primarily used to support investment portfolios for policyholders and shareholders' capital.

Financial instruments measurement

Financial instruments measurement analysis and fair value hierarchy
as at 31 December 2013

Audited **Designation per Financial Position Statement**	Measurement basis Amortised cost(1) Rm	 Financial soundness value(2) Rm	 Fair value Rm	 Total Rm	Fair value hierarchy Provided below Rm	 Not provided(3) Rm
Assets						
Pledged assets			**1 348**	**1 348**	**1 348**	
Derivative assets			**6 387**	**6 387**	**4 956**	**1 431**
Interest in joint ventures – measured at fair value			**400**	**400**	**400**	
Interest in associates – measured at fair value			**15 361**	**15 361**	**15 361**	
Financial instruments	**1 214**		**277 829**	**279 043**	**277 829**	
Prepayments, insurance and other receivables			**3 841**	**3 841**		**3 841**
Cash and cash equivalents			**9 870**	**9 870**		**9 870**
Properties (investment and owner-occupied)			**30 024**	**30 024**	**30 024**	
Total financial instrument assets	**1 214**		**345 060**	**346 274**	**329 918**	**15 142**
Fair value of amortised cost assets	**1 091**					
Liabilities						
Investment contracts with discretionary participation features		**9 056**		**9 056**		
Financial liabilities under investment contracts			**74 146**	**74 146**	**74 146**	
Financial liabilities at amortised cost	**3 167**			**3 167**		
Third party financial liabilities arising on consolidation of mutual funds			**39 983**	**39 983**	**39 983**	
Derivative liabilities			**4 860**	**4 860**	**4 860**	
Insurance and other payables			**9 716**	**9 716**		**9 716**
Total financial instrument liabilities	**3 167**	**9 056**	**128 705**	**140 928**	**118 989**	**9 716**
Fair value of amortised cost liabilities	**3 110**					

(1) *Amortised cost*

The R1 214 million financial instrument asset relates to policyholder loans. The fair value has been determined by utilising a discounted cash flow model utilising discount rates ranging between 11,0% and 18,9%. The financial liabilities comprise subordinated bonds of R3 069 million, non-controlling interests loan of R93 million and redeemable preference shares of R5 million. The fair value of these liabilities is R3 013 million, R92 million and R5 million respectively, using discount rates ranging between 7,2% and 8,3%.

(2) *Financial soundness value*

The financial soundness valuation methodology is described in SAP 104 issued by the Actuarial Society of South Africa. With regards to investment contracts with discretionary participation features, the group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the rights to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group. Given the discretionary nature of these investments returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term.

(3) *Fair value hierarchy not provided*

The fair value of prepayments, insurance and other receivables, cash and cash equivalents and insurance and other payables approximate their carrying value and are not included in the hierarchy table as their settlement terms are short-term and therefore, from a materiality perspective, fair values are not required to be modelled.

Fair value hierarchy of instruments measured at fair value
as at 31 December 2013

The information below analyses assets and liabilities which are carried at fair value at each reporting period, by level of hierarchy as required by IFRS 7 and IFRS 13. The different levels in the hierarchy are defined below:

Level 1 – Values are determined using readily and regularly available quoted prices in an active market for identical assets or liabilities. These prices would primarily originate from the Johannesburg Stock Exchange, the Bond Exchange of South Africa or an international stock or bond exchange.

Level 2 – Values are determined using valuation techniques or models, based on assumptions supported by observable market prices or rates either directly (that is, as prices) or indirectly (that is, derived from prices) prevailing at the financial position date. The valuation techniques or models are periodically reviewed and the outputs validated.

Level 3 – Values are estimated indirectly using valuation techniques or models for which one or more of the significant inputs are reasonable assumptions (that is unobservable inputs), based on market conditions.

The table below analyses the fair value measurement of applicable assets by level:

Audited

Rm	Level 1	Level 2	Level 3	Total
2013				
Equity instruments	**111 639**	**6**	**728**	**112 373**
Listed ordinary shares on the JSE	**78 702**			**78 702**
Foreign equities listed on an exchange other than the JSE	**32 937**			**32 937**
Unlisted equities		**6**	**328**	**334**
Interest in joint ventures –measured at fair value			**400**	**400**
Debt instruments	**65 527**	**21 218**	**238**	**86 983**
Preference shares listed on the JSE or foreign exchanges	**1 928**			**1 928**
Unlisted preference shares		**1 012**	**238**	**1 250**
Listed term deposits[(1)] on BESA, JSE or foreign exchanges	**63 599**	**2 830**		**66 429**
Unlisted term deposits[(1)]		**17 376**		**17 376**
Mutual funds[(2)]	**249**	**68 731**	**246**	**69 226**
Active market	**249**	**66 555**		**66 804**
Property		**1 747**		**1 747**
Equity	**249**	**20 257**		**20 506**
Interest-bearing instruments		**14 551**		**14 551**
Mixed		**30 000**		**30 000**
Non-active market		**2 176**	**246**	**2 422**
Equity		**2 176**	**90**	**2 266**
Mixed			**156**	**156**
Investment policies		**26 356**		**26 356**
Derivatives		**4 956**		**4 956**
Equity		**1 227**		**1 227**
Foreign exchange		**17**		**17**
Interest rate		**3 712**		**3 712**
Properties (investment and owner-occupied)			**30 024**	**30 024**
Assets subject to fair value hierarchy analysis	**177 415**	**121 267**	**31 236**	**329 918**
Comprising:				
Held-for-trading		**4 956**		**4 956**
Designated as at fair value through profit or loss	**177 415**	**116 311**	**1 212**	**294 938**
Properties measured at fair value			**30 024**	**30 024**
Total assets carried at fair value	**177 415**	**121 267**	**31 236**	**329 918**

(1) *Term deposits include instruments which have a defined maturity date and capital repayment. These instruments are by nature interest bearing at a predetermined rate, which is either fixed or referenced to quoted floating indices.*

(2) *Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets class.*

There have been no transfers between Level 1, 2 or 3 during the period.

Financial instruments measurement (continued)

Fair value hierarchy of instruments measured at fair value (continued)

as at 31 December 2013

The table below analyses the fair value measurement of applicable financial instrument liabilities which are all categorised as level 2:

Audited	2013 Rm
Liabilities	
Long-term investment contract liabilities	**74 146**
Third party financial liabilities arising on consolidation of mutual funds	**39 983**
Derivatives	**4 860**
Total financial instrument liabilities carried at fair value	**118 989**
Comprising:	
Held-for-trading	**4 860**
Fair value through profit or loss	**114 129**
Total financial instrument liabilities carried at fair value	**118 989**

There were no transfers between levels 1, 2 and 3 during the period.

Reconciliation of level 3 assets

The table below analyses the movement of level 3 assets (investment and owner-occupied property and financial instruments) for the year under review:

Audited		2013 Rm
Balance at 1 January 2013		**29 791**
Fair value adjustment recognised in profit or loss as part of investment gains/(losses) (1)		**2 518**
Fair value adjustment recognised in other comprehensive income		**28**
Foreign currency translation		**37**
Additions		**1 752**
Disposals		**(2 890)**
Balance at 31 December 2013		**31 236**
Investment and owner-occupied properties		**30 024**
Financial instruments	– equity and mutual funds	**974**
	– debt	**238**

(1) *Included in the fair value adjustment is a R2 409 million unrealised gain.*

Investment and owner-occupied property

Investment properties (including owner-occupied properties) fair values were derived by determining sustainable net rental income, to which an appropriate capitalisation rate is applied. Capitalisation rates are adjusted for occupancy levels, age of the building, location and expected future benefit of recent alterations.

The capitalisation rates applied at 31 December 2013 range between 7,0% to 11,0%. This compares to the ten year government yield of 8,14%. The non observable adjustments included in the valuation can therefore be referenced to the variance to the ten year government rate.

The table below indicates the sensitivity of the aggregate market values for a 0,5% change in the capitalisation rate. It should be noted that as both the investment and the owner-occupied properties are entirely linked to policyholder benefits and consortium non-controlling interests there is no impact to group ordinary shareholder comprehensive income or equity for any changes in the fair value measurement.

Audited 2013	Rm	Change in capitalisation rate 0,5% increase	 0,5% decrease
Properties between 7,0 – 9,0% capitalisation rate	**22 550**	**21 083**	**24 237**
Properties between 9,1 – 11,0% capitalisation rate	**7 474**	**7 072**	**7 919**
Total	**30 024**	**28 155**	**32 156**

Level 3 – significant fair value model assumptions and sensitivities

Financial instrument assets

Equities and mutual funds R974 million – earnings multiples applied between 7 and 10 times.

Debt instruments R238 million – discount rates applied between 7% and 11%.

Approximately 57% of these assets are allocated to policyholder unit linked portfolios and therefore changes in estimates would be offset by equal changes in liability values.

The net shareholder exposure is approximately R519 million. Changes to discount rates and implied earnings multiples applied of 50bps would result in between positive R22 million to negative R20 million after taxation net impact to profit or loss and shareholder funds.

Group's valuation process

The group's appointed asset managers have qualified valuators that perform the valuations of financial assets and properties required for financial reporting purposes, including level 3 fair values. These valuations are reviewed and approved every reporting period by the group balance sheet committee. The committee is chaired by the group's Executive Director – Finance and Risk.

The fair value of level 3 instruments are determined using valuation techniques that incorporate certain assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include the assumed risk adjusted discount rate applied to estimate future cash flows and the liquidity and credit spreads applied to debt instruments. Changes in these assumptions could affect the reported fair value of these financial instruments.

Financial instruments measurement (continued)

Valuation techniques used in determining the fair value of financial assets and liabilities classified within level 2

Instrument	Valuation basis/techniques	Main assumptions
Unlisted preference shares	Discounted cash flow model (DCF)	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
Unlisted term deposits and illiquid listed term deposits	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads
Mutual funds	Quoted put (exit) price provided by the fund manager	Price – not applicable Notice period – bond interest rate curves
Investment policies	Quoted put/surrender price provided by the issuer, adjusting for any applicable notice periods (DCF)	Price – not applicable Bond interest rate curves
Derivative assets and liabilities	Option pricing models DCF	Volatility and correlation factors Bond and interbank swap interest rate curves Forward equity and currency rates
Policyholder investment contracts liabilities		
– unit-linked policies	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
– annuity certains	DCF	Bond and interbank swap interest rate curves Own credit/liquidity
Third party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable

Valuation techniques used in determining the fair value of assets and liabilities classified within level 3

Instrument	Valuation basis/techniques	Main assumptions
Investment and owner-occupied properties	DCF	Capitalisation discount rate Price per square meter Long-term net operating income margin Vacancies Market rental trends (average net rental growth of between 2,3% – 2,5%) Economic outlook Location Hotel income trends/inflation based Hotel occupancy (range between 50% – 75%)
	Sale price (if held for sale)	Not applicable
Unlisted equities, including joint ventures – measured at fair value	DCF/earnings multiple	Cost of capital Bond and interbank swap interest rate curves Consumer price index Gross domestic product If a property investment entity, then assumptions applied are as above under investment and owner-occupied properties
	Recent arm's length transactions	Not applicable
Unlisted preference shares	DCF	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
	Recent arm's length transactions	Not applicable

Offsetting

Audited

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 *Financial Instruments: Presentation*.

However of the gross derivatives assets recognised of R6 387 million (2012: R6 910 million) and gross derivative liabilities R4 860 million (2012: R6 098 million), derivative assets of R6 265 million (2012: R6 910 million) and derivative liabilities of R4 671 million (2012: R6 098 million) are subject to master netting arrangements, with a net exposure of R1 594 million (2012: R812 million).

Appendix – Restatement of prior period financial statements
Statement of financial position

as at 1 January 2012

Audited	As previously reported Rm	Reclassification of mutual funds[1] Rm	Restated 1 January 2012 Rm
Assets			
Equipment and owner-occupied properties under development	**897**		**897**
Owner-occupied properties	**1 598**		**1 598**
Investment properties	**23 470**		**23 470**
Intangible assets	**933**		**933**
Defined benefit pension fund employer surplus	**199**		**199**
Deferred acquisition costs	**403**		**403**
Interests in joint ventures	**626**		**626**
Reinsurance assets	**1 104**		**1 104**
Long-term insurance	**902**		**902**
Short-term insurance	**202**		**202**
Operating leases – accrued income	**1 085**		**1 085**
Assets held for trading	**3 790**		**3 790**
Interest in associates – measured at fair value	**11 697**	20	**11 717**
Financial investments	**197 959**	10 737	**208 696**
Deferred taxation	**183**		**183**
Prepayments, insurance and other receivables	**2 620**	36	**2 656**
Cash and cash equivalents	**6 664**	5 768	**12 432**
Total assets	**253 228**	16 561	**269 789**
Liabilities			
Long-term policyholder liabilities	**208 565**		**208 565**
Insurance contracts	**145 558**		**145 558**
Investment contracts with discretionary participation features	**3 447**		**3 447**
Financial liabilities under investment contracts	**59 560**		**59 560**
Short-term insurance liabilities	**466**		**466**
Financial liabilities at amortised cost	**2 195**		**2 195**
Third party liabilities arising on consolidation of mutual funds	**11 164**	16 553	**27 717**
Employee benefits	**1 082**		**1 082**
Deferred revenue	**159**		**159**
Deferred taxation	**2 819**		**2 819**
Provisions	**371**		**371**
Operating leases – accrued expense	**93**		**93**
Derivative liabilities	**3 113**		**3 113**
Insurance and other payables	**6 304**	8	**6 312**
Current taxation	**614**		**614**
Total liabilities	**236 945**	16 561	**253 506**
Equity			
Ordinary shareholders' interests	**13 211**		**13 211**
Share capital	**26**		**26**
Share premium	**6 133**		**6 133**
Retained surplus	**7 683**		**7 683**
Other reserves	**(631)**		**(631)**
Non-controlling interests	**3 072**		**3 072**
Total equity	**16 283**		**16 283**
Total equity and liabilities	**253 228**	16 561	**269 789**

[1] *Applying IFRS 10 and the revised IAS 28 has led to certain investments in mutual funds being reclassified between subsidiaries, associates and financial instruments. For further detailed explanation, refer to the accounting policies section.*

Statement of financial position (continued)

as at 31 December 2012

Audited	As previously reported Rm	Reclassification of mutual funds[1] Rm	Restated 31 December 2012 Rm
Assets			
Equipment and owner-occupied properties under development	**952**		**952**
Owner-occupied properties	**1 378**		**1 378**
Investment properties	**24 133**		**24 133**
Intangible assets	**759**		**759**
Defined benefit pension fund employer surplus	**186**		**186**
Deferred acquisition costs	**449**		**449**
Interests in joint ventures	**378**		**378**
Reinsurance assets	**1 170**		**1 170**
Long-term insurance	**978**		**978**
Short-term insurance	**192**		**192**
Operating leases – accrued income	**1 277**		**1 277**
Assets held for trading	**6 910**		**6 910**
Interest in associates – equity accounted	**72**		**72**
Interest in associates – measured at fair value	**13 837**	522	**14 359**
Financial investments	**231 187**	10 828	**242 015**
Deferred taxation	**253**		**253**
Prepayments, insurance and other receivables	**3 489**	139	**3 628**
Cash and cash equivalents	**6 327**	4 091	**10 418**
Total assets	**292 757**	15 580	**308 337**
Liabilities			
Long-term policyholder liabilities	**236 684**		**236 684**
Insurance contracts	**164 666**		**164 666**
Investment contracts with discretionary participation features	**3 855**		**3 855**
Financial liabilities under investment contracts	**68 163**		**68 163**
Short-term insurance liabilities	**525**		**525**
Financial liabilities at amortised cost	**2 177**		**2 177**
Third party financial liabilities arising on consolidation of mutual funds	**14 465**	15 550	**30 015**
Employee benefits	**1 198**		**1 198**
Deferred revenue	**174**		**174**
Deferred taxation	**2 715**		**2 715**
Deemed disposal taxation liability	**918**		**918**
Provisions	**338**		**338**
Operating leases – accrued expense	**30**		**30**
Derivative liabilities	**6 098**		**6 098**
Insurance and other payables	**8 200**	30	**8 230**
Current taxation	**724**		**724**
Total liabilities	**274 246**	15 580	**289 826**
Equity			
Ordinary shareholders' interests	**15 410**		**15 410**
Share capital	**26**		**26**
Share premium	**6 078**		**6 078**
Retained surplus	**10 332**		**10 332**
Other reserves	**(1 026)**		**(1 026)**
Non-controlling interests	**3 101**		**3 101**
Total equity	**18 511**		**18 511**
Total equity and liabilities	**292 757**	15 580	**308 337**

[1] *Applying IFRS 10 and the revised IAS 28 has led to certain investments in mutual funds being reclassified between subsidiaries, associates and financial instruments. For further detailed explanation, refer to the accounting policies section.*

Appendix – Restatement of prior period financial statements (continued)
Statement of comprehensive income
for the year ended 31 December 2012

Audited	As previously reported Rm	Reclassification of mutual funds[1] Rm	IAS 19 Amendments Rm	Restated 31 December 2012 Rm
Revenue				
Insurance premiums	**30 720**			**30 720**
Reinsurance premiums	**(1 089)**			**(1 089)**
Net insurance premiums	**29 631**			**29 631**
Service fee income from investment contracts	**881**			**881**
Investment income	**12 688**	948	(30)	**13 606**
Hotel operation sales	**720**			**720**
Investment gains	**30 209**	899		**31 108**
Fee revenue and reinsurance commission	**1 877**	(77)		**1 800**
Adjustment to defined benefit pension fund employer surplus	**(45)**		45	**-**
Total revenue	**75 961**	1 770	15	**77 746**
Claims and policyholder benefits under insurance contracts	**(25 004)**			**(25 004)**
Insurance claims recovered from reinsurers	**672**			**672**
Change in long-term policyholder liabilities	**(19 532)**			**(19 532)**
Insurance contracts	**(19 228)**			**(19 228)**
Investment contracts with discretionary participation features	**(380)**			**(380)**
Applicable to reinsurers	**76**			**76**
Fair value adjustment to policyholder liabilities under investment contracts	**(10 035)**			**(10 035)**
Fair value adjustment on third party mutual fund interests	**(2 979)**	(1 769)		**(4 748)**
Acquisition costs	**(3 818)**			**(3 818)**
General marketing and administration expenses	**(7 445)**	(1)	(127)	**(7 573)**
Finance costs	**(243)**			**(243)**
Profit share allocations under bancassurance and other agreements	**(800)**			**(800)**
Profit on sale of joint venture	**135**			**135**
Equity accounted earnings from joint ventures	**3**			**3**
Profit before taxation	**6 915**	-	(112)	**6 803**
Taxation	**(2 717)**		32	**(2 685)**
Total earnings (carried forward)	**4 198**	-	(80)	**4 118**

Statement of comprehensive income (continued)

for the year ended 31 December 2012

Audited	As previously reported Rm	Reclassification of mutual funds[1] Rm	IAS 19 Amendments Rm	Restated 31 December 2012 Rm
Total earnings (brought forward)	**4 198**		(80)	**4 118**
Other comprehensive income	**10**		80	**90**
Items that may be reclassified subsequently to profit or loss	**5**			**5**
Net change in fair value on cash flow hedges	**(29)**			**(29)**
Income and capital gains tax relating to net change in fair value on cash flow hedges	**8**			**8**
Foreign currency translation	**26**			**26**
Items that may not be reclassified subsequently to profit or loss	**5**		80	**85**
Owner-occupied properties – fair value adjustment	**(192)**			**(192)**
Income and capital gains tax relating to owner-occupied properties fair value adjustment	**66**			**66**
Change in long-term policyholder insurance liabilities (application of shadow accounting)	**131**			**131**
Actuarial gains on post-retirement medical aid liability			127	**127**
Income tax relating to post-retirement medical aid liability			(36)	**(36)**
Net adjustments to defined benefit pension fund [2]			(15)	**(15)**
Income tax relating to defined benefit pension fund			4	**4**
Total comprehensive income	**4 208**		–	**4 208**
Attribution of total earnings and comprehensive income				
Total earnings attributable to:				
Ordinary shareholders' interests	**3 779**			**3 699**
Non-controlling interests	**419**			**419**
	4 198			**4 118**
Total comprehensive income attributable to:				
Ordinary shareholders' interests	**3 780**			**3 780**
Non-controlling interests	**428**			**428**
	4 208			**4 208**
Basic and fully diluted earnings per share	**Cents**		Cents	**Cents**
Basic earnings per share	**1 464,6**		(31,0)	**1 433,6**
Fully diluted basic earnings per share	**1 370,8**		(29,1)	**1 341,7**

(1) Applying IFRS 10 and the revised IAS 28 has led to certain investments in mutual funds being reclassified between subsidiaries, associates and financial instruments. For further detailed explanation, refer to the accounting policies section.

(2) Net adjustments to defined benefit pension fund include actuarial gains or losses, return on plan assets, reduced by the interest on the net defined benefit asset, and the effect of the application of the asset ceiling.

Notes

Liberty Holdings Limited

Supplementary information 2013

For the year ended 31 December

Contents

Analysis of ordinary shareholders' funds

for the year ended 31 December 2013

	Group funds invested		Contribution to earnings	
	2013 Rm	Restated[1] 2012 Rm	2013 Rm	Restated[2][3] 2012 Rm
South African insurance	**15 070**	13 189	**3 603**	3 361
Insurance operating surplus			**2 962**	2 442
Present value of in-force business	**150**	230	**(80)**	(95)
Investment portfolios	**10 775**	9 424	**575**	760
Fixed assets and working capital[1]	**7 145**	5 535	**337**	427
Capital bonds (excluding accrued interest)	**(3 000)**	(2 000)	**(191)**	(173)
Other insurance	**575**	603	**12**	(21)
Liberty Africa insurance	**488**	376	**52**	21
Liberty Health (including Total Health Trust)	**87**	227	**(40)**	(42)
Asset management operations	**620**	404	**677**	585
STANLIB	**570**	359	**633**	537
South Africa	**396**	262	**571**	489
Other Africa	**174**	97	**62**	48
Liberty Properties	**50**	45	**44**	39
Fountainhead				9
Shareholder expenses and sundry income			**(276)**	(297)
Liberty Holdings Limited	**1 389**	1 214		
Preference share dividend			**(2)**	(2)
Headline earnings			**4 014**	3 626
Preference share dividend			**2**	2
Intangible assets derecognition and impairment			**(126)**	(44)
Profit on sale of joint venture				117
FCTR recycled through profit or loss			**18**	(2)
Liberty Holdings shareholders' funds/total earnings	**17 654**	15 410	**3 908**	3 699
BEE normalised:				
Liberty Holdings shareholders' funds/headline earnings	**17 654**	15 410	**4 014**	3 626
BEE preference shares	**905**	1 012	**62**	62
BEE normalised shareholders' funds/headline earnings	**18 559**	16 422	**4 076**	3 688

(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.*
(2) *Direct Financial Services now included in South African Insurance and Liberty Africa split between STANLIB, other Africa and Liberty Africa Insurance.*
(3) *2012 earnings have been restate for change in accounting policy relating to the adoption of the amendments to IAS 19 Employee Benefits.*

Analysis of group earnings – core earnings

for the year ended 31 December 2013

	2013 Rm	Restated[2] 2012 Rm
Retail planned margin release including annual contribution increases [1]	**1 585**	1 429
Retail SA credit life	**145**	135
Retail SA VIF amortisation	**(78)**	(79)
LibFin Market portfolio performance	**137**	151
Expected long-term rate of return on Shareholder Investment Portfolio [3]	**1 148**	1 203
BEE preference share income	**62**	62
Other businesses headline earnings and shareholder net expenses	**532**	331
Corporate [2]	**121**	66
STANLIB	**633**	537
South Africa	**571**	489
Other Africa	**62**	48
Liberty Properties	**44**	48
Liberty Africa Insurance	**52**	21
Liberty Health	**(40)**	(42)
Other [2]	**(278)**	(299)
Core operating earnings	**3 531**	3 232
Retail SA new business strain	**(387)**	(410)
Retail SA operating variances, assumption changes and other [2]	**202**	104
Adjusted core operating earnings	**3 346**	2 926
Variance to long-term rate of return on Shareholder Investment Portfolio	**730**	762
BEE normalised headline earnings	**4 076**	3 688

[1] *Includes Direct Financial Services.*
[2] *2012 earnings have been restated for the change in accounting policy relating to the amendments to IAS 19 Employee Benefits.*
[3] *The expected long term rate of return is based off that applied in the embedded value at 31 December 2010. To avoid volatility this base rate will only be adjusted when there is evidence of a sustained material change.*

Reconciliation of business unit earnings to segment result

as at 31 December 2013

	Segment report						
Business unit	**Retail Rm**	**Corporate Rm**	**Short-term Rm**	**Asset management Rm**	**Health services Rm**	**Other Rm**	**Total Rm**
Retail [1]	**1 539**			**(4)**		**(68)**	**1 467**
Corporate		**118**				**3**	**121**
LibFin	**1 040**	**63**				**912**	**2 015**
STANLIB	**(4)**			**625**		**12**	**633**
South Africa	**(4)**			**563**		**12**	**571**
Other Africa				**62**			**62**
Liberty Properties				**39**		**5**	**44**
Liberty Africa Insurance	**46**	**22**	**29**			**(45)**	**52**
Liberty Health			**11**		**(66)**	**15**	**(40)**
Central overheads, development costs and sundry income	**(32)**					**(184)**	**(216)**
BEE normalised headline earnings	**2 589**	**203**	**40**	**660**	**(66)**	**650**	**4 076**
Preference share dividend						**2**	**2**
Net income earned on BEE preference shares						**(62)**	**(62)**
Derecognition and impairment of intangible assets	**(27)**				**(99)**		**(126)**
FCTR recycled through profit or loss					**(6)**	**24**	**18**
Total earnings attributable to equity holders	**2 562**	**203**	**40**	**660**	**(171)**	**614**	**3 908**

[1] *Includes Direct Financial Services.*

Reconciliation of business unit earnings to segment result (continued)

as at 31 December 2012

Restated[2] **Business unit**	Retail Rm	Corporate Rm	Short-term Rm	Asset management Rm	Health services Rm	Other Rm	Total Rm
	Segment report						
Retail [1]	1 208					(29)	1 179
Corporate		66					66
LibFin	1 026	27				1 063	2 116
STANLIB	(3)			518		22	537
South Africa	(3)			472		20	489
Other Africa				46		2	48
Liberty Properties				45		3	48
Liberty Africa Insurance	33	1	60			(73)	21
Liberty Health			15		(69)	12	(42)
Central overheads, development costs and sundry income	(76)		(17)	(1)		(143)	(237)
BEE normalised headline earnings	2 188	94	58	562	(69)	855	3 688
Preference share dividend						2	2
Profit on sale of joint venture						117	117
Intangible assets derecognition and impairment	(44)						(44)
FCTR recycled through profit of loss					(2)		(2)
Net income earned on BEE preference shares						(62)	(62)
Total earnings attributable to equity holders	2 144	94	58	562	(71)	912	3 699

[1] *Includes Direct Financial Services.*

[2] *2012 earnings have been restated for the change in the accounting policy relating to the amendments to IAS 19 Employee Benefits.*

South African covered business embedded value

for the year ended 31 December 2013

1. Description of embedded value of South African covered business

The current version of Actuarial Practice Note (APN) 107 came into force for all financial years ending on or after 31 December 2012. APN 107 governs the way in which embedded values of life assurance companies are reported.

The embedded value consists of:

- The net worth; plus
- The value of in-force covered business; less
- The cost of required capital.

The net worth represents the excess of assets over liabilities on the statutory valuation method, adjusted for the elimination of the carrying value of covered business acquired and for the fair value of share options/rights granted to Liberty Group Limited employees.

The value of in-force covered business 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, which differs from the release of profits on the published accounting basis. 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 written in Liberty Group Limited or its subsidiary life company.

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 Standard Actuarial Practice (SAP) 104 plus any additional capital considered appropriate by the Board given the risks in the business. Required capital has been calculated at 1,5 x CAR, consistent with risk appetite. 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 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 reporting period. Risk policies with an inception date prior to the reporting date where no premium has been received are included in the embedded value and value of new business. The contractual terms of these policies state that Liberty Group Limited is on risk from the inception date, even though a premium may not have been received. 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 investment plans; for all other business the investment yields at the date of reporting have been used.

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

2. BEE normalised embedded value

Audited	31 Dec 2013 Rm	31 Dec 2012 Rm
Risk discount rate[(a)]	**10,94%**	9,69%
Net worth	**9 858**	8 535
Ordinary shareholders' funds on published basis	**15 070**	13 270
BEE preference share funding	**905**	1 012
Adjustment of ordinary shareholders' funds from published basis[(b)]	**(5 731)**	(5 107)
Adjustment for carrying value of in-force business acquired[(c)]	**(150)**	(230)
Allowance for fair value of share options	**(236)**	(305)
Liberty Health loan impairment		(100)
Impact of discounting on deferred tax asset		(5)
Net value of life business in-force	**18 101**	17 039
Value of life business in-force	**19 667**	18 516
Cost of required capital	**(1 566)**	(1 477)
BEE normalised embedded value	**27 959**	25 574

3. BEE normalised embedded value earnings

Embedded value at the end of the period	**27 959**	25 574
Adjustments arising from the group restructure	**(6)**	
Funding of restricted share plan	**87**	87
Intergroup dividends	**1 653**	1 701
Less embedded value at the beginning of the period	**(25 574)**	(23 185)
Embedded value earnings	**4 119**	4 177
Return on embedded value	**16,2%**	18,1%

South African covered business embedded value (continued)

for the year ended 31 December 2013 (continued)

4. Sensitivity to risk discount rate and other assumptions

In order to indicate sensitivity to varying assumptions, the value of the in-force life business less cost of required capital and the value of the new business written for Liberty Group Limited are shown below for various changes in assumptions. Each value is shown with only the indicated parameter being changed.

Audited	Value of in-force life business less cost of required capital at 31 December 2013 Rm	Value of new business written in 2013 Rm	Value of in-force life business less cost of required capital at 31 December 2012 Rm	Value of new business written in 2012 Rm
Base value	**18 101**	**806**	**17 039**	**660**
Value of in-force/new business	19 667	888	18 516	748
Cost of required capital	(1 566)	(82)	(1 477)	(88)
100 basis point increase in risk discount rate	**16 674**	**680**	**15 523**	**538**
Value of in-force/new business	18 634	783	17 439	655
Cost of required capital	(1 960)	(103)	(1 916)	(117)
100 basis point decrease in interest rate environment	**18 313**	**891**	**17 298**	**736**
Value of in-force/new business	19 890	973	18 758	825
Cost of required capital	(1 577)	(82)	(1 460)	(89)
10% fall in equity and property market values	**17 548**		**16 568**	
Value of in-force	19 114		18 045	
Cost of required capital	(1 566)		(1 477)	
100 basis point increase in equity and property returns	**19 205**	**839**	**18 113**	**692**
Value of in-force/new business	20 487	906	19 299	762
Cost of required capital	(1 282)	(67)	(1 186)	(70)
10% decrease in maintenance expenses	**18 957**	**857**	**17 818**	**706**
Value of in-force/new business	20 523	939	19 295	794
Cost of required capital	(1 566)	(82)	(1 477)	(88)
10% decrease in new business acquisition expenses (other than commissions)		**893**		**730**
Value of new business		975		819
Cost of required capital		(82)		(89)
10% decrease in withdrawal rates	**19 500**	**968**	**18 414**	**804**
Value of in-force/new business	21 066	1 050	19 891	893
Cost of required capital	(1 566)	(82)	(1 477)	(89)
5% improvement in mortality and morbidity for assurances	**19 236**	**940**	**18 213**	**783**
Value of in-force/new business	20 802	1 022	19 690	871
Cost of required capital	(1 566)	(82)	(1 477)	(88)
5% improvement in mortality for annuities	**17 923**	**804**	**16 876**	**657**
Value of in-force/new business	19 489	886	18 353	745
Cost of required capital	(1 566)	(82)	(1 477)	(88)

5. Analysis of BEE normalised embedded value earnings

	Net worth	Value of in-force covered business	Cost of required capital	Embedded value	Net worth	Value of in-force covered business	Cost of required capital	Embedded value
	31 December 2013				31 December 2012			
Audited	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Embedded value at the end of the period	**9 858**	**19 667**	**(1 566)**	**27 959**	8 535	18 516	(1 477)	25 574
Plus dividends paid	**1 653**			**1 653**	1 701			1 701
Plus funding of restricted share plan	**87**			**87**	87			87
Adjustments arising from group restructure	**(39)**	**33**		**(6)**				
Embedded value at the beginning of the period	**(8 535)**	**(18 516)**	**1 477**	**(25 574)**	(8 182)	(16 170)	1 167	(23 185)
Embedded value earnings	**3 024**	**1 184**	**(89)**	**4 119**	2 141	2 346	(310)	4 177
Components of embedded value earnings								
Value of new business written in the period	**(1 267)**	**2 155**	**(82)**	**806**	(1 144)	1 892	(88)	660
Expected return on value of life business[d]		**1 809**	**34**	**1 843**		1 732	31	1 763
Expected net of tax profit transfer to net worth	**2 816**	**(2 816)**			2 569	(2 569)		
Operating experience variances[g]	**233**	**280**	**(110)**	**403**	132	231	(51)	312
Development expenses	**(53)**			**(53)**	(78)			(78)
Incentive outperformance	**(154)**			**(154)**	(181)			(181)
Operating assumption changes[h]	**(8)**	**(166)**	**115**	**(59)**	(62)	274	60	272
Embedded value earnings from operations	**1 567**	**1 262**	**(43)**	**2 786**	1 236	1 560	(48)	2 748
Investment return on net worth[i]	**1 041**			**1 041**	713			713
Investment variances	**486**	**544**		**1 030**	288	412		700
Changes in economic assumptions[j]	**(55)**	**(499)**	**(49)**	**(603)**	109	420	(22)	507
Changes in modelling methodology[k]	**(84)**	**(123)**	**3**	**(204)**	(80)	(46)	(240)	(366)
Change in allowance for fair value of share options/rights[l]	**69**			**69**	(125)			(125)
BEE normalised embedded value earnings	**3 024**	**1 184**	**(89)**	**4 119**	2 141	2 346	(310)	4 177

South African covered business embedded value (continued)

for the year ended 31 December 2013 (continued)

6. Notes to embedded value

a) Future investment returns on major asset classes and other economic assumptions have been set with reference to the market yield on medium-term South African government stock.

	Investment return p.a.	
	2013	2012
	%	%
Government stock	**8,14**	6,89
Equities	**11,64**	10,39
Property	**9,14**	7,89
Cash	**6,64**	5,39
The risk discount rate has been set equal to the risk free rate plus 80% of the equity risk premium	**10,94**	9,69
Maintenance expense inflation rate	**5,15**	4,15

b) ***Adjustment of ordinary shareholders' funds from the published basis***

The amounts represent the change in the amount of shareholder funds as a result of moving from a published valuation basis to the statutory valuation basis. 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.

c) ***Adjustment for carrying value of in-force business acquired***

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

	2013	2012
	Rm	Rm
Investec Employee Benefits		(3)
Capital Alliance Holdings Limited (CAHL)	**(145)**	(216)
Business previously acquired by CAHL	**(5)**	(11)
	(150)	(230)

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

e) 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.

f) ***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 basis, the embedded value makes allowance for non-compulsory automatic premium and benefit increases.

6. *Notes to embedded value (continued)*

g) Operating experience variances consist of the combined effect on net worth and value of in-force of operating experience being different to that anticipated at the prior year end.

The net 31 December 2013 operating experience variance of R403 million (2012: R312 million) comprised:

2013 **Operating experience variances**	**Net worth Rm**	**Value of in-force covered business Rm**	**Cost of required capital Rm**	**Embedded value Rm**
Retail SA	**156**	**194**		**350**
Mortality and morbidity	**90**	**65**		**155**
Policyholder behaviour	**66**	**129**		**195**
Corporate	**63**	**91**		**154**
Cash settled incentives linked to share price	**(23)**			**(23)**
Other	**37**	**(5)**	**(110)**	**(78)**
Total	**233**	**280**	**(110)**	**403**
2012				
Expenses	(212)			(212)
Mortality and morbidity – Retail SA	152	68		220
Mortality and morbidity – Corporate	104			104
Persistency – Retail SA	49	152		201
Persistency – Corporate		31		31
Tax variance	40			40
Other	(1)	(20)	(51)	(72)
Total	132	231	(51)	312

South African covered business embedded value (continued)

for the year ended 31 December 2013 (continued)

6. *Notes to embedded value (continued)*

h) The amount of negative R59 million (2012: R272 million) operating assumption changes comprises:

2013 Operating assumption changes	Net worth Rm	Value of in-force covered business Rm	Cost of required capital Rm	Embedded value Rm
Expenses	**56**	**(273)**		**(217)**
Retail SA	**56**			**56**
Corporate		**(18)**		**(18)**
One year replacement of shareholder expenses		**(113)**		**(113)**
Increase in 2014 shareholder expense base above inflation		**(142)**		**(142)**
Mortality and morbidity	**42**	**18**		**60**
Other	**(106)**	**89**	**115**	**98**
Total	**(8)**	**(166)**	**115**	**(59)**
2012				
Expenses	49	(277)		(228)
Retail SA	43	(41)		2
Corporate	6	(149)		(143)
Shareholder		(87)		(87)
Mortality and morbidity	52	252		304
Persistency	(233)	384		151
Taxation	76	(126)	60	10
Other	(6)	41		35
Total	(62)	274	60	272

The group has applied the currenty taxation legislation in preparing the 31 December 2013 results.

i) ***Reconciliation of embedded value investment return on net worth to LibFin Investments earings***

	2013 Rm	2012 Rm
Libfin Investments	**1 878**	1 965
Adjustments for differences between the statutory and published basis	**(201)**	(647)
90/10 book	**(626)**	(516)
Direct Financial Services	**(65)**	(67)
Health loan impairment		(100)
BEE preference scheme	**64**	64
Other	**(9)**	14
Investment return on net worth	**1 041**	713

j) The amount of negative R603 million (2012: R507 million) relates to changes in economic assumptions as described in note a.

k) The amount of negative R204 million (2012: negative R366 million) largely represents the impact of recalibrating the Liberty Corporate model to better reflect expected future experience.

l) The amount of R69 million (2012: negative R125 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/share rights for staff employed by Liberty Group Limited and the increase in the market value of Liberty Holdings Limited share price over the reporting period.

m) The assets backing the required capital are consistent with the long-term strategic mix of shareholder funds approved by the Liberty Holdings Board in November 2013.

FINANCIAL RESULTS

90:10 Shareholder exposure

as at 31 December 2013

The "90:10 exposure" refers to the shareholders exposure to certain policyholders portfolios on which a fee arrangement exists whereby the investment return on the portfolios is shared between the policyholders and shareholders in a 90:10 ratio.

As a result of the market risk that arises for shareholders on this exposure it is managed as part of the Shareholders Investment Portfolio (SIP) and consequently the earnings form part of the SIP returns and are included in the Libfin Investments revenue account.

Because of its nature as a management fee the present value of these 90:10 fees are included in the Value of In Force of the business and the annual expected amount forms part of the expected transfer to Net Worth in the AoEV. There is therefore an inconsistency between the IFRS revenue account (shown as Libfin Investments revenue) and the AoEV (shown as expected Life Fund Operating earnings).

	2013 Rm	2014 Rm
Exposure as at the beginning of the period	**4 095**	4 671
Expected earnings	**255**	314
Variance	**371**	
Total net earnings	**626**	

Long-term policyholder liabilities IFRS reconciliation

as at 31 December 2013

	2013 Rm	Restated[1] 2012 Rm
Policyholder liabilities at beginning of the year net of reinsurance	**235 706**	207 663
Transfers to policyholder liabilities	**26 703**	28 004
Net premium income from insurance contracts	**33 536**	28 875
Net inflows from investment contracts	**13 379**	11 724
Net premium income and inflows from investment contracts	**46 915**	40 599
Investment returns	**36 579**	37 892
Claims, policyholder benefits and payments	**(40 599)**	(36 166)
Acquisition costs	**(3 828)**	(3 447)
Management expenses, finance costs and profit share allocations	**(6 949)**	(6 244)
Taxation	**(2 673)**	(2 412)
Operating profit from insurance operations	**(2 742)**	(2 218)
Foreign currency translation reserve	**374**	39
Policyholder liabilities at end of year net of reinsurance	**262 783**	235 706
Reinsurance assets	**1 161**	978
Policyholders liabilities at end of year as published	**263 944**	236 684

(1) *2012 earnings have been restated for the change in the accounting policy relating to the amendments to IAS 19 Employee Benefits.*

Retail SA – Negative rand reserves (1)

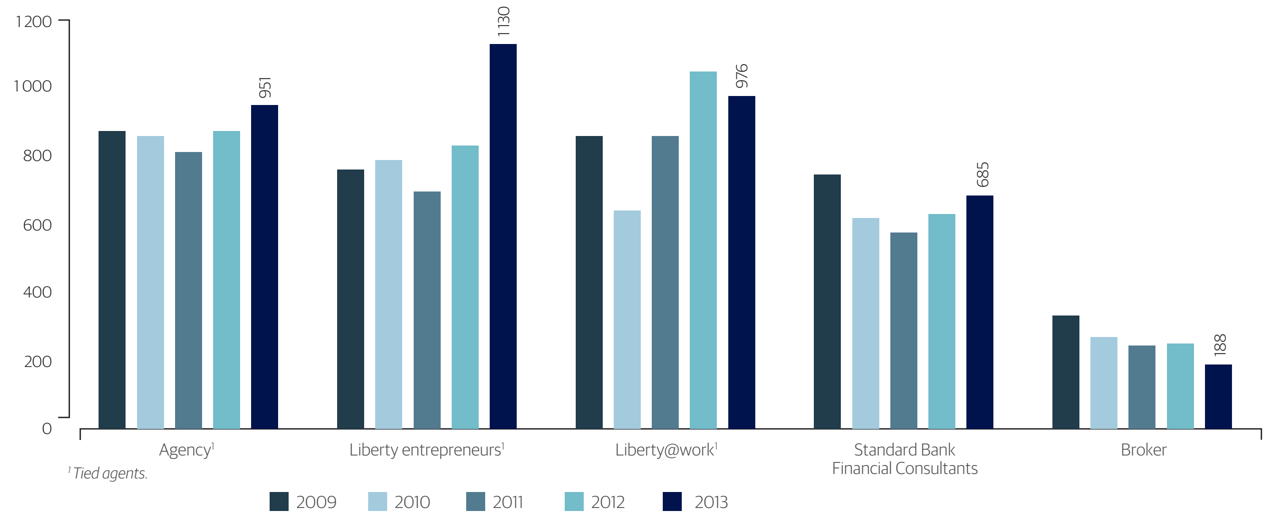
as at 31 December 2013

	2013 Rm	2012 Rm
Published IFRS basis	**18 894**	18 304
Statutory basis	**11 714**	11 713

(1) *Gross of taxation.*

South African insurance distribution headcount

as at 31 December 2013



Total long-term insurance premiums

for the year ended 31 December 2013

Rm	Recurring premiums 2013	2012	Single premiums 2013	2012	Total premiums 2013	2012
Retail	**17 221**	16 142	**18 048**	14 911	**35 269**	31 053
Corporate	**7 172**	6 935	**3 594**	1 678	**10 766**	8 613
Liberty Africa Insurance	**543**	550	**169**	75	**712**	625
STANLIB Multi-manager			**168**	308	**168**	308
Total premiums	**24 936**	23 627	**21 979**	16 972	**46 915**	40 599
% change Retail	**7%**		**21%**		**14%**	
% change Corporate	**3%**		**>100%**		**25%**	
% change Liberty Africa	**(1%)**		**>100%**		**14%**	
% change STANLIB multi manager			**(45%)**		**(45%)**	
Indexed premiums					**27 134**	25 324
Retail					**19 026**	17 632
Corporate					**7 531**	7 103
Liberty Africa Insurance					**560**	558
STANLIB Multi-manager					**17**	31

Long-term insurance – New business by distribution channel [1]

for the year ended 31 December 2013

Rm	Recurring premiums 2013	Recurring premiums 2012	Single premiums 2013	Single premiums 2012	Indexed premiums 2013	Indexed premiums 2012	Total premiums 2013	Total premiums 2012
Retail	**5 415**	5 017	**18 270**	15 105	**7 242**	6 528	**23 685**	20 122
Broker	**1 136**	1 190	**5 244**	5 066	**1 660**	1 697	**6 380**	6 256
Bancassurance	**2 335**	2 055	**5 271**	3 918	**2 862**	2 447	**7 606**	5 973
Tied channels [2]	**1 716**	1 508	**7 439**	5 704	**2 460**	2 078	**9 155**	7 212
Other	**228**	264	**316**	417	**260**	306	**544**	681
Institutional	**672**	567	**2 144**	935	**886**	661	**2 816**	1 502
Broker	**416**	389	**303**	335	**446**	423	**719**	724
Bancassurance	**24**	3			**24**	3	**24**	3
Tied channels [2]	**199**	148	**750**	297	**274**	178	**949**	445
Other	**33**	27	**1 091**	303	**142**	57	**1 124**	330
Total new business	**6 087**	5 584	**20 414**	16 040	**8 128**	7 189	**26 501**	21 624

(1) *Includes premium escalations for Retail SA; excludes STANLIB Multi-manager.*
(2) *Tied channels include Agency, Franchise and Liberty@work.*

Retail segment[2] – Headline earnings

for the year ended 31 December 2013

	2013 Rm	Restated [1] 2012 Rm
Expected profit and premium escalations	**2 411**	2 095
Variances, modelling and assumption changes	**510**	564
New business strain	**(537)**	(569)
Project, outperformance incentive and non CPP expenses	**(280)**	(484)
Other	**(135)**	(66)
Taxation	**(561)**	(455)
Earnings before bancassurance	**1 408**	1 085
Liberty share of credit life bancassurance (net of all taxes)	**145**	135
Complex bancassurance preference dividend	**(86)**	(41)
Headline earnings	**1 467**	1 179
Modelling and assumption changes	**(30)**	(118)
New business strain	**387**	410
Adjusted headline earnings	**1 824**	1 471

(1) *2012 earnings have been restated for the change in accounting policy relating to the amendments to IAS 19 Employee Benefits.*
(2) *Includes Direct Financial Services*

Retail segment[1] – Key performance indicators

as at 31 December 2013

Rm (unless stated otherwise)	2013	2012
Net customer cash flows	**6 111**	6 058
Gross sales	**22 414**	18 879
Indexed new business	**6 000**	5 305
Value of new business	**742**	625
Retail margin excluding STANLIB (%)	**2,6**	2,4
STANLIB 'on balance sheet' margin (%)	**0,1**	0,1
Retail new business margin including STANLIB (%)	**2,4**	2,3

(1) *Includes Direct Financial Services.*

Retail Segment – New business

as at 31 December 2013

Indexed premium	2013 Rm	2012 Rm
Retail SA Insurance (excluding ECM)	**5 468**	4 794
ECM	**254**	277
Total Retail SA Insurance	**5 722**	5 071
Direct Financial Services	**21**	19
STANLIB 'on balance sheet' sales	**257**	215
Total 'on balance sheet' sales	**6 000**	5 305
STANLIB 'off balance sheet' sales	**2 509**	2 251
GateWay LISP 'off balance sheet' sales	**95**	
Total Retail distribution	**8 604**	7 556

Retail SA – Maintenance cost per policy

as at 31 December 2013

	2013 R	2012 R
Valuation basis		
Complex	**457**	439
Simplex	**229**	220
Annuities	**229**	220

Corporate – Headline earnings

for the year ended 31 December 2013

	2013 Rm	Restated[1] 2012 Rm
Gross contribution	**975**	847
Underwriting margin	**458**	400
Fee income	**468**	413
Pension businesses and other income	**49**	34
Expenses and other items	**(803)**	(731)
Amortisation of previously acquired business	**(4)**	(24)
Pre-tax operating profit	**168**	92
Taxation	**(47)**	(26)
Headline earnings	**121**	66

[1] *2012 earnings have been restated for the change in accounting policy relating to the amendments to IAS 19 Employee Benefits and a gross up of taxes netted off previously.*

Corporate – Key performance measures

for the year ended 31 December 2013

Rm (unless stated otherwise)	2013	2012
Gross sales	**2 719**	1 415
Indexed new business	**789**	612
Value of new business	**64**	30
New business margin (%)	**0,9**	0,5
Net customer cash flows	**(83)**	(2 048)

[1] *2012 earnings have been restated for the change in the accounting policy relating to the amendments to IAS 19 Employee Benefits.*

LibFin – Shareholder Investment Portfolio exposure

as at 31 December 2013

	31 December 2013				31 December 2012			
Exposure category	Local Rm	Foreign Rm	Total Rm	%	Local Rm	Foreign Rm	Total Rm	%
Equities	**3 216**	**4 424**	**7 640**	**33**	3 751	3 296	7 047	34
Bonds	**4 957**	**118**	**5 075**	**22**	4 422	1 629	6 051	29
Cash	**5 149**	**420**	**5 569**	**24**	2 445	488	2 933	14
Preference shares	**620**		**620**	**3**	1 343		1 343	7
Property	**3 126**		**3 126**	**14**	2 942		2 942	14
Other	**677**	**230**	**907**	**4**	201	253	454	2
Total	**17 745**	**5 192**	**22 937**	**100**	15 104	5 666	20 770	100
Assets backing capital			**10 775**	**47**			9 424	45
Assets backing life funds			**7 491**	**33**			7 251	35
90:10 exposure			**4 671**	**20**			4 095	20

LibFin – Shareholder Investment Portfolio percentage allocation

as at 31 December 2013

	31 December 2013				31 December 2012			
%	Asset backing capital	Asset backing life funds	90:10 exposure	Total	Asset backing capital	Asset backing life funds	90:10 exposure	Total
Local assets								
Equities	**3**	**2**	**9**	**14**	2	7	9	18
Bonds, cash and property	**24**	**28**	**6**	**58**	27	16	5	48
Preference shares	**3**			**3**	6			6
Other	**1**	**2**		**3**	1			1
Foreign assets								
Equities	**14**	**1**	**4**	**19**	7	6	3	16
Bonds, cash and property	**1**		**1**	**2**	1	6	3	10
Preference shares								
Other	**1**			**1**	1			1
Total	**47**	**33**	**20**	**100**	45	35	20	100

Taxation note:

The taxation treatment of income derived from assets backing capital is the normal taxation rules applicable to life investment portfolios. The taxation applicable to income derived from assets backing life funds and the 90:10 exposure is determined by the tax rates pertaining to each life tax fund to which the assets are allocated (I-E tax). In addition there is transfer tax at 28% on the net surplus, after the applicable I-E tax.

STANLIB South Africa – Headline earnings

for the year ended 31 December 2013

Rm (unless stated otherwise)	2013	2012
Net fee income	**1 651**	1 432
Base fees	**1 585**	1 380
Performance fees	**66**	52
Operating expenses	**(916)**	(793)
Profit before investment income	**735**	639
Other income	**40**	32
Pre-tax profit	**775**	671
Taxation	**(212)**	(182)
Headline earnings	**563**	489
Average margin (bps)	**31**	34
Average assets under management (Rbn)	**472**	402

STANLIB South Africa – Net cash flows and AUM by asset category

as at 31 December 2013

	Net cash flows		AUM	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm
Retail	**15 895**	15 733	**214 454**	181 909
Fixed interest	**7 179**	7 984	**42 093**	34 880
Equity	**(375)**	(577)	**14 926**	13 312
Property	**(87)**	1 137	**11 666**	11 539
Money Market	**(1 689)**	(1 778)	**29 774**	31 748
Other	**10 867**	8 967	**115 995**	90 430
Institutional	**5 767**	4 579	**95 758**	107 110
Fixed interest	**2 627**	2 196	**14 802**	11 835
Equity	**(2 847)**	(4 222)	**2 983**	6 592
Property	**960**	1 250	**8 683**	10 098
Money Market	**3 918**	5 603	**53 224**	47 966
Other [(1)]	**1 109**	(248)	**16 066**	30 619
Liberty – intergroup	**(7 033)**	(267)	**196 820**	148 296
Total	**14 629**	20 045	**507 032**	437 315

(1) *Multi-manager insurance funds' cash flows and assets under management have been reclassified to Liberty intergroup effective 1 January 2013*

STANLIB South Africa – AUM breakdown by source and asset type

as at 31 December 2013

Rm	Money market (incl cash)	Fixed interest	Equity	Property	Other	Absolute return	Balanced	Inter-national	Struc-tured	Retail life	LISP	Total
December 2013												
Retail												
Collective Investments		**41 286**	**13 072**	**7 963**		**1 882**	**19 349**	**7 750**				**91 302**
Linked Investment and Structured Products											**83 675**	**83 675**
Money market	**29 774**											**29 774**
Multi-manager Collective Investments		**807**	**1 854**	**3 703**		**927**	**2 412**					**9 703**
Institutional												
Segregated funds	**458**	**14 802**	**2 983**	**8 683**		**237**	**13 632**	**2 197**				**42 992**
Money market	**52 766**											**52 766**
Liberty – intergroup[(1)]	**4 375**	**29 221**	**49 661**	**26 136**	**983**	**8 918**	**9 346**	**43 272**	**1 632**	**23 276**		**196 820**
STANLIB total	**87 373**	**86 116**	**67 570**	**46 485**	**983**	**11 964**	**44 739**	**53 219**	**1 632**	**23 276**	**83 675**	**507 032**
December 2012												
Retail												
Collective Investments	20	34 092	11 753	7 642		1 411	13 207	4 683				72 808
Linked Investment and Structured Products											67 885	67 885
Money market	31 748											31 748
Multi-manager Collective Investments		788	1 559	3 897		1 279	1 945					9 468
Institutional												
Segregated funds	378	11 835	6 592	10 098		169	7 396	1 714				38 182
Multi-manager funds										20 962		20 962
Money market	47 966											47 966
Liberty – intergroup	5 289	22 922	44 476	34 809	1 821	7 655	8 604	21 029	1 691			148 296
STANLIB total	85 401	69 637	64 380	56 446	1 821	10 514	31 152	27 426	1 691	20 962	67 885	437 315

(1) *Multi-Manager insurance funds' assets under management have been reclassified to Liberty intergroup effective 1 January 2013.*

STANLIB South Africa – Retail investment performance

as at 31 December 2013

Core retail funds – quartile performance	Rolling period			
	2013			
Fund name	6 Month	12 Month	3 Year	5 Year
STANLIB SA Equity	3	3	1	1
STANLIB Equity	3	1	1	1
STANLIB Growth	3	4	2	2
STANLIB Value	3	3	3	3
STANLIB Balanced	2	2	1	1
STANLIB Balanced Cautious	2	3	2	2
STANLIB Managed Flexible	4	4	4	4
STANLIB Inflation Plus 3%	4	4	4	4
STANLIB Bond	2	3	1	1
STANLIB Income	1	2	1	2
Standard Bank Money Market	2	2	2	2
STANLIB Flexible Income	3	3	2	2
STANLIB Property Income	3	3	2	1
STANLIB Dynamic Return	4	4	4	3
STANLIB Aggressive Income	4	4	4	3

STANLIB South Africa – Institutional investment performance

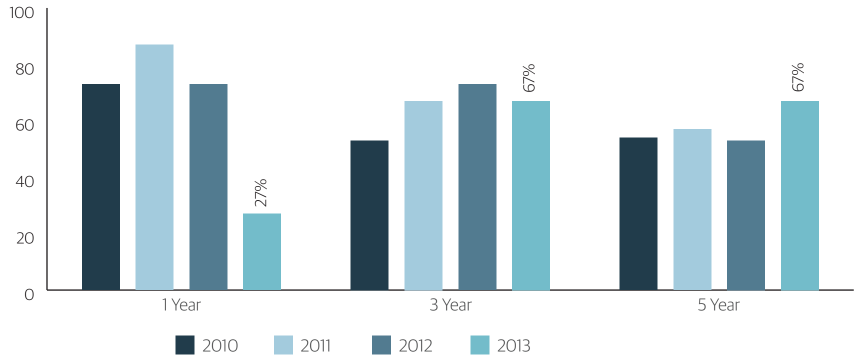
as at 31 December 2013

	Rolling period			
	2013			
Survey funds (Alexander Forbes Surveys)	3 Month	1 Year	3 Year	5 Year
Large Manager – Global	1	3	2	2
Full Global Mandate	1	3	1	1
Money Market	3	3	3	2
STANLIB Core Bond	2	4	1	1
STANLIB Institutional Property	3	4	2	2
Absolute Return	4	4	4	4
Domestic Absolute Returns	4	4	3	4
STANLIB Core Equity	3	4	1	1
STANLIB Growth Equity	4	4	2	2
STANLIB Enhanced Index	4	4	4	4
STANLIB Research	2	2	2	2
STANLIB Value	2	3	3	2

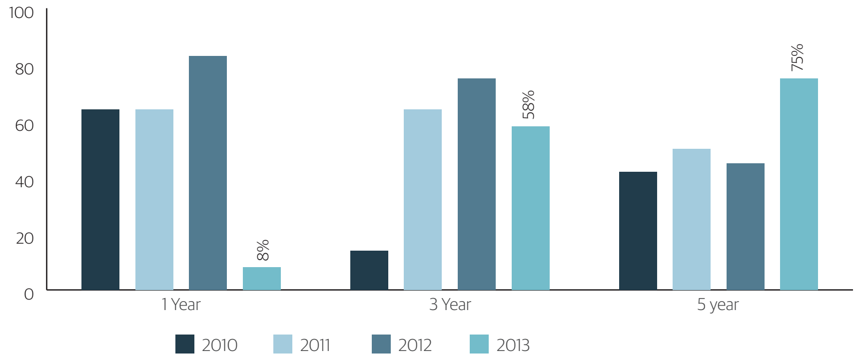
FINANCIAL RESULTS

STANLIB South Africa – Investment performance

% of Core Retail Products in 1st and 2nd quartile (December 2013)



% of Institutional Funds in 1st and 2nd quartile (December 2013)



STANLIB Other Africa – AUM

as at 31 December 2013

Assets under management	**2013 Rm**	2012 Rm
Opening market value	**35 906**	38 742
Net cash outflows	**(5 767)**	(5 956)
Capital appreciation	**7 537**	3 120
Closing market value	**37 676**	35 906
Segregated funds	**23 156**	24 334
Unit trusts	**5 503**	3 083
Money market	**9 017**	8 489
Total AUM	**37 676**	35 906

STANLIB Other Africa – AUM by geographical location

as at 31 December 2013

	2013 Rm	2012 Rm
Southern region [1]	**23 205**	19 701
Cash	**8 650**	8 150
Equity	**1 702**	1 147
Income	**3 506**	1 660
Property	**288**	266
Segregated	**9 059**	8 478
Eastern region [2]	**14 471**	16 205
Cash	**367**	339
Equity	**7**	10
Segregated	**14 097**	15 856
Total AUM	**37 676**	35 906
Combined		
Cash	**9 017**	8 489
Equity	**1 709**	1 157
Income	**3 506**	1 660
Property	**288**	266
Segregated	**23 156**	24 334
	37 676	35 906

(1) *Southern region includes Botswana, Swaziland, Lesotho and Namibia.*

(2) *Eastern region includes Kenya, Tanzania and Uganda.*

Liberty Properties – Headline earnings

for the year ended 31 December 2013

	2013 Rm	2012 Rm
Gross profit	**220**	215
Property management	**178**	193
Hotel management	**7**	5
Property development	**35**	17
Investment and other income		2
Operating expenses	**(156)**	(165)
Pre-tax operating profit	**64**	52
Taxation	**(20)**	(13)
Headline earnings	**44**	39
Fountainhead (net of taxation)		9
Total headline earnings	**44**	48

Liberty Health – Headline earnings

for the year ended 31 December 2013

	2013 Rm	2012[1] Rm
EBITDA[2]	**(22)**	(38)
Amortisation and depreciation	**(63)**	(60)
Operating loss[3]	**(85)**	(98)
Headline earnings attributable to Liberty	**(40)**	(42)

(1) *Restated to include Total Health Trust Limited.*
(2) *Earnings before interest, tax, depreciation and amortisation.*
(3) *Operating loss excludes interest and taxation.*

Liberty Health – Key performance indicators

for the year ended 31 December 2013

Thousands (unless stated otherwise)	**2013**	2012
Risk lives – Liberty Blue	**78**	84
Risk lives – THT [1]	**240**	236
Administration lives	**476**	519
South Africa	**174**	185
Other Africa (including THT)	**302**	334
IT Lives	**940**	921
South Africa	**452**	489
Other Africa (including THT)	**488**	432

(1) *Total Health Trust (THT) offers capitation medical insurance with limited risk.*

Liberty Africa Insurance – Headline earnings

for the year ended 31 December 2013

	2013 Rm	2012 Rm
Headline earnings (before head office expenses) [1]	**154**	119
Long-term insurance operations	**104**	9
Short-term insurance operations	**50**	110
Headline earnings – Liberty share (before head office expenses)	**95**	76
Less head office expenses	**(43)**	(55)
Attributable to Liberty	**52**	21

[1] *The headline earnings result is shown at 100% of the earnings of the various entities that make up Liberty Africa.*

Liberty Africa Insurance – Key performance indicators

for the year ended 31 December 2013

Rm (unless stated otherwise)	**2013**	2012
Embedded value of new business written in period	**33**	36
New business margin (%)	**9,2**	9,6
Long term:		
Indexed new business	**158**	138
Net customer cash flows	**325**	309
Short term:		
Net customer cash flows	**169**	151
Claims loss ratio (%)	**42**	42

Bancassurance – Benefit to Liberty

as at 31 December 2013

Liberty share	**2013 Rm**	2012 Rm
Credit Life		
IFRS headline earnings	**145**	135
Embedded value of in-force contracts	**399**	412
Other insurance products		
Embedded value of new business	**69**	27
Embedded value of in-force contracts	**865**	826
STANLIB		
Net service fees on assets under management sourced from Standard Bank distribution	**450**	395

Notes