

First International Trust Limited

(Registration number 57/02956/06)

Financial Highlights

for the year ended 31 December 1998

- *Headline earnings up 30,6% to R225,0 million*
- *Headline earnings per share up 30,0% to 118,9 cents*
- *Total dividends per share for the year increased by 17,0% to 55,0 cents per share*
- *Net asset value per share up 38,8% to R36,64*

FIRST INTERNATIONAL TRUST LIMITED

Directors

Chairman

D Gordon (68) CA(SA), D Econ Sc(he) (Wits)*
Appointed to the Board – 1977

Directors

R C Andersen (50) CA(SA), CPA(Texas)
Appointed to the Board – 1997

D D B Band (54) B Com, CA(SA)*
Appointed to the Board – 1995
Chairman: The Premier Group Limited

W E Cesman (56) B Com, CA(SA)
Appointed to the Board – 1986

P T W Curtis (67) CA(SA)*
Appointed to the Board – 1994
Director of companies

D A Fischel (40) BA, ACA†
Appointed to the Board – 1988
Managing Director: Liberty International Holdings PLC

R M Gordon (40)
Appointed to the Board – 1996
Director of companies

J M Kahn (59) BA (Law), MBA, D Com(he) (Pretoria)
Deputy Chairman
Appointed to the Board – 1988
Chairman: South African Breweries plc

W S MacFarlane (63) CA(SA), FCA*
Appointed to the Board – 1995
Retired – former Deputy Chairman:
The South African Breweries Limited

J H Maree (43) B Com, MA (Oxon)
Appointed to the Board – 1997
Deputy Group Chief Executive:
Standard Bank Investment Corporation Limited

E Molobi (53) BA
Appointed to the Board – 1997
Chairman: Kagiso Trust Investment Company Limited

M Rapp (63) CA(SA)
Appointed to the Board – 1988
Director of companies

A Romanis (59) CA*†
Appointed to the Board – 1988

F B Sher (54) B Com, LLB†
Appointed to the Board – 1986
Director: Liberty International Holdings PLC

C B Strauss (63) BA, MS, PhD, D Econ(he) (Rhodes)
Appointed to the Board – 1988
Chairman: Standard Bank Investment Corporation Limited

M H Vosloo (57) BA, MBA
Appointed to the Board – 1997
Group Chief Executive: Standard Bank Investment Corporation Limited

*Member of Audit Committee

†British

Approval of financial statements

First International Trust Limited and its subsidiaries

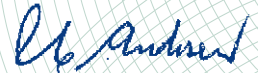
The Directors accept responsibility for the annual financial statements, the Group annual financial statements and related information included in this annual report. These financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates, in conformity with generally accepted accounting practice and in the manner required by the Companies Act. The Directors are of the opinion that the financial statements fairly present the financial position of the Company and the Group. The independent auditors are responsible for reporting on these financial statements. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control. Internal financial and operating controls are described in the Corporate Governance statement on pages 46 to 49.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern until completion of the proposed unbundling of the Company.

The annual financial statements and the Group annual financial statements which appear on pages 129 to 137 were approved by the Board of Directors on 11 March 1999 and are signed on its behalf by:



D Gordon
Chairman



R C Andersen
Group Chief Executive

Report of the independent auditors

To the members of First International Trust Limited

We have audited the annual financial statements and Group annual financial statements of First International Trust Limited set out on pages 129 to 137 for the year ended 31 December 1998. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and of the Group at 31 December 1998 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting practice, and in the manner required by the Companies Act.



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

Johannesburg
11 March 1999

Accounting policies

Basis of preparation

The accounting policies adopted by the Company and the Group are consistent with those of the previous year. These policies comply, in all material respects, with South African Generally Accepted Accounting Practice and the South African Companies Act of 1973.

The more important accounting policies adopted by the Company and the Group are as follows:

Subsidiary companies

Group financial statements

The Group annual financial statements consolidate the financial statements of the Company and its subsidiaries.

The results of the subsidiaries are included from the effective dates of acquisition up to the effective dates of disposal. Where an acquisition of a subsidiary is made during the financial year, the goodwill, being the excess of the purchase consideration over the attributable fair value of net assets acquired, is written off against distributable reserves.

All subsidiaries have financial years ending 31 December and are consolidated at that date.

Unrealised income arising from transactions within the Group as well as inter-company balances are eliminated on consolidation.

Company financial statements

The annual financial statements of the Company incorporate the results of its subsidiaries by way of equity accounting procedures.

In the annual financial statements of the Company, interests in subsidiaries are shown at a valuation representing the attributable value of the net underlying assets valued on the basis set out below.

Associated companies

Associated companies are companies, not being subsidiaries, in which the Group has the ability to exercise significant influence over the financial and operating decisions of such companies. The Group annual financial statements adopt the equity method of accounting for the post-acquisition attributable earnings of associated companies, based on their most recent published financial statements. The carrying values of associated companies are adjusted to reflect Directors' valuation based on the underlying net asset value. Unrealised surpluses or deficits arising on the valuation of associated companies are transferred to or from non-distributable reserves.

Translation of foreign currencies

Assets and liabilities of foreign subsidiaries are translated into South African currency at the Rand rates of exchange ruling at the balance sheet date. Income statement items are translated at an average Rand exchange rate. Exchange differences are dealt with through the income statements or non-distributable reserves as appropriate.

Investment income

Investment income for the Group comprises interest and dividends.

Dividends relating to financial periods ended on or before that of the Company are brought to account.

Interest is accounted for on an accrual basis.

Deferred taxation

Provision is made for deferred taxation attributable to temporary differences in the accounting and taxation treatment of items in the financial statements. Deferred taxation is calculated on all taxable temporary differences, at current rates of taxation, except where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

FIRST INTERNATIONAL TRUST LIMITED AND ITS SUBSIDIARIES

Income statements

for the year ended 31 December 1998		Group		Company	
		1998 Rm	1997 Rm	1998 Rm	1997 Rm
	Note				
Income before interest paid and taxation	1	317,0	260,9	227,0	222,7
Interest paid		(86,5)	(85,7)	(0,9)	–
Income before taxation		230,5	175,2	226,1	222,7
Taxation	2	(64,6)	(43,8)	(1,1)	(2,2)
Income after taxation		165,9	131,4	225,0	220,5
Equity accounted earnings of associated company		59,1	45,6		
Profit attributable to minority shareholders in subsidiaries		–	(4,7)		
Income attributable to ordinary activities		225,0	172,3	225,0	220,5
Exceptional items of associated company		–	48,2		
Profit for the year		225,0	220,5	225,0	220,5
Transfer to non-distributable reserves in respect of equity accounted earnings of associated company		(59,1)	(93,8)	(59,1)	(93,8)
Available for distribution to shareholders		165,9	126,7	165,9	126,7
Dividends	3	(104,1)	(89,0)	(104,1)	(89,0)
Retained income for the year		61,8	37,7	61,8	37,7
Retained income at beginning of year		301,9	264,2	301,9	264,2
Retained income at end of year		363,7	301,9	363,7	301,9
Reconciliation of headline earnings:					
Profit for the year		225,0	220,5		
Exceptional items of associated company		–	(48,2)		
Headline earnings		225,0	172,3		
Earnings per share (cents)		118,9	117,0		
Headline earnings per share (cents)		118,9	91,4		
Dividends per share (cents)		55,0	47,0		
Weighted average number of shares (million)		189,3	188,4		
Average R/£ exchange rate for the year		9,23	7,65		

Balance sheets

at 31 December 1998

		Group		Company	
	Note	1998 Rm	1997 Rm	1998 Rm	1997 Rm
Capital, reserves and liabilities					
Total shareholders' capital and reserves employed		6 935,1	4 994,9	6 935,1	4 994,9
Share capital and share premium	4	1 036,3	1 036,3	1 036,3	1 036,3
Non-distributable reserves	5	5 535,1	3 656,7	5 535,1	3 656,7
Distributable reserves		363,7	301,9	363,7	301,9
Long-term liabilities	6	1 008,1	651,8		
Current liabilities		116,0	220,3	98,4	67,5
Amount due to Group company		21,3	–	21,3	–
Bank overdraft		1,5	–	–	–
Creditors		17,5	18,0	1,4	2,2
Shareholders for dividends		75,7	65,3	75,7	65,3
Bank loans		–	137,0	–	–
		8 059,2	5 867,0	7 033,5	5 062,4
Assets					
Investments		7 923,0	5 706,6	6 934,8	4 979,7
Subsidiary companies	7			6 934,8	4 979,7
Associated company	8	7 923,0	5 706,6		
Current assets		136,2	160,4	98,7	82,7
Accrued investment income and other debtors		135,1	117,0	97,6	48,9
Taxation		1,1	0,4	1,1	0,4
Amount due by Group company		–	1,4	–	1,4
Balances with bankers and money market securities		–	41,6	–	32,0
Total assets		8 059,2	5 867,0	7 033,5	5 062,4
R/£ exchange rate at the end of the year		9,76	8,06		

Notes on the financial statements

for the year ended 31 December 1998	Group		Company	
	1998 Rm	1997 Rm	1998 Rm	1997 Rm
1. Income before interest paid and taxation				
Income before interest paid and taxation comprises:				
Investment income				
Income from subsidiaries			227,2	216,1
Retained income of subsidiaries			139,4	70,1
Dividends received from subsidiaries			87,8	146,0
Dividends received from associated companies	317,3	237,0		
Interest	1,4	26,1	1,4	8,0
Other income	0,3	–	0,1	–
	319,0	263,1	228,7	224,1
Management expenses	(2,0)	(2,2)	(1,7)	(1,4)
Audit fees	(0,1)	(0,1)	(0,1)	–
Other expenses	(1,9)	(2,1)	(1,6)	(1,4)
	317,0	260,9	227,0	222,7
Directors' emoluments				
For services as Directors R30 000 (1997: R24 227)				
2. Taxation				
South African normal taxation				
Current taxation	1,1	2,2	1,1	2,2
Current year	0,4	2,3	0,4	2,3
Prior year	0,7	(0,1)	0,7	(0,1)
United Kingdom taxation				
Deferred taxation	–	9,4		
Taxation on franked investment income	63,5	32,2		
Taxation per income statements	64,6	43,8	1,1	2,2
The tax charge for 1998 after allowing for exchange differences has increased mainly as a result of the exposure for a full financial year to certain changes in United Kingdom tax legislation which took effect from 30 June 1997.				
No provision has been made for the potential United Kingdom tax liability of £204,9 million (R1 999,8 million), which would arise at 31 December 1998 if the interest in Liberty International was sold at its carrying value at that date. The tax base of the interest in Liberty International is increased in line with the increase in the United Kingdom retail price index thereby reducing the potential tax liability over time.				
3. Dividends				
Ordinary shares				
Interim dividend No 75 of 15 cents (1997: 12,5 cents) per share paid to shareholders registered on 4 September 1998	28,4	23,7	28,4	23,7
Final dividend No 76 of 40 cents (1997: 34,5 cents) per share payable to shareholders registered on 26 March 1999	75,7	65,3	75,7	65,3
Total dividends for the year – 55 cents (1997: 47 cents) per share	104,1	89,0	104,1	89,0

	Group		Company	
	1998	1997	1998	1997
	Rm	Rm	Rm	Rm
4. Share capital and share premium				
Share capital				
Authorised share capital				
250 000 000 ordinary shares of 25 cents each	62,5	62,5	62,5	62,5
20 000 000 cumulative redeemable preference shares of 10 cents each	2,0	2,0	2,0	2,0
	64,5	64,5	64,5	64,5
Unissued shares under the control of the directors				
60 728 788 (1997: 60 728 788) ordinary shares of 25 cents each	15,2	15,2	15,2	15,2
20 000 000 (1997: 20 000 000) cumulative redeemable preference shares of 10 cents each	2,0	2,0	2,0	2,0
	17,2	17,2	17,2	17,2
Issued share capital				
189 271 212 (1997: 189 271 212) ordinary shares of 25 cents each	47,3	47,3	47,3	47,3
Share premium				
Balance at beginning of year	989,0	941,8	989,0	941,8
2 657 196 capitalisation shares issued in 1997 at a premium of R17,82 per share	-	47,4	-	47,4
Share issue expenses	-	(0,2)	-	(0,2)
Balance at end of year	989,0	989,0	989,0	989,0
Share capital and share premium at 31 December	1 036,3	1 036,3	1 036,3	1 036,3
Interests of Directors, including their families, in share capital	R'000	R'000	R'000	R'000
Direct interests				
Beneficial				
97 361 (1997: 97 361) ordinary shares of 25 cents each	24,4	24,4	24,4	24,4
Non-beneficial				
2 851 (1997: 2 851) ordinary shares of 25 cents each	0,7	0,7	0,7	0,7
	25,1	25,1	25,1	25,1

Indirect interests

By virtue of either directorships in or material shareholdings held directly or indirectly by Liberty Investors Limited (50%) and Standard Bank Investment Corporation Limited (50%), in the issued ordinary share capital of Liblife Controlling Corporation (Proprietary) Limited and by virtue of Liblife Controlling Corporation owning 54,8% of the issued ordinary share capital of Liberty Holdings Limited and Liberty Holdings owning 55,9% of the issued ordinary share capital of Liberty Life Association of Africa Limited and by virtue of Liberty Life and its subsidiaries and Standard Bank Investment Corporation owning 60,9% and 6,1% respectively of the issued ordinary share capital of the company, Messrs D Gordon, R C Andersen, D D B Band, W E Cesman, P T W Curtis, D A Fischel, R M Gordon, J M Kahn, W S MacFarlane, J H Maree, E Molobi, M Rapp, A Romanis, F B Sher, Dr C B Strauss and M H Vosloo, all being Directors of the Company and Liberty Life and/or Liberty Holdings and/or Liblife Controlling Corporation and/or Liberty Investors and/or Standard Bank Investment Corporation, had in aggregate an indirect beneficial and non-beneficial interest in 67% of the issued ordinary share capital of First International Trust.

Notes on the financial statements (continued)

for the year ended 31 December 1998	Group		Company	
	1998 Rm	1997 Rm	1998 Rm	1997 Rm
5. Non-distributable reserves				
Balance at beginning of year	3 656,7	2 654,9	3 656,7	2 654,9
Surplus on valuation of subsidiaries			1 819,3	908,0
Surplus on valuation of associated company	1 819,3	908,0		
Retained income of associated company	59,1	45,6	59,1	45,6
Exceptional items of associated company	-	48,2	-	48,2
Balance at end of year	5 535,1	3 656,7	5 535,1	3 656,7
Comprising:				
Capital redemption reserve fund	2,0	2,0	2,0	2,0
Surplus on realisation of investments	514,8	514,8	499,9	499,9
Surplus on valuation of subsidiaries			4 537,7	2 718,4
Surplus on valuation of associated company	4 522,8	2 703,5		
Retained income of associated company	495,5	436,4	495,5	436,4
	5 535,1	3 656,7	5 535,1	3 656,7

6. Long-term liabilities**Unsecured**

Bank loans

Repayable within two years	400,2	-
Repayable in two to five years	97,6	225,6

497,8 225,6

Loan from fellow subsidiary – Liblife International B.V.	510,3	426,2
--	--------------	-------

1 008,1 651,8

The bank loans are sterling denominated loans.

The loan from a fellow subsidiary represents an unsecured fixed rate loan of US\$87 million bearing interest at 7,3% per annum repayable on 30 September 2004. In the event of conversion or redemption of the \$258,6 million 6,5% Convertible Bonds due 2004 issued by a fellow subsidiary company, Liblife International B.V., (which are convertible into ordinary shares of Liberty Life Association of Africa Limited), the loan could become repayable, in whole or in part, on demand. The loan is fully hedged.

7. Subsidiary companies

Shares at valuation	6 934,5	4 979,4
Amounts owing by subsidiaries	0,3	0,3
	6 934,8	4 979,7

The interest of the Company for the year in the aggregate taxed profits of its subsidiaries was R227,2 million (1997: R216,1 million). Details regarding First International Trust's subsidiaries are set out on page 138.

	Group	
	1998	1997
	Rm	Rm
8. Associated company		
Liberty International Holdings PLC		
A United Kingdom based financial services group with total assets of R57,6 billion, shareholders' funds of R25,6 billion and net income attributable to shareholders of R706,1 million.		
134 143 054 ordinary shares, representing 41,5% (1997: 41,5%) of the total ordinary shares in issue, at Directors' valuation		
	7 681,3	5 062,9
Cost	2 852,9	1 878,2
Revaluation surplus	4 828,4	3 184,7
Nil "A" convertible preference shares (1997: 41,7% of the total "A" preference shares in issue, at Directors' valuation)		
	-	464,4
Cost	-	314,4
Revaluation surplus	-	150,0
21 346 000 "B" 6% convertible preference shares, representing 33,6% (1997: 33,6%) of the total "B" preference shares in issue, at Directors' valuation		
	241,7	179,3
Cost	171,9	141,9
Revaluation surplus	69,8	37,4
	7 923,0	5 706,6

First International Trust's interest in Liberty International Holdings PLC on a fully diluted basis amounts to 36,2% (1997: 36,0%) and reflects the potential dilution arising on conversion from the issue in March 1994 by Liberty International Holdings PLC, of £234,6 million Subordinated Convertible Bonds due 2009 which are convertible into 46,5 million Liberty International Holdings PLC ordinary shares, the "B" convertible preference shares which are convertible into 13,4 million Liberty International Holdings PLC ordinary shares and the issue of shares in terms of share option schemes.

During the course of 1998, the "A" convertible preference shares in Liberty International Holdings PLC were all fully converted, on a one-for-one basis, into ordinary shares in Liberty International Holdings PLC

The "B" convertible preference shares in Liberty International Holdings PLC were issued at £1 per share and carry a fixed cumulative preference dividend of 6% per annum on the issue price and are freely convertible at any time at the holders' option on a twenty-one for one hundred basis into ordinary shares of Liberty International Holdings PLC.

9. Related party transactions

Holding company

First International Trust Limited is a 60,9% owned subsidiary of Liberty Life Association of Africa Limited, which is incorporated in South Africa and listed on the Johannesburg Stock Exchange.

Transactions with Directors

There were no material transactions with Directors or their families during the year under review.

Notes on the financial statements (continued)

for the year ended 31 December 1998

9. Related party transactions (continued)**Transactions with Group companies**

The Company received and repaid loans from Liberty Asset Management Limited during the current and previous financial years. Such funds are borrowed at market related terms and are repayable on demand.

10. Borrowing powers

In terms of the Company's Articles of Association, the borrowing powers of the Group are unlimited.

Borrowings at 31 December 1998 were R1 030,9 million (1997: R788,8 million).

11. Report of the Directors

A separate Directors' report is not considered necessary as details of the results of the Company and its subsidiaries are contained in the Group Chairman's statement and Review of operations for 1998. Other required disclosures are contained either in those reviews or in the annual financial statements.

Cash flow statements

for the year ended 31 December 1998		Group		Company	
		1998	1997	1998	1997
	Note	Rm	Rm	Rm	Rm
Cash flow from operating activities		(126,4)	5,4	(54,7)	(24,6)
Cash generated by/(utilised in) operations	1	35,1	20,3	(2,5)	(2,0)
Returns on investments and servicing of finance		(2,5)	58,8	43,3	9,5
Dividends paid	2	(93,7)	(28,9)	(93,7)	(28,9)
Taxation paid	3	(65,3)	(44,8)	(1,8)	(3,2)
Net cash flow from financing activities		81,3	(591,3)	22,7	(0,5)
Proceeds from issue of shares		-	(0,2)	-	(0,2)
Acquisition of minority interest		-	(201,5)	-	-
Increase in long-term borrowings		224,5	-	-	-
Decrease in short-term borrowings		(165,9)	(389,3)	-	-
Amount due by Group company		1,4	(0,3)	1,4	(0,3)
Amount due to Group company		21,3	-	21,3	-
Net decrease in cash and cash equivalents		(45,1)	(585,9)	(32,0)	(25,1)
Cash and cash equivalents at beginning of year		41,6	614,3	32,0	57,1
Foreign exchange		2,0	13,2	-	-
Bank (overdraft)/cash and cash equivalents at end of year		(1,5)	41,6	-	32,0

Notes on the cash flow statements

for the year ended 31 December 1998

	Group		Company	
	1998 Rm	1997 Rm	1998 Rm	1997 Rm
1. Cash generated by/(utilised in) operations				
Profit for the year	225,0	220,5	225,0	220,5
Adjustments for:				
Dividends received	(317,3)	(237,0)	(87,8)	(146,0)
Interest received	(1,4)	(26,1)	(1,4)	(8,0)
Interest paid	86,5	85,7	0,9	–
Taxation	64,6	43,8	1,1	2,2
Items not affecting the flow of funds:				
Retained income from subsidiaries and associated company	(59,1)	(93,8)	(139,4)	(70,1)
Surplus on disposal of investments	0,9	0,5	–	–
Foreign exchange differences	(4,8)	–	–	–
Working capital changes:				
Decrease in other debtors	45,1	28,0	–	–
Decrease in creditors	(4,3)	(1,3)	(0,9)	(0,6)
Cash generated by/(utilised in) operations	35,1	20,3	(2,5)	(2,0)
2. Dividends paid				
Dividends as per income statement	(104,1)	(89,0)	(104,1)	(89,0)
Dividends payable at beginning of year	(65,3)	(53,2)	(65,3)	(53,2)
Dividends payable at end of year	75,7	65,3	75,7	65,3
Capitalisation issues	–	48,0	–	48,0
	(93,7)	(28,9)	(93,7)	(28,9)
3. Taxation paid				
Taxation as per income statement	(64,6)	(43,8)	(1,1)	(2,2)
Taxation refundable/(payable) at beginning of year	0,4	(0,6)	0,4	(0,6)
Taxation refundable at end of year	(1,1)	(0,4)	(1,1)	(0,4)
	(65,3)	(44,8)	(1,8)	(3,2)