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SAGE



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SUPPL

Securities and Exchange Commission  
Office of International Corporate Finance  
450 Fifth Street  
WASHINGTON  
D.C. 20549

7 January 2002

Attention: Filings Desk

Dear Sir

Re: **SAGE GROUP LIMITED - FILE NO. 82-4241**  
**SUBMISSION PURSUANT TO RULE 12g3-2(b) UNDER**  
**THE SECURITIES EXCHANGE ACT OF 1934**

PROCESSED

FEB 06 2002

THOMSON  
FINANCIAL

We refer to the above and enclose a copy of Sage Group Limited's Interim Report 2001/2002.

Please acknowledge receipt of this letter and the enclosure by stamping the enclosed copy of this letter and returning it to ourselves.

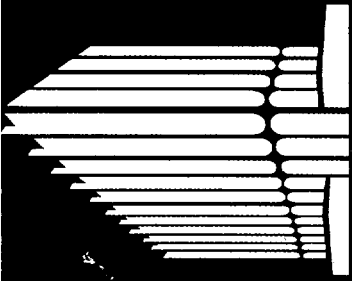
A stamped return envelope is enclosed for your convenience.

Yours sincerely

**D.B. GREEN**

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**SAGE GROUP LIMITED**



# SAGE GROUP LIMITED

## Interim Report 2001/2002

### Salient features

- Rapid development of international activities
- Continued organic growth in South Africa
- Record new business achievements
- Group earnings improvement

### Overview

Despite the impact on already weak global and domestic equity markets in the aftermath of the events of September 11 in the United States, the Group has shown improved results as the positive earnings trend of the second half of the March 2001 financial year has continued. The Group's inherent strength is particularly reflected in further growth in embedded values.

Internationally, the pace of development has continued to gather momentum, with rapid strides in the marketing of innovative offshore investment products and significant domestic sales progress in the United States. At the same time, South African business operations have continued to make very satisfactory progress in the face of intense competition and muted economic growth.

### Group results

On the consistent primary financial soundness accounting basis, Group headline earnings for the review period amounted to R98.9 million compared to R61.2 million in the first half of the previous year, an increase of 61.6%. This reflects improved earnings from South African and international operations during the review period.

Headline earnings per share amounted to 67.4 cents (previous interim: 43.4 cents), an increase of 55.3% off a low base at September 2000. Foreign exchange translation deficits of R59 million have been offset against foreign exchange translation gains of R75.3 million during the period. The net gain of R16.3 million has not been brought to account in view of the uncertainty regarding exchange rate fluctuations.

Earnings for the full year are not expected to increase at the same rate as at the interim stage and will inevitably be heavily influenced by market conditions during the remainder of the year.

The Group relinquished its right of first refusal over Independent Financial Marketing Group in the USA, for a payment of R100 million (\$12 million) which was partially utilised to make precautionary provisions of R73.8 million against the value of unlisted investments, predominantly Sage Unit Trusts Limited, in view of prevailing market conditions.

During the review period, the foreign convertible preference share capital of \$55 million was redeemed out of the proceeds of a \$65 million Equity Linked Note issue to European institutional investors and additional cashflow is therefore required to service foreign borrowings. As a result, and in recognition of the uncertain investment outlook, the directors have reviewed the company's dividend payments. Accordingly, a cash interim dividend of 30 cents per share has been declared compared to 45 cents per share at the interim stage last year, increasing dividend cover to 2.2 from 1.0.

modestly to R157.1 million, a competitive performance given the difficult conditions in this category throughout the industry.

Total employee benefits new business increased by 15.1% in the review period to R104.4 million while South African unit trust sales totalled R932.4 million, one third below the comparable period in the previous year in line with the difficult conditions throughout the unit trust industry.

A key feature of the Group's new business progress has been the impact of the rapidly growing international initiatives where sales of R757 million have been achieved in the six months from the United States and Bermuda divisions, incorporating international business marketed in South Africa.

A further notable feature has been the sustained improvement in investment performance achieved for clients through the Group's multi-manager approach. The outstanding examples are the performance of the Group's Resources and Global unit trusts which have featured as the top-performing fund in South Africa and the leading international fund respectively for the 12 months to 30 September 2001. In addition, Sage Life's employee benefits global multi-manager portfolios have continued to consistently achieve the number one ranking over a 12-month period. Other Sage life and unit trust portfolios have also significantly improved their rankings in their relevant sectors.

### South African operating features

The continuing expansion of Sage Life in South Africa is reflected in the 17.7% growth in net premiums received, to R783.5 million in the review period. The company's total investment result increased by 83.7% to R580.7 million despite the equity market setback in September. Policyholder benefits of R516.9 million for the half year were marginally lower than in the corresponding period of the previous year.

In regard to Sage Life's property trust activities, shareholders are referred to the joint cautionary announcement published on 29 October 2001 by CBD Property Fund and Pioneer Property Fund (managed by Sage Property Trust Managers Limited), and Pangbourne Properties Limited, which advised that CBD, Pioneer and Pangbourne were currently involved in discussions which may have an effect on the prices at which CBD and Pioneer units and Pangbourne combined units trade on the JSE Securities Exchange SA. Unitholders in CBD, Pioneer and Pangbourne were accordingly advised to exercise caution when dealing in their respective units until a further announcement is made.

## South African operating features

The continuing expansion of Sage Life in South Africa is reflected in the 17.7% growth in net premiums received, to R783.5 million in the review period. The company's total investment result increased by 83.7% to R580.7 million despite the equity market setback in September. Policyholder benefits of R516.9 million for the half year were marginally lower than in the corresponding period of the previous year.

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## International activities

The Group's international businesses, namely Sage Life Assurance of America Inc and Sage Life (Bermuda) Limited have made excellent progress during the review period, completing the development of their operating infrastructures and successfully broadening distribution in the United States and internationally.

The distribution network in the US currently includes 36 active selling agreements with leading financial planning organisations and banking groups, providing access to 18 000 brokers of whom approximately 2 400 have already been licensed with Sage Life of America.

Distribution contracts concluded by Sage Life (Bermuda) Limited with several major United States banking institutions are currently being implemented and will further reinforce the expansion of marketing initiatives in the offshore market.

International product sales for the review period increased to R757 million (\$87 million) reflecting the rapid progress made compared to the initial sales of R121 million (\$16 million) at the interim stage last year. Current production is in line with budget and the pace of activity has been sustained despite the recent disruption in global financial markets following the events of September 11 in the United States.

The growth potential of our international businesses remains exceptionally attractive and their achievements form a meaningful part of the Group's results based on growth in embedded value. The international activities in vast new markets continue to provide an important means of diversification and a currency hedge and should their expansion continue at the anticipated pace, the international component of the Group's business is soon expected to be the dominant source of premiums, assets and embedded values. The Group is currently investigating funding alternatives to deal with the increased capital requirements of the burgeoning international business.

The premium "A" (Excellent) rating level by AM Best, a leading global insurance rating agency, was renewed in October 2001, endorsing the successful establishment of Sage Life in the vast United States market. The company also has a second premium rating of "AA-" (very strong) from Fitch, another prominent international rating agency.

## ABSAs investment

The Group continues to hold its strategic investment in ABSA Group Limited in a consortium with Sanlam, Remgro Limited and The Mines Pension Funds. The consortium currently controls approximately 47% of ABSA. The interim results of ABSA for the six months ended 30 September have recently been announced and disclose an increase in headline earnings per share of 22.8% from 164.4 cents to 201.8 cents. ABSA is performing well in all its divisions.

deficits of R59 million have been offset against foreign exchange translation gains of R75.3 million during the period. The net gain of R16.3 million has not been brought to account in view of the uncertainty regarding exchange rate fluctuations.

Earnings for the full year are not expected to increase at the same rate as at the interim stage and will inevitably be heavily influenced by market conditions during the remainder of the year.

The Group relinquished its right of first refusal over Independent Financial Marketing Group in the USA, for a payment of R108 million (\$12 million) which was partially utilised to make precautionary provisions of R73.8 million against the value of unlisted investments, predominantly Sage Unit Trusts Limited, in view of prevailing market conditions.

During the review period, the foreign convertible preference share capital of \$55 million was redeemed out of the proceeds of a \$65 million Equity Linked Note issue to European institutional investors and additional cashflow is therefore required to service foreign borrowings. As a result, and in recognition of the uncertain investment outlook, the directors have reviewed the company's dividend payments. Accordingly, a cash interim dividend of 30 cents per share has been declared compared to 45 cents per share at the interim stage last year, increasing dividend cover to 2.2 from 1.0.

On the AC132 GAAP basis of accounting, which consolidates all subsidiaries based predominantly on net asset values, and is reported in addition to the primary financial soundness basis. Group headline earnings for the half year amount to R27.1 million (previous interim: R15.4 million) equivalent to headline earnings of 18.4 cents per share (2000: 10.9 cents).

The interim results are reported in compliance with AC 127 (interim financial reporting) on a basis consistent with the previous financial year.

## Embedded value statements Sage Group Limited

The embedded value of the Group increased by 6% to R1.8 billion at 30 September 2001 equivalent to 1167 cents per share (31 March 2001: 1 123 cents). This basis measures the current value of the Group's net assets on its primary basis of accounting together with the present value of future profits from business already written by the life assurance subsidiaries (net of cost of capital).

Group embedded value earnings for the review period amounted to R198.8 million compared with R166.1 million in the first half of last year.

## Sage Life Limited

The life group's embedded values, based on actuarial estimates at the interim stage, exhibit the increasing financial strength and inherent stability of Sage Life Limited despite volatile investment markets. This is reflected in the 12.7% increase in embedded value to R2.3 billion over the past year, and in particular in the increase of 156% in embedded value earnings to R217.8 million. In addition, the excess of assets over liabilities increased by 10.9% to R1.6 billion at 30 September 2001 while the capital adequacy multiple remained strong at 3.7. The capital adequacy requirement, which provides a buffer against fluctuations in the underlying valuation assumptions, amounted to R437.3 million at 30 September (March 2001: R405.4 million).

## Group new business

Buoyant new business results have been achieved by the life assurance divisions in the first half of the current financial year. Total life new business of the Group for the half year increased by 118.8%, almost equalling total production in the previous full year. Individual single premium new business rose by 198.1% to exceed R1 billion for the six months while South African annualised individual recurring new business increased

- Record new business achievements

- Group earnings improvement

- Strong growth in embedded values

- Significant growth in Sage Life embedded value earnings

- Interim dividend cover review

- Continued volatility in equity markets

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## Financial soundness results (Primary basis of accounting)

### Group income statement

|  | Unaudited                          |               |
|--|------------------------------------|---------------|
|  | Six months ended 30 September 2001 | 2000          |
|  | R000                               | R000          |
| Earnings of South African operations   | 83 686                             | 26 584        |
| - Life assurance   | 74 906                             | 14 674        |
| - Unit trusts  | 8 780                              | 11 910        |
| Operating value added by international assurance operations                          | 23 526                             | 46 000        |
| Surplus on disposal of free assets less provisions (note 1)                          | 34 277                             | -             |
| Financing costs of dollar-denominated notes  | (14 213)                           | -             |
| <b>Sage Life Limited financial soundness headline earnings</b>                       | <b>127 276</b>                     | <b>72 584</b> |
| Group net financing costs, overheads and secondary tax on companies (refer analysis) | (28 340)                           | (11 343)      |
| <b>Group financial soundness headline earnings</b>                                   | <b>98 936</b>                      | <b>61 241</b> |
| <b>Group earnings per share (cents)</b>  | <b>67.4</b>                        | <b>43.4</b>   |
| (basic and fully diluted)  |                                    |               |
| <b>Group attributable earnings per share (cents)</b>                                 | <b>67.4</b>                        | <b>41.2</b>   |
| (basic and fully diluted)  |                                    |               |
| <b>Interim dividend (note 4)</b>   | <b>30.0</b>                        | <b>45.0</b>   |
| - per ordinary share (cents)   |                                    |               |
| <b>Dividend cover</b>  | <b>2.2</b>                         | <b>1.0</b>    |
| Ordinary shares  | 147 730                            | 141 468       |
| - in issue (000)   | 146 739                            | 141 240       |
| - weighted average number in issue (000)   |                                    |               |
| <b>Compulsorily convertible debentures</b>   | <b>2 371</b>                       | <b>2 449</b>  |
| - in issue (000)   |                                    |               |

### Group balance sheet

|   | Unaudited         |                  | Audited |
|---|-------------------|------------------|---------|
|   | 30 September 2001 | 31 March 2001    |         |
|   | R000              | R000             | R000    |
| <b>Assets</b>                                       | <b>55 707</b>     | <b>65 898</b>    |         |
| Tangible, fixed and other non-current assets        | 57 081            | 57 310           |         |
| Intangible assets                                   | 7 890 504         | 7 412 352        |         |
| Investments of life assurance subsidiaries          | 484 331           | 363 344          |         |
| Current assets                                      | 8 487 623         | 7 898 904        |         |
| <b>Shareholders' funds and liabilities</b>          | <b>1 062 284</b>  | <b>1 053 419</b> |         |
| Total shareholders' interest                        | 98 500            | 108 500          |         |
| Redeemable preference shares issued by subsidiaries | 585 455           | 440 166          |         |
| Long-term liabilities (note 3)                      | 6 412 332         | 5 950 586        |         |
| Long-term assurance funds                           | 329 052           | 346 233          |         |
| Current liabilities                                 | 12 187            | 11 244           |         |
| - interest bearing                                  | 316 865           | 334 989          |         |
| - other   | 8 487 623         | 7 898 904        |         |
| <b>Separate account assets of USA subsidiary</b>    | <b>1 069 005</b>  | <b>579 000</b>   |         |

### Notes

## Embedded value statements

### Sage Group Limited

|   | 30 September 2001 |          | 31 March 2001    |      |
|---|-------------------|----------|------------------|------|
|   | R000              | % change | R000             | R000 |
| <b>Group embedded value</b>   | <b>1 062 284</b>  |          | <b>1 053 419</b> |      |
| Shareholders' funds   | 689 640           |          | 599 149          |      |
| Present value of future profits of Sage Life (net of cost of capital) | 1 751 924         | 6.0      | 1 652 568        |      |
| <b>Group embedded value per share</b>                                 | <b>147 730</b>    |          | <b>144 758</b>   |      |
| Shares in issue   | 2 371             |          | 2 371            |      |
| - ordinary shares   | 150 101           |          | 147 129          |      |
| - compulsorily convertible debentures                                 | 1 167             |          | 1 123            |      |
| <b>Group embedded value per share (cents)</b>                         | <b>2.4</b>        |          | <b>2.6</b>       |      |
| Group capital adequacy multiple (times)                               |                   | 3.9      |                  |      |
| <b>Six months ended 30 September 2001</b>                             | <b>2000</b>       |          | <b>2000</b>      |      |
| <b>Group embedded value earnings</b>                                  | <b>1 751 924</b>  |          | <b>1 597 615</b> |      |
| Embedded value - at end of period                                     | 1 652 568         |          | 1 534 723        |      |
| Embedded value - at beginning of period                               | 99 356            |          | 62 892           |      |
| Dividends paid  | 99 452            |          | 104 777          |      |
| Increase in capital   | -                 |          | (1 568)          |      |
| Embedded value earnings   | 198 808           |          | 166 101          |      |
| Dividend cover on embedded value basis (times)                        | 4.5               |          | 2.6              |      |

### Sage Life Limited

|   | 30 September 2001 |          | 31 March 2001    |      |
|---|-------------------|----------|------------------|------|
|   | R000              | % change | R000             | R000 |
| <b>Group embedded value</b>                             | <b>1 618 171</b>  |          | <b>1 565 895</b> |      |
| Shareholders' funds                                     | 689 640           |          | 599 149          |      |
| Present value of future profit (net of cost of capital) | 2 307 811         | 6.6      | 2 165 044        |      |
| <b>Group embedded value</b>                             | <b>12.80</b>      |          | <b>14.50</b>     |      |
| Risk discount rate (%)                                  | 437 256           |          | 405 411          |      |
| Financial soundness valuation                           | 3.7               |          | 3.9              |      |
| - capital adequacy requirement                          |                   |          |                  |      |
| - capital adequacy multiple (times)                     |                   |          |                  |      |
| <b>Six months ended 30 September 2001</b>               | <b>2000</b>       |          | <b>2000</b>      |      |
| <b>Analysis of embedded value earnings</b>              | <b>2 307 811</b>  |          | <b>2 047 510</b> |      |
| Embedded value at end of period                         | 75 000            |          | 75 000           |      |
| Dividend declared                                       | (2 165 044)       |          | (2 037 482)      |      |
| Embedded value at beginning of period                   | 217 767           |          | 85 028           |      |
| <b>Embedded value earnings</b>                          | <b>69 893</b>     |          | <b>(1 947)</b>   |      |
| Components of embedded value earnings                   | 32 634            |          | 30 267           |      |
| New business  | 43 145            |          | 48 441           |      |
| Expected return   | (5 886)           |          | (80 655)         |      |
| Operating experience variations                         |                   |          |                  |      |

## Results in terms of South African Statements of Generally Accepted Accounting Practice (GAAP)

### Group income statement (GAAP)

|  | Unaudited                          |               |
|--|------------------------------------|---------------|
|  | Six months ended 30 September 2001 | 2000          |
|  | R000                               | R000          |
| <b>Profit before taxation and exceptional items</b>  | <b>96 579</b>                      | <b>62 639</b> |
| Exceptional items  | (844)                              | (3 940)       |
| <b>Profit before taxation</b>  | <b>95 735</b>                      | <b>58 699</b> |
| Taxation   | 56 744                             | 40 139        |
| <b>Profit after taxation</b>   | <b>38 991</b>                      | <b>18 560</b> |
| Foreign preference dividends   | 12 770                             | 7 110         |
| <b>Earnings attributable to ordinary shareholders</b>  | <b>26 221</b>                      | <b>11 450</b> |
| Adjustment for exceptional items   | 844                                | 3 940         |
| <b>Headline earnings</b>   | <b>27 065</b>                      | <b>15 390</b> |
| (basic and fully diluted)  |                                    |               |
| <b>Attributable earnings per share fully diluted (cents)</b>                                   | <b>17.9</b>                        | <b>8.1</b>    |
| <b>Reconciliation between GAAP and financial soundness results</b>                             | <b>27 065</b>                      | <b>15 390</b> |
| GAAP headline earnings   | 71 871                             | 45 851        |
| Audit(deduct) adjustments in respect of consolidation of life insurance company's subsidiaries | (82 395)                           | (46 000)      |
| - reversal of investment surpluses on free assets  | (15 524)                           | (149)         |
| - operating results of subsidiaries  | 5 000                              | -             |
| - dividends from subsidiaries  | 98 936                             | 61 241        |
| <b>Group financial soundness headline earnings</b>   | <b>98 936</b>                      | <b>61 241</b> |

### Group balance sheet (GAAP)

|   | Unaudited         |                | Audited |
|---|-------------------|----------------|---------|
|   | 30 September 2001 | 31 March 2001  |         |
|   | R000              | R000           | R000    |
| <b>Assets</b>   | <b>95 761</b>     | <b>106 550</b> |         |
| Tangible fixed and other non-current assets   | 74 219            | 61 563         |         |
| Intangible assets   | 7 995 194         | 6 934 848      |         |
| Investments of life assurance subsidiaries  | 835 379           | 606 886        |         |
| Current assets  | 17 228            | 18 572         |         |
| Goodwill  | 8 958 281         | 7 728 419      |         |
| <b>Shareholders' funds and liabilities</b>  | <b>407 232</b>    | <b>464 202</b> |         |
| Total shareholders' interest  | 108 500           | 118 500        |         |
| Redeemable preference shares issued by subsidiaries   | 585 455           | 440 166        |         |
| Long-term liabilities   | 7 480 927         | 6 327 787      |         |
| Long-term assurance funds   | 376 167           | 377 764        |         |
| Current liabilities   | 12 187            | 11 244         |         |
| - interest bearing  | 363 980           | 366 520        |         |
| - other   | 8 958 281         | 7 728 419      |         |
| <b>Shareholders' funds and liabilities as reflected in the financial soundness balance sheet is as follows:</b> | <b>407 232</b>    | <b>464 202</b> |         |
| Total shareholders' interest per GAAP balance sheet   | 655 052           | 589 217        |         |
| Add/(deduct)  | 76 877            | 204 795        |         |
| - adjustment to distributable reserves  | 702 915           | 498 284        |         |
| - current period  | (124 740)         | (113 862)      |         |
| - prior periods   |                   |                |         |
| - minority interest   |                   |                |         |

|                  |                  |
|------------------|------------------|
| <b>8 487 623</b> | <b>7 898 904</b> |
| <b>1 069 005</b> | <b>579 000</b>   |

**Separate account assets of USA subsidiary**

**Notes**

- The surplus on disposal of free assets is after provisions of R73.8 million which have been made against the value of unlisted investments, predominantly Sage Unit Trusts Limited, in view of prevailing market conditions.
- Foreign exchange translation deficits of R59 million have been offset against Group exchange translation gains of R75.3 million during the period. The net gain of R16.3 million has not been brought to account in view of the uncertainty regarding exchange rate fluctuations.
- The 4.5% cumulative convertible redeemable preference shares were redeemed on 30 June 2001 out of the proceeds of a \$65 million 8% unsecured Equity Linked Note issue, redeemable between 1 August 2003 and 31 July 2005.
- Following the redemption of the foreign redeemable preference shares additional cash flow is required to service foreign borrowings. As a result, and in recognition of the uncertain investment outlook the directors have reviewed the company's dividend payments. Accordingly, an interim cash dividend of 30 cents per ordinary share in respect of the six months ended 30 September 2001 (2000: 45 cents) has been declared.

| Analysis of Group net financing costs, overheads and secondary tax on companies | Unaudited                          |                 |
|---|------------------------------------|-----------------|
|   | Six months ended 30 September 2001 | 2000            |
| Financing of redeemed 2001 preference shares                                    | (8 142)                            | (7 110)         |
| Other net financing (costs)/income  | (3 015)                            | 1 630           |
| Net Group overheads   | (5 407)                            | (5 599)         |
| Secondary tax on companies  | (11 776)                           | (12 627)        |
|   | <b>(28 340)</b>                    | <b>(23 706)</b> |
| Income from subsidiaries now held directly by Sage Life Limited                 | -                                  | 12 363          |
|   | <b>(28 340)</b>                    | <b>(11,343)</b> |

**Statement of changes in equity**

|   | Unaudited                          |                  |
|---|------------------------------------|------------------|
|   | Six months ended 30 September 2001 | 2000             |
| Balance at beginning of period                                    | 1 053 419                          | 959 343          |
| Proceeds from shares/debt securities issued                       | -                                  | 1 889            |
| Share issue costs   | (156)                              | (321)            |
| Final appropriation for full redemption of 2001 preference shares | (2 211)                            | -                |
| Revaluation of investments  | 3 606                              | 85 278           |
| Attributable earnings   | 98 936                             | 61 241           |
| Dividends paid - prior accounting period                          | (91 310)                           | (97 667)         |
| Balance at end of period  | <b>1 062 284</b>                   | <b>1 009 763</b> |

**Summarised group cash flow statement**

|  | Unaudited                          |               |
|--|------------------------------------|---------------|
|  | Six months ended 30 September 2001 | 2000          |
| Cash flows from operating activities                                     | 79 991                             | (37 066)      |
| Cash flows of life assurance subsidiaries including investing activities | (229 920)                          | (51 823)      |
| Cash flows from financing activities                                     | 136 232                            | (475)         |
| Net decrease in cash equivalents   | (13 697)                           | (89 364)      |
| Cash and cash equivalents at beginning of period                         | 165 007                            | 173 858       |
| Cash and cash equivalents at end of period                               | <b>151 310</b>                     | <b>84 494</b> |

**Directors:** HL Shill (Chairman) MP Adonis Dr DC Cronje JP Davies Bj du Plessis DM Fick G Griffin JE Henderson Dr BM Hiley L Kaplan RI Marsden Dr DF Moxter B Nackan JH Postmus CD Steyn Cl van Wyk Ade T van Wyk WDW Winkler  
**Registered office:** 11th Floor, Sage Centre 10 Fraser Street Johannesburg 2001 PO Box 7753 Johannesburg 2000 Transfer secretaries Computershare Services Limited 2nd Floor Edura House 41 Fox Street Johannesburg 2001 PO Box 61051 Marshalltown 2107  
 Sage Group Limited Reg no 1970/0154/06 Share code SGG (ISIN code ZAE000006623)

|  | Unaudited                          |               |
|--|------------------------------------|---------------|
|  | Six months ended 30 September 2001 | 2000          |
| Embedded value at beginning of period    | (2 165 044)                        | (2 037 482)   |
| <b>Embedded value earnings</b>           | <b>217 767</b>                     | <b>85 028</b> |
| Components of embedded value earnings    | 69 893                             | (1 947)       |
| New business                             | 32 634                             | 30 267        |
| Expected return                          | 43 145                             | 48 441        |
| Operating experience variations          | (5 886)                            | (80 655)      |
| Investment return on shareholder's funds | 147 874                            | 86 975        |
| Economic assumption changes              | 136 189                            | 96 104        |
| Capital gains tax                        | 26 014                             | (9 129)       |
|  | <b>(14 329)</b>                    | <b>-</b>      |
| <b>Embedded value earnings</b>           | <b>217 767</b>                     | <b>85 028</b> |
| <b>Principal assumptions</b>             | <b>%</b>                           | <b>%</b>      |
| Risk discount rate                       | 12.80                              | 16.25         |
| Pre tax investment returns               | 12.80                              | 16.25         |
| - equities                               | 11.80                              | 15.25         |
| - property                               | 10.80                              | 14.25         |
| - fixed interest securities              | 8.80                               | 12.25         |
| - cash                                   | 9.50                               | 9.50          |
| Expense inflation                        | 9.50                               | 9.50          |

**Group new business**

|   | Unaudited                          |           |
|---|------------------------------------|-----------|
|   | Six months ended 30 September 2001 | 2000      |
| Life assurance premiums (gross)   | 138.2                              | 486 177   |
| Individual  | 4.4                                | 150 414   |
| - annualised recurring - South African  | 198.1                              | 335 713   |
| - single  | 243 707                            | 215 058   |
| - South African local   | 757 070                            | 120 655   |
| - Sage International (including R450 million (R121 million), underwritten by Sage Life Assurance of America Inc & Sage Life of Bermuda Limited) | 15.1                               | 104 434   |
| Employee benefits - South African   | (23.3)                             | 38 307    |
| - annualised recurring  | 43.1                               | 52 444    |
| - single  | 118.8                              | 1 262 314 |
| Total new business  | (33.7)                             | 932 421   |
| South African unit trust sales  |                                    | 1 405 811 |

**South African operating results**

|  | Unaudited                          |               |
|--|------------------------------------|---------------|
|  | Six months ended 30 September 2001 | 2000          |
| Net premiums received                        | 17.7                               | 783 515       |
| - recurring                                  | 464 747                            | 402 433       |
| - single                                     | 318 768                            | 262 977       |
| Investment result                            | 580 722                            | 316 050       |
| - investment income                          | 183 404                            | 169 477       |
| - net realised and unrealised capital gains  | 397 318                            | 146 623       |
| Outgo  | 1 364 337                          | 981 460       |
| (775 215)                                    | (739 746)                          |               |
| Policyholder benefits                        | (516 828)                          | (524 771)     |
| Commissions, expenses and tax                | (258 387)                          | (214 975)     |
| Increase in policyholder reserves            | 589 022                            | 241 714       |
| (461 746)                                    | (169 130)                          |               |
| <b>Financial soundness headline earnings</b> | <b>127 276</b>                     | <b>72 584</b> |

as reflected in the financial soundness balance sheet is as follows:  
 Total shareholders' interest per GAAP balance sheet 407 232 464 202  
 Add/(deduct):  
 - adjustment to distributable reserves 655 052 589 217  
 - current period 76 877 204 795  
 - prior periods 702 915 498 284  
 - minority interest (124 740) (113 862)  
 Total shareholders' interest per financial soundness balance sheet 1 062 284 1 053 419

**Statement of changes in equity (GAAP)**

|   | Unaudited                          |                |
|---|------------------------------------|----------------|
|   | Six months ended 30 September 2001 | 2000           |
| Balance at beginning of period                                    | 464 202                            | 549 072        |
| Increase in minority interest                                     | 10 878                             | 9 268          |
| Proceeds from shares/debt securities issued                       | -                                  | 1 889          |
| Share issue costs   | (156)                              | (321)          |
| Final appropriation for full redemption of 2001 preference shares | (2 211)                            | -              |
| Revaluation of investments  | (592)                              | 13 178         |
| Attributable earnings   | 26 221                             | 11 450         |
| Dividends paid - prior accounting period                          | (91 310)                           | (97 667)       |
| Balance at end of period  | <b>407 232</b>                     | <b>486 869</b> |

**Summarised group cash flow statement (GAAP)**

|  | Unaudited                          |                |
|--|------------------------------------|----------------|
|  | Six months ended 30 September 2001 | 2000           |
| Cash flows from operating activities                                     | (165 044)                          | (160 622)      |
| Cash flows of life assurance subsidiaries including investing activities | 76 890                             | 10 286         |
| Cash flows from financing activities                                     | 136 232                            | 8 793          |
| Net increase/(decrease) in cash equivalents                              | 48 078                             | (141 543)      |
| Cash and cash equivalents at beginning of period                         | 332 909                            | 413 797        |
| Cash and cash equivalents at end of period                               | <b>380 987</b>                     | <b>272 254</b> |

**Dividend declaration**

The directors have resolved to declare an interim cash dividend of 30 cents per ordinary share in respect of the six months ended 30 September 2001 (2000: 45 cents) to shareholders registered as such at the close of business on 18 January 2002 (the "record date").

|                                   | Friday | 11 January 2002 |
|-----------------------------------|--------|-----------------|
| Last date of trade "cum" dividend | Friday | 11 January 2002 |
| Shares trade "ex" dividend        | Monday | 14 January 2002 |
| Record date                       | Friday | 18 January 2002 |
| Payment date                      | Monday | 21 January 2002 |

In order to comply with the procedures of STRATE, share certificates may not be dematerialised/re-materialised between Monday, 7 January and Friday, 18 January 2002, both days inclusive.

By order of the board

CS Cant  
 Secretary

21 November 2001