

Liblife Strategic Investments Limited

(Registration number 83/06300/06)

Financial Highlights

for the year ended 31 December 1998

- *Attributable earnings increased by 12,8% to R830,2 million*
- *Headline earnings per share increased by 5,7%*
- *Total dividends per share for the year 47 cents*

LIBLIFE STRATEGIC INVESTMENTS LIMITED

Directors

Chairman

D Gordon (68) CA(SA), D Econ Sc(he) (Wits)*
Appointed to the Board – 1983

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

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 – 1993
Managing Director: Liberty International Holdings PLC

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

*Member of Audit Committee
†British

S Handler (58) B Com, FASSA, FFA, AIA, ASA
Appointed to the Board – 1993

J M Kahn (59) BA (Law), MBA, D Com(he) (Pretoria)
Deputy Chairman
Appointed to the Board – 1993
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

A Romanis (59) CA*†
Appointed to the Board – 1983

F B Sher (54) B Com, LLB†
Appointed to the Board – 1983
Director: Liberty International Holdings PLC

Approval of financial statements

Liblife Strategic Investments Limited and its subsidiaries

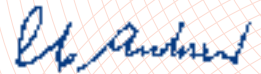
The Directors accept responsibility for the annual financial statements, the Group annual financial statements and related information included in this annual report. These financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and 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 statements 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 115 to 124 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 Liblife Strategic Investments Limited

We have audited the annual financial statements and Group annual financial statements of Liblife Strategic Investments Limited, set out on pages 115 to 124 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 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. Unrealised and realised surpluses or deficits arising on the valuation and disposal of investments are transferred directly to or from non-distributable reserves.

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 attributable earnings of associated companies, based on their most recent published financial statements. 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 fairly present the value of these holdings taking into account the nature of these holdings. Resulting surpluses and deficits are transferred directly to or from non-distributable reserves.

Listed shares are reflected at market value. Unlisted shares are reflected at Directors' valuation based on the market value of the underlying investments owned by such companies.

Investment income

Investment income for the Group comprises 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. Dividends of associated companies relating to financial periods ended on or before that of the Company are brought to account. Interest is accounted for on an accrual basis.

Income statements

for the year ended 31 December 1998	Note	Group		Company	
		1998 Rm	1997 Rm	1998 Rm	1997 Rm
Income before taxation	1	304,3	290,6	304,3	290,6
Taxation	2	(13,8)	–	(13,8)	–
Income after taxation		290,5	290,6	290,5	290,6
Equity accounted earnings of associates		543,6	498,6	543,6	498,6
Income attributable to ordinary activities		834,1	789,2	834,1	789,2
Exceptional items of associates	3	(3,9)	(52,9)	(3,9)	(52,9)
Profit for the year		830,2	736,3	830,2	736,3
Transfer to non-distributable reserves in respect of equity accounted earnings of associates		(539,7)	(445,8)	(539,7)	(445,8)
Available for distribution to ordinary shareholders		290,5	290,5	290,5	290,5
Dividends	4	(294,9)	(288,6)	(294,9)	(288,6)
Retained income for the year		(4,4)	1,9	(4,4)	1,9
Retained income at beginning of year		265,7	263,8	265,7	263,8
Retained income at end of year		261,3	265,7	261,3	265,7
Reconciliation of headline earnings:					
Profit for the year		830,2	736,3	830,2	736,3
Exceptional items of associates		3,9	52,9	3,9	52,9
Headline earnings		834,1	789,2	834,1	789,2
Earnings per share (cents)		132,3	117,3		
Headline earnings per share (cents)		132,9	125,8		
Dividends per ordinary share (cents)		47,0	46,0		
Number of shares in issue (million)		627,5	627,5		

Balance sheets

at 31 December 1998		Group		Company	
		1998 Rm	1997 Rm	1998 Rm	1997 Rm
	Note				
Capital, reserves and liabilities					
Share capital and share premium	5	1 901,7	1 901,7	1 901,7	1 901,7
Non-distributable reserves	6	8 044,8	9 702,2	8 044,8	9 702,2
Distributable reserves		261,3	265,7	261,3	265,7
Total shareholders' capital and reserves employed		10 207,8	11 869,6	10 207,8	11 869,6
Current liabilities					
Creditors for share purchases		285,4	1,0	285,4	1,0
Taxation		4,1	–	4,1	–
Amount due to Group company		–	28,2	–	28,2
Shareholders for dividends		150,6	150,6	150,6	150,6
		10 647,9	12 049,4	10 647,9	12 049,4
Assets					
Investments					
Subsidiary companies	7	10 445,4	11 921,7	10 569,9	12 035,8
Associated companies	8	9 496,3	11 770,7	374,1	1 189,8
Shares	9	949,1	151,0	949,1	151,0
Current assets		202,5	127,7	78,0	13,6
Accrued investment income and other debtors		138,7	127,4	14,5	13,6
Taxation		0,3	0,3	–	–
Amount due by Group company		63,5	–	63,5	–
Total assets		10 647,9	12 049,4	10 647,9	12 049,4

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 taxation				
Income before taxation comprises:				
Investment income				
Income from subsidiaries			279,9	247,9
Dividends received	313,1	291,8	33,2	43,9
Associates	280,6	287,2	0,7	39,3
Listed shares	27,8	–	27,8	–
Unlisted shares	4,7	4,6	4,7	4,6
Interest received	–	0,1	–	0,1
Interest paid	(7,1)	–	(7,1)	–
Management expenses	(1,7)	(1,3)	(1,7)	(1,3)
	304,3	290,6	304,3	290,6
2. Taxation				
Secondary tax on companies	(13,8)	–	(13,8)	–
No provision for normal taxation has been made as the Company did not receive any taxable income.				
3. Exceptional items of associates				
The exceptional items arising during the year ended 31 December 1998 represent Liblife Strategic Investments' attributable share of exceptional items in:				
Beverage and Consumer Industry Holdings Limited	(44,0)	(51,7)	(44,0)	(51,7)
The Premier Group Limited	44,6	(23,0)	44,6	(23,0)
The South African Breweries Limited	(2,6)	(3,0)	(2,6)	(3,0)
Standard Bank Investment Corporation Limited	(1,9)	24,8	(1,9)	24,8
	(3,9)	(52,9)	(3,9)	(52,9)
4. Dividends				
Interim dividend No 10 of 23 cents (1997: 22 cents) per share paid to shareholders registered on 4 September 1998	(144,3)	(138,0)	(144,3)	(138,0)
Final dividend No 11 of 24 cents (1997: 24 cents) per share payable to shareholders registered on 26 March 1999	(150,6)	(150,6)	(150,6)	(150,6)
Total dividends for the year – 47 cents (1997: 46 cents) per share	(294,9)	(288,6)	(294,9)	(288,6)
The Company's dividend policy is to distribute substantially all net income received after providing for operating expenses.				

	Group		Company	
	1998 Rm	1997 Rm	1998 Rm	1997 Rm
5. Share capital and share premium				
Share capital				
Authorised share capital				
800 000 000 ordinary shares of 1 cent each	8,0	8,0	8,0	8,0
55 000 redeemable preference shares of R1 each	0,1	0,1	0,1	0,1
	8,1	8,1	8,1	8,1
Unissued shares under the control of the Directors				
172 518 285 (1997: 172 518 285) ordinary shares of 1 cent each	1,7	1,7	1,7	1,7
55 000 redeemable preference shares of R1 each	0,1	0,1	0,1	0,1
Issued share capital				
627 481 715 (1997: 627 481 715) ordinary shares of 1 cent each	6,3	6,3	6,3	6,3
Share premium				
Balance at end of year	1 895,4	1 895,4	1 895,4	1 895,4
Share capital and share premium at 31 December	1 901,7	1 901,7	1 901,7	1 901,7
Interests of Directors, including their families, in share capital				
Direct interests			Number of ordinary shares	
Beneficial			149 434	149 434
Non-beneficial			-	11 254
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 and by virtue of Liberty Holdings owning 55,9% of the issued ordinary share capital of Liberty Life and by virtue of Liberty Life and its subsidiaries owning 82,5% of the issued ordinary share capital of the Company, Messrs D Gordon, R C Andersen, D D B Band, P T W Curtis, D A Fischel, R M Gordon, S Handler, J M Kahn, W S MacFarlane, A Romanis and F B Sher, all being Directors of the Company and/or Liberty Life, Liberty Holdings, Liblife Controlling Corporation, Liberty Investors or Standard Bank Investment Corporation, had in aggregate an indirect beneficial and non-beneficial interest in 82,5% of the issued share capital of Liblife Strategic Investments Limited at 31 December 1998.				
6. Non-distributable reserves				
Balance at beginning of year	9 702,2	9 015,8	9 702,2	9 015,8
Surplus/(deficit) on valuation of investments	579,0	(110,5)	579,0	(110,5)
(Deficit)/surplus on valuation of subsidiaries			(1 837,1)	982,8
(Deficit)/surplus on valuation of associates	(2 957,3)	351,1	(580,5)	(185,9)
Share of associates' reserves	539,7	445,8	-	-
Realised surplus on disposal of investments	181,2	-	181,2	-
Balance at end of year	8 044,8	9 702,2	8 044,8	9 702,2

Notes on the financial statements (continued)

for the year ended 31 December 1998	Group		Company	
	1998 Rm	1997 Rm	1998 Rm	1997 Rm
6. Non-distributable reserves (continued)				
Comprising:				
Surplus/(deficit) on valuation of investments	561,4	(17,6)	561,4	(17,6)
Surplus on valuation of subsidiaries			6 836,3	8 673,4
Surplus on valuation of associates	4 154,8	7 112,1	65,7	646,2
Share of associates' reserves	2 836,0	2 296,3	222,6	222,6
Realised surplus on disposal of subsidiaries			177,6	177,6
Realised surplus on disposal of fellow subsidiary	177,6	177,6	-	-
Realised surplus on disposal of shares in associates	46,6	46,6	-	-
Realised surplus on disposal of investments	268,4	87,2	181,2	-
	8 044,8	9 702,2	8 044,8	9 702,2
7. Subsidiary companies				
Shares at valuation			6 776,1	8 617,7
Amounts owing by subsidiaries			2 470,6	2 077,3
			9 246,7	10 695,0

The interest of the Company for the year in the aggregate taxed profits of its subsidiaries was R713,7 million (1997: R663,8 million). Details regarding Libsil's principal subsidiaries are set out on page 138.

8. Associated companies**Standard Bank Investment Corporation Limited**

A South African banking and financial services group with total assets of R160 billion, shareholders' funds of R13 billion and net income attributable to shareholders of R2 052 million (31 December 1998).

337 733 792 ordinary shares, representing 28,0% (1997: 26,5%) of the total issued share capital, at market value

	5 954,2	6 703,1	34,3	-
Cost	1 566,0	1 232,6	29,9	-
Revaluation surplus	2 530,0	3 985,3	4,4	-
Cumulative retained equity earnings	1 858,2	1 485,2	-	-

The South African Breweries Limited – direct and indirect interest**The South African Breweries Limited**

A holding company whose major activity is the brewing and marketing of clear beer as well as interests in complementary beverages, hotel operations and selected mass consumer services. The group, now listed on The Stock Exchange, London as South African Breweries plc, has total assets of R28 billion, shareholders' funds of R13 billion and earnings attributable to ordinary shareholders of R1 876 million (12 months ended 30 September 1998).

	Group		Company	
	1998 Rm	1997 Rm	1998 Rm	1997 Rm
8. Associated companies (continued)				
The South African Breweries Limited (continued)				
1 901 397 ordinary shares, representing 0,5% (1997: 0,5%) of the total issued share capital, at market value	188,4	223,4		
Cost	45,3	40,6		
Revaluation surplus	102,5	146,0		
Cumulative retained equity earnings	40,6	36,8		
In a restatement of their results in terms of United Kingdom GAAP, SAB disclosed adjustments of R215 million. Libsil's attributable portion amounting to R19 million has not been taken into account for the year ended 31 December 1998.				
Beverage and Consumer Industry Holdings Limited				
The company is the largest shareholder in The South African Breweries Limited, owning 28,5% of its issued ordinary share capital. The group has total assets of R5 billion, shareholders' funds of R5 billion and earnings attributable to ordinary shareholders of R532 million (12 months ended 30 September 1998).				
22 661 089 ordinary shares, representing 29,1% (1997: 29,0%) of the total issued share capital, at market value	3 013,9	3 654,4		
Cost	842,8	768,2		
Revaluation surplus	1 726,2	2 498,2		
Cumulative retained equity earnings	444,9	388,0		
The Liberty Life Group shares joint control of Bevcon pursuant to an agreement entered into with Johnnies Industrial Corporation Limited ("Johnnic") and Anglo American Corporation of South Africa Limited ("Anglo American").				
The Premier Group Limited				
246 151 630 ordinary shares, representing 23,9% (1997: 23,6%) of the total issued share capital, at market value	339,8	1 189,8	339,8	1 189,8
Cost	51,3	320,9	51,3	320,9
Revaluation (deficit)/surplus	(210,5)	475,7	(210,5)	475,7
Cumulative retained equity earnings	499,0	393,2	499,0	393,2
	9 496,3	11 770,7	374,1	1 189,8

Notes on the financial statements (continued)

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

8. Associated companies (continued)

Similar joint control arrangements to those relating to Bevcon exist with Johnnic and Anglo American in respect of Premier.

Nature of joint control arrangements in respect of Bevcon and Premier

The joint control arrangements in respect of Bevcon and Premier include certain provisions which aim to ensure that, on a disposal by either the Liberty Life Group or the Johnnic/Anglo American Groups of their joint controlling strategic shareholdings in such companies, such group receives a fair commercial price reflecting the significance of the joint controlling shareholding (viz 25,05% of the equity of each of Bevcon and Premier respectively dedicated by each group).

In essence:

If either group intends to sell its shareholding in Bevcon or Premier, it must first offer it to the other group at a stipulated price.

Failing acceptance by the other group to acquire the shareholding at the stipulated price, the offeror shall be entitled, in turn, to offer to acquire the other group's shareholding at the stipulated price.

The offeree must either accept that offer and sell its shareholding at the stipulated price or purchase the offeror's shareholding at that price.

The terms of the joint control arrangements provide that the price to be stipulated by the initiating group must be 25% over the market price, calculated over a specified period not exceeding six months. Libsil is a member of the Liberty Life Group for the purpose of the joint control arrangements. In determining which portion of the Liberty Life Group's shareholding applies to the stipulated price in terms of the respective joint control arrangements, portion of Libsil's holding in Bevcon representing a 25,05% interest in that company and its entire 23,9% holding in Premier are covered by the respective joint control arrangements.

9. Shares

Listed	824,5	–	824,5	–
Unlisted	124,6	151,0	124,6	151,0
	949,1	151,0	949,1	151,0

GFSA Holdings Limited ("GFSA Holdings")

The Liberty Life Group has a 20% interest in GFSA Holdings, an unlisted company whose predominant interest is 27,6% of Gold Fields Limited ("GFL"). Libsil's portion of the Liberty Life Group's shareholding amounts to 4,6% of GFSA Holdings. GFL is a focused gold mining and exploration company.

10. Related party transactions**Holding company**

Liblife Strategic Investments Limited is a 82,5% owned subsidiary of Liberty Life Association of Africa Limited. Both of these companies are incorporated in South Africa.

Transactions with Directors

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

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 on market related terms and are repayable on demand.

11. Borrowing powers

In terms of the Company's Articles of Association, its borrowing powers are unlimited. The Company had no borrowings at 31 December 1998 (1997: R28,2 million).

12. 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.

13. Contingent liability

The South African Revenue Service ("SARS") disallowed certain losses on disposal of investments claimed by Libsil's subsidiaries in 1993 and 1994. The subsidiaries concerned objected to the assessments. The SARS has subsequently disallowed one of the objections relating to an amount of R5,0 million including interest. An appeal has been lodged in this regard.

Taxation and interest in respect of the remaining unresolved objection amounts to R0,8 million.

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					
		183,1	(149,1)	273,1	(61,7)
Cash generated by/(utilised in) operations	1	282,9	(44,4)	282,9	(44,4)
Returns on investments and servicing of finance		204,8	165,1	294,8	252,4
Dividends paid	2	(294,9)	(269,8)	(294,9)	(269,8)
Taxation (paid)/refunded	3	(9,7)	-	(9,7)	0,1
Net cash flow from investing activities					
Net (purchase)/sale of shares in associates		(91,4)	(90,0)	212,0	-
Cash flow from financing activities					
		(91,7)	239,1	(485,1)	61,7
Increase in amounts due by subsidiaries				(393,4)	(177,4)
(Increase)/decrease in amounts due by Group company		(63,5)	210,9	(63,5)	210,9
(Decrease)/increase in amounts due to Group company		(28,2)	28,2	(28,2)	28,2
Net increase in cash and cash equivalents					
		-	-	-	-
Cash and cash equivalents at beginning of year					
		-	-	-	-
Cash and cash equivalents at end of year					
		-	-	-	-

Notes on the cash flow statements

for the year ended 31 December 1998		Group		Company	
		1998	1997	1998	1997
		Rm	Rm	Rm	Rm
1. Cash generated by/(utilised in) operations					
Income after taxation		290,5	290,6	290,5	290,6
Adjustment for:					
Dividends received		(313,1)	(291,8)	(313,1)	(291,8)
Interest received		-	(0,1)	-	(0,1)
Interest paid		7,1	-	7,1	-
Taxation paid		13,8	-	13,8	-
Working capital changes:					
Increase/(decrease) in creditors		284,4	(43,1)	284,4	(43,1)
		282,9	(44,4)	282,9	(44,4)
2. Dividends paid					
Dividends as per income statement		(294,9)	(288,6)	(294,9)	(288,6)
Dividends payable at beginning of year		(150,6)	(131,8)	(150,6)	(131,8)
Dividends payable at end of year		150,6	150,6	150,6	150,6
		(294,9)	(269,8)	(294,9)	(269,8)
3. Taxation (paid)/refunded					
Taxation as per income statement		(13,8)	-	(13,8)	-
Taxation refundable at beginning of year		0,3	0,3	-	0,1
Taxation payable/(refundable) at end of year		4,3	(0,3)	4,1	-
		(9,7)	-	(9,7)	0,1