update

METROPOLITAN
HOLDINGS LIMITED

14 March 2007

Update is a newsletter produced by the investor relations department of Metropolitan Holdings Limited. It provides information on the different businesses in the group as well as financial news. Contact Nico Oosthuizen on (021) 9406111 or Sue Snow on (021) 940-6119 or send an e-mail to noosthuizen@metropolitan.co.za or ssnow@metropolitan.co.za for further information.

Metropolitan's unique strategy delivers outstanding shareholder value

Today (14 March) Metropolitan announced financial results for the year ended 31 December 2006 underlining the fact that the group is making its presence strongly felt amongst the bigger players in the financial services sector.

Headline earnings and core headline earnings per share showed healthy increases of 28% and 20% respectively while the return on the embedded value, at 26%, was amongst the highest in the industry.

Metropolitan once again stood out in its ability to increase the inflow of funds from clients, with net funds received from policyholders in 2006 of R4 billion compared to R769 million in 2005. The group has maintained a robust positive cashflow position throughout its 110 year history, in sharp contrast to strained industry cashflows in recent times. Total assets under management reached the R86 billion mark.

In view of its healthy capital position, which was given a further boost by strong investment markets in 2006, Metropolitan announced that, over and above the capital reduction of 100 cents per ordinary share paid in April last year, it would be returning additional capital to shareholders via a once-off special dividend of 77 cents per ordinary share, payable in April this year. Its share buy-back programme would also be continued.

This special dividend, declared to trim excess capital back to closer to the optimal level, is equal to the total dividend per ordinary share for 2006 (interim dividend of 29 cents plus final dividend of 48 cents), which is 22% up on the total dividend of 63 cents for 2005.

"Taking into account share buy-backs to the value of R538 million in 2006 (7% of our listed shares), we effectively gave back R1.8 billion to shareholders during the course of the year, 20% of our opening market capitalisation. Had the dividend base been adjusted for the 100 cent per share capital reduction, the dividend increase would have been an impressive 33%," says group chief executive Peter Doyle.

"Our strong dividend policy and our capital reductions, plus our ongoing share buy-back programme, are integral to our capital management process. We constantly review our capital levels and continue to deploy capital as advantageously as possible when growth opportunities present themselves."

Metropolitan also declared 2006 bonus rates on its various classes of smoothed bonus business that are of the most competitive in the industry, ranging from 28% for employee benefits to 25% for individual life.

All the Metropolitan businesses were significant contributors to the group's profits in 2006, testimony to the success of its revenue diversification strategy. Although the increase in the contributions from the employee benefits and health businesses, up 33% and 155% respectively, were impressive, Metropolitan Retail remains the core operating entity. Last year 57% of the group's operating profits were generated by retail, compared to 53% the previous year.

"That retail were able to write new business to the value of R114 million in the 12 months to 31 December 2006, 14% higher than in the equivalent period in 2005, and at a slightly higher margin (on the annual premium equivalent basis), is largely attributable to Metropolitan's entrenched position in the low and middle income markets as well as retail’s ability to adapt existing and adopt new business processes. With retail having one of the largest life books in the industry - individual policies totalling some four million - the drive to enhance efficiencies and reduce costs is relentless.

“Despite the negative publicity with which the life industry has had to contend in recent times, we are continuing to demonstrate to our customers the efficacy of our ongoing efforts to enhance the value proposition that we offer them,” says Doyle.

Metropolitan Employee Benefits (MetEB) has long been respected for its unique ability to add value for retirement fund clients through a highly innovative, individualised approach to asset management. In July 2006, the company concluded its largest ever single premium contract at a consideration of over R2.2 billion, a deal that has re-inforced the new dimensions to its business from both a size and a scope perspective.

In December 2006 MetEB forged a historic parastatal alliance when it was appointed to provide administration services to Transnet’s three existing pension funds, amongst the largest and most prestigious funds in South Africa. The Transnet tender was won in a tough, industry-wide race and the fact that MetEB emerged the victor speaks to the high esteem in which it is held in the market.

At the same time, MetEB purchased the assets of Transnet Pension Fund Administrators, formerly a division of Transnet Limited, which together with its staff have been housed in a newly established group subsidiary known as Metropolitan Retirement Fund Administrators.

“With the pooled resources of this new administration business at our disposal, we have the capacity and capabilities, including the governance structures, needed to administer the superfunds likely to emerge as a result of ongoing industry consolidation. We are also ideally positioned to assist government in achieving its dual aim, being a more affordable and a better regulated retirement fund industry,” says Doyle.

“The proposed creation of a compulsory state pension plan for all formally employed South Africans is the feature of this year's budget that is likely to have a profound effect on each and every citizen of this country. As one of the leading players in the retirement fund industry, we are supportive of the concept. We particularly welcome the fact that it actively promotes savings, an issue that is an economic priority for South Africa as a whole as well as an imperative for individual South Africans.

“However, given the far-reaching transition implications for both government and the industry, we believe that execution may have to be delayed beyond 2010, the deadline as initially indicated. We hope to play an active part in future planning and implementation, especially when it comes to the provision of administration and asset management services as well as the potential outsourcing thereof, “ says Doyle.

Thanks to its proven track record as low-cost administrator and provider of managed healthcare services, Metropolitan Health secured two of the highly sought-after Government Employees Medical Scheme Contracts (GEMS) awarded in 2005 – the administration and medicine clearing house contracts.

“From our perspective, the awarding of these crucial public sector commissions constituted additional acknowledgment of the company’s capacity and capabilities,” says Doyle.

Despite GEMS enrolment being delayed at the outset, membership had reached the 100 000 mark by the first week of March this year, with between 700 and 1 000 applications now being processed daily.

“We are confident that government’s twin objectives of improved affordability and accessibility of healthcare for all South Africans are being achieved incrementally via GEMS, and we are particularly proud of our ongoing association with this groundbreaking initiative,” says Doyle.

With a 50% market share, Metropolitan Health dominates the restricted medical aid scheme market in South Africa and is now the second largest healthcare administrator in the country, open schemes included.

Metropolitan is delighted to announce that Prof Wiseman Nkuhlu was appointed a non executive director at yesterday’s board meeting. Amongst his many achievements in both the academic and business arenas, Prof Nkuhlu has been actively involved in the advancement of black accountants and other black professionals for over twenty years as well as serving as economic adviser to President Mbeki for five years.

Summary of Metropolitan's stakeholder value-add to December 2006

	December 2005	December 2006	% growth
Diluted core headline earnings	R708 m	R847 m	+20
Diluted core headline earnings per share	96 c	113c	+18
Earnings	R1 600 m	R1 947 m	+22
Diluted earnings per share	244 c	281 c	+15
Return on embedded value (%)	28.9	25.5	[redacted]
Embedded value per share	1 499 c	1 702 c	[redacted]
Final dividend per ordinary share	39.00 c	48.00 c	+23
Total dividend per ordinary share	63.00 c	77.00 c	+22
Special dividend per ordinary share	N/A	77.00 c	[redacted]
Total premiums received	R7.9 bn	R11.0 bn	+40
Retail new business APE* margin	11.5	12.1	+8
Total assets under management	R71 bn	R86 bn	+21

* APE = annual premium equivalent (recurring premiums plus 10% of single premiums)

Notes

- Core headline earnings are a particularly appropriate measure of the performance of financial services groups such as Metropolitan in that they eliminate items of both a once-off and an inherently volatile nature, such as changes to the valuation basis and capital appreciation/depreciation.
- Diluted core headline earnings have been adjusted for the convertible redeemable preference shares, the staff share scheme shares and the treasury shares in issue – all dilutory in nature. The preference shares were issued to a consortium controlled by Metropolitan's strategic empowerment partner, Kagiso Trust Investments (KTI).

end

METROPOLITAN HOLDINGS FINANCIAL SERVICES GROUP

AUDITED GROUP RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

ADDING SHAREHOLDER VALUE

- Total premium income up 40%
- Total premiums received top R11 billion
- Total assets under management exceed R85 billion
- Headline earnings per share up 28%
- Return on embedded value of 26%
- Total dividend per share up 22%
- Special dividend of 77 cents per share

REVIEW OF OPERATIONS AND PROSPECTS

Financial highlights

- Diluted core headline earnings per share increased by 18% (basic increased by 20%).
- Headline earnings and earnings were boosted by the performance of the investment markets, but growth was dampened by basis changes mainly relating to assumed future expense assumptions.
- Retail, the largest contributor to group profits, increased its operating profit by 18%; the corporate business by 26%; the health business by 155%; and asset management by 33%.
- The international business posted reduced profits for the period under review as a result of saturation in the existing markets and start-up investments in the new country operations.
- The unbroken record of positive cash flow continued, with a previously unmatched net on-balance sheet inflow of R4 billion being recorded.
- Investment income on shareholder assets increased by 47% despite the R1 845 million capital returned during 2006 (20% of the opening market capitalisation).
  - Excellent investment market performance contributed to improved funding levels and a strong capital position.
  - Once again positive operating experience variances emerged in the embedded value, mainly resulting from better than expected investment markets, mortality and persistency experience; however, the growth in the expense base, aimed at promoting business expansion, resulted in a negative operating assumption change.
- The return on embedded value of 26% was driven by improved operations, the value of new business added, the investment performance on the shareholder assets and enhanced by the capital management activities.

Operational overview

- Total long-term insurance premium income grew by 40% to R11 billion.
- Group recurring premium income increased by 9% to R6.3 billion.
- Retail recurring premium income was 10% higher, again highlighting policyholders' improved economic conditions and the quality of business written over recent years, while single premium income was up 38%.
- Retail new business APE (recurring premium income plus 10% of single premiums) was 8% higher than 2005, suppressed by significant changes to business processes. The APE new business margin increased from 11.5% to 12.1% while the PVP margin decreased from 2.3% to 2.1%, mainly as a result of changes both in the economic assumptions and the business mix.
- An impressive 201% increase in corporate new business APE (237% on PVP), significantly boosted by a record single premium policy, resulted in a margin of 7.4% (APE) and 0.8% (PVP).
- The corporate business was successful in tendering for the Transnet Pension Fund Administration business, thereby doubling the size of its administration business and gearing itself for further expansion. The take-on of the administration of the funds is due to commence during the second quarter of 2007.

- The health business increased its principal members under administration from 440 000 to over 500 000, with more than 100 000 new members now signed up with the Government Employees Medical Scheme (GEMS).
- The decrease in new business volumes and a change in the product mix in the international arena resulted in the new business margins falling from 22.5% to 6.7% (APE), and from 4.3% to 1.3% (PVP).
- Metropolitan Card Operations, after completing a pilot phase, was successfully launched and remains on track.
- The group started operating a life business in Kenya; acquired a majority share of an existing insurance company in Ghana; and agreed on a 50/50 joint venture with a bank in Nigeria, subject to outstanding regulatory and other approvals.
- Further clarity was obtained following the settlement between the South African life industry and national treasury.

Transformation

- During the year Metropolitan underwent an official assessment of its transformation status by independent rating agency Empowerdex. In terms of the Financial Sector Charter, the group achieved the highest possible ranking, that of black empowered/owned organisation. In terms of the department of trade and industry's more stringent draft codes of good practice, Metropolitan was deemed to be a level 3 contributor.
- Ongoing highly focused skills development, procurement (reporting infrastructure in particular), enterprise and social development initiatives, aimed at accelerating the pace of transformation in the Metropolitan workplace and the communities within which the group operates, should ensure that Metropolitan gains recognition as a level 1 contributor in the foreseeable future.

Prospects

- Metropolitan remains the largest long-term financial services group in Africa focused primarily on the low and middle income markets. The benefits of this focus, together with Metropolitan's commitment to black economic empowerment and its brand, will continue to give the group a competitive advantage.
- Metropolitan continues to capitalise on its focused market status, in line with its strategy to create prosperity for Africa's people, by providing accessible, affordable and appropriate products.
- Despite the increase in general consumption, the outlook in the group's target markets remains positive. Higher interest rates and debt levels during 2006 are being mitigated by lower inflation, rising employment rates, an improved GDP outlook, further reductions in taxation and growing business confidence.
- The board is satisfied that the business is sustainable, with a renewed focus on client service, product innovation, business retention, cost management and ongoing capital management.

DIRECTORS' STATEMENT

The directors take pleasure in presenting the audited results of the Metropolitan Holdings financial services group for the year ended 31 December 2006.

International Financial Reporting Standards (IFRS)

The consolidated balance sheet and income statement, statement of changes in equity and cash flow statement have been prepared in accordance with International Financial Reporting Standards (IFRS) issued and effective at the time of preparing these statements. The accounting policies of the group have been applied consistently to all the years presented.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates as well as the exercise of managerial judgement in the application of the group's accounting policies. Such judgement, assumptions, estimates and accounting policies are disclosed in detail in the annual financial statements at 31 December 2006.

Changes to presentation and restatement of 2005 results

- The trustees of the group's retirement and pension fund schemes have submitted their surplus apportionment arrangements in terms of the Pension Funds Second Amendment Act 39 of 2001. The Metropolitan Staff Pension Fund submission is the only arrangement that has, to date, been noted by the Financial Services Board (FSB). Approval of the other arrangements is still outstanding. As a result of this process, a net asset of R126 million in respect of the Metropolitan Staff Pension Fund plus a post-retirement medical benefit obligation of R59 million were recognised in the group results during 2006.

- The layout of the income statement has been changed to reflect expenses by nature; sales remuneration and distribution costs are shown on the face of the income statement and net realised and fair value gains have been aggregated.
- The asset management business, previously part of the corporate business segment, is managed as a new primary segment and disclosed as such. The comparative information has been adjusted accordingly.
- In December 2005:
  - investment income on investment contracts was accounted for directly to the liability through the income statement; this has been restated and now flows through investment income. This restatement is a reclassification between line items in the income statement that has no effect on earnings.
  - IFRIC 8 – Scope of IFRS 2 – Share-based payments - was early adopted by the group on 1 January 2006 and retrospectively applied to 2005, decreasing total assets by R143 million and earnings by R95 million.

CAPITAL MANAGEMENT

- In April 2006 Metropolitan returned 100 cents per share to shareholders by way of a capital reduction (R765 million).
- During the first half of 2006 Metropolitan Holdings Limited bought and cancelled 16 million listed ordinary shares (R200 million – 2.7% of the listed shares).
- Another 27 million listed shares (R358 million – 4.7%) were bought back by Metropolitan Life Limited and held as treasury shares.
- The company bought back approximately half of the shares owned by management of the health business.
- On 6 December 2006 the High Court sanctioned the transfer of the Metropolitan Odyssey Limited long-term insurance business to Metropolitan Life Limited with effect from 1 January 2006. This transfer is in support of the capital management programme of the group
- In terms of section 24(a)(l) of the Long-term Insurance Act, 1998, as amended, approval was obtained from the FSB on 10 November 2006 for Metropolitan Life Limited to issue subordinated redeemable debt to the value of R500 million. This issue was successfully concluded on 15 December 2006, another first for the group.
- Metropolitan Life Limited received a AA- national insurer financial strength rating from Fitch Ratings.
- A total dividend for the year of 77 cents per share has been declared, up 22% on 2005.
- Good progress has been made in developing an economic capital model for the group.
- Previously the desired capital was based on a range between 1.5 and 3 times the required statutory capital (CAR).
- The new target, at 31 December 2006, is R3.9 billion, which approximates 2.8 times CAR.
- As a result the group has declared a once-off special dividend of 77 cents per share (87 cents including STC), payable on all ordinary shares, in order to reduce the excess capital closer to the optimal levels.
- This special dividend brings the total payment to shareholders, over the last three years, to over R4 billion.

CORPORATE GOVERNANCE

The board has satisfied itself that appropriate principles of corporate governance were applied throughout the year under review.

DIRECTORATE CHANGES AND DIRECTORS' SHAREHOLDING

Sadly Eric Molobi, chairman of Metropolitan, passed away on 4 June 2006. His leadership, insight and guidance will be sorely missed, not only at Metropolitan and KTI, but also at a national level. JJ Njeke was appointed as acting chairman on 30 May 2006.

Willie Esterhuyse, having reached statutory retirement age, retired with effect from 30 May 2006 after fifteen years on the board. Andile Sangqu, previously an alternate to Eric Molobi, was appointed to the board on 3 July 2006. Derek Pead, an executive director, resigned from the board with effect from 1 January 2007 due to other responsibilities while Phillip Matlakala was appointed to the board as an executive director on the same date. On 12 February 2007 the company announced that the group CEO, Peter Doyle, would be stepping down with effect from 31 March 2008. Professor Wiseman Nkuhlu was appointed to the board on 13 March 2007. No further changes have been made to the directorate. All transactions in listed shares involving directors were disclosed on SENS as required.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The group had no material capital commitments or contingent liabilities at 31 December 2006. The group is party to legal proceedings in the normal course of business, and appropriate provisions are made when losses are expected to materialise.

POST BALANCE SHEET EVENTS

No material post balance sheet events, other than those mentioned above, occurred between the balance sheet date and the date of approval of the annual financial statements.

DIVIDEND DECLARATION

Ordinary listed shares

The dividend policy for ordinary listed shares, approved by the directors and consistent with prior years, is to provide shareholders with stable dividend growth that reflects expected growth in underlying earnings in the medium term, while allowing the dividend cover to fluctuate.

An interim dividend of 29.00 cents per ordinary share was declared in September and paid in October 2006. On 13 March 2007 a final dividend of 48.00 cents per ordinary share was declared.

In addition, a once-off special dividend of 77 cents per ordinary share was also declared.

The total amount of 125 cents per share is payable to the holders of ordinary shares recorded in the register of the company at the close of business on Thursday, 5 April 2007 and will be paid on Tuesday, 10 April 2007. The last day to trade "cum" dividend will be Thursday, 29 March 2007. The shares will trade "ex" dividend from the start of business on Friday, 30 March 2007. Share certificates may not be dematerialised or rematerialised between Friday, 30 March 2007 and Thursday, 5 April 2007, both days inclusive.

Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to certificated shareholders on or about payment date. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Tuesday, 10 April 2007.

Staff share purchase scheme dividend

A dividend of R20 million (2005: R28 million) was declared on the unlisted shares in the staff share purchase scheme, as provided for in the trust deed.

Preference share dividend

Dividends of R26 million (13.5%), R16 million (125.00 cents per share) and R21 million (13.3%) were declared on 13 March 2007 on the A1, A2 and A3 Metropolitan preference shares respectively, and are payable on 31 March 2007.

Dividends of R22 million (11.7%), R4 million (29.00 cents per share) and R18 million (11.6%) were declared in September 2006 on the A1, A2 and A3 Metropolitan preference shares respectively, and paid on 30 September 2006. The declaration rate was determined as set out in the company's articles. Preference share dividends are included under finance costs in these results.

AUDIT OPINION

The auditors, PricewaterhouseCoopers Inc, have issued their opinion on the group financial statements for the year ended 31 December 2006. A copy of their unqualified report is available for inspection at the company's registered office.

Signed on behalf of the board

JJ Njeke	*Acting group chairman*
Peter Doyle	*Group chief executive*

Cape Town
13 March 2007

Directors:

JJ Njeke (non-executive group chairman (acting)), Peter Doyle (group chief executive), Phillip Matlakala (executive director), Abel Sithole (executive director), Preston Speckmann (executive director), Fatima Jakoet, Peter Lamprecht, Syd Muller, Bulelwa Ndamase, John Newbury, Andile Sangqu, Marius Smith, Franklin Sonn, Johan van Reenen

Secretary: Bongiwe Gobodo-Mbomvu

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JSE code:	MET
NSX code:	MTD
ISIN NO.	ZAE000050456

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Sponsor

Merrill Lynch

METROPOLITAN HOLDINGS – GROUP RESULTS

CONSOLIDATED BALANCE SHEET	31.12.2006 Rm	31.12.2005 Rm
ASSETS		
Property, plant and equipment	**541**	549
Investment property	**2 492**	2 255
Intangible assets	**413**	404
Investment in associates	**4**	7
Financial assets (1, 2)	**54 090**	43 322
Employee benefit asset	**126**	-
Deferred income tax	**11**	4
Reinsurance contracts	**217**	181
Cash and cash equivalents	**8 516**	6 526
Total assets	**66 410**	53 248
EQUITY		
Capital and reserves attributable to equity holders (2)	**6 694**	6 206
Minority interests (2)	**561**	417
Total equity	**7 255**	6 623
LIABILITIES		
Insurance contract liabilities		
Long-term insurance (3)	**30 790**	25 496
Capitation contracts	**2**	
Financial liabilities		
Investment contracts – fair value through income	**11 137**	7 454
Investment contracts – with discretionary participation features (3)	**12 695**	9 905
Other financial liabilities	**1 849**	1 264
Employee benefit obligations	**223**	225
Deferred income tax	**300**	296
Other payables	**1 957**	1 703
Current income tax	**202**	282
Total liabilities	**59 155**	46 625
Total equity and liabilities	**66 410**	53 248

(1) Financial assets include equity and debt securities, loans and receivables and derivatives.

(2) 2005 has been restated for the early adoption of IFRIC 8.

(3) Under IFRS4, the group continues to account for long-term insurance contracts and investment contracts with discretionary participation features using SA GAAP.

METROPOLITAN HOLDINGS – GROUP RESULTS

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES ON REPORTING BASIS	31.12.2006 Rm	31.12.2005 Rm
Total assets per balance sheet	**66 410**	53 248
Actuarial value of policy liabilities per balance sheet	**(54 622)**	(42 855)
Other liabilities per balance sheet	**(4 533)**	(3 770)
Minority interests	**(561)**	(417)
Excess – group per reporting basis	**6 694**	6 206
Net assets – other businesses	**(858)**	(62)
Excess – long-term insurance business (4)	**5 836**	6 144
LONG-TERM INSURANCE BUSINESS (4)		
Change in excess of long-term insurance business (4)	**(308)**	777
Increase in share capital	**(35)**	(5)
Metropolitan Kenya included in insurance (5)	**(8)**	
Exchange differences	**-**	17
Change in other reserves	**232**	(63)
Dividend paid	**2 187**	932
Total surplus arising	**2 068**	1 658
Operating profit	**660**	589
Investment income on excess	**211**	179
Net realised and fair value gains on excess	**1 245**	836
Investment variances (6)	**70**	66
Basis changes and other changes	**(166)**	102
Employee benefit asset/obligation	**67**	
Other adjustments	**-**	(13)
LOA statement of intent	**(19)**	(101)
Consolidation adjustments	**(186)**	(128)
Income tax expense	**364**	413
Adjustment for share of profit of associates	**-**	(6)
Results of long-term insurance business (4)	**2 246**	1 937
Results of other group businesses	**324**	329
Results of operations per income statement	**2 570**	2 266

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES ON STATUTORY BASIS	31.12.2006 Rm	31.12.2005 Rm
Reporting excess – long-term insurance business (4)	**5 836**	6 144
Disallowed assets in terms of statutory requirements (7)	**(135)**	(35)
Capital adjustments	**101**	-
Statutory excess – long-term insurance business (4)	**5 802**	6 109
Capital adequacy requirement	**1 592**	1 418
Capital adequacy multiple	**3.6**	4.3
Discretionary margins	**2 058**	1 886

(4) The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group. It includes minority interests and other items, which are eliminated on consolidation. It excludes non-insurance business.

(5) During 2005 the group set up an insurance operation in Kenya; during 2006 this company was included as an insurance company in the statement of actuarial assets and liabilities.

(6) Investment variances reflect the impact of actual investment returns on the value of future expense recoveries.

(7) Disallowed assets include goodwill, deferred acquisition costs, deferred revenue liabilities and employee benefit asset/obligation.

METROPOLITAN HOLDINGS – GROUP RESULTS

CONSOLIDATED INCOME STATEMENT	**12 mths to 31.12.2006 Rm**	12 mths to 31.12.2005 Rm
Net insurance premiums received	**7 423**	6 656
Fee income	**698**	601
Investment income (8, 9)	**2 578**	2 164
Net realised and fair value gains (9)	**9 831**	8 486
Net income	**20 530**	17 907
Net insurance benefits and claims	**5 634**	6 411
Change in provisions	**8 009**	5 547
Change in insurance contract liability	**5 233**	4 612
LOA statement of intent	**19**	101
Change in investment contract with DPF liability	**2 792**	847
Change in reinsurance provisions	**(35)**	(13)
Fair value adjustments on investment contracts (8)	**1 687**	1 218
Depreciation, amortisation and impairment expense	**127**	109
Employee benefit expense (9)	**924**	892
Sales remuneration and distribution cost	**1 034**	990
Other expenses (9)	**545**	474
Expenses	**17 960**	15 641
Results of operations	**2 570**	2 266
Share of profit of associates	**3**	6
Finance costs	**(99)**	(54)
Profit before tax	**2 474**	2 218
Income tax expenses	**(491)**	(573)
Earnings	**1 983**	1 645
Attributable to:		
Equity holders of group	**1 947**	1 600
Minority interests (9)	**36**	45
	1 983	1 645

(8) In December 2005 only investment income on investment contracts was accounted for directly to the liability; this item has been restated through the income statement.

(9) 2005 has been restated for the early adoption of IFRIC 8.

METROPOLITAN HOLDINGS – GROUP RESULTS

RECONCILIATION OF HEADLINE EARNINGS attributable to equity holders of the company	Basic earnings 12 mths to 31.12.2006 Rm	Basic earnings 12 mths to 31.12.2005 Rm	Diluted earnings 12 mths to 31.12.2006 Rm	Diluted earnings 12 mths to 31.12.2005 Rm
Earnings	**1 947**	1 600	**1 947**	1 600
Finance costs – preference shares			**93**	53
Diluted earnings			**2 040**	1 653
Goodwill impaired	**4**	-	**4**	-
Headline earnings (10)	**1 951**	1 600	**2 044**	1 653
Net realised and fair value gains on excess (11)	**(1 265)**	(906)	**(1 265)**	(906)
Basis changes, LOA statement of intent and investment variances	**111**	(55)	**111**	(55)
Employee benefit asset/obligation	**(67)**		**(67)**	
IFRIC 8 – early adoption			**9**	2
Investment income on treasury shares – contract holders (12)			**15**	14
Core headline earnings (13)	**730**	639	**847**	708

(10) Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes. Adjustments to headline earnings, as required by SAICA Circular 7/2002, relate to returns on shareholder assets only.

(11) 2005 has been restated for the early adoption of IFRIC 8.

(12) For diluted core headline earnings treasury shares held on behalf of contract holders are deemed to be issued. For diluted earnings and headline earnings these shares are deemed to be cancelled. The 2005 results have been adjusted accordingly.

(13) Net realised and fair value gains on investment assets, investment variances and basis and other changes can be volatile; therefore core headline earnings have been disclosed that comprise operating profit and investment income on shareholder assets.

EARNINGS PER SHARE (cents) attributable to equity holders of the company	**12 mths to 31.12.2006**	12 mths to 31.12.2005
Basic (11)		
Core headline earnings	**130.36**	109.04
Headline earnings	**348.39**	273.04
Earnings	**347.68**	273.04
Weighted average number of shares (million)	**560**	586
Diluted (11)		
Core headline earnings	**112.93**	95.93
Diluted weighted average number of shares (million) (12)	**750**	738
Headline earnings	**280.00**	230.87
Earnings	**279.45**	230.87
Diluted weighted average number of shares (million) (12)	**730**	716

DIVIDENDS	**2006**	2005
Ordinary listed shares (cents per share)		
Interim	**29.00**	24.00
Final	**48.00**	39.00
Total	**77.00**	63.00
Special dividend	**77.00**	-

METROPOLITAN HOLDINGS – GROUP RESULTS

DIVIDENDS				
Convertible redeemable preference shares		**A1**	**A2**	**A3**
Paid – 31 March 2005	Rate	9.2%		
	Rm	25		
Paid – 30 September 2005	Rate	9.9%		
	Rm	23		
Paid – 31 March 2006	Rate	10.4%	39.00 cps	9.2%
	Rm	24	5	10
Paid – 30 September 2006	Rate	11.7%	29.00 cps	11.6%
	Rm	22	4	18
Payable – 31 March 2007	Rate	13.5%	125.00 cps	13.3%
	Rm	26	16	21
Redemption value (per share)	R	5.12	9.18	9.18

ANALYSIS OF DILUTED CORE HEADLINE EARNINGS	**12 mths to 31.12.2006 Rm**	12 mths to 31.12.2005 Rm
Retail business	**436**	369
Operating profit	**627**	523
Tax	**(191)**	(154)
Corporate business	**145**	115
Operating profit	**204**	161
Tax	**(59)**	(46)
Asset management business	**69**	52
Operating profit	**94**	72
Tax	**(25)**	(20)
International business	**61**	86
Operating profit	**67**	92
Tax	**(6)**	(6)
Health business	**51**	20
Operating profit	**72**	49
Tax	**(21)**	(29)
Shareholder capital	**85**	66
Holding company expenses	**(44)**	(34)
Metropolitan Card Operations	**(21)**	(6)
Investment income on shareholder excess	**310**	211
Income tax on investment income	**(160)**	(105)
Diluted core headline earnings	**847**	708

RESULTS OF OPERATIONS FROM ADMINISTRATION BUSINESS (gross of minority interest and before tax)	Net income Rm	Expenses Rm	Results of operations 12 mths to 31.12.2006 Rm	Results of operations 12 mths to 31.12.2005 Rm
Health business	560	(488)	**72**	49
Asset administration	103	(45)	**58**	34
Asset management	113	(77)	**36**	38
	776	(610)	**166**	121

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	**12 mths to 31.12.2006 Rm**	12 mths to 31.12.2005 Rm
Changes in share capital		
Balance before implementation of IFRS4 and IAS39 (revised)		870
Treasury shares held on behalf of contract holders		(198)
Balance at beginning	**559**	672
Staff scheme shares released	**86**	53
Shares repurchased and cancelled	**(200)**	(242)
Treasury shares held on behalf of contract holders	**61**	76
Capital reduction	**(642)**	
Balance at end	**(136)**	559
Changes in other reserves		
Balance at beginning	**428**	367
Total recognised income	**(30)**	51
Earnings directly accounted in equity	**(29)**	61
Foreign currency translation differences	**(1)**	(10)
Employee share schemes – value of services provided	**10**	10
Fair value gains – available-for-sale financial assets	**1**	-
Transfer from retained income	**4**	-
Balance at end (14)	**413**	428
Changes in retained income		
Balance before implementation of IFRS4 and IAS39 (revised)		3 945
Opening deferred acquisition costs and deferred revenue liabilities		(11)
Treasury shares held on behalf of contract holders		(19)
Balance at beginning	**5 219**	3 915
Earnings for period (15)	**1 947**	1 600
Dividends paid	**(386)**	(296)
Shares repurchased	**(358)**	-
Transfer to other reserves	**(5)**	-
Balance at end	**6 417**	5 219
Capital and reserves attributable to equity holders	**6 694**	6 206
Changes in minority interest		
Balance at beginning	**417**	359
Total recognised income	**36**	41
Earnings for period	**36**	45
Foreign currency translation differences	**-**	(4)
Employee share schemes – value of services provided	**-**	1
Dividend paid	**(34)**	(1)
Net change in minority interest	**142**	17
Balance at end	**561**	417
Total equity	**7 255**	6 623

(14) Other reserves consist of the following:

Land and buildings revaluation reserve: R96 million (31.12.2005: R121 million)

Foreign currency translation reserve: (R16 million) (31.12.2005: (R15 million))

Fair value reserve: R38 million (31.12.2005: R27 million)

Non-distributable reserve: R295 million (31.12.2005: R295 million)

(15) 2005 has been restated for the early adoption of IFRIC 8.

METROPOLITAN HOLDINGS – GROUP RESULTS

CONSOLIDATED CASH FLOW STATEMENT	12 mths to 31.12.2006 Rm	12 mths to 31.12.2005 Rm
Net cash inflow from operating activities	**1 976**	3 206
Net cash outflow from investing activities	**(41)**	(19)
Net cash outflow from financing activities	**(1 198)**	(753)
Net cash flow	**737**	2 434
Exchange gains/(losses) on cash resources	**10**	(1)
Cash resources and funds on deposit at beginning	**6 526**	4 093
Cash resources and funds on deposit at end	**7 273**	6 526

SEGMENTAL REPORT (17)	12 mths to 31.12.2006 Rm	12 mths to 31.12.2005 Rm
Segmental revenue		
Retail business	**10 674**	8 412
Corporate business	**6 175**	6 086
Health business	**560**	519
Asset management business	**216**	157
Shareholder capital (16, 17, 18)	**1 252**	1 205
International business (19)	**1 653**	1 528
Net income per income statement	**20 530**	17 907
Segmental results		
Retail business	**627**	525
Corporate business	**204**	161
Health business (16)	**72**	49
Asset management business	**94**	72
Shareholder capital (16, 17, 18)	**1 375**	1 205
International business (19)	**198**	254
Results from operations per income statement	**2 570**	2 266

(16) 2005 has been restated for the early adoption of IFRIC 8.

(17) The segmental report is compiled on the basis of Metropolitan's primary segments. In all instances with the exception of international, the secondary segments are in South Africa. The asset management business, previously part of the corporate business, is managed as a new primary segment and disclosed as such. The comparative information has been adjusted accordingly.

(18) Shareholder capital consists of holding company, Metropolitan Card Operations (Proprietary) Limited and shareholder return; in South Africa this is not split between retail and corporate. Metropolitan Card Operations (Proprietary) Limited has net income of R2 million and negative results from operations of R20 million.

(19) International, with secondary segments in Botswana, Ghana, Kenya, Lesotho, Mauritius and Namibia, includes investment return.

METROPOLITAN HOLDINGS – GROUP RESULTS

EMBEDDED VALUE	**31.12.2006 Rm**	31.12.2005 Rm
Statutory excess – long-term insurance business	**5 802**	6 109
Capital adjustments	**(101)**	-
Subordinated redeemable debt	**(501)**	-
Treasury shares held in subsidiary	**400**	-
Adjustments to statutory excess	**2 085**	1 563
Net assets – other businesses	**858**	62
Dilutory effect of subsidiaries (20)	**80**	95
Staff share scheme loans	**227**	313
Liability – convertible redeemable preference shares	**832**	945
Treasury shares held on behalf of contract holders	**197**	258
Goodwill	**(109)**	(110)
Adjustments for	**405**	349
Asset management business	**210**	191
Health business (21)	**481**	405
Holding company expenses	**(286)**	(247)
Adjusted net asset value	**8 191**	8 021
Net value of in-force business	**4 096**	3 447
Individual life	**3 338**	2 776
Gross value of in-force business	**3 475**	2 913
Less: Cost of capital	**(137)**	(137)
Employee benefits	**758**	671
Gross value of in-force business	**830**	736
Less: Cost of capital	**(72)**	(65)
Diluted embedded value	**12 287**	11 468
Diluted embedded value per share (cents)	**1 702**	1 499
Diluted adjusted net asset value per share (cents)	**1 134**	1 048
Diluted number of shares in issue (million) (22)	**722**	765

(20) As a result of the early adoption of IFRIC 8, Metropolitan Health and Metropolitan Kenya have been consolidated at 100% in the balance sheet. For embedded value purposes, disclosed on a diluted basis, the minority interest and related funding have been reinstated.

(21) The value of the health business is net of R53 million, being the total liability of the option held by MHG management (31.12.2005: R129 million).

(22) The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares and the release of staff share scheme shares, and includes the treasury shares held on behalf of contract holders.

METROPOLITAN HOLDINGS – GROUP RESULTS

EMBEDDED VALUE ATTRIBUTABLE TO GROUP	**Net asset value Rm**	**Value of in-force Rm**	**31.12.2006 Rm**	31.12.2005 Rm
Metropolitan Life Ltd (23)	5 065	3 654	**8 719**	8 571
Metropolitan Odyssey Ltd	34	-	**34**	(78)
Metropolitan Life International Ltd	48	-	**48**	47
Metropolitan Life (Namibia) Ltd	251	228	**479**	496
Metropolitan Life of Botswana Ltd	108	52	**160**	145
Metropolitan Lesotho Ltd	136	159	**295**	319
Metropolitan Life Insurance Kenya Ltd (24)	5	2	**7**	-
Metropolitan Life Insurance Ghana Ltd (24)	12	1	**13**	-
Asset management business	110	210	**320**	256
Metropolitan Health Group	141	481	**622**	487
Metropolitan Holdings (after consolidation adjustments)	1 985	(286)	**1 699**	1 334
Goodwill	(109)		**(109)**	(109)
Total embedded value	7 786	4 501	**12 287**	11 468
Capital adjustments	101			
Adjustments to statutory excess	(2 085)			
Statutory excess – long-term insurance business	5 802			

(23) The integration of the Metropolitan Odyssey Limited long-term insurance business in Metropolitan Life Limited was accounted for in terms of the requirements of merger accounting. Merger accounting requires that the financial statements of Metropolitan Life Limited incorporate the combined companies' results and cash flows as if the companies have always been combined, including restatement of comparatives. The 2005 embedded value for Metropolitan Life Limited has been adjusted accordingly.

(24) During 2005 the group set up an insurance operation in Kenya; during 2006 this company was included as an insurance company for embedded value purposes. The group acquired a majority share (60%) of an existing insurance company in Ghana on 1 January 2006.

VALUE OF LONG-TERM INSURANCE NEW BUSINESS	**12 mths to 31.12.2006 Rm**	12 mths to 31.12.2005 Rm
Retail business	**114**	100
Gross value of new business	**116**	107
Less: Cost of capital	**(2)**	(7)
Corporate business	**30**	6
Gross value of new business	**37**	7
Less: Cost of capital	**(7)**	(1)
International business *	**7**	28
Gross value of new business	**9**	33
Less: Cost of capital	**(2)**	(5)
Total value of long-term insurance new business	**151**	134

** Net of outside shareholders. Excludes Metropolitan Ghana and Metropolitan Kenya as the companies are in a start-up phase.*

METROPOLITAN HOLDINGS – GROUP RESULTS

NEW BUSINESS PREMIUMS	**12 mths to 31.12.2006 Rm**	12 mths to 31.12.2005 Rm
Recurring premiums		
Retail business	**753**	732
Corporate business	**141**	80
International business *	**89**	105
	983	917
Single premiums		
Retail business	**1 872**	1 369
Corporate business	**2 661**	545
International business *	**157**	174
	4 690	2 088
Annual premium equivalent (APE)	**1 452**	1 126
Retail business	**940**	869
Corporate business	**407**	135
International business	**105**	122
Present value premiums (PVP)	**9 502**	6 144
Retail business	**5 410**	4 444
Corporate business	**3 563**	1 056
International business	**529**	644

* *Net of outside shareholders. Excludes Metropolitan Ghana (R4 million APE) and Metropolitan Kenya (R4 million APE) as the companies are in a start-up phase.*

PROFITABILITY OF NEW BUSINESS	**12 mths to 31.12.2006**	12 mths to 31.12.2005
% of APE	**10.4**	11.9
Retail business	**12.1**	11.5
Corporate business	**7.4**	4.3
International business	**6.7**	22.5
% of PVP	**1.6**	2.2
Retail business (23)	**2.1**	2.3
Corporate business	**0.8**	0.5
International business	**1.3**	4.3

METROPOLITAN HOLDINGS – GROUP RESULTS

SOURCE OF NEW BUSINESS PRODUCTION – GROUP Individual life – insurance and investment business	**31.12.2006** **APE %**	 **Total %**	31.12.2005 APE %	 Total %
General intermediary channel	**8**	**6**	12	8
Direct writers	**23**	**25**	32	28
Group schemes	**9**	**6**	8	5
Direct mail and telemarketing	**24**	**14**	14	9
Odyssey broker channel	**28**	**43**	22	41
3rd party business	**-**	**1**	-	-
International	**8**	**5**	12	9

VALUE OF NEW BUSINESS – OTHER BUSINESSES	**12 mths to 31.12.2006 Rm**	12 mths to 31.12.2005 Rm
Asset management business	**25**	22
Health business	**78**	76

PRINCIPAL ASSUMPTIONS (South Africa) (25)	**31.12.2006 %**	31.12.2005 %
Pre-tax investment return		
Equities	**10.0**	9.5
Properties	**10.0**	9.5
Government stock	**8.0**	7.5
Cash	**6.0**	5.5
Risk discount rate	**10.5**	10.0
Investment return (before tax) – smoothed bonus	**9.4**	8.9
Expense inflation rate	**4.8**	4.3

(25) The principal assumptions relate to the South African life insurance business only. Assumptions relating to the international life insurance businesses are based on local requirements and can be different to the South African assumptions.

OUTSIDE SHAREHOLDER INTEREST	**31.12.2006 %**	31.12.2005 %
Metropolitan Life (Namibia) Ltd	**19.0**	19.0
Metropolitan Life of Botswana Ltd	**24.2**	24.2
Metropolitan Health Group	**17.6**	18.8
Metropolitan Life Insurance Kenya Ltd (19)	**40.0**	
Metropolitan Life Insurance Ghana Ltd (19)	**40.0**	

METROPOLITAN HOLDINGS – GROUP RESULTS

LONG-TERM INSURANCE BUSINESS: SENSITIVITIES – 31.12.2006		Net worth	In-force business			New business written		
			Net value	Gross value	Cost of CAR	Net value	Gross value	Cost of CAR
		Rm	Rm	Rm	Rm	Rm	Rm	Rm
Base value		**5 802**	**4 096**	**4 305**	**(209)**	**151**	**162**	**(11)**
1%	increase in risk discount rate		3 764	4 087	(323)	124	140	(16)
	% change		(8)	(5)	54	(18)	(13)	53
1%	reduction in risk discount rate		4 539	4 616	(77)	183	186	(3)
	% change		11	7	(63)	21	15	(69)
10%	increase in future expenses		3 870	4 079	(209)	126	137	(11)
	% change (note 1)		(6)	(5)	-	(17)	(16)	-
10%	increase in policy discontinuance		4 022	4 231	(209)	114	125	(11)
	% change		(2)	(2)	-	(25)	(23)	-
10%	increase in mortality and morbidity		3 803	4 012	(209)	104	115	(11)
	% change (note 2)		(7)	(7)	-	(31)	(29)	-
1%	reduction in gross investment return, inflation rate and risk discount rate	5 846	4 094	4 303	(209)	176	187	(11)
	% change (note 3)	1	-	-	-	16	15	-
1%	reduction in gross investment return only (no change in risk discount rate)	5 754	3 790	4 128	(338)	135	151	(16)
	% change (note 3)	(1)	(7)	(4)	61	(10)	(6)	55
1%	reduction in inflation	5 948	4 069	4 278	(209)	166	177	(11)
	% change	3	(1)	(1)	-	10	9	-
10%	fall in market value of equities	5 500	3 968	4 177	(209)			
	% change	(5)	(3)	(3)	-			
10%	reduction in premium indexation take-up rate		4 027	4 236	(209)	143	154	(11)
	% change		(2)	(2)	-	(6)	(5)	-
10%	increase in non-commission related acquisition expenses					114	125	(11)
	% change					(24)	(23)	-

Notes

(1) No corresponding changes in variable policy charges are assumed, although in practice it is likely that they will be modified according to circumstances.

(2) Mortality decreases by 10% for annuities; mortality and morbidity increase by 10% for assurance.

(3) Bonus rates are assumed to change commensurately.

(4) The change in the value of cost of CAR is disclosed as nil where the sensitivity test results in an insignificant change in the value.

METROPOLITAN HOLDINGS – GROUP RESULTS

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Other businesses Rm	Long-term insurance business NAV Rm	Long-term insurance business VoIF Rm	12 mths to 31.12.2006 Total Rm	12 mths to 31.12.2005 Total Rm
Profit from new business	108	(140)	299	**267**	243
Embedded value from new business	103	(140)	291	**254**	232
Expected return to end of year	5		8	**13**	11
Profit from existing business	(37)	582	(3)	**542**	655
Expected return – unwinding of risk discount rate	61		379	**440**	356
Expected (or actual) net of tax profit transfer to net worth		550	(550)	**-**	-
Operating experience variance	(41)	215	207	**381**	140
Operating assumption changes	(57)	(164)	(7)	**(228)**	283
LOA statement of intent		(19)	(32)	**(51)**	(124)
Embedded value profit from operations	71	442	296	**809**	898
Investment return on net worth	181	1 206	-	**1 387**	1 174
Investment variances	37	87	356	**480**	456
Economic assumption changes	(2)	(9)	(1)	**(12)**	37
Exchange rate movements	-	-	-	**-**	(13)
Total embedded value profit	287	1 726	651	**2 664**	2 552
Changes in share capital	(1 221)	21		**(1 200)**	(242)
Dividend paid	1 724	(2 153)		**(429)**	(326)
Redeemable preference shares	(123)			**(123)**	481
Finance costs – preference shares	(93)			**(93)**	(53)
Increase in embedded value	574	(406)	651	**819**	2 412
Return on embedded value (%)				**25.5**	28.9

ANALYSIS OF VARIANCES AND OPERATING ASSUMPTION CHANGES – 31.12.2006

Operating experience variance

Other businesses

A reduction in the present value of future profits as a result of the outflow of off-balance sheet funds at Metropolitan Asset Management.

Long-term insurance business

NAV

Mortality profits across most lines of business, better than expected persistency of the Retail business' direct marketing products, tax profits and the impact of better than expected investment performance, including a higher than expected investment return on working capital.

VoIF

Better than expected premium inflows on employee benefit risk and investment schemes, reduced by outflows on the Corporate business smoothed bonus products and a reduction in the cost of statutory capital following the transfer of the Metropolitan Odyssey life business into Metropolitan Life Limited in the last quarter of 2006

Operating assumption changes

Other business

An increase to future expected expenses following the introduction of a new long-term staff retention scheme in December 2006.

Long-term insurance business

NAV

An increase in assumed future expenses in the Retail business, offset by assumed improvements to future mortality and persistency levels. The increase in future expenses relate to the new long-term retention scheme, a change in the expense allocation methodology following the changes in the business mix and an increase in the overall expense base primarily aimed at growing the business.

ANALYSIS OF VARIANCES AND OPERATING ASSUMPTION CHANGES – 31.12.2006	
VoIF	An increase in future assumed expenses in the Corporate business, offset by the impact of assumed improvements in mortality and persistency levels of the Retail business' grouped individual product ranges, as well as assumed changes to the mortality experience of its non-linked lines of business.
LOA statement of intent	This item represents the additional reduction in the embedded value, since it was first estimated in December 2005, following clarification on the guaranteed minimum surrender value calculation for reversionary bonus policies and policies with hybrid charging structures.

PREMIUMS RECEIVED (pre-IFRS4; excluding MHG capitation contracts)	**12 mths to 31.12.2006 Rm**	12 mths to 31.12.2005 Rm
Recurring premiums	**6 301**	5 770
Retail business	**3 918**	3 575
Corporate business	**1 592**	1 437
International business	**791**	758
Single premiums	**4 729**	2 116
Retail business	**1 872**	1 353
Corporate business	**2 661**	544
International business	**196**	219
Total premiums received	**11 030**	7 886

PAYMENTS TO CONTRACT HOLDERS (pre-IFRS4; excluding MHG capitation contracts)	**12 mths to 31.12.2006 Rm**	12 mths to 31.12.2005 Rm
Individual life	**4 377**	3 142
Death and disability claims	**934**	833
Maturity claims	**1 307**	752
Annuities	**519**	452
Surrenders	**1 697**	1 178
Re-insurance recoveries	**(80)**	(73)
Employee benefits	**2 775**	3 975
Death and disability claims	**726**	668
Maturity claims	**136**	131
Annuities	**387**	293
Withdrawal benefits	**358**	293
Terminations	**1 307**	2 746
Re-insurance recoveries	**(139)**	(156)
Total payments to contract holders	**7 152**	7 117

FUNDS RECEIVED FROM CLIENTS	Gross inflow Rm	Gross outflow Rm	**12 mths to 31.12.2006 Net inflow Rm**	12 mths to 31.12.2005 Net inflow Rm
Retail business	5 790	(3 945)	**1 845**	2 182
Corporate business	4 253	(2 630)	**1 623**	(1 842)
International business	987	(577)	**410**	429
Long-term insurance business cash flows	11 030	(7 152)	**3 878**	769
Health business	8 560	(8 187)	**373**	529
Asset management business	10 882	(12 745)	**(1 863)**	4 502
Corporate business	371		**371**	-
Total funds received from clients	30 843	(28 084)	**2 759**	5 800

METROPOLITAN HOLDINGS – GROUP RESULTS

ANALYSIS OF EXPENSES	12 mths to 31.122006 Rm	12 mths to 31.12.2005 Rm
Depreciation, amortisation and impairment expense	**127**	109
Employee benefit expense	**924**	892
Sales remuneration and distribution cost	**1 034**	990
Other expenses	**545**	474
Finance costs	**99**	54
Total expenses	**2 729**	2 519
Long-term insurance business	**2 019**	1 832
Management expenses	**1 115**	970
Administration expenses	**988**	842
Distribution costs	**127**	128
Sales remuneration	**904**	862
Administration business	**594**	561
Health business	**472**	464
Asset management	**77**	68
Asset administration	**45**	29
Finance costs – preference shares	**93**	53
Holding company	**44**	34
Metropolitan Card Operations	**24**	6
Consolidation adjustments	**22**	20
Retirement asset/obligation	**(67)**	
Implementation of IFRS4 and IAS39 adjustment		13
Total expenses	**2 729**	2 519

NUMBER OF EMPLOYEES	31.12.2006	31.12.2005
Indoor staff	**4 321**	3 899
Insurance companies	**2 506**	2 396
Retail business	**1 325**	1 324
Employee benefits business	**332**	315
International business	**346**	274
Group services	**503**	483
Metropolitan Health Group	**1 638**	1 359
Asset management	**70**	70
Asset administration	**58**	53
Metropolitan Card Operations	**28**	-
Holding company	**21**	21
Field staff	**3 316**	3 426
Retail business	**2 551**	2 977
International business	**765**	449
Total	**7 637**	7 325

METROPOLITAN HOLDINGS – GROUP RESULTS

ASSETS UNDER MANAGEMENT	31.12.2006 Rm	31.12.2005 Rm
Property, plant and equipment	**541**	549
Investment property	**2 492**	2 255
Intangible assets	**413**	404
Investment in associates	**4**	7
Financial assets	**54 090**	43 322
Employee benefit asset	**126**	-
Deferred income tax	**11**	4
Reinsurance contracts	**217**	181
Cash and cash equivalents	**8 516**	6 526
Total on-balance sheet assets	**66 410**	53 248
Collective investments	**12 241**	9 019
Health	**2 669**	2 490
Asset Managers	**3 368**	5 694
EB segregated assets	**1 170**	798
Total assets under management	**85 858**	71 249

ANALYSIS OF ASSETS BACKING GROUP EXCESS	31.12.2006		31.12.2005	
	Rm	**%**	Rm	%
Listed equities – local listed	**4 851**	**70.1**	3 864	59.3
Foreign investments – unit linked investments	**428**	**6.2**	649	9.9
Owner-occupied properties	**334**	**4.8**	392	6.0
Debt securities – fixed interest	**697**	**10.1**	822	12.6
Cash and cash equivalents	**1 059**	**15.3**	1 291	19.8
Goodwill	**148**	**2.1**	148	2.3
Other net assets	**236**	**3.4**	298	4.6
Redeemable preference shares	**(832)**	**(12.0)**	(945)	(14.5)
	6 921	**100.0**	6 519	100.0
Adjustment for staff share schemes	**(227)**		(313)	
Excess - group per reporting basis	**6 694**		6 206	

GROUP EXCESS – TOP 10 EQUITY HOLDINGS	31.12.2006		31.12.2005	
	Rm	**%**	Rm	%
MTN Group Ltd	**177**	**3.5**	220	5.7
Standard Bank Group Ltd	**137**	**2.7**	166	4.3
Anglo American Plc	**128**	**2.5**	125	3.2
Billiton Plc	**110**	**2.2**	106	2.7
Sasol Ltd	**88**	**1.7**	103	2.7
FirstRand Ltd	**86**	**1.7**	106	2.7
SABMiller Plc	**83**	**1.6**	97	2.5
Imperial Holdings Ltd	**78**	**1.5**	71	1.8
Nedbank Group Ltd	**76**	**1.5**	-	-
Impala Platinum Holdings Ltd	**75**	**1.5**	-	-
Remgro Plc	**-**	**-**	91	2.4
Naspers N-ord Ltd	**-**	**-**	64	1.7
	1 038	**20.4**	1 149	29.7
Collective investments	**1 781**	**35.0**	1 379	35.7
	2 819	**55.4**	2 528	65.4
Total equities backing excess	**5 083**	**100.0**	3 864	100.0

METROPOLITAN HOLDINGS – GROUP RESULTS

STOCK EXCHANGE PERFORMANCE	2006	2005	2004	2003
12 month period				
Value of listed shares traded (rand million) (26)	**5 614**	3 347	2 049	994
Volume of listed shares traded (million) (26)	**442**	315	250	165
Shares traded (% of average listed shares in issue) (26)	**75.0**	51.1	37.9	24.4
Value of shares traded – life insurance (J857 – Rbn)	**81.9**	70.0	47.3	40.8
Value of shares traded – top 40 index (J200 – Rbn)	**1 735.0**	1 028.2	829.8	653.4
Trade prices				
Highest (cents per share)	**1 581**	1 220	1 100	750
Lowest (cents per share)	**1 020**	950	680	470
Last sale of period (cents per share)	**1 500**	1 185	1 090	685
Percentage (%) change during period (27)	**38.25**	19.70	59.12	12.30
Percentage (%) change – life insurance sector (J857)	**28.18**	21.18	36.04	0.45
Percentage (%) change – top 40 index (J200)	**37.53**	44.12	20.11	9.37
31 December				
Price/core headline earnings ratio (diluted)	**13.12**	12.35	12.24	11.03
Dividend yield % (dividend on listed shares)	**5.13**	5.32	4.77	6.28
Dividend yield % – top 40 index (J200)	**2.06**	2.24	2.49	3.02
Total shares issued (million)				
Listed on JSE	**585**	594	641	678
Ordinary shares	**578**	587	632	668
Share incentive scheme	**7**	7	9	10
Unlisted – share purchase scheme	**41**	48	63	70
Total ordinary shares in issue	**626**	642	704	748
Treasury shares held in subsidiary company	**(27)**	-	(41)	(41)
Treasury shares held on behalf of contract holders	**(13)**	(22)		
Adjustment to staff share scheme shares (28)	**(47)**	(50)	(53)	(55)
Share incentive scheme	**(7)**	(5)	(5)	(5)
Share purchase scheme	**(40)**	(45)	(48)	(50)
Basic number of shares in issue	**539**	570	610	652
Adjustment to staff share scheme shares	**47**	50	53	55
Treasury shares held on behalf of contract holders	**13**	22		
Convertible redeemable preference shares	**123**	123	-	-
Diluted number of shares in issue (29)	**722**	765	663	707
Market capitalisation at period-end (Rbn) (30)	**10.83**	9.07	8.06	4.84
Percentage (%) of life insurance sector	**5.45**	6.83	7.04	5.96

(26) 31.12.2006 is net of 42 million shares acquired for R558 million as part of a share buy-back programme (31.12.2005: 22 million shares acquired for R242 million).

(27) Both 2006 and 2005 have been adjusted for a capital reduction of 100 cents each.

(28) These shares were issued after 1 January 2001, the date on which the group adopted AC133 (now IAS39).

(29) The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares and the release of staff share scheme shares, and includes the treasury shares held on behalf of contract holders.

(30) The market capitalisation is calculated on the diluted number of shares in issue.