LIBERTY

Liberty Holdings Limited

Financial results 2012

For the year ended 31 December

Highlights

BEE normalised headline earnings per share

up 39%

return on BEE normalised group equity value

21%

value of long-term insurance new business

up 69%

long-term insurance new business margin

2,0%

long-term insurance indexed new business

up 18%

customer net cash inflows

R19,2 billion

assets under management

up 16%

Normal dividends

up 10%

Liberty Group Limited CAR cover

2,7 times

Contents

Financial performance indicators

for the year ended 31 December 2012

	2012	% change	2011
Liberty Holdings Limited			
Earnings[1]			
Basic earnings per share (cents)	**1 464,6**	42,7	1 026,1
BEE normalised headline earnings per share (cents)	**1 328,3**	38,8	956,7
BEE normalised operating earnings (Rm)	**1 803**	2,0	1 768
BEE normalised return on equity (%)	**24,5**	21,3	20,2
Group equity value			
BEE normalised group equity value per share (R)	**115,43**	15,3	100,15
BEE normalised return on group equity value (%)	**20,8**	35,9	15,3
Distributions per share (cents)			
Normal dividend	**528**	10,0	480
Interim dividend/capital reduction	**192**	5,5	182
Final dividend	**336**	12,8	298
Special dividend	**130**		
Total assets under management (Rbn)	**528**	16,0	455
Long-term insurance operations			
Indexed new business (excluding contractual increases) (Rm)	**6 055**	17,5	5 152
New business margin (%)	**2,0**	42,9	1,4
Net customer cash inflows (Rm)	**4 572**	8,1	4 230
Capital adequacy cover of Liberty Group Limited (times covered)	**2,71**	(6,2)	2,89
Asset management – STANLIB and Liberty Africa			
Assets under management (Rbn)[2]	**473**	16,2	407
Net cash inflows/(outflows) including money market (Rm)	**14 327**	>100	(91)
Retail and institutional net cash inflows excluding money market (Rm)	**11 744**	(13,6)	13 598
Money market net cash outflows (Rm)	**2 583**	>100	(13 689)

(1) 2011 earnings have been restated for the change in accounting policy relating to the adoption of shadow accounting.

(2) 2011 restated to reflect the transfer of the Liberty Properties asset management business to STANLIB from 1 January 2012.

Preparation and supervision:

This announcement on Liberty Holdings Limited's annual results for the year ended 31 December 2012 has been prepared and supervised by JC Hubbard (Group Chief Financial Officer) BCom CA(SA) and CG Troskie (Group Financial Director) BCom (Hons) CA(SA).

Commentary on results

for the year ended 31 December 2012

Overview

Liberty's 2012 financial performance was positive across all indicators. Particularly impressive was the new business obtained by all business units and overall growth in earnings and equity value. BEE normalised headline earnings of R3 768 million were 38% up, positively impacted by the investment performance on the group's shareholder capital. This converts to a 39% increase in BEE normalised headline earnings per ordinary share to R13,28 (2011: restated R9,57). Return on equity of 25% compares to 20% achieved in 2011.

Equity value per share of R115 is 15% up on 2011 and reflects R5,9 billion of equity value profits, or a 21% return on group equity value. This is considerably higher than the target of 12,6% and is not only a function of the positive investment markets, but reflects the growth in value of new business, the strong operational business unit performances and LibFin's ability to add value through its credit origination business.

The Shareholder Investment Portfolio (SIP) produced a gross return of 16% (2011: 8%), which was ahead of benchmark, translating into earnings of R1 965 million. Growth in operating earnings (which excludes earnings from the SIP) appears low at 2%, however it should be noted that the 2011 result included the once off positive impacts of Retail SA assumption changes arising from the resolution of the persistency issue. Normalising for these as well as the Retail SA new business strain component of earnings, reflects a 2012 operating earnings increase of 15%. This demonstrates the impact of the ongoing operational improvement particularly in the core insurance and asset management businesses.

Strong growth in long-term indexed insurance sales (up 18%), was supported by the launch of a number of innovative products. This combined with the lower risk discount rate, better product mix and good expense control produced a 69% improvement in group embedded value of long-term insurance new business to R691 million at an overall margin of 2,0% (2011: 1,4%).

Group asset management net cash inflows of R14 billion are much improved compared to the break even flows in 2011. This was achieved despite the drawdown of R6 billion of assets under a government mandate in East Africa. STANLIB's South African business had a particularly good year attracting R20 billion of net cash flows of which R17 billion went into higher margin non money market retail and institutional mandates. Assets under management across the group grew by 16% to R528 billion.

It is also encouraging to report various positive developments within our business development cluster, including the considerable growth in value achieved from the revised bancassurance arrangements with Standard Bank, the Vodacom affinity in Direct Financial Services and the significant improvement in the medical loss ratio in Liberty Health.

A disappointing feature of the past year was the inability to secure various targeted property development mandates by Liberty Properties mainly due to socio-political factors in the various sub-Saharan African countries in which the group operates.

LibFin continues to demonstrate its ability to manage the group's market risk within risk appetite. The group's capital position is strong with the capital adequacy ratio in the group's main licence being 2,7 times the regulatory minimum despite the funding of share buy backs of R415 million at an average purchase price of R89 per share. The group successfully issued two R1 billion subordinated bond tranches in August and October 2012 at fixed coupon rates of 7,67% and 7,64% respectively. The previous R2 billion callable bond was called and repaid in September.

The 2012 performance further supports the appropriateness of our strategic plan and management's ability to execute to plan. Our strategic focus can be summarised as:

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

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

In summary, Liberty's 2012 financial performance had many highlights. BEE normalised headline earnings were up 38%, long-term indexed insurance new business up 18%, long-term insurance value of new business up 69%, assets under management up 16% and return on equity reached 25%. Our capital is well in excess of regulatory requirements and the board has been able to recommend not only a normal dividend increase of 10% reflecting the core earnings growth, but also a special dividend of 130 cents per ordinary share which further reflects the overall success achieved in 2012.

Business unit financial review

Contributions to earnings by business unit	31 Dec 2012 Rm	% change	Restated 31 Dec 2011 Rm
South African long-term insurance			
Retail SA[1]	**1 299**	(6,0)	1 382
Corporate[1]	**75**	78,6	42
LibFin Markets	**151**	(2,6)	155
Asset management			
STANLIB[2]	**489**	12,4	435
Liberty Properties[2]	**48**	(36,0)	75
Business development			
Liberty Africa	**69**	>100	21
Asset management operations	**48**	33,3	36
Insurance operations	**21**	>100	(15)
Liberty Health	**(42)**	35,4	(65)
Direct Financial Services	**(38)**	19,1	(47)
Central overheads, development costs and sundry income	**(248)**	(7,8)	(230)
BEE normalised operating earnings	**1 803**	2,0	1 768
LibFin Investments	**1 965**	>100	969
BEE normalised headline earnings	**3 768**	37,7	2 737
BEE preference share adjustment	**(62)**	6,1	(66)
Headline earnings	**3 706**	38,7	2 671

[1] 2011 earnings have been restated for the change in accounting policy relating to the adoption of shadow accounting.

[2] 2011 restated to reflect the transfer of the Liberty Properties asset management business to STANLIB from 1 January 2012.

South African long-term insurance

Retail SA

Headline earnings for the year were R1 299 million compared to the restated R1 382 million in 2011 which included significant positive assumption changes. Adjusting for these in both periods, headline earnings are 8% higher despite higher new business strain. This increase is supported by ongoing positive persistency and mortality experience variances. Earnings have also absorbed the build cost of the transactional joint venture with Standard Bank and investments in our emerging consumer market (ECM) business during the period.

The value proposition for financial advisers, which recognises the important balance between persistency, book size and quality of new business, is producing the required outcome of selling quality new business and enhancing the value of the existing customer base. Various significant developments in the product and distribution area continued, including the May launch of an innovative annuity product incorporating a longevity bonus feature and the October launch of the single premium Evolve investment product which provides low costs and introduces a unique component of investment return risk sharing. Initial take up of the Evolve product has exceeded expectations.

Indexed new business sales (excluding contractual increases) of R5,3 billion have increased by 21% over 2011. Increases in our flagship Lifestyle Protector and ECM risk products (up 23%) and the credit life sales under the bancassurance agreement with Standard Bank (up 33%) was particularly pleasing. The investment business has also performed well and indexed new business was 12% higher. The new business margin of 2,3% is a significant improvement on the 1,6% achieved for the 2011 year, and is within the medium term targeted range of between 2,0% and 2,5%. The increased volume of quality sales combined with the focus in recent years on retention has resulted in the in-force administered policy book size increasing by more than 1%. This has meant that better maintenance and acquisition cost efficiency was evidenced. Management continues to focus on margin improvement and cost efficiency.

Net cash inflows were also very strong at R6,0 billion (26% up on 2011) and were supported by strong contributions from our sales of single premium investment products and good persistency experience.

In October 2012 a comprehensive loyalty programme, "Own your life REWARDS", was successfully launched and will initially support both the Retail SA and Liberty Health businesses with a future likely roll out across the group. The costs of the programme are included in central overheads, development costs and sundry income.

Commentary on results (continued)

for the year ended 31 December 2012

Corporate

Liberty Corporate is in the process of transitioning its business by reducing risk in the operating environment whilst migrating a large portion of its client base to more cost efficient umbrella funds. In addition there is a focus on enhancing service levels and establishing a distribution and product capability for larger corporate and retirement funds.

Improved corporate headline earnings of R75 million are a function of better risk claims experience and premium income which has grown by 14,9% supported by good increases in recurring premiums. Indexed new business was 4% lower than 2011, largely due to lower risk sales following repricing to improve profitability. Value of new business at R30 million was however higher due to an improvement in the quality and product mix. The business unit lost a substantial single investment mandate of R1,4 billion contributing to net cash outflows of R2,0 billion for the year. A new flagship investment product, the Liberty Stable Growth Fund, as well a unique index tracking investment range were launched.

The retirement fund administration backlog project has been completed well ahead of schedule enabling the business to utilise additional capacity to focus on executing future business strategy.

LibFin Markets

LibFin Markets continued to manage market risk exposures within a narrow range. Headline earnings of R151 million flowed mainly from increased profits on the credit portfolio assets backing annuities and guaranteed capital bonds as well as lower implied volatilities which remain unhedged. The sustainable earnings base has been recognised in the group equity value for the first time at 31 December 2012, contributing R500 million of additional value. LibFin directly managed R32 billion of asset portfolios at 31 December 2012 (31 December 2011: R25 billion).

LibFin Investments

Within risk appetite, LibFin Investments manages the SIP which comprises the group's investment market exposure to the 90:10 book of business and the assets backing capital in the insurance operations. The portfolio which is managed under a low risk balanced mandate produced a gross return of 16,0% (2011: 8,1%) which was ahead of benchmark. This return benefited from favourable investment market conditions and portfolio construction. Portfolio diversification was increased further during 2012.

Asset management

The Liberty Properties' asset management business was transferred to STANLIB with effect from 1 January 2012. Prior year comparatives have been restated to reflect this change.

STANLIB

STANLIB experienced substantial net inflows of R20,3 billion during 2012. Inflows into institutional money market collective investments of R5,6 billion, retail collective investments of R12,9 billion and linked investments and structured products of R5,4 billion were particularly good. Total assets under management increased to R437 billion at 31 December 2012 (31 December 2011: restated R368 billion).

Following the implementation of the multi-specialist franchise operating model, the majority of funds under management are now reflecting significantly improved investment performance across several investment horizons. STANLIB's performance in the Alexander Forbes Global Best Investment View Survey for global balanced funds placed STANLIB in the 1st quartile over one and three years, and STANLIB's unit trusts recently received five Raging Bull awards.

STANLIB's headline earnings at R489 million are 12% higher compared to 2011 despite once-off costs associated with further enhancing investment processes and disciplines and establishing further investment capabilities.

Liberty Properties

Liberty Properties, which comprises property management and development, has benefited from growth in property management fees supported by increases in rental areas at the flagship shopping centres. However, delays in securing development mandates have resulted in reduced development fee income. Headline earnings reduced to R48 million compared to restated R75 million in 2011.

Fountainhead

Liberty Holdings sold its 50% joint venture in Fountainhead Property Trust Management Limited and Evening Star Trading 768 (Pty) Limited to Redefine Properties Limited for R335 million resulting in a profit on sale of R117 million.

Business development

Significant progress has been made in effecting operational improvements to the various businesses under development. We remain committed to these initiatives and is pleasing to note earnings improvements in the second half of 2012.

Liberty Africa

East and Southern Africa (outside of South Africa) generated profit of R69 million (2011: R21 million) for the reporting period. Investment markets in the East Africa region contributed a high proportion of the increase in earnings.

Assets under management remained high at R36 billion.

Liberty Health

Liberty's share of Liberty Health's headline loss for 2012 was R42 million. Whilst operational efficiencies have been implemented, the business does not, as yet, have sufficient scale to leverage the investment in systems and processes. The acquisition of client mandates as well as assisting the medical scheme administration clients to grow their membership remains management's top priority.

Sales of health risk products in African countries, excluding South Africa, continue to grow and our in-force book increased to 83 774 lives (2011: 67 901). Actions taken on pricing and risk management have improved the medical claims loss ratio to 89% (2011: 114%).

Direct Financial Services

The direct IT platform capability has created the base for a broader direct strategy including supporting the recently launched joint ventures with Vodacom and Standard Bank. Whilst these initiatives have only recently been launched, both are performing to plan.

FRANK.NET, which currently provides simple life cover products through an alternative direct distribution channel, has achieved good brand presence; however, the conversion of leads and the persistency of the business need to be improved.

Bancassurance

The revised terms of the commercial bancassurance joint venture relationship with Standard Bank, which broaden the available distribution channels, product sets and geographies are making an increased contribution to new business volumes and earnings. Sales on an indexed basis of insurance products from bancassurance channels were 21% higher than 2011. Attributable Liberty earnings from credit life were R135 million, up 41% from last year, and STANLIB received a 11% growth in net asset management fees related to assets acquired through the Standard Bank distribution channel. The total embedded value of in-force contracts sold under the agreement attributable to Liberty at 31 December 2012 is R1,2 billion (2011: R1,1 billion).

Tax legislation

The Taxation Laws Amendment Bill, 2012 was promulgated on 1 February 2013 which confirmed the announced increases to the inclusion rates and therefore effective capital gains tax rates for taxpayers, with effect from 1 March 2012. The Bill also enacted the long-term insurance industry negotiated deemed disposal and re-acquisition of investment assets that was applied to all policyholder funds on 29 February 2012 with the resulting capital gains being spread in equal amounts over four tax years commencing from the 2012 tax year. In addition, new expense relief formulae are now applicable to the policyholder funds for life companies.

The group has applied the new legislation in preparing the 31 December 2012 results. The impact on earnings has not been significant.

No adjustments have been made for any tax proposals announced by the Minister of Finance in his budget on 27 February 2013.

Capital adequacy cover

The capital adequacy cover of Liberty Group Limited remains strong at 2,71 times the statutory requirement (2011: 2,89 times). All the other group subsidiary life licences are well capitalised.

Commentary on results (continued)

for the year ended 31 December 2012

Dividends

2012 final dividend

In line with the group's dividend policy, the board has approved and declared a gross final dividend of 336 cents per ordinary share. The dividend will be payable out of income reserves and payable to all ordinary shareholders recorded in the books of Liberty Holdings Limited at the close of business on Thursday, 28 March 2013.

2012 special dividend

Given the substantial increase in earnings in the current year after taking into account additional capital required by the strong new business flows, the directors have proposed a gross special dividend of 130 cents per ordinary share. The dividend will be payable out of income reserves and payable to all ordinary shareholders recorded in the books of Liberty Holdings Limited at the close of business on Thursday, 28 March 2013.

There are no STC credits to be utilised for the final or special dividends. The dividends totalling 466 cents per ordinary share will be subject to a local dividend tax rate of 15% which will result in a net final dividend, to those shareholders who are not exempt from paying dividend tax, of 285,6 cents per ordinary share and a net special dividend, to those shareholders who are not exempt from paying dividends tax, of 110,5 cents per ordinary share. Liberty Holdings Limited's income tax number is 9050/191/71/8. The number of ordinary shares in issue in the company's share capital at the date of declaration is 286 202 373.

The important dates pertaining to the dividends are as follows:

Last date to trade cum dividend on the JSE	Wednesday, 20 March 2013
First trading day ex dividend on the JSE	Friday, 22 March 2013
Record date	Thursday, 28 March 2013
Payment date	Tuesday, 2 April 2013

Share certificates may not be de-materialised or re-materialised between Friday, 22 March 2013 and Thursday, 28 March 2013, both days inclusive. Where applicable, in terms of instructions received by the company from certificated shareholders, the payment of the dividend will be made electronically to shareholders' bank accounts on payment date.

In the absence of specific mandates, cheques will be posted to shareholders. Shareholders who have de-materialised their shares will have their accounts with their CSDP or broker credited on Tuesday, 2 April 2013.

Prospects

We trust that shareholders are pleased with the group's 2012 performance and we believe that the group is now well positioned to achieve sustainable growth in the future. Our core insurance and asset management businesses are performing well and we anticipate that they will continue to attract higher levels of new business at improved margin despite the expected ongoing pressure on consumer disposable income. We believe our balance sheet management capability will enable us to continue managing our investment market risk exposures within risk appetite and competently deal with the probable protracted period of volatility in investment markets and low interest rates.

Bruce Hemphill	**Saki Macozoma**
Chief Executive	*Chairman*

27 February 2013

Liberty Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 1968/002095/06)
JSE code: LBH
ISIN code: ZAE000127148
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Sponsor
Merrill Lynch
A subsidiary of Bank of America Corporation

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

Accounting policies

The 2012 consolidated financial statements have been prepared in accordance with and containing information required by International Financial Reporting Standards (IFRS) including full compliance with IAS 34 *Interim Financial Reporting* as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. They are also in compliance with the Listings Requirements of the JSE Limited and the South African Companies Act No. 71 of 2008.

The accounting policies adopted in the preparation of the consolidated financial statements are in terms of IFRS and are consistent with those adopted in the previous year except for the following:

The group has adopted for the first time, effective 1 January 2012, an accounting policy for shadow accounting as permitted under IFRS 4 *Insurance Contracts*. The shadow accounting will be applied to the allocation of changes to policyholder liabilities arising from fair value re-measurement of owner-occupied properties held to match obligations under insurance contacts. Previously a mismatch was created as the change to the insurance policyholder liability was reflected in profit or loss whilst the matching asset re-measurement is reflected in other comprehensive income as required by IAS 16 *Property, Plant and Equipment*. The adoption of shadow accounting will allow the relevant change in the insurance liability to also be reflected in other comprehensive income thereby eliminating the mismatch in presentation.

The adoption of the shadow accounting policy has been applied retrospectively with the impact being that total earnings for the year ended 31 December 2012 have decreased by R131 million (2011: increase of R74 million) with other comprehensive income adjusting by the same amount. There is no impact to total comprehensive income, the financial position or shareholders' funds of the group.

Several other amendments to IFRS standards were made by the International Accounting Standards Board, which are effective for the period under review. These amendments are not applicable to the 2012 results of the group.

Audit opinion

The company's auditors, PricewaterhouseCoopers Inc., have issued their opinion on the consolidated financial statements and the group equity value report for the year ended 31 December 2012. They have issued unmodified audit opinions. Copies of their audit reports are available for inspection at the company's registered office.

Definitions

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

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

Capital adequacy requirement (CAR)

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

Health lives

This reflects the number of natural persons covered for medical risk insurance (either through medical aids or directly) for which Liberty Health provides administration services and/or IT system support.

Long-term insurance operations – Indexed new business

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

Long-term insurance operations – New business margin

This is the value of new business as defined below, expressed as a percentage of the present value of future expected premiums at the point of sale.

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

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

Short-term insurance operations – Claims loss ratio

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

FCTR

Foreign Currency Translation Reserve.

Development costs

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

Negative rand reserves

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

Statement of financial position

as at 31 December 2012

Audited	2012 Rm	2011 Rm
Assets		
Equipment and owner-occupied properties under development	952	897
Owner-occupied properties	1 378	1 598
Investment properties	24 133	23 470
Intangible assets	759	933
Defined benefit pension fund employer surplus	186	199
Deferred acquisition costs	449	403
Interests in joint ventures	378	626
Reinsurance assets	1 170	1 104
– long-term insurance	978	902
– short-term insurance	192	202
Operating leases – accrued income	1 277	1 085
Derivative assets	6 910	3 790
Interests in associates	72	
Interests in associates – mutual funds	13 837	11 697
Financial investments	231 187	197 959
Deferred taxation	253	183
Prepayments, insurance and other receivables	3 489	2 620
Cash and cash equivalents	6 327	6 664
Total assets	292 757	253 228
Liabilities		
Long-term policyholder liabilities	236 684	208 565
Insurance contracts	164 666	145 558
Investment contracts with discretionary participation features	3 855	3 447
Financial liabilities under investment contracts	68 163	59 560
Short-term insurance liabilities	525	466
Financial liabilities at amortised cost	2 177	2 195
Third party financial liabilities arising on consolidation of mutual funds	14 465	11 164
Employee benefits	1 198	1 082
Deferred revenue	174	159
Deferred taxation	2 715	2 819
Deemed disposal taxation liability	918	
Provisions	338	371
Operating leases – accrued expense	30	93
Derivative liabilities	6 098	3 113
Insurance and other payables	8 200	6 304
Current taxation	724	614
Total liabilities	274 246	236 945
Equity		
Ordinary shareholders' interests	15 410	13 211
Share capital	26	26
Share premium	6 078	6 133
Retained surplus	10 332	7 683
Other reserves	(1 026)	(631)
Non-controlling interests	3 101	3 072
Total equity	18 511	16 283
Total equity and liabilities	292 757	253 228

Statement of comprehensive income

for the year ended 31 December 2012

Audited	2012 Rm	Restated 2011 Rm
Revenue		
Insurance premiums	30 720	27 302
Reinsurance premiums	(1 089)	(909)
Net insurance premiums	29 631	26 393
Service fee income from investment contracts	881	863
Investment income	12 688	11 079
Hotel operations sales	720	679
Investment gains	30 209	8 148
Fee revenue and reinsurance commission	1 877	1 560
Adjustment to defined benefit pension fund employer surplus	(45)	(4)
Total revenue	75 961	48 718
Claims and policyholder benefits under insurance contracts	(25 004)	(22 897)
Insurance claims recovered from reinsurers	672	627
Change in long-term policyholder liabilities	(19 532)	(6 136)
Insurance contracts	(19 228)	(6 262)
Investment contracts with discretionary participation features	(380)	73
Applicable to reinsurers	76	53
Fair value adjustment to policyholder liabilities under investment contracts	(10 035)	(4 089)
Fair value adjustment on third party mutual fund interests	(2 979)	(1 230)
Acquisition costs	(3 818)	(3 268)
General marketing and administration expenses	(7 445)	(6 498)
Finance costs	(243)	(271)
Profit share allocations under bancassurance and other agreements	(800)	(628)
Profit on sale of joint venture	135	
Equity accounted earnings from joint ventures	3	9
Profit before taxation	6 915	4 337
Taxation	(2 717)	(1 383)
Total earnings	4 198	2 954
Other comprehensive income	10	84
Owner-occupied properties – fair value adjustment	(192)	115
Income and capital gains tax relating to owner-occupied properties fair value adjustment	66	(41)
Change in long-term policyholder insurance liabilities (application of shadow accounting)	131	(74)
Net change in fair value on cash flow hedges	(29)	14
Income and capital gains tax relating to net change in fair value on cash flow hedges	8	(4)
Foreign currency translation	26	74
Total comprehensive income	4 208	3 038
Total earnings attributable to:		
Liberty shareholders' interests	3 779	2 673
Non-controlling interests	419	281
	4 198	2 954
Total comprehensive income attributable to:		
Liberty shareholders' interests	3 780	2 736
Non-controlling interests	428	302
	4 208	3 038
	Cents	Cents
Basic earnings per share	1 464,6	1 026,1
Fully diluted basic earnings per share	1 370,8	981,6

Headline earnings and earnings per share

for the year ended 31 December 2012

Audited	2012 Rm	Restated 2011 Rm
Reconciliation of total earnings to headline earnings attributable to equity holders		
Total earnings attributable to equity holders	3 779	2 673
Preference share dividend	(2)	(2)
Basic earnings attributable to ordinary shareholders	3 777	2 671
Profit on sale of joint venture	(117)	
Derecognition and impairment of intangible asset	44	
FCTR recycled through profit or loss	2	
Headline earnings attributable to ordinary shareholders	3 706	2 671
Net income earned on BEE preference shares	62	66
BEE normalised headline earnings attributable to ordinary shareholders	3 768	2 737
Weighted average number of shares in issue ('000)	257 885	260 306
BEE normalised weighted average number of shares in issue ('000)	283 681	286 102
Fully diluted weighted average number of shares in issue ('000)	275 534	272 113
	Cents	Cents
Earnings per share attributable to ordinary shareholders		
Basic	1 464,6	1 026,1
Headline	1 437,1	1 026,1
BEE normalised headline	1 328,3	956,7
Fully diluted earnings per share attributable to ordinary shareholders		
Basic	1 370,8	981,6
Headline	1 345,0	981,6

Condensed statement of changes in shareholders' funds

for the year ended 31 December 2012

Audited	2012 Rm	2011 Rm
Balance of ordinary shareholders' interests at 1 January	**13 211**	11 716
Dividend/capital reduction[1]	**(1 396)**	(1 353)
Total comprehensive income	**3 780**	2 736
Share buy-back	**(415)**	(40)
Subscription for shares	**26**	21
Black Economic Empowerment transaction	**126**	112
Share-based payments	**78**	55
Payment on settlement of share options/rights		(2)
Acquisition of additional interests in subsidiaries		(3)
Preference dividend	**(2)**	(2)
FCTR recycled through profit or loss	**2**	
Profit on partial disposal of a subsidiary		8
Acquisition of Liberty Holdings Kenya Limited[2]		(37)
Ordinary shareholders' interests	**15 410**	13 211
Balance on non-controlling interests at 1 January	**3 072**	2 663
Total comprehensive income	**428**	302
Unincorporated property partnerships	**(182)**	4
Non-controlling share of subsidiary dividend	**(16)**	(13)
Acquisition of interest in Total Health Trust Limited	**33**	
Disposal of Alberton City unincorporated property partnership	**(234)**	
Acquisition of additional interests in subsidiaries		(24)
Profit on partial disposal of a subsidiary		10
Acquisition of Liberty Holdings Kenya Limited[2]		130
Non-controlling interests	**3 101**	3 072
Total equity	**18 511**	16 283

[1] *31 December 2012: 2011 final dividend of 298 cents per share and 2012 interim dividend of 192 cents per share. 31 December 2011: 2010 final dividend of 291 cents per share and 2011 interim capital reduction of 182 cents per share.*

[2] *Formerly CfC Insurance Holdings Limited.*

Condensed statement of cash flows

for the year ended 31 December 2012

Audited	2012 Rm	2011 Rm
Operating activities	**6 218**	5 469
Investing activities	**(6 187)**	(5 008)
Financing activities	**(407)**	148
Net (decrease)/increase in cash and cash equivalents	**(376)**	609
Cash and cash equivalents at the beginning of the year	**6 664**	5 858
Foreign currency translation	**10**	29
Cash and cash equivalents acquired through business acquisition	**29**	168
Cash and cash equivalents at the end of the period	**6 327**	6 664

Condensed segment information

for the year ended 31 December 2012

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

	Long-term insurance								
Rm	Retail	Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	62 096	16 395	904	2 419	289	1 619	83 722	(7 761)	75 961
Profit/(loss) before taxation	4 667	126	128	785	(132)	895	6 469	446	6 915
Taxation	(2 424)	(24)	(15)	(216)	38	(10)	(2 651)	(66)	(2 717)
Total earnings/(loss)	2 243	102	113	569	(94)	885	3 818	380	4 198
Other comprehensive income	(11)	1	7	2		11	10		10
Total comprehensive income/(loss)	2 232	103	120	571	(94)	896	3 828	380	4 208
Attributable to:									
Non-controlling interests	(22)	1	(59)	(7)	23	16	(48)	(380)	(428)
Equity holders	2 210	104	61	564	(71)	912	3 780	–	3 780
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	2 243	102	113	569	(94)	885	3 818	380	4 198
Attributable (to)/from non-controlling interests	(17)	1	(55)	(7)	23	16	(39)	(380)	(419)
Preference dividend						(2)	(2)		(2)
Intangible assets derecognition and impairment	44						44		44
Profit on sale of joint venture						(117)	(117)		(117)
FCTR recycled through profit or loss					2		2		2
Headline earnings/(loss)	2 270	103	58	562	(69)	782	3 706	–	3 706
Net income earned on BEE preference shares						62	62		62
BEE normalised headline earnings/(loss)	2 270	103	58	562	(69)	844	3 768	–	3 768

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

The audited segment results for the year ended 31 December 2011 are as follows:

Restated Rm	Long-term insurance Retail	Long-term insurance Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	41 754	10 846	319	2 064	279	1 174	56 436	(7 718)	48 718
Profit/(loss) before taxation	3 155	87	(88)	751	(117)	292	4 080	257	4 337
Taxation	(1 306)	15	(7)	(209)	7	76	(1 424)	41	(1 383)
Total earnings/(loss)	1 849	102	(95)	542	(110)	368	2 656	298	2 954
Other comprehensive income	38		15	8	1	22	84		84
Total comprehensive income/(loss)	1 887	102	(80)	550	(109)	390	2 740	298	3 038
Attributable to:									
Non-controlling interests	(31)	(19)	26	(16)	36		(4)	(298)	(302)
Equity holders	1 856	83	(54)	534	(73)	390	2 736	–	2 736
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	1 849	102	(95)	542	(110)	368	2 656	298	2 954
Attributable (to)/from non-controlling interests	(23)	(14)	33	(15)	36		17	(298)	(281)
Preference dividend						(2)	(2)		(2)
Headline earnings/(loss)	1 826	88	(62)	527	(74)	366	2 671	–	2 671
Net income earned on BEE preference shares						66	66		66
BEE normalised headline earnings/(loss)	1 826	88	(62)	527	(74)	432	2 737	–	2 737

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

Group equity value report

1. Introduction

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

Sections 2 and 3 below describe the valuation bases used for each reported component. It should be noted the group equity value is presented to provide additional information to shareholders to assess performance of the group. The total equity value is not intended to be a fair value calculation of the group but should provide indicative information of the inherent value of the component parts.

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

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

2.1 South African covered business:

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

2.2 Other businesses:

STANLIB	Valued using a 10 times (2011: 10 times) multiple of estimated sustainable earnings.
Liberty Properties	Valued using a 10 times (2011: 10 times) multiple of estimated sustainable earnings.
Fountainhead	Fountainhead has been valued at Liberty's share of the contracted sale price.
Liberty Health	As Liberty Health has yet to establish a history to support a sustainable earnings calculation, IFRS net asset value is applied.
Liberty Africa	Liberty Africa is an emerging cluster of wealth businesses located outside South Africa. A combination of valuation techniques including embedded value, discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of group equity value and therefore a detailed analysis of this valuation has not been presented.
LibFin Credit	LibFin originates appropriate illiquid assets that provide acceptable illiquidibility premiums. The value of this origination is reflected at a 10 times multiple of estimated sustainable earnings adjusting for related expenses and prudential margin.

2.3 Other adjustments:

These comprise the net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in subsidiaries valued separately, the fair value of share options/rights allocated to staff not employed by the South African covered businesses and allowance for certain shareholder recurring costs incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (December 2011: 9 times).

3. BEE normalised group equity value

3.1 Analysis of BEE normalised group equity value

Audited 31 December 2012 Rm	SA covered business	Other businesses	Group funds invested	Adjustments	Net worth[1]	Value of in-force: SA covered business	Total
SA insurance operations (excluding Direct Financial Services)	9 424		9 424	(4 796)	4 628	20 204	24 832
Retail SA						18 525	
Corporate						1 679	
Direct Financial Services	75		75		75	64	139
Value of in-force acquired	230		230	(230)			
Working capital	3 460		3 460	(416)	3 044		3 044
South African insurance operations	13 189		13 189	(5 442)	7 747	20 268	28 015
Other group businesses:							
STANLIB		262	262	4 438	4 700		4 700
Properties		45	45	355	400		400
Liberty Health (including Total Health Trust)	41	186	227		227		227
Liberty Africa	40	433	473	150	623	33	656
LibFin Credit				500	500		500
Liberty Holdings		1 214	1 214	37	1 251		1 251
Cost of capital						(1 477)	(1 477)
Net equity as reported under IFRS	13 270	2 140	15 410	38	15 448	18 824	34 272
BEE preference funding	1 012		1 012		1 012		1 012
Allowance for future shareholders costs		(236)	(236)		(236)	(1 785)	(2 021)
Allowance for employee share options/rights	(305)	(218)	(523)		(523)		(523)
BEE normalised equity value	13 977	1 686	15 663	38	15 701	17 039	32 740
Summary of adjustments:							
Negative rand reserves	(4 796)		(4 796)				
Deferred acquisition costs	(439)		(439)				
Deferred revenue liability	165		165				
Internally generated software	(37)	37					
Carrying value of in-force business acquired	(230)		(230)				
Fair value adjustment of non SA covered business	(100)	5 443	5 343				
Impact of discounting on deferred tax asset	(5)		(5)				
	(5 442)	5 480	38				

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

Group equity value report (continued)

3. BEE normalised group equity value

3.1 Analysis of BEE normalised group equity value

Audited 31 December 2011 Rm	SA covered business	Other businesses	Group funds invested	Adjustments	Net worth[(1)]	Value of in-force: SA covered business	Total
SA insurance operations (excluding Direct Financial Services)	7 227		7 227	(3 857)	3 370	17 789	21 159
Retail SA						16 175	
Corporate						1 614	
Direct Financial Services	116		116	(14)	102	38	140
Value of in-force acquired	325		325	(325)			
Working capital	3 994		3 994	(291)	3 703		3 703
South African insurance operations	11 662		11 662	(4 487)	7 175	17 827	25 002
Other group businesses:							
STANLIB		234	234	3 566	3 800		3 800
Properties (including Fountainhead)		270	270	684	954		954
Liberty Health (including Total Health Trust)	81	97	178		178		178
Liberty Africa	31	354	385		385	33	418
Liberty Holdings		482	482	54	536		536
Cost of capital						(1 167)	(1 167)
Net equity as reported under IFRS	11 774	1 437	13 211	(183)	13 028	16 693	29 721
BEE preference funding	1 075		1 075		1 075		1 075
Allowance for future shareholders costs		(145)	(145)		(145)	(1 690)	(1 835)
Allowance for employee share options/rights	(180)	(142)	(322)		(322)		(322)
BEE normalised equity value	12 669	1 150	13 819	(183)	13 636	15 003	28 639

Summary of adjustments:	SA covered business	Other businesses	Group funds invested
Negative rand reserves	(3 857)		(3 857)
Deferred acquisition costs	(389)		(389)
Deferred revenue liability	152		152
Internally generated software	(54)	54	
Direct Financial Services allowance for future expenses	(14)		(14)
Carrying value of in-force business acquired	(325)		(325)
Fair value adjustment of non SA covered business		4 250	4 250
	(4 487)	4 304	(183)

[(1)] *Reconciliation to SA covered business net worth.*

Net equity of SA covered business as reported under IFRS	*11 774*
Adjustments as above	*(4 487)*
Allowance for employee share options/rights	*(180)*
BEE preference share funding	*1 075*
Net worth as reported in supplementary information	*8 182*

3. BEE normalised group equity value (continued)

3.2 BEE normalised group equity value earnings and value per share

Audited Rm	31 December 2012 SA covered business	31 December 2012 Other busi-nesses	31 December 2012 Total	31 December 2011 SA covered business	31 December 2011 Other busi-nesses	31 December 2011 Total
BEE normalised equity value at end of the year	25 574	7 166	32 740	23 185	5 454	28 639
BEE preference shares	1 012		1 012	1 075		1 075
Equity value at the end of the year	24 562	7 166	31 728	22 110	5 454	27 564
Adjustments from group restructure				15	(15)	
Capital transactions		389	389		19	19
Funding of restricted share plan	87	(87)				
Intergroup dividends	1 701	(1 701)		1 283	(1 283)	
Dividends paid		1 396	1 396		1 353	1 353
BEE normalised equity value at beginning of the year	(23 185)	(5 454)	(28 639)	(21 504)	(4 526)	(26 030)
Equity value at beginning of the year	(22 110)	(5 454)	(27 564)	(20 385)	(4 526)	(24 911)
BEE preference shares	(1 075)		(1 075)	(1 119)		(1 119)
BEE normalised equity value earnings	4 177	1 709	5 886	2 979	1 002	3 981
BEE normalised return on group equity value	18,0%	33,7%	20,8%	13,9%	22,1%	15,3%
BEE normalised number of shares (000's)			283 635			285 961
Number of shares in issue (000's)			256 440			260 165
Shares held for the employee restricted share scheme (000's)			1 399			
Adjustment for BEE ordinary shares (000's)			25 796			25 796
BEE normalised group equity value per share (Rand)			115,43			100,15

3.3 Sources of BEE normalised group equity value earnings

Audited Rm	31 December 2012 SA covered business	31 December 2012 Other busi-nesses	31 December 2012 Total	31 December 2011 SA covered business	31 December 2011 Other busi-nesses	31 December 2011 Total
Value of new business	660	31	691	389	21	410
Expected return on value of in-force	1 763		1 763	1 640		1 640
Operating assumptions	37	(149)	(112)	949	(55)	894
Operating experience variances	131	(42)	89	286	(11)	275
Operating assumption changes	272	(107)	165	273	(44)	229
Changes in modelling methodology	(366)		(366)	390		390
Headline earnings of other businesses	(45)	547	502	(108)	527	419
Operational equity value profits	2 415	429	2 844	2 870	493	3 363
Non headline earnings adjustment	(2)	73	71			
Development costs	(78)		(78)	(61)		(61)
Investment return on net worth	760	120	880	458	174	632
Investment variances	700		700	(279)		(279)
Changes in economic assumptions	507		507	(12)		(12)
Increase in fair value adjustments on value of other businesses		1 163	1 163		145	145
Change in allowance for share options/rights	(125)	(76)	(201)	3	(67)	(64)
Change in STC allowance					257	257
Group equity value earnings	4 177	1 709	5 886	2 979	1 002	3 981

Group equity value report (continued)

3. BEE normalised group equity value (continued)

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

Audited Rm	31 Dec 2012	31 Dec 2011
South African covered business:		
Retail SA		
– Traditional Life	1 052	793
– Emerging Consumer Markets	185	111
– Credit Life	128	86
Liberty Corporate	110	95
Direct Financial Services	55	51
Gross value of new business	1 530	1 136
Overhead acquisition costs impact on value of new business	(782)	(687)
Cost of required capital	(88)	(60)
Net value of South African covered new business	660	389
South African life licences	655	381
Liberty Africa subsidiaries	5	8
Present value of future expected premiums	33 510	28 329
Margin	2,0%	1,4%
Liberty Africa:		
Net value of new business	31	21
Present value of future expected premiums	311	229
Margin	10,0%	9,2%
Total group net value of new business	691	410
Total group margin	2,0%	1,4%

Long-term insurance new business

for the year ended 31 December 2012

Unaudited	2012 Rm	2011 Rm
Retail SA	**18 848**	16 229
Single	**15 069**	13 171
Recurring	**3 779**	3 058
Corporate	**1 415**	1 586
Single	**892**	1 053
Recurring	**523**	533
Liberty Africa[(1)]	**196**	140
Single	**65**	32
Recurring	**131**	108
Direct Financial Services	**31**	28
Single	**13**	
Recurring	**18**	28
Total new business	**20 490**	17 983
Single	**16 039**	14 256
Recurring	**4 451**	3 727
Sources of insurance operations total new business by customer segment:		
Retail	**18 990**	16 367
Single	**15 105**	13 198
Recurring	**3 885**	3 169
Corporate	**1 500**	1 616
Single	**934**	1 058
Recurring	**566**	558
Total new business	**20 490**	17 983
Indexed new business	**6 055**	5 152
Sources of insurance indexed new business by business unit:		
Retail SA	**5 286**	4 375
Corporate	**612**	638
Liberty Africa[(1)]	**138**	111
Direct Financial Services	**19**	28

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

Assets under management[1]

as at 31 December 2012

Unaudited	2012 Rbn	2011 Rbn
Managed by group business units	**505**	432
STANLIB	**437**	368
Transferred from Properties[2]	**35**	27
Other core assets under management	**402**	341
Liberty Africa[3]	**36**	39
LibFin	**32**	25
Externally managed	**23**	23
Total assets under management	**528**	455

(1) *Includes funds under administration.*

(2) *Properties asset management business was transferred to STANLIB on 1 January 2012.*

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

Long-term insurance net cash flows

for the year ended 31 December 2012

Audited	2012 Rm	2011 Rm
Premiums		
Recurring	**23 627**	20 853
Retail	**16 498**	14 817
Corporate	**7 129**	6 036
Single	**16 972**	14 858
Retail	**9 519**	8 561
Corporate	**2 035**	1 629
Immediate annuities	**5 418**	4 668
Net premium income from insurance contracts and inflows from investment contracts	**40 599**	35 711
Claims and policyholders benefits		
Retail	**(25 149)**	(23 086)
Death and disability claims	**(4 557)**	(4 199)
Policy surrender and maturity claims	**(16 783)**	(15 471)
Annuity payments	**(3 809)**	(3 416)
Corporate	**(10 878)**	(8 395)
Death and disability claims	**(1 714)**	(1 745)
Scheme terminations and member withdrawals	**(8 882)**	(6 349)
Annuity payments	**(282)**	(301)
Net claims and policyholders benefits	**(36 027)**	(31 481)
Long-term insurance net cash flows	**4 572**	4 230
Sources of insurance operations cash flows by business unit:		
Retail SA	**6 030**	4 767
Corporate	**(2 048)**	(661)
STANLIB Multi-manager	**253**	(109)
Direct Financial Services	**28**	17
Liberty Africa[(1)]	**309**	216

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

Short-term insurance net cash flows

for the year ended 31 December 2012

Audited		2012 Rm	2011 Rm
Premiums		**756**	343
Liberty Health	– medical risk[1]	**496**	162
Liberty Africa	– motor, property and other	**256**	179
	– medical risk	**4**	2
Claims		**(427)**	(235)
Liberty Health	– medical risk[1]	**(318)**	(144)
Liberty Africa	– motor, property and other	**(107)**	(85)
	– medical risk	**(2)**	(6)
Net cash inflows from short-term insurance		**329**	108

[1] *Includes Total Health Trust Limited for 2012.*

Asset management net cash flows – STANLIB and Liberty Africa

for the year ended 31 December 2012

Unaudited	2012 Rm	2011 Rm
STANLIB before money market	**16 520**	7 919
Retail	**17 511**	10 004
Institutional	**(991)**	(2 085)
Money market	**3 792**	(13 407)
Retail	**(1 778)**	1 027
Institutional	**5 570**	(14 434)
Net STANLIB cash inflows/(outflows)[1]	**20 312**	(5 488)
Liberty Africa before money market	**(4 776)**	5 679
Retail	**990**	295
Institutional	**(5 766)**	5 384
Money market	**(1 209)**	(282)
Net Liberty Africa cash (outflows)/inflows[1][2]	**(5 985)**	5 397
Net cash inflows/(outflows) from asset management	**14 327**	(91)

[1] *STANLIB and Liberty Africa cash flows exclude intergroup life funds.*

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

Capital commitments

as at 31 December 2012

Audited	2012 Rm	2011 Rm
Business acquisitions		57
Equipment	**551**	300
Investment and owner-occupied property	**1 937**	1 486
Total capital commitments	**2 488**	1 843
Under contracts	**838**	646
Authorised by the directors but not contracted	**1 650**	1 182
Under agreement with material conditions outstanding		15

The group's share of commitments of joint ventures amounts to R4 million (31 December 2011: R12 million) and is to be financed by the existing facilities in the joint venture operations.

The above 2012 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds and R198 million (31 December 2011: R122 million) from non-controlling interests in unincorporated property partnerships.

Retirement benefit obligations

as at 31 December 2012

Post-retirement medical benefit

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

As at 31 December 2012, the Liberty post-retirement medical aid benefit liability was R371 million (31 December 2011: R459 million).

Defined benefit retirement funds

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

Related parties

for the year ended 31 December 2012

The following selected significant related party transactions have occurred in the 31 December 2012 financial period:

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

	Number '000	Fair value Rm	Ownership %
Standard Bank Group Limited			
Balance at 1 January 2012	12 156	1 201	0,77
Purchases	7 151	799	
Sales	(11 558)	(1 245)	
Fair value adjustments		167	
Balance at 31 December 2012	7 749	922	0,49

2) Bancassurance

Liberty has entered into joint venture bancassurance agreements with the Standard Bank group for the manufacture, sale and promotion of insurance, investment and health products through Standard Bank's African distribution capability. New business insurance premium income in respect of this business in 2012 amounted to R5 984 million (2011 full year: R5 404 million). In terms of the agreements, Liberty's subsidiaries pay joint venture profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total net profit share calculated as payable to the Standard Bank group for 2012 is R775 million (2011 full year: R608 million).

During 2010 Liberty and Standard Bank conducted a detailed review of the existing bancassurance agreement and agreed with effect from 1 January 2011, to expand the scope thereof to include asset management, investment and health products in addition to the insurance products. The agreements are evergreen agreements with a 24-month notice period for termination, but neither party may give notice of termination until February 2014. As the joint venture bancassurance relationship provides commercial benefits to both Liberty and Standard Bank, a governance framework is in place to protect the interests of minority shareholders. In order to provide enhanced transparency and further detail in respect of Liberty's joint venture bancassurance arrangements with Standard Bank, a summary document has been published on the investor relations page of Liberty's website (www.liberty.co.za).

Business acquisition

for the year ended 31 December 2012

Acquisition of Total Health Trust Limited (THT)

To continue the execution of the group's strategy to extend its market share of the wealth management business in African countries outside of South Africa, Liberty has acquired a 51,2% controlling stake in THT. The effective date of the transaction was 1 January 2012.

THT is a Nigerian health expenses insurance group servicing both government employees and corporate customers.

THT previously was accounted for as a joint venture of the group and the transaction to acquire control was in terms of a staggered purchase agreement, with the final tranche of 5% to increase the shareholding to 51,2% being completed on 1 January 2012 at a cost of R4 million.

The assets and liabilities arising from the acquisition are as follows:

	2012 Rm
Equipment and owner-occupied properties under development	7
Investment properties	11
Intangible assets	40
Prepayments, insurance and other receivables	17
Short-term insurance liabilities	(16)
Insurance and other payables	(16)
Deferred taxation	(1)
Current taxation	(4)
Net assets and liabilities assumed	38
Cash acquired	29
Non-controlling interests[1]	(33)
Net asset value attributable to ordinary shareholders	34
Acquisition cost (measured at fair value on 1 January 2012)	34
Previously held as a joint venture	30
Additional cash paid	4
Excess purchase price	–

[1] *Non controlling interests represent their proportionate share of the assets and liabilities assumed.*

Since acquisition date, THT has contributed R14 million to the group's total revenue and R6 million to the group's total earnings for the year ended 31 December 2012 of which R3 million is attributable to non-controlling interests.