

Liberty Holdings Limited

(Registration number 68/02095/06)

Financial Highlights

for the year ended 31 December 1998

- *Attributable earnings increased by 13,2% to R1 233,9 million*
- *Headline earnings per share increased by 12,7%*
- *Total dividend for year increased by 20,4% to 1 355 cents per share.*

Review of the past six years

	1998
	Rm
Extracts from Group income statements	
Profit after taxation	2 205,5
Minority interests	969,9
Profit attributable to shareholders	1 235,6
Dividends on preference shares	1,7
Headline profit attributable to ordinary shareholders*	1 233,9
Headline earnings per ordinary share (cents)	2 509,9
Dividends per ordinary share (cash equivalent) (cents)	1 355,0
Summarised Group balance sheets	
Interests of shareholders of Liberty Holdings Limited	10 134,1
Interests of minority shareholders in subsidiaries	23 871,2
Total capital and reserves employed	34 005,3
Long-term liabilities	10 774,4
Life funds	64 279,7
Actuarial liabilities under unmaturing policies	61 475,8
Contingency and other reserves	2 803,9
Deferred taxation	-
Current liabilities	4 530,3
	113 589,7
Investments	104 127,5
Fixed assets	308,7
Deferred taxation	67,3
Current assets	9 086,2
Total assets	113 589,7
Liberty Holdings share price at 31 December (cents)	20 580
Total number of shares in issue at 31 December (million)	49,2
Market capitalisation (R million)	10 125,4
Weighted average number of shares in issue (million)	49,2

Comparatives in respect of 1993 and 1994 have been restated to eliminate the effect of the proportionate consolidation of the 50% interest in the Sun Life Group which was disposed of in August 1995.

* Excludes investment surpluses/(deficits) attributable to shareholders in life insurance subsidiary.

1997	1996	1995	1994#	1993#
Rm	Rm	Rm	Rm	Rm
1 987,4	1 625,2	1 297,9	831,9	700,0
893,3	734,6	572,0	359,8	295,5
1 094,1	890,6	725,9	472,1	404,5
3,8	9,0	11,3	10,1	8,8
1 090,3	881,6	714,6	462,0	395,7
2 228,0	1 825,3	1 506,3	995,0	863,1
1 125,0	900,0	700,0	560,0	450,0
10 023,9	8 656,1	7 253,1	4 611,9	4 179,1
20 212,3	17 799,7	13 267,5	10 635,6	8 661,0
30 236,2	26 455,8	20 520,6	15 247,5	12 840,1
7 295,1	6 634,2	5 794,1	4 430,5	2 838,9
60 660,5	46 168,9	41 565,9	35 959,6	30 809,2
57 108,1	42 685,7	38 161,9	32 022,3	27 530,8
3 552,4	3 483,2	3 404,0	3 937,3	3 278,4
61,6	-	-	-	-
3 455,0	4 160,7	2 672,4	2 430,5	1 831,1
101 708,4	83 419,6	70 553,0	58 068,1	48 319,3
94 760,9	75 651,8	64 173,4	53 658,6	45 828,8
270,1	198,4	166,0	124,2	120,8
-	4,8	-	-	-
6 677,4	7 564,6	6 213,6	4 285,3	2 369,7
101 708,4	83 419,6	70 553,0	58 068,1	48 319,3
33 500	32 000	30 500	26 500	20 500
49,0	48,7	47,9	56,9	46,0
16 415,0	15 584,0	14 609,5	12 428,5	9 430,0
48,9	48,3	47,4	46,4	45,8

Directors

Chairman

D Gordon (68) CA(SA), D Econ Sc(hc) (Wits)*
Appointed to the Board – 1968

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 – 1991

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

G R Fine (52) CA(SA)
Appointed to the Board – 1994

D A Fischel (40) BA, ACA†
Appointed to the Board – 1992
Managing Director: Liberty International Holdings PLC

R M Gordon (40)
Appointed to the Board – 1990
Director of companies

J M Kahn (59) BA(Law), MBA, D Com(hc) (Pretoria)
Deputy Chairman
Appointed to the Board – 1985
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 – 1976
Director of companies

A Romanis (59) CA*†
Appointed to the Board – 1993

F B Sher (54) B Com, LLB†
Appointed to the Board – 1981
Director: Liberty International Holdings PLC

C B Strauss (63) BA, MS, PhD, D Econ(hc) (Rhodes)
Appointed to the Board – 1983
Chairman: Standard Bank Investment Corporation Limited

M H Vosloo (57) BA, MBA
Appointed to the Board – 1995
Group Chief Executive: Standard Bank Investment Corporation Limited

P D Wharton-Hood (60) B Com
Appointed to the Board – 1993

*Member of Audit Committee

†British

Approval of financial statements

Liberty Holdings 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 Insurance Act and 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 for at least the ensuing financial year.

The annual financial statements and the Group annual financial statements which appear on pages 95 to 110 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 Liberty Holdings Limited

We have audited the annual financial statements and Group annual financial statements of Liberty Holdings Limited set out on pages 95 to 110 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 its operations and cash flows for the year then ended in accordance with generally accepted accounting practice, and in the manner required by the Insurance Act and 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 modified where appropriate due to the nature of life insurance business, as well as the South African Companies Act of 1973 and Insurance Act of 1998.

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 investment revaluation and other reserves.

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

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

Investments

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 results excluding capital items based on the most recent published financial statements. Policyholders' interests in the post-acquisition retained earnings of associated companies are transferred from the income statement to the life funds. Shareholders' interests in the post-acquisition retained earnings of associated companies are included in the income statement. The carrying values of listed associated companies are adjusted to reflect market values where the Directors believe that a valuation applying the equity method would not give a true and fair view of these holdings taking into account the nature of these holdings. Resulting surpluses and deficits attributable to policyholders' interests are included in the income statement as investment surpluses and subsequently transferred to life funds. Surpluses and deficits attributable to shareholders' interests are included in the income statement.

Government, municipal and utility stocks and debentures are reflected at market value. Mortgages and loans are reflected at cost less provisions.

Completed properties are reflected at a valuation based on open-market value which is determined by independent professional valuers. Properties under development are reflected at cost less provisions. For this purpose, cost may include interest and other attributable outgoings, net of relevant taxation relief. The directors consider that, as these properties are held for investment, it is inappropriate to depreciate them.

Listed shares, mutual fund units and unlisted shares are reflected at market value, repurchase price and Directors' valuation respectively.

Futures and options that are traded on the stock exchange are reflected at market value and included under "Shares and mutual fund units". "Over the counter" options are valued at fair value using appropriate financial models. Margin deposits are included under deposits and money market securities.

Unrealised and realised surpluses or deficits arising on the valuation and disposal of assets attributable to life funds are transferred from the income statement to the life funds. Shareholders' unrealised and realised surpluses or deficits in respect of the life insurance subsidiary are included in the income statement. The portion of the revaluation surpluses or deficits referred to above which is attributable to minority shareholders is included in "Minority shareholders' interests in subsidiaries". Surpluses or deficits arising on the valuation and disposal of the Company's investments are transferred to investment revaluation and other reserves in terms of the Company's memorandum of association.

Accounting policies (continued)

Fixed assets

Computer equipment, purchased software, furniture and motor vehicles are stated at cost less accumulated depreciation. Depreciation is calculated on the straight line basis at rates appropriate to the expected useful lives of the assets, not in excess of ten years.

Life funds

The Group's liabilities under unmaturing policies are computed annually at the balance sheet date by the Group's statutory actuaries in accordance with prevailing legislation and generally accepted actuarial practice. The transfers to life funds reflected in the income statements represent the increase or decrease in actuarial liabilities, including provisions for policyholders' bonuses and net adjustments to policyholders' bonus stabilisation reserves, and net adjustments to contingency and other reserves within the life funds.

Translation of foreign currencies

Assets and liabilities in foreign currencies, or in respect of foreign subsidiaries, are translated into South African currency at the Rand rates of exchange ruling at the balance sheet date. Income statement and cash flow items are translated at an average Rand exchange rate. Exchange differences are included in the income statement as investment surpluses or deficits and are shown as attributable to shareholders' or policyholders' funds as appropriate. The Directors consider it appropriate to account for the exchange differences arising on translation of foreign subsidiaries in the income statement due to the long-term currency hedge nature of these investments.

Transactions in foreign currencies are converted to South African Rand at the rate of exchange ruling at the date of the transaction.

Premium income

Premiums, other than in respect of the Lifestyle series of policies and group schemes, are recognised in the income statement when due. Premiums receivable in respect of group schemes are recognised when there is reasonable assurance of collection in terms of the policy contract. Premiums in respect of the Lifestyle series of policies are recognised in the income statement on a receipts basis.

Premium income is shown net of reinsurance.

Investment income

Investment income for the Group comprises equity accounted earnings of associates, income from financial services activities, interest and dividends.

Dividends are brought to account as at the last date to register in respect of listed shares and when declared in respect of unlisted shares. Interest and other investment income are accounted for on an accrual basis.

Claims and policyholder benefits

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date.

Outstanding claims and benefit payments are stated net of reinsurance.

Commissions

Commissions, comprising commissions on new insurance policies and renewal commissions, as well as expenses related thereto including bonuses payable, and the Group's contribution to agents' pension and medical aid funds, are shown net of reinsurance commission received.

Commissions relating to unearned premiums are deferred and accounted for in the same period in which those premiums are accounted for.

Retirement benefits

The Group operates a number of pension schemes as well as a medical aid scheme to which substantially all employees belong. The major schemes are funded defined benefit plans. The Group's current service costs to defined benefit plans are recognised as expenses in the current year. Past service costs, experience adjustments and the effect of changes in actuarial assumptions are recognised as expenses or income in the current year to the extent that they relate to retired employees. For active employees, these costs are recognised as expenses or income systematically over the expected remaining service period of employees.

The South African scheme is governed by the Pension Funds Act and employer companies contribute the total cost of benefits provided. Actuarial valuations are required every three years.

The United Kingdom scheme provides benefits based on final salary. Actuarial valuations are also required every three years.

Deferred bond issue expenses

Expenses incurred relating to the bond issues are amortised having regard to the periods of the bonds.

New business costs

New business costs are recognised in the income statement when incurred and are provided for in the calculation of actuarial liabilities in accordance with generally accepted actuarial practice.

Deferred taxation

Provision is made for deferred taxation attributable to temporary differences in the accounting and taxation treatment of items in the financial statements. A deferred taxation liability is recognised for 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. A deferred taxation asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

LIBERTY HOLDINGS LIMITED AND ITS SUBSIDIARIES

Income statements

for the year ended 31 December 1998	Note	Group		Company	
		1998 Rm	1997 Rm	1998 Rm	1997 Rm
Profit before taxation	1	2 787,2	2 482,5	708,3	628,2
From the following sources:					
Life insurance subsidiary		2 771,0	2 350,2		
Other sources		16,2	132,3	16,2	27,2
Dividends from subsidiaries				692,1	601,0
Taxation	4	581,7	495,1	5,7	1,8
Profit after taxation		2 205,5	1 987,4	702,6	626,4
Minority interests		969,9	893,3		
Total headline profit		1 235,6	1 094,1	702,6	626,4
Investment surpluses/(deficits) attributable to shareholders in life insurance subsidiary		(279,3)	635,4		
Total consolidated profit including investment surpluses/(deficits) attributable to shareholders		956,3	1 729,5	702,6	626,4
Transfer from/(to) investment revaluation and other reserves	7	3,1	(938,6)		
Investment (surpluses)/deficits attributable to shareholders		279,3	(635,4)		
Equity accounted earnings of associated companies		(276,2)	(268,6)		
Retained earnings of subsidiaries disposed of during year		-	(34,6)		
Dividends	5	(668,8)	(555,2)	(668,8)	(555,2)
Retained profit for the year		290,6	235,7	33,8	71,2
Retained profit brought forward		1 967,8	1 732,1	441,2	370,0
Retained profit at beginning of year		1 967,8	1 766,1	441,2	370,0
Retained profit at beginning of year of subsidiaries disposed of during year, transferred to investment revaluation and other reserves	7	-	(34,0)		
Retained profit at end of year		2 258,4	1 967,8	475,0	441,2
Headline earnings per ordinary share (cents)		2 509,9	2 228,0		
Earnings per ordinary share including investment surpluses/(deficits) attributable to shareholders' funds		1 941,7	3 534,1		
Dividends per ordinary share (cash equivalent) (cents)		1 355,0	1 125,0		
Weighted average number of shares in issue (000's)		49 162	48 937		

Balance sheets

at 31 December 1998		Group		Company	
		1998	1997	1998	1997
	Note	Rm	Rm	Rm	Rm
Capital, reserves and liabilities					
Shareholders' funds					
		10 134,1	10 023,9	3 566,3	3 378,1
Share capital and share premium	6	951,3	841,1	951,3	841,1
Investment revaluation and other reserves	7	6 924,4	7 215,0	2 140,0	2 095,8
Retained profit	8	2 258,4	1 967,8	475,0	441,2
Minority shareholders' interests in subsidiaries					
		23 871,2	20 212,3		
Total capital and reserves employed	9	34 005,3	30 236,2	3 566,3	3 378,1
Long-term liabilities					
	11	10 774,4	7 295,1		
Bonds convertible into equity capital		3 697,2	2 837,0		
Other long-term liabilities		7 077,2	4 458,1		
Life funds					
	12	64 279,7	60 660,5		
Actuarial liabilities under unmaturing policies		61 475,8	57 108,1		
Contingency and other reserves		2 803,9	3 552,4		
Deferred taxation	13	-	61,6	-	-
Current liabilities					
		4 530,3	3 455,0	405,6	403,4
Outstanding claims, policyholders' benefits and other creditors		3 340,8	2 454,2	7,0	74,9
Taxation		302,9	255,8	3,9	1,8
Shareholders for dividends		394,7	326,7	394,7	326,7
Bank loans		491,9	418,3	-	-
		113 589,7	101 708,4	3 971,9	3 781,5
Assets					
Investments					
	14	104 127,5	94 760,9	3 971,4	3 768,4
Government, municipal and utility stocks		11 173,9	13 318,3	-	-
Debentures, mortgages and loans		1 637,2	1 243,3	-	-
Properties		37 331,5	27 594,3	-	-
Shares and mutual fund units		37 961,9	32 460,3	-	-
Subsidiary companies	16	-	-	3 971,4	3 180,3
Associated companies	15	15 501,7	19 391,3	-	588,1
Deposits and money market securities		521,3	753,4	-	-
Fixed assets	17	308,7	270,1	0,1	0,1
Deferred taxation	13	67,3	-	-	-
Current assets					
		9 086,2	6 677,4	0,4	13,0
Net outstanding premiums, accrued investment income and other debtors		3 357,7	2 303,3	0,4	13,0
Trading properties		474,3	461,8	-	-
Balances with bankers and money market securities		5 254,2	3 912,3	-	-
Total assets		113 589,7	101 708,4	3 971,9	3 781,5
Assets under management by subsidiaries		45 619,8	39 928,4		
Total assets under management		159 209,5	141 636,8		

Notes on the financial statements

for the year ended 31 December 1998	Group			
	1998		1997	
	Life insurance Rm	Other Sources Rm	Life insurance Rm	Other Sources Rm
1. Profit before taxation				
Consolidated profit before taxation is arrived at as follows:				
Income				
Net premium income	11 471,0	-	21 053,5	-
Dividend, net interest and rental income†	3 645,5	25,1	3 416,4	54,2
Equity accounted earnings of associates	831,7	-	773,6	27,7
Income from financial service activities	1 454,8	-	959,9	108,2
Investment surpluses/(deficits) attributable to life funds	(2 211,4)	-	1 003,1	-
	15 191,6	25,1	27 206,5	190,1
Expense				
Claims and policyholders' benefits	10 020,4	-	9 431,4	-
Commissions	756,1	-	740,5	-
Management expenses	1 100,8	8,9	886,9	57,8
Life funds transfers	543,3	-	13 797,5	-
	12 420,6	8,9	24 856,3	57,8
Profit before taxation	2 771,0	16,2	2 350,2	132,3
Total consolidated profit before taxation	2 787,2		2 482,5	
	Group		Company	
	1998	1997	1998	1997
	Rm	Rm	Rm	Rm

2. Management expenses

Management expenses include the following:

Auditors' remuneration	8,4	6,0	0,2	0,1
Audit fees	6,3	5,1	0,1	0,1
Other services	2,1	0,9	0,1	-
Consultancy fees	53,0	33,8	-	-
Actuarial	0,8	4,7	-	-
Other	52,2	29,1	-	-
Retirement and medical benefits	73,3	61,1	0,3	0,5

† Dividend, net interest and rental income reflected under the heading of life insurance is stated after deducting R642,6 million (1997: R555,1 million) which relates to interests of minority shareholders in subsidiary investment companies.

	Group		Company	
	1998	1997	1998	1997
	Rm	Rm	R'000	R'000
2. Management expenses (continued)				
Directors' emoluments:				
Executive Directors				
Total emoluments			14 991,5	12 647,2
Basic remuneration			14 024,7	11 846,3
Retirement and medical benefits			102,8	160,8
Other incentives and benefits			864,0	640,1
Paid by subsidiaries			(12 755,5)	(10 622,2)
Emoluments paid by the Company			2 236,0	2 025,0
Non-Executive Directors				
Total emoluments			1 161,6	1 289,8
Paid by subsidiaries			(1 006,0)	(1 154,8)
Emoluments paid by the Company			155,6	135,0
Total emoluments paid by the Company			2 391,6	2 160,0
Total emoluments paid by subsidiaries			13 761,5	11 777,0
Total Directors' emoluments			16 153,1	13 937,0
			Rm	Rm
3. Income from investments				
Income from subsidiaries			701,1	608,7
Dividends			692,1	601,0
Management fees			9,0	7,7
Dividend income from other sources				
Associated companies			-	22,2
4. Taxation				
Normal taxation				
Current taxation	390,8	194,6	5,7	1,8
Current year				
Life insurance subsidiaries	392,9	165,5	-	-
Other sources	5,7	29,1	5,7	1,8
Prior years				
Life insurance subsidiaries	(7,8)	-	-	-
Other sources	-	-	-	-
Deferred taxation	(125,9)	8,2	-	-
Life insurance subsidiaries	(132,4)	(5,2)	-	-
Other sources	6,5	13,4	-	-
Other related taxes	316,8	292,3	-	-
Life insurance subsidiaries	316,8	292,3	-	-
Other sources	-	-	-	-
Taxation per income statements	581,7	495,1	5,7	1,8

The tax in the holding company is low as its principal source of income is dividends which are not taxable. Other related taxes include non-recoverable value added tax, levy on financial services, stamp duties, regional council levies, taxation on franked investment income and advance corporation tax.

Notes on the financial statements (continued)

for the year ended 31 December 1998	Group and Company	
	1998	1997
	Rm	Rm
4. Taxation (continued)		
A provision of £283,6 million (R2 767,9 million) would be required in Liberty International Holdings PLC if deferred taxation were to be provided in respect of its share of revaluation surpluses and related balancing charges. The deferred taxation provision, if raised, would be attributable to shareholders of Liberty Holdings Limited R459,0 million, minority shareholders R2 039,0 million and policyholders' interests R269,9 million. The tax base for the investments is increased in line with the increase in the United Kingdom retail price index, thereby reducing the potential tax liability over time.		
5. Dividends		
Preference shares	1,7	3,8
11 cents dividend cumulative preference shares	1,7	1,7
Variable rate redeemable cumulative preference shares	-	2,1
Ordinary shares		
Total ordinary dividends for the year – 1 355 cents (1997: 1 125 cents) per share	667,1	551,4
Interim dividend No 57 of 555 cents (1997: 460 cents) per share paid to shareholders registered on 4 September 1998	273,2	225,5
Final dividend No 58 of 800 cents (1997: 665 cents) per share payable to shareholders registered on 26 March 1999	393,9	325,9
	668,8	555,2
6. Share capital and share premium		
Share capital		
Authorised share capital		
75 000 000 ordinary shares of 25 cents each	18,8	15,0
15 000 000 cumulative preference shares of 10 cents each	1,5	1,5
30 000 000 redeemable cumulative preference shares of 10 cents each	3,0	3,0
6 000 000 convertible redeemable cumulative preference shares of 25 cents each	1,5	1,5
	24,8	21,0
Unissued shares under the control of the Directors		
25 137 898 (1997: 10 364 292) ordinary shares of 25 cents each	6,3	2,6
Issued share capital		
49 236 177 (1997: 49 007 383) ordinary shares of 25 cents each	12,3	12,3
15 000 000 (1997: 15 000 000) cumulative preference shares of 10 cents each	1,5	1,5
	13,8	13,8
Share premium		
Balance at beginning of year	827,3	772,7
Premium on ordinary shares issued during the year	110,6	85,0
Premium on redemption of preference shares	-	(30,0)
Share issue expenses	(0,4)	(0,4)
Balance at end of year	937,5	827,3
Total issued share capital and share premium	951,3	841,1
Interests of Directors, including their families, in share capital		
Direct interests		Number of ordinary shares
Beneficial	76 864	76 864
Non-beneficial	46 586	46 586

	Group		Company	
	1998	1997	1998	1997
	Rm	Rm	Rm	Rm

6. Share capital and share premium (continued)

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, Messrs D Gordon, D D B Band, G R Fine, D A Fischel, R M Gordon, J M Kahn, J H Maree, M Rapp, A Romanis, F B Sher, Dr C B Strauss and M H Vosloo, all being Directors of the Company and/or Liblife Controlling Corporation, Liberty Investors, Standard Bank Investment Corporation had in aggregate an indirect beneficial and non-beneficial interest in 26 963 700 ordinary shares in Liberty Holdings at 31 December 1998.

To the extent that these Directors have shareholdings in Liberty Investors and/or Standard Bank Investment Corporation, their indirect beneficial and non-beneficial interests in Liberty Holdings ordinary shares are affected by Standard Bank Investment Corporation's acquisition of 50% of Liberty Investors' interest in Liblife Controlling Corporation with effect from 1 January 1999.

Shares under option in terms of the Senior Executive Share Option Scheme

Date granted	Number of shares	Price at which granted	Number exercised	Executive Directors†	Date for implementation
18 August 1993	7 700	180,00	7 700	–	Between 31 March 1999 and 31 March 2001
1 June 1994	20 000	230,00	20 000	20 000	Between 31 March 1999 and 31 March 2002
5 July 1995	5 000	250,00	5 000	5 000	Between 31 March 1999 and 31 March 2002
14 May 1997	20 000	334,50	20 000	20 000	Between 30 September 2000 and 31 March 2004
11 September 1998	12 500	227,00	12 500	12 500	Between 30 September 2002 and 31 March 2006
	65 200		65 200	57 500	

The 15 000 000 cumulative preference shares are not redeemable and carry dividends at the rate of 11 cents per share per annum. The preference shares confer the right, on a winding up of the company, to receive a return of R1 per share together with any arrears in preference dividends in priority to any payment in respect of any other class of share in the capital of the Company then issued.

In terms of a resolution of the Company in general meeting, the unissued shares excluding 625 925 (1997: 628 325) ordinary shares required for the purpose of the Company's Executive Share Option Scheme (1988) are under the control of the Directors until the next annual general meeting.

7. Investment revaluation and other reserves

Net surplus arising on realisation and revaluation of property interests, share in associated companies, listed and unlisted shares, translation of foreign currencies, acquisition and variation of interests in subsidiaries

	6 921,6	7 212,2	2 140,0	2 095,8
Balance at beginning of year	7 212,2	6 100,8	2 095,8	716,4
Arising during the year	(287,5)	138,8	44,2	1 379,4
Transfer from income statement	(3,1)	972,6	–	–
Capital redemption reserve in subsidiary	2,8	2,8	–	–
	6 924,4	7 215,0	2 140,0	2 095,8

†Executive Directors' interests included in total number exercised.

Notes on the financial statements (continued)

for the year ended 31 December 1998	Group	
	1998 Rm	1997 Rm
8. Retained profit		
In conformity with South African Generally Accepted Accounting Practice, the cost of providing for post-retirement medical benefits, as well as the current service costs to defined benefit pension plans are recognised on an accrual basis to provide for estimated future benefits. Previously these costs were recognised as incurred.		
Comparative figures have been restated where appropriate, to take account of the changes as reflected by Liberty Life Association of Africa Limited.		
The change in accounting policy had no material effect on earnings. The effect on opening retained profit is as follows:		
Retained profit at 1 January 1997 as previously reported		1 786,2
Post-retirement medical aid provision raised		(44,6)
Pension fund contributions recognised in the appropriate year		24,5
Retained profit at 1 January 1997 as restated		<u>1 766,1</u>
9. Total capital and reserves employed		
Shareholders' funds at beginning of year	10 023,9	8 656,1
Total consolidated profit for the year attributable to shareholders	956,3	1 729,5
Dividends for the year	(668,8)	(555,2)
Net surpluses/(deficits) on shareholders' investments reflected directly in reserves	(287,5)	138,8
Subscription for shares in respect of capitalisation share awards and share incentive schemes	110,2	84,7
Redemption of preference shares	-	(30,0)
Shareholders' funds at end of year	10 134,1	10 023,9
Minority shareholders' interests in subsidiaries	23 871,2	20 212,3
Total capital and reserves employed at end of year	34 005,3	30 236,2
10. Borrowing powers		
In terms of the Company's Articles of Association the attributable amount which the Group may borrow is R10 134,1 million (1997: R10 023,9 million). Borrowings at 31 December 1998 computed in terms of the Company's Articles of Association were R2 792,6 million (1997: R2 564,8 million).		

	Group	
	1998	1997
	Rm	Rm
11. Long-term liabilities		
Bonds convertible into Group equity capital		
5,5% Liberty International Holdings PLC 2009	1 246,0	1 079,8
6,5% Liblife International B.V. 2004	1 488,9	985,1
6,25% Capital Shopping Centres PLC 2006	962,3	772,1
	3 697,2	2 837,0
Other long-term liabilities		
Secured		
Mortgages and debentures†	2 536,8	2 081,2
Bank loans†	1 347,0	1 070,4
	3 193,4	1 306,5
Unsecured		
Bank loans†	880,2	939,0
Bonds – 6,875% Capital Shopping Centres PLC 2013	1 924,7	–
Other†	388,5	367,5
	7 077,2	4 458,1
	10 774,4	7 295,1
Long-term liabilities per balance sheet		
Repayment dates		
Within two years	767,7	712,6
Two to five years	381,1	192,6
Five to ten years	5 492,6	4 537,9
More than ten years	4 133,0	1 852,0
	10 774,4	7 295,1
Currencies		
Sterling	8 407,9	5 512,0
US Dollars	2 244,1	1 642,0
Other	122,4	141,1
	10 774,4	7 295,1

Convertible bonds comprise:

£227,3 million (R2,2 billion) (1997: £234,6 million (R1,9 billion)) 5,5% Subordinated Convertible Bonds, due 2009, issued by Liberty International Holdings PLC in February 1994, convertible into ordinary shares of Liberty International at 505p per ordinary share. The bonds are callable at the option of Liberty International in May 2001 at 103%, thereafter reducing by one per cent per annum until the tenth year, thereafter at par until the maturity date in 2009. The net amount due to third parties of £127,7 million (R1,2 billion) (1997: £136,9 million (R1,1 billion)) is after the elimination on consolidation of amounts held by a Group company.

US\$258,6 million (R1,5 billion) (1997: US\$273,5 million (R1,0 billion)) 6,5% Convertible Bonds issued by Liblife International B.V. in July 1994. The bonds are convertible by the holders into ordinary shares of Liberty Life on the basis of 217 shares for every US\$5 000 of bonds, which is equivalent to US\$23,04 per Liberty Life ordinary share. Unless previously purchased and cancelled, or converted, the bonds will be redeemed on 30 September 2004.

£202,7 million (R2,0 billion) (1997: £204,0 million (R1,6 billion)) 6,25% Subordinated Convertible Bonds issued by Capital Shopping Centres PLC in December 1996. The bonds are convertible by the holders into ordinary shares of Capital Shopping Centres at 370p per ordinary share. Unless converted the bonds may be redeemed at par at Capital Shopping Centres option at any time after 31 December 2003. Unless otherwise converted or redeemed, the convertible bonds will be redeemed at par on 31 December 2006. The net amount due to third parties of £98,6 million (R962,3 million) (1997: £95,8 million (R772,1 million)) is after the elimination on consolidation of amounts held by a Group company.

†The above loans bear interest at rates varying between 5,5% and 11,25% per annum.

LIBERTY HOLDINGS LIMITED AND ITS SUBSIDIARIES

Notes on the financial statements (continued)

for the year ended 31 December 1998	Group		Company	
	1998 Rm	1997 Rm	1998 Rm	1997 Rm
12. Life funds				
Balance at beginning of year	60 660,5	46 168,9		
Transfers from income statement	543,3	13 797,5		
Other transfers	3 075,9	694,1		
Balance at end of year	64 279,7	60 660,5		
13. Deferred taxation				
Liability at beginning of year	(61,6)	(66,8)		
Net reversing temporary differences	128,9	5,2		
Balance at end of year	67,3	(61,6)		
Comprising:				
Deferred tax liability	(13,7)	(61,6)		
Deferred tax asset	81,0	-		
	67,3	(61,6)		
14. Investments				
The aggregate redemption values of government, municipal and utility stocks, debentures, mortgages and loans are in excess of their book values.				
Details of property investments are recorded in registers which may be inspected by members, or their duly authorised agents, at the Company's registered office.				
Analysis of shares and mutual fund units				
Listed shares	29 739,2	27 605,6		
Unlisted shares	2 439,4	1 688,3		
Mutual fund units	5 783,3	3 166,4		
	37 961,9	32 460,3		
15. Associated companies				
At market value				
Standard Bank Investment Corporation Limited				
502 626 430 ordinary shares, representing 41,6% (1997: 40,3%) of the total issued share capital	8 861,3	10 223,2		
The South African Breweries Limited				
- direct and indirect interest as detailed below	5 620,2	7 154,2		
The South African Breweries Limited				
15 888 060 ordinary shares, representing 4,4% (1997: 5,7%) of the total issued share capital	1 574,5	2 407,5		
Beverage and Consumer Industry Holdings Limited				
30 418 825 ordinary shares, representing 39,1% (1997: 37,7%) of the total issued share capital	4 045,7	4 746,7		
Guardian National Insurance Company Limited				
4 904 265 ordinary shares, representing 40,5% (1997: 45,4%) of the total issued share capital	621,2	588,1	-	588,1
The Premier Group Limited				
289 158 420 ordinary shares, representing 28,1% (1997: 28,3%) of the total issued share capital	399,0	1 425,8		
	15 501,7	19 391,3	-	588,1

	Group		Company	
	1998	1997	1998	1997
	Rm	Rm	Rm	Rm

15. Associated companies (continued)

Disposal

With effect from 1 April 1998 the Company disposed of its 45,4% interest in Guardian National Insurance Company Limited to Liberty Life Association of Africa Limited for a consideration of R632,0 million, settled by the allotment of 1 200 000 Liberty Life ordinary shares at R156,00 per share and a cash payment of R445 million.

16. Subsidiary companies

Shares at cost			3 645,4	2 622,9
Amounts owing by subsidiaries			326,0	557,4
			3 971,4	3 180,3

The interest of the Company for the year in the aggregate taxed profits of its subsidiary, Liberty Life Association of Africa Limited, was R945,8 million (1997: R1 686,3 million). Details regarding Liberty Holding's subsidiary, Liberty Life Association of Africa Limited is set out on page 138.

17. Fixed assets

Cost at beginning of year	561,9	434,1	0,6	0,5
Additions	145,3	185,8	-	0,1
Disposals	(15,8)	(58,8)	(0,2)	-
Exchange difference	11,9	0,8		
Cost at end of year	703,3	561,9	0,4	0,6
Accumulated depreciation at beginning of year	(291,8)	(235,7)	(0,5)	(0,4)
Depreciation (net of disposals)	(96,9)	(65,9)	-	(0,1)
Disposals	0,2	10,3	0,2	-
Exchange difference	(6,1)	(0,5)		
Accumulated depreciation at end of year	(394,6)	(291,8)	(0,3)	(0,5)
Net book value at end of year	308,7	270,1	0,1	0,1

Fixed assets of the Group consist primarily of computer equipment and office furniture representing 96% (1997: 92%) of the total net book value.

18. Retirement benefits

The South African scheme

In the opinion of the pension fund valuator, after the most recent valuation as at 1 January 1997, the plan was financially sound. Even though there has been a substantial decline in equity markets, the financial position of the fund has not been materially affected.

The actuarial present value of accrued retirement benefits at the date of the most recent valuation on 1 January 1997 was R450,3 million. The actuarial value of fund assets at the valuation date was R655,9 million.

Notes on the financial statements (continued)

	Group	
for the year ended 31 December 1998	1998	1997
	Rm	Rm

18. Retirement benefits (continued)

The valuation of the retirement fund was based on the following principal assumptions:

Retirement age: 63 years for executives, 65 years otherwise

Anticipated after tax returns on investments: 13%

Future salary increases: 10% plus increases on promotion

The South African medical aid scheme ("Libcare")

The Group previously had unfunded obligations to provide certain post-retirement medical aid benefits to retired employees. The present value of expected future medical aid contributions to pensioners has been determined by the appointed actuary and provided for.

For past service, the Group recognises the actuarially determined present value of expected future medical aid contributions as determined by the appointed actuary on an accrual basis over the working lives of current employees.

The United Kingdom pension fund scheme

In the opinion of the pension fund valuator, after the most recent valuation as at 6 April 1996, the plan was financially sound.

The market value of fund assets at the valuation date was £20,8 million (R203,0 million).

The valuation of the retirement fund was based on the following principal assumptions:

Retirement age: 63 years for executives, 65 years otherwise

Anticipated after tax returns on investments: 8,5%

Future salary increases: 7% plus increases on promotion

19. Related party transactions**Holding company**

Liblife Controlling Corporation (Proprietary) Limited (a private company incorporated in the Republic of South Africa), which at 31 December 1998 owned 26 963 700 (1997: 26 905 500) ordinary shares in Liberty Holdings, is the company's holding company with a 54,8% (1997: 54,9%) interest.

Liberty Holdings Limited provides certain strategic management and secretarial services to the Liberty Life Group for which it is reimbursed at cost.

Transactions with Directors

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

20. 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 these reviews or in the annual financial statements.

21. Commitments

Estimated amounts of commitments for future expenditure	2 818,3	2 025,1
Under contracts	2 281,0	1 452,8
Authorised by the Directors but not contracted	537,3	572,3

The expenditure will be financed by available bank facilities, existing cash resources and funds internally generated.

Cash flow statements

for the year ended 31 December 1998		Group		Company	
		1998 Rm	1997 Rm	1998 Rm	1997 Rm
	Note				
Cash flow from operating activities		2 423,0	12 536,2	(112,0)	98,3
Cash generated by/(utilised in) operations	1	1 382,1	11 095,2	(55,3)	67,0
Returns on investments and servicing of finance		3 214,4	3 169,8	437,5	429,4
Dividends paid	2	(1 564,6)	(1 217,7)	(490,6)	(398,1)
Taxation paid	3	(608,9)	(511,1)	(3,6)	-
Net (purchase)/sale of investments		(3 754,9)	(13 393,0)	112,0	(68,8)
Government, municipal and utility stocks		1 139,6	410,5	-	-
Debentures, mortgages and loans		(213,6)	(125,3)	-	-
Properties		(1 777,6)	(936,5)	-	-
Shares, mutual fund units and associated companies		(2 392,3)	(13 555,8)	-	(0,3)
Subsidiary companies				(333,1)	(462,5)
Deposit and money market securities		487,0	883,6	-	-
Cash received on disposal of associate asset management companies				445,1	394,0
Net acquisition of funds by minorities		(998,0)	(69,5)		
Cash flow from financing activities		1 865,9	(293,4)	-	(29,5)
Proceeds on issue of shares		-	0,5	-	0,5
Redemption of preference shares		-	(30,0)	-	(30,0)
Decrease in short-term bank loans		(14,6)	(759,3)		
Increase in long-term borrowings		1 678,8	495,4		
Increase in bonds convertible to equity		201,7	-		
Net increase/(decrease) in cash and cash equivalents		534,0	(1 150,2)	-	-
Cash and cash equivalents at beginning of year		3 912,3	4934,6	-	-
Foreign exchange movements on cash balances		807,9	52,1		
Cash balances from subsidiaries acquired		-	75,8		
Cash and cash equivalents at end of year		5 254,2	3 912,3	-	-

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 attributable to shareholders of Liberty Holdings Limited	956,3	1 729,5	702,6	626,4
Adjustment for:				
Life fund transfers	543,3	13 797,5	-	-
Dividends received	(1 527,4)	(1 252,5)	(692,1)	(623,2)
Interest received	(3 232,7)	(3 105,1)	(16,2)	(5,0)
Interest paid	956,5	705,4	-	-
Taxation	581,7	495,1	5,7	1,8
	(1 722,3)	12 369,9	-	-
Adjustment for non-cash items:				
Equity accounted earnings of associates	(831,7)	(801,2)		
Depreciation (net of disposals) and foreign exchange	103,0	92,0	0,1	0,1
Amortisation of fixed interest securities and foreign exchange	(114,5)	(273,1)		
Investment (surpluses)/deficits attributable to shareholders	499,6	(1 179,3)		
Investment (surpluses)/deficits attributable to life funds	2 211,4	(1 003,1)		
Income attributable to minority shareholders in subsidiaries	1 388,0	2 000,1		
	1 533,7	11 205,3	0,1	0,1
Working capital changes:	(151,6)	(110,1)	(55,4)	66,9
Net outstanding premiums and other debtors	(929,5)	(165,5)	12,6	(1,9)
Trading properties	83,0	(75,0)		
Outstanding claims, policyholders' benefits and other creditors	830,4	271,3	(67,9)	68,9
Fixed assets	(135,5)	(140,9)	(0,1)	(0,1)
Cash generated by/(utilised in) operations	1 382,1	11 095,2	(55,3)	67,0
2. Dividends paid				
Dividends as per income statement	(668,8)	(555,2)	(668,8)	(555,2)
Dividends payable at beginning of year	(326,7)	(253,8)	(326,7)	(253,8)
Dividends payable at end of year	394,7	326,7	394,7	326,7
Dividends paid to minority shareholders in subsidiaries	(1 074,0)	(819,6)		
Capitalisation issues	110,2	84,2	110,2	84,2
	(1 564,6)	(1 217,7)	(490,6)	(398,1)
3. Taxation paid				
Taxation as per income statement	(581,7)	(495,1)	(5,7)	(1,8)
Foreign currency movements	54,6	0,8		
Net taxation liability at beginning of year	(317,4)	(334,2)	(1,8)	-
Net taxation liability at end of year	235,6	317,4	3,9	1,8
	(608,9)	(511,1)	(3,6)	-