

Financial Highlights

Operating profit* increased by 38% to £911 million

Asset management operating profit up 158% to £124 million

Banking operating profit up 56% to £327 million

Life assurance operating profit on continuing operations increased 12% to £478 million

Underlying life assurance value of new business increased 16% to £72 million

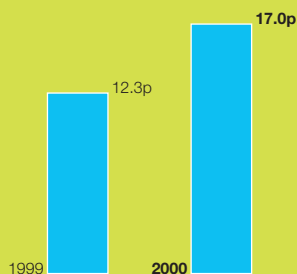
Operating earnings per share* increased 38% in Sterling terms to 17.0p

Dividends per share increased by 18% to 4.7p

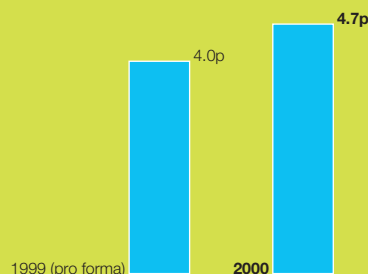
Embedded value† up 3% to £5,553 million

Embedded value† per share £1.56

Operating earnings per share



Dividends per share



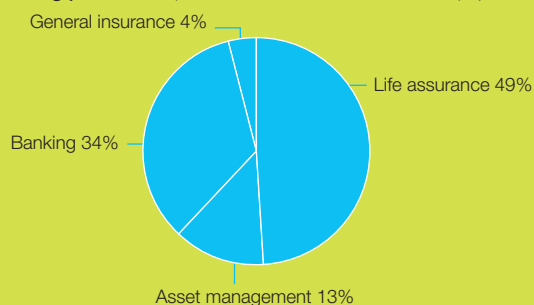
* **Operating profit and operating earnings per share** are stated before goodwill amortisation and have been calculated using a long term investment return.

† **Embedded value** represents the sum of the shareholders' net assets (including listed subsidiaries at market value) and the present value of the future after tax profit from the life business written and in force at the valuation date, adjusted for the cost of holding appropriate solvency capital.

Financial Highlights – Group

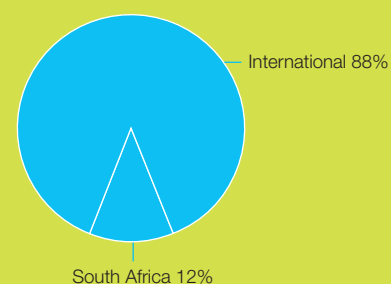
Summary consolidated profit and loss account	Existing operations	Aquired operations	£m	£m	Rm
			2000 Total	1999 Total	2000 Total
Operating profit					
Life assurance					
Continuing operations	478	–	478	426	5,029
Discontinued operations			–	(50)	–
Banking	325	2	327	210	3,440
Asset management	67	57	124	48	1,305
General insurance	44	–	44	59	463
Other shareholders' income/(expenses)	(36)	(26)	(62)	(32)	(652)
Operating profit based on a long term investment return before goodwill amortisation					
	878	33	911	661	9,585
Goodwill amortisation			(54)	(5)	(568)
Short term fluctuations in investment return			(180)	778	(1,894)
Non-operating items			356	54	3,746
Profit on ordinary activities before tax			1,033	1,488	10,869
Tax on profit on ordinary activities			(186)	(165)	(1,958)
Profit on ordinary activities after tax			847	1,323	8,911
Minority interests			(341)	(257)	(3,588)
Profit attributable to shareholders			506	1,066	5,323
Dividends paid and proposed			(163)	(69)	(1,714)
Retained profit for financial year			343	997	3,609

Operating profit 2000 (before other shareholders' income/(expenses))

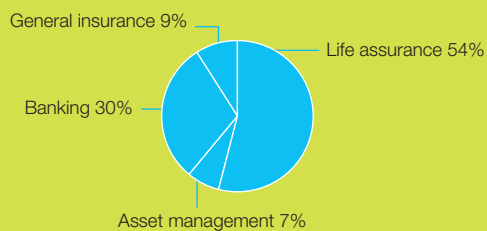


Funds under management 2000

Total £169 bn

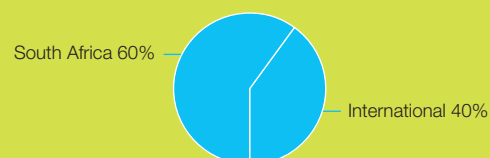


Operating profit 1999 (before other shareholders' income/(expenses))



Funds under management 1999

Total £45 bn

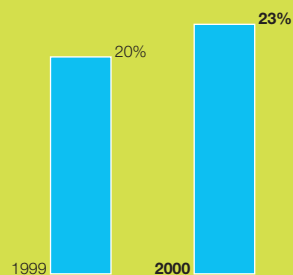


Financial Highlights – Business

Life Assurance

	2000	1999
New business premiums	£1,860m	£2,092m
Single	£1,612m	£1,852m
Recurring	£248m	£240m
Annual premium equivalent	£409m	£425m
Underlying new business margin	22%	20%
Value of new business	£74m	£75m
Return on assets	2.1%	2.3%

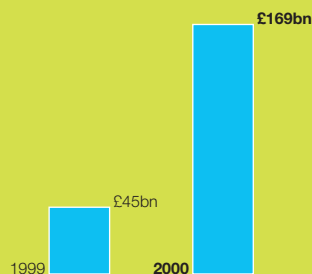
Return on capital allocated



Asset Management

	2000	1999
Operating income	£496m	£192m
Operating profit before integration costs	£138m	£48m
Operating profit after integration costs and before goodwill amortisation	£124m	£48m

Funds under management

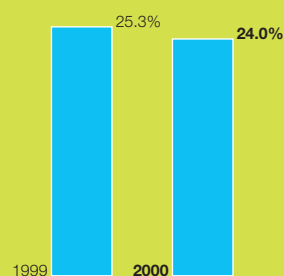


Banking – Nedcor Limited

	2000	1999
Return on average assets	2.10%	1.95%
Cost to income ratio	50.0%	51.7%
Non-interest revenue to total income	47.6%	44.4%
Net interest margin	3.46%	3.64%
Capital ratio – tier 1	11.5%	10.5%

As reported by Nedcor

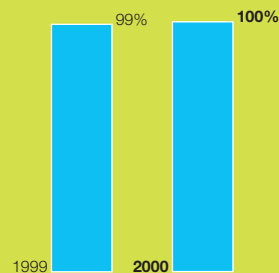
Return on equity



General Insurance – Mutual & Federal Insurance Company

	2000	1999
Net written premiums	£305m	£258m
Operating profit	£44m	£59m

Operating ratio



Chairman's Statement

“WE HAVE MADE SIGNIFICANT PROGRESS THROUGH CONTINUED DEVELOPMENT OF OUR CORE BUSINESSES AND, THROUGH FOCUSED ACQUISITIONS, WE HAVE ESTABLISHED A STRONG FOUNDATION ON WHICH TO BUILD OUR BUSINESSES FOR CUSTOMER AND SHAREHOLDER VALUE IN THE YEARS AHEAD.”

Mike Levett Chairman and Chief Executive

Dear Shareholder

I am pleased to present our results for the year ended 31 December 2000. This past year has seen the Group move rapidly to develop its core businesses and build an international presence through acquisitions in the United Kingdom and the United States. Our acquisitions of Gerrard Group in March 2000 and of United Asset Management Corporation (UAM) in September 2000 have strengthened our international platform to complement our formidable base in the South African financial services market.

Our operating profit for 2000 of £911 million has grown by 38% from 1999 levels, with our newly acquired companies contributing £33 million (net of financing costs) in the periods of 2000 for which their results were consolidated. Operating earnings per share have also increased by 38% to 17.0 pence and embedded value increased 3% to £5,553 million.

The Group was delighted to obtain an A2 senior unsecured

issuer rating from Moody's Investor Service in November. This rating is important to the Group in optimising its capital structure through appropriate use of debt finance.

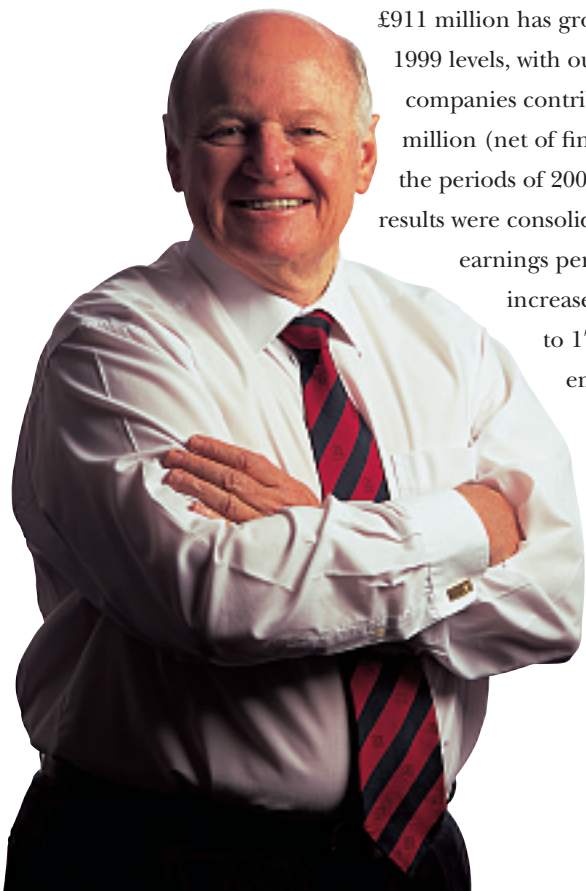
Life Assurance

Operating profit at our continuing life operations was £478 million, an increase of 20% in Rand terms and 12% in Sterling terms from the previous year, even though the comparative figures for 1999 included a number of one-off positive effects arising from the very strong investment market in that year.

The underlying value of new business on an embedded value basis increased 16% to £72 million, after taking into account the impact of the new tax regime in South Africa and demutualisation effects.

The Group reorganised its individual life operations in South Africa into three segments this year to improve service and the quality of products offered to customers. We have also successfully launched a number of individual and group product ranges and bancassurance initiatives, and managed costs effectively to enhance shareholder value.

Internationally, the Group entered into a joint venture in life assurance with Kotak Mahindra in India, in September. We have recently announced the acquisition, subject to regulatory consent, of Unified Life, which will provide a platform for Old Mutual to sell a suite of annuity and term products in the US through brokers.



Asset Management

The operating profit of our asset management businesses increased by 158%, to £124 million, from £48 million in 1999.

Our asset management business took a significant step forward following the acquisition of UAM for US\$2.9 billion in September. This acquisition added some US\$200 billion of funds under management. As part of our ongoing review of the business, we have commenced the restructuring of UAM's operations, forming Old Mutual Asset Managers (US) from seven affiliates who, together with Pilgrim Baxter, have entered into new arrangements designed to allow full earnings participation rather than operating in accordance with the revenue-sharing arrangements previously in place. We are delighted with the way the management of these enterprises have endorsed these initiatives.

Our private client business has undergone significant change this year, following completion of the acquisition of Gerrard Group plc for £529 million in March 2000. Greig Middleton and Capel Cure Sharp have been relaunched under the Gerrard name and are now under one management. As with any large integration, there are some hurdles to overcome in the short term; however, we are confident of meeting the challenges ahead. The money market operations of Gerrard & King, the discount house acquired as part of Gerrard Group, were wound down over the last quarter of 2000, and its collateral management capability rehoused under fellow subsidiary, GNI.

Banking

The operating profit of our banking business increased by 56%, to £327 million, from £210 million in 1999, with the main contributor to these results being Nedcor, our 53% owned subsidiary. Nedcor continues to meet world class operational standards, whilst investing prudently in technology and retail joint ventures that will provide future opportunities for growth and

development. Following the successful flotation of Dimension Data Holdings plc on the London Stock Exchange, Nedcor restructured its holdings in the Dimension Data group, retaining an 8% interest in the listed company. This restructuring resulted in a gain of £356 million being recorded in the profit and loss account as a non-operating item.

General Insurance

The contribution of Mutual & Federal Insurance Company, our 51% owned general insurance subsidiary, to the Group's operating earnings benefited from a marked improvement in underwriting results in the second half of 2000, as well as from its £106 million acquisition of CGNU's South African business during the fourth quarter. Investment return was lower as a result of the impact of assets realised to fund special dividends. Mutual & Federal has maintained its position as one of the leading general insurers in South Africa.

Market factors

The Group's presentation of operating earnings, using a long term rate of investment return, smoothes out the volatile effects of market movements on the Group's results for the year. The effect of actual market movements on shareholder investment values is depicted as short term fluctuations, which were an adverse £180 million in 2000, principally reflecting movements in the JSE All Share Index. Profit after tax and minority interests for the year was £506 million, compared to £1,066 million for 1999.

Whilst operating earnings in South Africa have been strongly positive in Rand terms, their contribution to Group profit has been affected by the continued depreciation in the Rand/Sterling exchange rate, which, using average rates, was some 7% down in 2000 when compared to 1999. This reduced reported operating profit for 2000 by approximately £59 million from what it would have been under the average exchange rate in 1999.

Chairman's Statement *continued*

Management/Employees

I am pleased that in the last year we have significantly strengthened management of the Group. Jim Sutcliffe joined as Chief Executive, Life, in January 2000, and Julian Roberts as Group Finance Director in August 2000, following Eric Anstee's appointment as Chief Executive, Financial Services. Richard Laubscher, Chief Executive of Nedcor, was appointed as an Executive Director of the Company from 1 January 2001.

In addition to appointing Roddy Sparks as the new Chief Executive for our South African life operations, we have recruited key personnel for our UK businesses, and taken important steps to restructure and strengthen management within our newly acquired US operations. To all our new colleagues in the Group, I would like to extend a particularly warm welcome. I would also like to thank all employees of the Group for their contribution to Old Mutual plc in an exciting and successful year.

Dividend

The directors are proposing a final dividend of 3.1p per share, making a total dividend for the year of 4.7p per share, an increase of 18% on last year's pro forma. The dividend is covered 3.6 times by operating earnings per share of 17.0p.

The dividend, which is subject to approval by shareholders at the AGM on 18 May 2001, will be paid to shareholders on the register at the close of business on 20 April 2001 for all the exchanges where Old Mutual plc's shares are listed. The shares will trade ex-dividend from the opening of business on 18 April 2001. The local currency equivalents of the proposed dividend for shareholders on the South African, Malawi and Zimbabwe branch registers and the Namibian section of the principal register will be determined using exchange rates on 12 April 2001

and announced by the Company on 17 April 2001.

Outlook

The Group set itself a great deal to accomplish in 2000 and has worked hard to drive through its strategy. The economic environment affecting our businesses remains important to future performance, and conditions may prove challenging in 2001. We are confident, however, that the foundations we have established this year provide a sound platform for building value for the future.

Annual General Meeting

There are a number of items of special business included in the agenda for our AGM, which is to be held in London on 18 May 2001. The notice of that meeting is set out on pages 129 to 131 of this document and the accompanying notes on pages 132 to 138 provide further details and explanation of these matters. I would particularly draw your attention to Resolution 10 set out in the enclosed notice of the AGM, which relates to the adoption of amended Articles of Association to take account of recent developments in South African and UK law, and Resolution 11, which relates to the proposed adoption of a new all employee share plan. The terms of this plan and further background on this proposal are described in more detail on pages 134 to 138 of this document. Your Board considers that all of the items of special business (Resolutions 6 to 11 inclusive) to be proposed at the AGM are in the Company's best interests and recommends that you vote in favour of them.



Mike Levett Chairman and Chief Executive

Building value

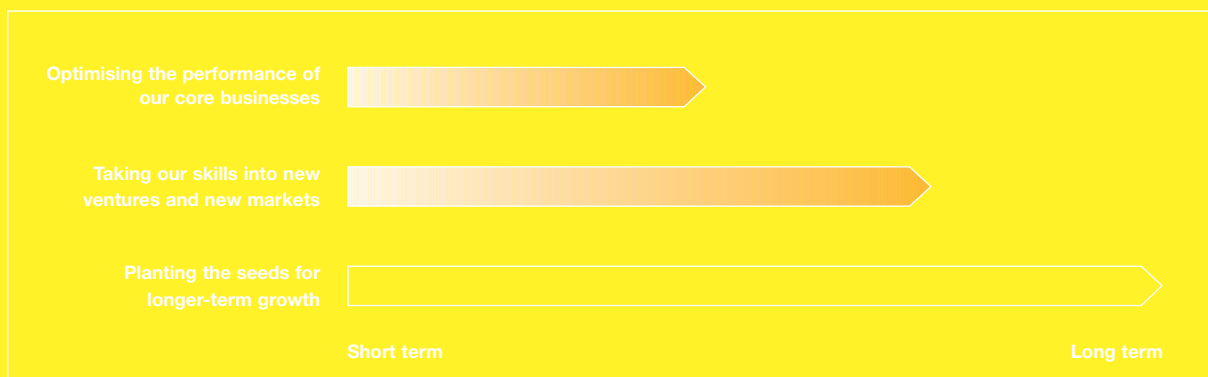
WE ARE COMMITTED TO DEVELOPING THE GROUP IN A WAY THAT GENERATES VALUE FOR OUR CUSTOMERS AND SHAREHOLDERS. BY TAKING THE SKILLS AND EXPERIENCE BUILT UP IN SOUTH AFRICA, AND APPLYING THEM IN NEW MARKETS, WE ARE CREATING A WORLD CLASS INTERNATIONAL FINANCIAL SERVICES COMPANY.

THE YEAR 2000 HAS SEEN RAPID PROGRESS. THE ACQUISITIONS OF GERRARD GROUP IN THE UK AND UNITED ASSET MANAGEMENT IN THE USA GIVE US A SUBSTANTIAL PRESENCE IN THOSE MARKETS. WE ARE BUILDING ON OUR STRENGTH IN SOUTH AFRICA, SERVING BOTH THE SOPHISTICATED CUSTOMER AND THE NEWLY EMERGING MIDDLE CLASS. AT THE SAME TIME, OUR NEW LIFE ASSURANCE JOINT VENTURE IN INDIA PROVIDES A Foothold IN ONE OF TOMORROW'S GROWTH MARKETS.

THROUGHOUT THE BUSINESS WE ARE BUILDING NEW TECHNOLOGIES, DEPLOYING OUR SKILLS ACROSS NATIONAL BOUNDARIES, OPERATING TO WORLD CLASS STANDARDS AND CREATING A CUSTOMER-FOCUSED, ENTREPRENEURIAL CULTURE.

We aim to add value in three ways:

- Optimising the performance of our core businesses by growing profitably and operating more efficiently.
- Taking our skills into new ventures in related businesses and new markets.
- Planting the seeds for longer-term growth by establishing new businesses in developing markets.





World standard on a world stage

OUR STRATEGY OF BUILDING AN INTERNATIONAL ASSET ACCUMULATION AND PROTECTION BUSINESS TOOK A MAJOR STEP FORWARD DURING 2000 WITH THE ACQUISITION OF GERRARD GROUP. THE INTEGRATION OF ITS GREIG MIDDLETON PRIVATE CLIENT STOCKBROKING BUSINESS WITH OUR EXISTING CAPEL CURE SHARP OPERATIONS CREATES THE **LARGEST PRIVATE CLIENT STOCKBROKER IN THE UNITED KINGDOM, NOW REBRANDED GERRARD.** THIS DEVELOPMENT CONSOLIDATES OLD MUTUAL'S POSITION AS AN IMPORTANT PLAYER IN THE UK FINANCIAL SERVICES MARKET.

With 90,000 discretionary wealth management clients and more than 100,000 other trading customers, the new Gerrard is well placed to leverage the Group's asset management expertise.

Old Mutual's broking and asset management operations have one of the largest trading volumes of clients on the London Stock Exchange, offering unrivalled execution capacity and in-depth market knowledge.

Old Mutual Asset Managers (UK) has successfully launched new funds and set itself ambitious growth targets.

GNI touch – the innovative online dealing system developed by Gerrard's derivatives business, GNI – is helping to enhance our dealing capability and to attract new clients.



N.Y.C. TAXI

Building a presence in America

THE ACQUISITION OF UNITED ASSET MANAGEMENT CORPORATION (UAM) GIVES US OUR FIRST MAJOR PRESENCE IN THE USA. IT BRINGS SIGNIFICANT NEW INVESTMENT CAPABILITIES TO THE GROUP, **TRIPLES ASSETS UNDER MANAGEMENT TO £169 BILLION AND PUTS US AMONG THE TOP 30 FUND MANAGERS IN THE WORLD.** OUTSIDE THE USA, UAM ALSO HAS OPERATIONS IN CANADA, JAPAN AND A NUMBER OF COUNTRIES IN EUROPE.

Twenty-two Morningstar ratings of four and five stars demonstrate outstanding investment performance by UAM affiliates.

Pilgrim Baxter is a leading US mutual fund provider, with some of the most admired funds in the market. We are supporting the evolution of its product lines and the broadening of its distribution.

Seven key UAM affiliates have aligned themselves under Old Mutual Asset Managers (US) and are developing a common marketing platform, offering a unique multi-style institutional asset management service.

2000 saw the launch of eSecLending, an innovative stocklending system developed by UAM through a joint venture with the giant US investment fund, CalPERS.

In early 2001 Old Mutual announced plans to launch a life assurance business in the USA, selling selected products through phone contact with brokers.



World class products for South Africa's customers

WITH OUR STRONG BRANDS AND EXTENSIVE CUSTOMER BASE, WE LEAD THE SOUTH AFRICAN FINANCIAL SERVICES INDUSTRY. IN 2000 WE REVITALISED OUR SAVINGS PRODUCTS AND FOCUSED OUR TEAMS ON THE NEEDS OF DIFFERENT CUSTOMER GROUPS. WE INVEST HEAVILY IN NEW TECHNOLOGY TO DELIVER LOWER COST NEW GENERATION PRODUCTS. THE RESULT IS A RANGE OF **WORLD CLASS PRODUCTS THAT MEET CUSTOMERS' NEEDS IN A DEMANDING MARKETPLACE.**

To respond to market trends, our Employee Benefits business has developed a multi-manager product capability for institutional investors' funds.

Modelled on the success of our *Investment Frontiers* range of savings policies, we have introduced a flexible life product called *Investment Horizons* to meet customers' needs for long term asset accumulation and protection.

FundsNet is an innovative online funds supermarket, launched in 2000. In a further development in 2000, unit trust customers can now access their accounts on the move via WAP mobile phones.

We now have a new team of financial advisers offering high quality advice and up-market products to wealthy South Africans.

Nedcor continues to be at the forefront of the South African banking market. Recent innovations include customer smartcards with added security and flexibility.



Meeting the needs of ordinary South Africans

THE GROUP IS PLAYING A LEADING ROLE IN EXTENDING FINANCIAL SERVICES TO THE ENTIRE SPECTRUM OF THE SOUTH AFRICAN POPULATION. IN PARTICULAR, WE AIM TO MEET THE ASPIRATIONS OF THE EMERGING MIDDLE CLASS – THE WEALTH CREATORS OF TOMORROW – AND LAST YEAR WE LAUNCHED A NUMBER OF PRODUCTS TO HELP MORE SOUTH AFRICANS TO PLAN THEIR FINANCIAL FUTURES. THE GROUP ALSO CONTRIBUTES TO A WIDE RANGE OF COMMUNITY CAUSES.

Old Mutual plays a leading role in the gathering of South African savings and arranges their investment both domestically and internationally. It also administers a leading South African healthcare scheme which doubled its membership in 2000.

The *Essential Savings Plan* – a flexible, low-cost policy that offers customers a choice of investments – was launched during 2000.

Nedcor acquired FBC Fidelity Bank and merged it with Peoples Bank to create the country's largest black empowerment bank. Old Mutual's Group Schemes' life and savings products are now sold through Peoples Bank branches throughout South Africa.

Key Facts and Figures

KEY BUSINESS OPERATIONS

Insurance



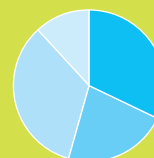
A leader in the South African life and general insurance marketplace

- Largest life insurer in South Africa, selling protection and investment products to large institutional clients and retail market segments in South Africa and offshore.
- Individual product businesses and distribution channels reorganised around major customer segments of High Income, Middle Income and Emerging Wealth.
- Group interest of 51% in Mutual & Federal, the second largest general insurance group in South Africa, selling protection products to corporate and retail clients – with a market share of approximately 19% of the South African general insurance market.
- Market leader in life assurance in Zimbabwe, Namibia, Kenya and Malawi. Offshore life assurance operations in Guernsey and the Isle of Man.
- Broker-orientated life assurance capability recently acquired in the USA.

FINANCIAL HIGHLIGHTS

- 2000 life operating profit of £478 million, up 12% from 1999.
- 2000 annual new business premiums of £1.9 billion.
- New business margin increased from 20% (new tax basis) to 22% in 2000.
- Insurance funds totalled £22 billion in 2000.
- Payment by Mutual & Federal of special dividend of £71 million.

Gross premium income 2000 – Life



- Single premium – individual £952m
- Single premium – group £660m
- Recurring premium – individual £1,002m
- Recurring premium – group £351m

Financial Services



Among the top 30 fund managers in the world, with strong foundations in the USA and South Africa

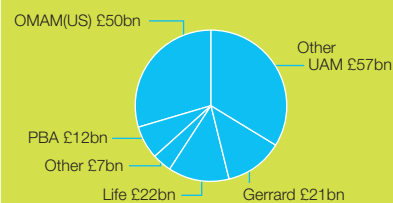
UK private client stockbroking capability through Gerrard

- **Old Mutual Asset Managers (US)** – is a focused multi-style, multi-product asset management business, providing a wide range of products to US institutions through a network of seven affiliates.
- **Pilgrim Baxter & Associates** – sells a wide range of US mutual fund products to retail customers.
- **Old Mutual Asset Managers (SA)** – is asset manager to many large South African institutions, offering both local and offshore capabilities.
- **Old Mutual Asset Managers (UK)** – is building a specialist institutional capability.
- **GNI** – provides targeted financial product offerings to retail and small institutional customers.
- **Gerrard** – is the UK's largest private client stockbroker.
- **Old Mutual Securities** – offers equity research, corporate finance and market-making services to UK clients.
- **Old Mutual Unit Trusts** – manages retail unit trusts in South Africa.
- **FundsNet** – offers real-time trading capabilities for unit trust investors.

- 2000 operating profit of £124 million.
- Net contribution to profit of £33 million from acquired asset management operations.
- Total funds under management of £169 billion at 31 December 2000, including Gerrard Group and United Asset Management Corporation.
- A leading player in UK high net worth market.

Funds under management at 31 December 2000

Total £169bn



Banking



A powerful force in South African banking, leveraging innovative technology

- **Nedcor Ltd, Nedbank, Permanent Bank, Peoples Bank, Nedcor Investment Bank, Cape of Good Hope Bank, Central Africa Building Society**
- Group interest of 53.4% in the Nedcor group, which provides a comprehensive range of banking products in South Africa.
- The Group is also a market leader in South African investment banking through its controlling interest in Nedcor Investment Bank.
- The Group's UK money market discount operation, Gerrard & King, was wound down during 2000.

- Cost to income ratio improved from 51.7% to 50.0% in 2000.
- Total average net assets of the Nedcor group £12.5 billion.
- Return on equity of 24.0%.

Nedcor – earnings per share R cents



CUSTOMER BASE	PRODUCTS, DISTRIBUTION AND DEVELOPMENT	2000 HIGHLIGHTS
<ul style="list-style-type: none"> • Our individual life and affinity group businesses together have approximately 3.8 million customers. • Employee Benefits administers in excess of 800 funds, representing approximately 520,000 members – number of funds being reduced to approximately 200. • International offshore business has over 50,000 high net worth and expatriate customers. • 400,000 general insurance customers. • An average of 2,000 general insurance claims handled every working day. 	<p>Distribution</p> <ul style="list-style-type: none"> • Individual business distributed by agents, brokers and directly. • Employee Benefits products are distributed directly and through brokers. • Predominantly agent distribution in the rest of Africa. • General insurance business substantially written through broker channels. <p>Innovative products</p> <p><i>Investment Horizons</i> – savings and investment products for middle income market.</p> <p><i>Platinum Pensions</i> – defined contribution retirement plans.</p> <p><i>Essential Savings Plan</i> – affordable savings plan for entry-level investors.</p> <p><i>Symmetry</i> – multi-manager capability, complementary to smoothed bonus products.</p> <p><i>Synergy</i> – short term disability product.</p> <p><i>ORB</i> – group risk arrangement offering member-level flexibility.</p>	<ul style="list-style-type: none"> • Salaried advisory service launched under <i>Mint</i> brand. • Reorganisation of individual product businesses and distribution channels around major customer segments. • Launch of <i>Splitfunder</i> for efficient transfer of member-level investment choices to appropriate asset managers. • <i>Dataway</i> – electronic data and money exchange capability. • Formation of <i>Miraculum</i> - a joint venture with Dimension Data and Nedcor in the electronic procurement services market. • <i>Investment Frontiers</i> web-enabled for client and intermediary transactions and interactions. • Affinity group sales alliance with Peoples Bank and JD Group. • Nedcor Elite Personal Portfolio Service launched in Hong Kong by Old Mutual International together with Nedcor Asia. • Critical mass and distribution economies through acquisition of CGNU's general insurance operation in SA by Mutual & Federal. • Indian joint venture with Kotak Mahindra. • SA life assurance business received an Aa3 rating from Moody's for domestic liabilities. • Mutual & Federal's AAA credit rating from Duff & Phelps reconfirmed. • Award of SAIFSA Commercial Insurer of the Year for 2000.
<ul style="list-style-type: none"> • Over 350 third party clients served by Old Mutual Asset Managers outside the USA. • 982,000 unit trust accounts at Old Mutual Unit Trusts. • 90,000 managed clients and 100,000 other trading customers at Gerrard. 	<p>Distribution</p> <ul style="list-style-type: none"> • Range of investment management services to institutions, retail mutual funds and high net worth individuals. • 31 Gerrard offices around the UK. • A major retail funds franchise and distribution network in Pilgrim Baxter & Associates. <p>Innovative products</p> <ul style="list-style-type: none"> • GNI European Funds – guaranteed multi-adviser funds providing investors with exposure to equity derivatives and commodity futures trading. 	<ul style="list-style-type: none"> • OMAM(SA) named top South African fund management company by management of listed corporations in 2000 for second year running – Reuters survey. • Creation of single genuine third party asset management capabilities at OMAM(UK). • UAM acquired for \$2.2 billion effective September 2000. • Launch of <i>FundsNet</i>, an online unit trust trading facility. • Economic arrangements with Pilgrim Baxter & Associates and OMAM(US) affiliates modified from revenue-sharing to profit sharing. • Formation of eSecLending, offering a web-based auction system for securities lending. • Gerrard Group acquired in March 2000 for £529 million. • Integration of private client businesses and relocation of London operations to one building. • Collateral management function moved from Gerrard & King to GNI.
<ul style="list-style-type: none"> • 2.3 million retail customers and 600 corporate customers of the Nedcor group. 	<p>Distribution</p> <ul style="list-style-type: none"> • Nedcor Bank retail operates through 238 branches and over 1,000 electronic interfaces and sophisticated delivery mechanisms to large corporate clients, with Global Business Centres for cross-border transactional banking. • Business Direct, a telephone banking facility, is experiencing exponentially increasing volumes. • Cape of Good Hope Bank operates through 14 outlets. <p>Product development</p> <ul style="list-style-type: none"> • Development of bancassurance products with Old Mutual. • Innovations in delivery channels and software platforms lead to development of value added products. 	<ul style="list-style-type: none"> • Technology joint ventures with Dimension Data and others. • FBC Fidelity Bank acquired and merged with Peoples Bank. • Strategic alliances with Capital One, Old Mutual Group Schemes, JD Group, Pick 'n Pay, Virgin Active and Imperial. • Enabling technology investments – <i>Aplitec</i>, <i>Nihilent</i>, IQ Business Group, <i>The Internet Solution</i>, <i>Miraculum</i>, as well as Dimension Data.



Jim Sutcliffe Chief Executive, Life



Roddy Sparks
M.D., S.A. Life



Peter de Beyer
Individual Life (S.A.)



Peter Moyo
Employee Benefits/Group Schemes (S.A.)

This year has seen significant progress in our life assurance businesses. In South Africa we have appointed a new, young management team following Gerhard van Niekerk's well earned retirement, reorganised the business with much greater customer focus, and significantly extended our technology platforms.

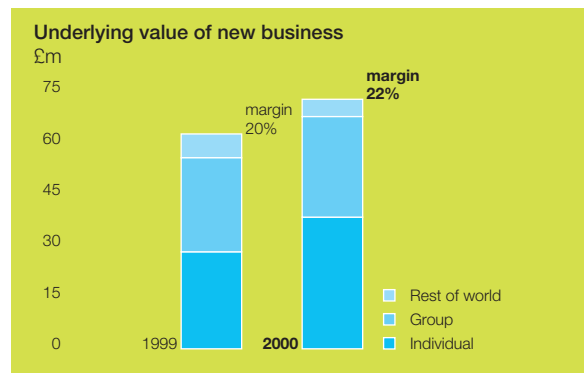
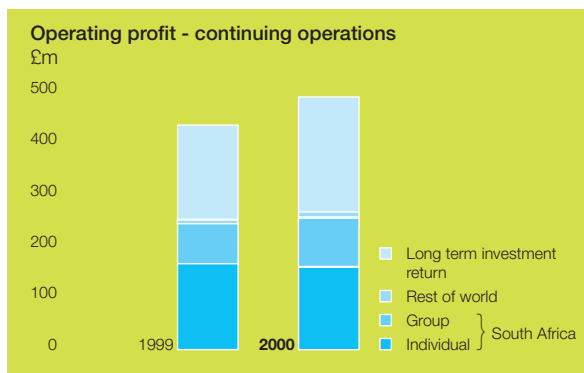
Outside South Africa we have acquired licences to start operations in India and the USA and built new distribution relationships in the Far East.

We achieved world class results from our continuing life businesses, with operating profit up 12% at £478 million, a return of 23% on internal capital allocated (1999: 20%), and the embedded value of new business topped £74 million, with the margin on sales being 22%. After adjusting for the effects of

demutualisation premiums and the new South African life office tax regime, the underlying value of new business was up 16% in Sterling terms.

The increase in underlying operating profit in Rand terms was 24%. The growth in operating profit derived mostly from capital charges on the high asset base arising from the strong equity markets during 1999, and tight expense management.

On an embedded value basis, new business annual premium equivalent was up 3% in Sterling terms, with sales in South Africa up 16% in Rand, excluding the windfall effects in both years of demutualisation. Single premiums were strong both inside and outside South Africa, and Group business recurring premium sales more than doubled.



South Africa

Group Business

Financial performance

Our Group business, Employee Benefits, delivered an excellent operating profit for the year, which at £85 million was 27% higher than the £67 million achieved in 1999. This performance principally reflects the impact of a high opening asset base, coupled with improved fee levels and expense savings from last year's Project 500 initiative. The underlying value of new business increased 7% from £27 million to £29 million, although margins fell from 49% to 38%, primarily as a result of changes in the business mix.

New recurring business premiums were £48 million, an increase of 129%, compared to £21 million in 1999, principally arising from a higher volume of risk products sold.

Single premiums (excluding certain market-linked business, where profits are reported under Asset Management) were lower when excluding the re-investment effects of demutualisation share sale proceeds in both years.



Employee Benefits continued to lead the Guaranteed Fund market in 2000 and declared bonuses for the 1999/2000 year giving policyholders a return of 16% in our flagship product, following strong investment performance in that period.

Product innovation

The Group developed a number of innovative products during the year. *Symmetry*, launched in August, provides a multi-manager capability to complement our with-profits range, and is already a growing presence in the multi-manager market. *Synergy*, launched in May, is a new short term disability product. October also saw the launch of our optional risk benefits product (*ORB*), which offers members flexibility of product choice within a group risk arrangement.

Further progress has also been made in the area of group retirement fund administration. In June we launched *Splitfunder*, a computer application that ensures the efficient transfer of member-level investment choices to a wide choice of asset managers. During the second half of the year we added the capability of electronic data and money exchange known as *Dataway*. This has provided the business with





a more efficient, web-enabled, customer service and improved controls.

Moving forward

The market for outsourcing pensioner liabilities remains strong, although the uncertainty surrounding regulation of distribution of pension fund surpluses is holding some clients back. Employee Benefits has the products and financial strength to continue attracting significant flows from this market. In addition, the market for more flexible open fund arrangements is developing and we are rapidly adapting our products to meet this demand. We will continue to invest strongly in providing service improvements through better IT systems.

Individual Business

Financial performance

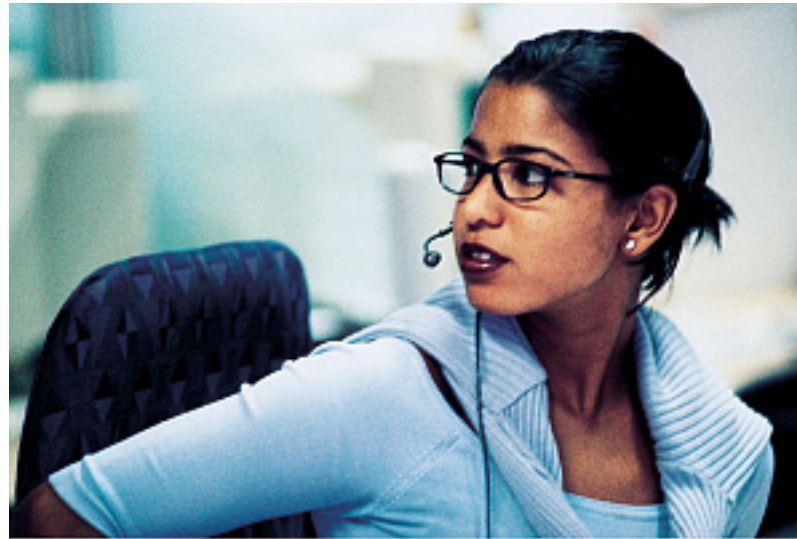
Operating profit of £165 million was 2% lower than the £168 million earned in 1999, although 16% higher in Rand terms after excluding costs of £13 million previously reported as shareholder expenses. Higher margins were earned from high asset levels in the first part of the year.

The value of new business at £38 million was 36%

higher than the £28 million in 1999, primarily as a result of a reduction in the cost of financing acquisition expenses. New single premiums on an embedded value basis, at £805 million, increased 15% from a high 1999 base of £697 million, with the *Investment Frontiers* range in particular continuing to attract flows in excess of £540 million.

Total individual recurring new business premiums, on an embedded value basis, of £131 million were disappointing at some 7% below 1999 levels of £141 million. This principally reflected the adverse impact of a sales force reorganisation on agent headcount and deliberate action to exit unprofitable business areas. Agent numbers have, however, now stabilised and the planned rollout of a new sales methodology was completed in October. Some improvement in volumes was evident in the second half of the year and, importantly, persistency, average case size, and agent productivity trends were positive.

Within these numbers, our affinity group business, Group Schemes, continued to perform well, with new business premiums this year up 27% on the prior year. Alliances with Peoples Bank and JD Group, and other initiatives into the private sector represent a significant opportunity for future growth.



Product innovation

This year has seen the development of a number of innovative new products for the individual client. In June 2000, we launched the *Essential Savings Plan*, which is an affordable savings plan for entry-level investors, and in November we launched the *Investment Horizons* range of savings and investment products for the middle market.

We have also made considerable progress in the second half of 2000 in building our bancassurance joint venture with Nedcor. In addition to the Peoples Bank/Group Schemes arrangements, we are embarking on a series of product and distribution initiatives aimed at middle and high-income customers.

Following the launch of our *Mint* high net worth brand in July, we have established a specialist salaried advisory service aimed at improving our penetration in this competitive high value market.

Regulation

Following concerns over increasing debt levels of Government employees and the activities of unlicensed micro-lenders, the South African Government announced, during 2000, plans to phase out non-statutory deductions from the payroll of Government employees, through the *Persal* system. This method is

also widely used by the Group for premium collection, particularly in our Group Schemes business.

We have played an important role in the dialogue between Government and the life industry to mitigate the effects on our customers and welcome its intention to continue to allow insurance premiums to be deducted from Government employee payrolls.

Moving forward

The individual market is changing rapidly in South Africa. The Group is therefore planning for further product launches in 2001 aimed at ensuring a comprehensive and competitive range of savings, risk and investment products in each market segment. At the same time, we are moving our products on to new-generation administration platforms, pioneered for our successful *Investment Frontiers* range, and aim to deliver significantly improved service levels.

We also aim to expand our market reach by growing our Personal Financial Advice distribution force in the middle income market, without compromising on the higher entry requirements introduced following the restructuring of the agency sales force, and by building a new sales team focused on the emerging middle market.



Technological developments

This past year has seen an aggressive roll-out of our deployment of Information Technology in key areas such as rapid product development systems and e-commerce, where we launched our 4th generation website and low cost administrative platforms. The launch of *Investment Horizons* and the *Essentials* product range on a lower cost administrative platform was a key feature, together with the web-enablement of *Investment Frontiers*, which now allows our customers to interrogate their accounts and monitor performance online.

In addition to our own developments in the e-commerce arena, we formed *Miraculum* in August in conjunction with Dimension Data and Nedcor, to compete in the growing electronic procurement services market. We also acquired a 20% strategic shareholding in *The Internet Solution*, the leading business-to-business internet service provider in South Africa, in which Nedcor also holds a 20% stake. These investments will secure access to scarce skills and intellectual capital within the rapidly evolving e-commerce marketplace.

Customer focus

In October we announced the re-organisation of the individual product businesses and distribution channels around major customer segments, High Income, Middle Income and Emerging Wealth.

This change has given us the opportunity to build a management infrastructure focused on the specific needs of each of our major customer segments.

This new customer focus called for a change in culture within the organisation, which is being driven by an initiative, *Siyakhula* (a Xhosa expression which means “We Are Growing”), recently rolled out to our employees. It aims to harness our employees’ energy within our overall business strategy and to ensure that the virtuous circle of satisfied customer needs, shareholder value, return to the community and employee development is completed.

Investing in people

During the year Gerhard van Niekerk announced his retirement as managing director of Old Mutual South Africa, effective 1 March 2001, following a long and distinguished career. We are all grateful to him for the huge contribution he has made over the years. He is succeeded as M.D. by Roddy Sparks, whose 15 years at Old Mutual have included appointments as Executive General Manager of life investments, finance and, most recently, responsibility for the non-life businesses. Also appointed were Peter Moyo, as Deputy M.D. responsible for institutional business, and Peter de Beyer, Deputy M.D., focusing on individual business.

In February 2001 the Group established Old Mutual Business School, which will provide educational

opportunities for staff at all levels, and significantly enhance their skills to deliver better value products and services for customers and profitable growth to our shareholders.

Rest of the World

International and offshore

In 2000, our international and offshore expatriate businesses embarked on a fresh strategy, to provide quality single premium bonds and multi-manager offshore unit trusts into South Africa, the Far East and other markets.

We have made considerable progress focusing our product range on high quality single deposit offerings, with both internal and external asset management, and we teamed up with Nedcor in the Far East to launch a range of innovative unit trust products.

In addition to developing our core operations, during 2000 we started work on a project to bring localised versions of our South African *Investment Frontiers* product to the UK. This product is expected to be launched towards the end of 2001.

In India, our joint venture with Kotak Mahindra was one of the few companies to receive its licence in December, and we are well advanced in the development of products and the building of the sales and service teams.

In the USA we have entered into an agreement to acquire a widely licensed company, Unified Life, which will provide a platform to sell fixed and equity-linked annuities. We have hired a powerful team of executives for this venture, led by Guy Barker, previously Chief Executive of Natwest Life in the UK and before that Chief Actuary of Jackson National in the USA.

Rest of Africa

The Group's operations in Namibia, Kenya and Malawi have made steady progress. Our Zimbabwe business continues, however, to suffer from political turmoil, which was heightened this year by disturbances surrounding the General Election. This operation, which is the largest financial services business in the country, continued to be profitable, but rapid currency devaluation has significantly reduced its contribution to the Group's results.





Eric Anstee Chief Executive, Financial Services

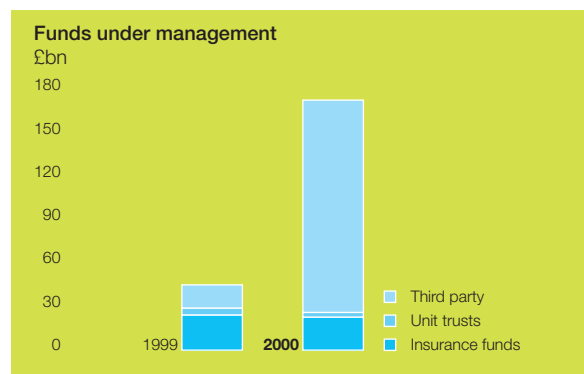
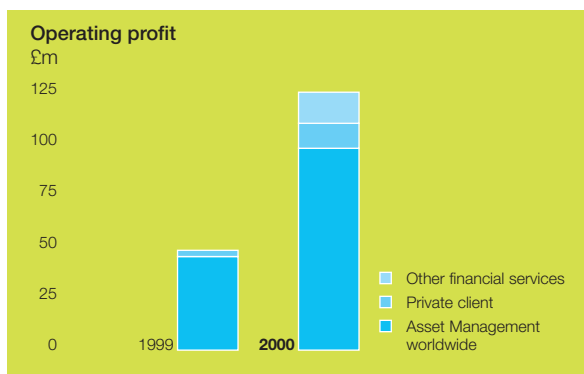
The Group's asset management capability took a significant step forward at the end of September with the acquisition of United Asset Management Corporation (UAM), one of the largest independent investment management organisations in the world. The US market is the world's largest both for institutional and retail/individual assets. The acquisition gives the Group a diversified range of investment managers, styles, asset classes and clients and now makes the Group one of the top 30 asset managers in the world, classified by funds under management.

Total operating profit across the financial services segment of £124 million increased 158% from £48 million in 1999, due primarily to a contribution of £57 million from businesses acquired in the year. A Gerrard Group profit of £13 million (after charging

integration costs of £14 million) was included in Group earnings from April 2000, and earnings of £44 million were generated by UAM from October 2000.

Asset Management worldwide

Our asset management businesses performed well in 2000, with operating profit at £97 million growing 116% from £45 million in 1999. Excluding the contribution of UAM, existing operations produced an 18% increase in profit, with Old Mutual Asset Managers (South Africa) and Old Mutual Unit Trusts performing well. Funds under management increased by 276% to £169 billion, primarily as a result of the UAM acquisition.



United Asset Management

Financial Performance

UAM operating profit of £44 million for the period since acquisition represents a strong result in the light of difficult market conditions in the last quarter of the year. The UAM group ended the year with £119 billion of funds under management, down 14% from the time of acquisition, principally reflecting the Nasdaq driven lower market levels during the fourth quarter and the £6 billion of funds which left the Group through planned divestiture. In spite of the market downturn, net cash flows at Pilgrim Baxter were positive, as the diversity of Pilgrim Baxter's product range softened the market effects. The trend toward value managers also became increasingly apparent as cash out-flows from these managers slowed in the last quarter.

The investment performance of UAM's firms during the year reflected the breadth of talent and the full spectrum of capabilities within the organisation.

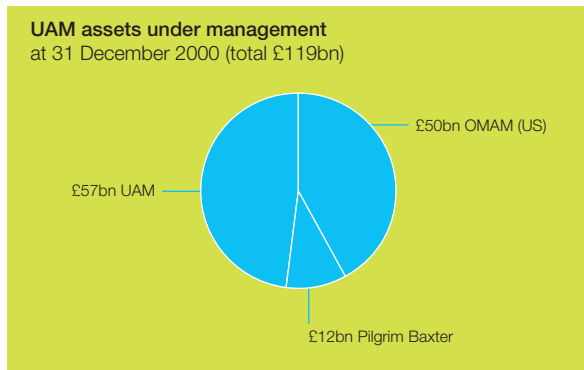
Whereas growth-orientated managers in the US performed well in the period of market growth during the first quarter, OMAM(US)'s value-orientated managers, Barrow, Hanley, Mewhinney & Strauss, and NWQ Investment Management, together with certain other UAM firms, achieved superior results during the market's move to value in the last quarter.

Restructuring

Working closely and cooperatively with affiliate senior executives, the Group has successfully completed the reorganisation of UAM into three focused groups:

- Old Mutual Asset Managers (US): seven affiliated firms providing focused, multi-style, multi-product capability;
- Pilgrim Baxter & Associates, our major retail funds franchise and distribution platform; and
- a strategic group consisting of the remaining UAM affiliates providing a wide variety of capabilities, primarily to the institutional marketplace.





In November 2000, we announced the restructuring of our relationship with Pilgrim Baxter & Associates. The restructuring moved the company from a historical revenue-sharing model to profit-sharing, in order to align incentives with the Group's objectives.

Since then, we have also announced similar arrangements, whereby Acadian Asset Managers, Analytic Investors, Barrow, Hanley, Mewhinney & Strauss, Clay Finlay, Dwight Asset Management, NWQ Investment Management and Provident Investment Counsel have all moved to a profit-sharing model under OMAM(US). These affiliates will work together, and with our other international OMAM asset management businesses, to meet client needs and seek opportunities for co-operation.

The remaining UAM affiliates are being carefully reviewed and evaluated to determine the most appropriate future strategy for each firm. These discussions encompass a range of options, including joining OMAM(US), remaining indefinitely as a stand-alone firm inside the Group, merging with another UAM firm, or possible alignment with other third parties. The process of working with the firms is collaborative, keeping in mind the needs and interests of the firms' clients, principals and employees.

New opportunities

Since acquisition we have further developed some research and development initiatives already underway in UAM. In particular, we have established eSecLending Securities as a separate company, to be based in our Bermuda office and targeted to create a new globally-operated internet-based auction system for securities lending. The first auction with our US partner CalPERS took place very successfully in October 2000.

Moving forward

Going forward, there will be many opportunities for our asset management businesses worldwide, as the Group takes advantage of the closer links with UAM affiliates, and continues its restructuring programme. Our strategy focuses on providing our institutional and retail clients with high standards of performance and



service to build value and to maximise cross-business synergies, particularly between Gerrard and UAM.

Old Mutual Asset Managers – South Africa

Financial performance

Old Mutual Asset Managers (South Africa) (OMAM(SA)) delivered excellent results this year with operating profits of £19 million, up 68% in Rand terms from 1999. This principally resulted from higher market values throughout the first half of the year, focused expense management, and enhanced overall fee levels from new and existing mandates.

Relative investment performance in South Africa, whilst not as strong as in the previous year, was satisfactory across the range of products during the year. For the second year running, OMAM(SA) was rated the No. 1 fund management company in South Africa by the management of listed corporations in the annual Reuters Survey on Global Emerging Markets.

Old Mutual Unit Trusts (OMUT) produced excellent results this year, with operating profit of £16 million, up 40% in Rand terms on the previous year. This result was in spite of poor JSE performance, as investor flows were directed to global funds, with OMUT benefiting from the timely launch of higher margin offshore funds, and the continued success of its range of Fund of Funds products.

Gross sales amounted to R11.5 billion, an increase of 31% over the previous year. After achieving record inflows in the first half of the year as a result of the launch of ten Rand-denominated global funds, these funds reached exchange control limits in August and were consequently closed. This, together with a change in sentiment by wrap fund managers, resulted in a slowing of sales during the second half.

Launch of FundsNet

In November 2000, *FundsNet*, an internet-based investment platform, was launched, giving investors and intermediaries 24-hour access to an extensive range of unit trusts from Old Mutual and other leading South African asset managers.

Relaunch of Old Mutual Asset Managers (UK) (OMAM(UK))

2000 was a year of significant and exciting change for OMAM(UK) following a strategic review of the business, coinciding with the move of the previous CEO, Kevin Carter, to the USA. John Ainsworth was appointed Chief Executive toward the end of the year and brought with him a highly regarded team of investment professionals. The team is now working to establish OMAM(UK) as the Group's UK asset management platform and to grow its third party specialist institutional mandates and retail business aggressively.





In November 2000, the European Fund was relaunched, led by Adrian Farthing, and in February 2001, under Ashton Bradbury, the team successfully launched a new UK Select Smaller Companies Fund.

Gerrard Private Client UK

Merger and Restructuring

In March 2000 the Group's offer for Gerrard Group was finalised, adding Greig Middleton's private client business to Capel Cure Sharp Limited. Throughout the year our management teams have worked to integrate and merge the two businesses at all levels, and to co-locate their operations in London and selected branches.

In December, Greig Middleton and Capel Cure Sharp were rebranded under the Gerrard name. The combined Gerrard business is the UK's largest high net worth private client asset manager, offering a wide range of discretionary, advisory and managed services from 31 different office locations.

Financial Performance

Operating profit, before integration costs of £14 million, was £26 million for the year, incorporating a full year's contribution from Capel Cure Sharp and nine months' contribution from Greig Middleton.

Operating profit from our Capel Cure Sharp business was adversely affected by regulatory and system issues,

which arose from the high business volumes experienced in the first half. These issues resulted in additional costs, following the recruitment of temporary resources by the Group to manage the problem and rectify the issues involved.

We have strengthened the management team during the latter part of the year following the retirement of Richard Bernays. Stephen Clark was appointed Deputy Chief Executive and Chief Operating Officer of Gerrard in August and Clive Boothman was appointed Chief Executive in September. A new Chief Financial Officer, Peter Meyer, was appointed in December.

The restructuring plan following the merger remains on track to secure improved revenue sources and future annualised cost savings of approximately £15 million from a total restructuring cost outlay of £25 million. The timing of delivery has been delayed as a result of a change required to our IT strategy for the combined group to secure operational platforms that are sufficiently robust to deal with high trading volumes similar to those experienced in the first quarter of 2000.

Revenues of £149 million were 6% better than the previous year on a like-for-like basis, despite the transfer of revenue from Institutional and Corporate business from Greig Middleton to Old Mutual Securities and GNI during the year, as part of the post-

acquisition rationalisation. Commissions continued to be strong and, despite flat to lower market and fee income levels, improved as charging structures were extended throughout our client base and clients moved toward more discretionary services. Capel Cure Sharp unit trusts performed well, particularly in the first quarter of the year.

Market conditions during the year were challenging, as the APCIMS balance benchmark fell by almost 5% and the FTSE fell by nearly 10%. Total funds under management, at £20.9 billion, increased 118% from £9.6 billion in 1999, principally through the acquisition of Greig Middleton: however, market movements and net fund outflows have somewhat offset this effect.

Moving forward

The continued integration of the Capel Cure Sharp and Greig Middleton businesses offers exciting opportunities to leverage the different skill bases within each organisation. Over 2001, it is our intention to produce a broader and enhanced range of both products and services and to leverage the now rebranded Gerrard Investment Funds. Significant focus will also be placed on successful delivery of several key transaction processing and client service infrastructure projects.

Other Financial Services

Operating profit of £15 million for other financial services businesses was either purchased following the Gerrard acquisition or earned by newly established businesses.

GNI

Trading in GNI's business has been satisfactory despite market conditions, which saw volumes at low levels in the second half of the year. Operating profit of £8 million for the nine-month period ended 31 December 2000 benefited from further development of equity products. GNI now incorporates the collateral management arm of Gerrard & King, the former discount house business of the Gerrard Group, which was substantially wound down at the end of 2000. GNI remains at the centre of technological innovation for the Group's asset management division.

GNI Fund Management launched two guaranteed multi-adviser funds, GNI European Funds 1 and 2, in August and September. The two funds have a combined value of \$48 million. The funds provide investors with exposure to both equity derivatives and commodity futures trading, and both finished the year at new peaks.





Old Mutual Securities

Old Mutual Securities (OMS) was launched in June, following the combination of Greig Middleton's Corporate and Institutional and Albert E Sharp Securities' businesses into one entity. Since then the group has developed a market-making capability covering more than 300 stocks and gained 30 new corporate broking clients.

Revenues have increased strongly to £19 million from £9 million in 1999, reflecting the increased level of activity and product diversity. OMS benefited from high levels of activity in the early part of the year, particularly in the IT sector. These reduced in the second half of the year, when more traditional sectors

came back into favour. Market-making in stocks began in February 2000 and has made a strong start.

Prospects remain good as OMS's product range widens to cover all sectors that exhibit growth potential in the small and mid-cap areas.

Old Mutual Specialised Finance (OMSFIN)

OMSFIN grew rapidly in 2000, with after tax earnings of £6 million from its corporate lending, securities lending and structured product activities. The company is well positioned to continue this trend through the growth of existing operations and introduction of new products.



Richard Laubscher Chief Executive, Nedcor Limited

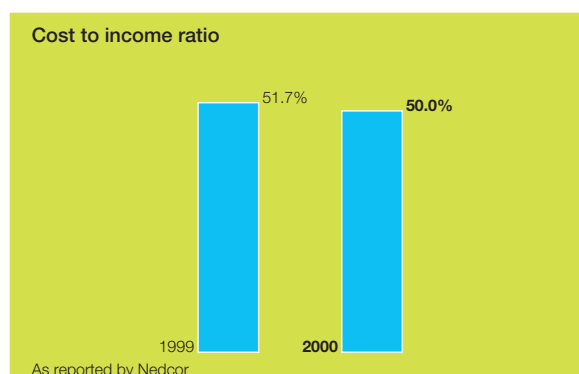
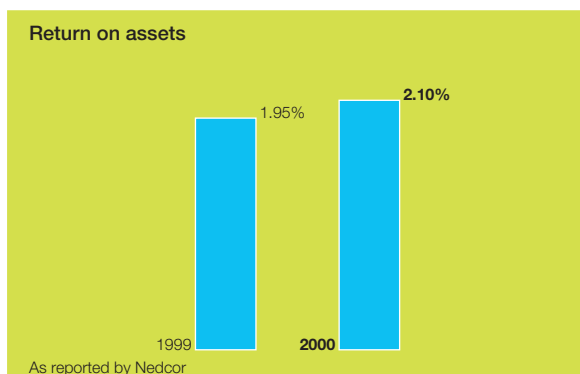
Financial Performance

Banking profit of £327 million increased 56% from £210 million in 1999, principally reflecting the impact of special provisions and property write-downs of £94 million made by the Group's 53% subsidiary Nedcor in 1999.

Nedcor's contribution to the Group's operating profit before minority interests was £337 million, up 57% from £215 million in 1999. In spite of the continuing high interest rate environment in South Africa, which continued to slow business volumes, Nedcor reported a strong result, generating a 26% increase in headline earnings from R2,406 million to R3,027 million and an increase of 24% in earnings per share. Nedcor also reported R98 million in exceptional charges relating to branch property write-downs and leasehold premises, which have been included in the Group's operating profit for reporting under UK GAAP.

Net interest income was reported as showing an increase of 9% in the year, despite a decline in interest margin from 3.64% to 3.46%. The margin was negatively affected by the reduced endowment effects of lower interest rates on free capital and the redeployment of funds into strategic investments. Non-interest revenue continued to grow strongly, increasing by 23% and reflecting a strong performance overall and excellent foreign exchange income. Nedcor's cost to income ratio fell from 51.7% to 50.0% as a result of continued successful cost management, and stabilisation of debt provision levels, the charge increasing by 5% year on year after allowing for the higher provisioning levels within the acquired FBC Fidelity Bank.

Nedcor exchanged its 25% interest in Dimension Data International for shares in Dimension Data Holdings plc during the fourth quarter, generating an



exceptional profit of R3.7 billion (£356 million). The increase in shareholders' funds caused by the exceptional profit has resulted in the reported overall return on equity, on a South African GAAP basis, reducing 1.3% to 24.0%. Excluding technology investments, the adjusted return on equity for the banking operations was 25.3%, the same as the previous year.

Gerrard & King's operating profit of £2 million is included in this year's banking results. However, Gerrard & King began winding down its banking book from November and this process is now largely complete. The results of its collateral management division, which moved to GNI in 2000, will be reported as part of other financial services in future.

Business development

Nedcor developed three non-linear strategies during the year, firstly by forming alliances and partnerships with best-of-breed companies in their fields to develop its retail banking network. In August Nedcor acquired the business of FBC Fidelity Bank Limited, which has been merged into Peoples Bank Limited and is now one of the largest financial institutions serving the previously under-banked population in South Africa.

Nedcor also formed important alliances with: Capital One to utilise its unique data-mining capabilities; Old Mutual's Group Schemes to offer assurance and savings products; furniture retailer JD Group and

Pick 'n Pay Financial Services to extend its product range and outlets; Imperial Holdings through the purchase of 50.1% of Imperial Bank, a specialist asset-based finance house; and Virgin Active, through the acquisition of a 30% private equity interest in the Virgin Active South African health and fitness business. These alliances have given Nedcor access to over nine million customers.

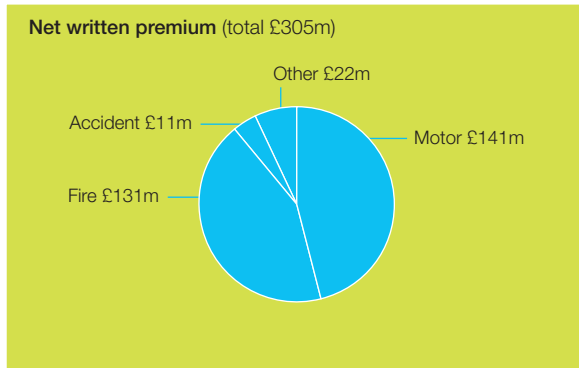
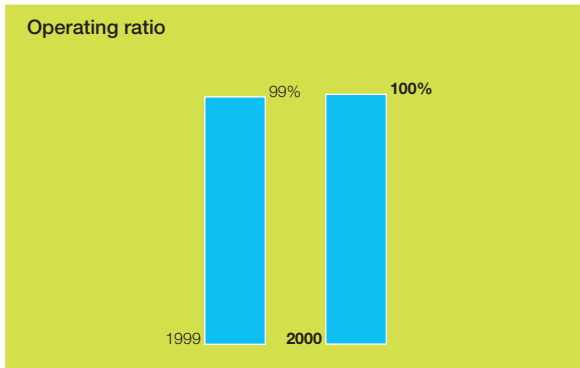
Secondly, Nedcor's technology and outsourcing division moved towards commercialisation as a stand-alone entity. This will enable it to utilise capacity more widely and create the potential for the outsourcing of IT and processing needs of other financial institutions.

Thirdly, Nedcor has seen exciting developments in investments in strategic IT companies and other business enhancing partnerships. This led to further investment in Dimension Data and new investments in IQ Business Group, *The Internet Solution*, *Aplitec*, *Nihilent Technologies* and *Miraculum*, all new technology businesses that are expected to add value to the traditional business in future.

Moving forward

Cost control and increased efficiencies, benefits from alliances and a continued drive to improve client service should lead to market share growth. These factors, together with anticipated growth from Nedcor's strategic investments, should contribute to continuing positive results.





Financial performance

Following a difficult first half due to weather-related losses, our 51% subsidiary, Mutual & Federal recovered well in the second half as rating increases were passed into the market place and claims incidence and severity improved. Mutual & Federal’s underwriting result for the year was marginally positive, compared to a £3 million loss reported at the half year.

Premium income rose 18% from £258 million to £305 million, largely as a consequence of the inclusion of the results of the acquired CGU Holdings from October, along with the benefit of rate hardening in the market. Expense management remains an important feature of Mutual & Federal’s performance, with levels being contained well this year. The fall in

operating profit from £59 million to £44 million principally reflects the impact of currency effects and special dividends, which have reduced the asset levels upon which long term investment returns are earned.

Corporate development

Continuing with its strategy of consolidation in general insurance, Mutual & Federal acquired CGU Holdings for R1,206 million (£106 million) in October.

As part of its capital restructuring plans, during November, Mutual & Federal announced a special dividend to shareholders of £71 million.

Notwithstanding this, its capital position remains very strong.



Financial Review



Julian Roberts Group Finance Director

We highlight in this review some of the key features of this year's financial statements and describe how the significant changes that took place during 2000 affected the Group from a financial perspective.

Operating profit presentation

In accordance with common UK industry practice, in order to facilitate the evaluation of performance, we have shown operating profit and operating earnings per share before the impact of short term fluctuations in investment return, non-operating items and goodwill amortisation.

Acquisitions

The Gerrard Group acquisition was funded by £98 million of loan notes and £431 million of internal resources. The \$2.9 billion UAM acquisition was principally debt financed through a \$1,600 million acquisition finance facility with a syndicate of banks, issuances of \$520 million of Medium Term Notes, and other internal resources. Pilgrim Baxter's initial re-equitisation costs (see below) were funded by placing £153 million worth of new ordinary shares, with future payments expected to be met out of internal resources.

UAM operated with 41 separately governed affiliates where the effective economic interest to UAM was restricted to a share of revenues. Since acquisition we have taken steps to realign the interests of the Group with those of certain of the affiliates by a process of re-equitisation, which moves our relationship with Pilgrim Baxter and the



OMAM(US) affiliates from revenue-sharing to an earnings-linked business model. The transaction with Pilgrim Baxter was in three parts: initial payments of \$110 million and \$111 million, for 52% of revenues previously owned by management: further payments totalling \$420 million (payable at the option of the Group and to be exercised by the end of the third quarter 2001) for the remaining 48%, and a grant of \$170 million in phantom stock. Consideration other than the initial payments, together with \$129 million relating to the re-equitisation of OMAM(US) affiliates, is structured to be paid over the next seven years, and has been capitalised into goodwill in accordance with UK GAAP. Goodwill is being amortised over 20 years.

Other shareholders' income/(expenses)

These items principally represent long term investment return of £17 million earned on shareholders' funds, offset by financing costs of £32 million and other shareholder costs of £47 million, which include business development costs of £6 million.

Taxation

The Group's effective tax rate (based on the tax charge as a proportion of profits on ordinary activities before tax) of 18% is 12% lower than the UK standard corporation tax rate. This is primarily due to the positive effects of tax-exempt income earned by the Group's life assurance and banking businesses in South Africa and the impact of brought forward tax losses in our South African life businesses, partially offset by STC payments on distributions.

Non-operating items

Following the restructuring of Nedcor's interests in the Dimension Data group, the Group realised a gain of £356 million. This has been recorded in the profit and loss account as a non-operating item.

Earnings per share

The Group's operating earnings per share based on a long term investment return before goodwill amortisation have increased by 38% from 12.3p in 1999 to 17.0p. This increase principally reflects the strong performance by our life and banking businesses and the one-off charges relating to pensions mis-selling (£50 million), special provisions and property write-downs (£94 million) recorded in 1999.

Earnings per share are calculated using an average number of shares in issue during the year of 3,373 million (1999 number of shares: 3,127 million). These shares exclude 88 million unvested shares held in employee share trusts.

Dividends

The Board recommends a final dividend of 3.1p per share, which, if approved at the AGM, will bring the total dividend per share for the year to 4.7p. This represents an 18% increase over the total pro forma dividend for 1999. Dividend cover (based on a long term investment return) at this level is 3.6 times operating earnings per share (pro forma 1999: 3.1 times).

Currency and Markets

The principal currency affecting the Group's operations is the Rand. Depreciation in that currency against Sterling over the reporting period was 14%, with the exchange rate finishing at R11.3:£1 at the end of the year, compared to R9.9:£1 at the beginning of the year.

Financial Review *continued*

Our current policyholder charging and asset management fee-earning arrangements entail that the Group's earnings are dependent to a significant degree upon asset values, which are themselves determined by world stock markets. The results benefited from the high asset values generated by a strong 1999 South African equity market, which saw the JSE All Share Index rise by 57% during that year. Since the acquisition of UAM, the Group's earnings have also been affected by movements in US equity markets, particularly those of Pilgrim Baxter, which are closely related to the Nasdaq index.

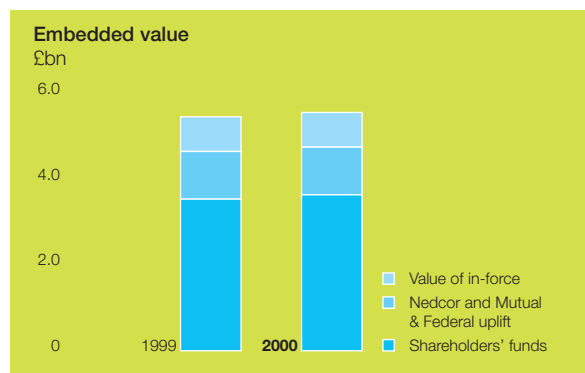
Embedded value

Embedded value is the sum of the shareholders' net assets adjusted to reflect listed subsidiaries at market value, and the present value of the future after tax profit from the life business written and in-force at the valuation date, adjusted for the cost of holding appropriate solvency capital. The change in the embedded value over the period, adjusted for any capital raised and dividend provided for, gives an economic measure of performance.

Embedded value is not an appraisal value, so does not include any value for policies not written at the reporting date. The methodology also does not record any additional value for linked "investment type" contracts where profits are recorded under Asset Management, nor any additional "market" value not reflected in the books for non-listed subsidiaries.

Embedded value increased 3% during the year from £5,414 million to £5,553 million as positive growth in Rand terms was offset by adverse currency movements. The main contributors to the Rand growth of 17% were the strong growth in Nedcor's share price, strong new business value, and the effect of assumption changes which crystallised positive experience variances.

An analysis of the composition of shareholders' funds plus the Nedcor and Mutual & Federal market value uplift (the Adjusted Net Worth) is given below:



	31.12.2000	31.12.1999
Strategic holdings – Nedcor	39%	37%
– Mutual & Federal	4%	4%
Portfolio investments in S.A.	27%	33%
Other African assets	3%	4%
International portfolio investments	4%	11%
Cash	3%	7%
Unlisted subsidiaries	46%	4%
Loans	(26)%	–

Long term investment return

The long term investment return used is 14% (1999: 14%), which is based upon actual historical investment returns earned on our South African portfolio. This rate is applied to a rolling average of investible assets adjusted for shareholder cashflows. The return has been translated into Sterling, with other profit and loss account items, using the average exchange rate of R10.5:£1 for the year.

Capital

During the year, there were some important changes to the Group's capital. In July, the Company obtained UK High Court approval to cancel an amount equal to £500 million from its share premium account and to increase its distributable reserves by a like amount, and in October, Mutual & Federal Insurance Company Limited returned capital through payment of a R750 million special dividend (£36 million Group share). In order to fund the \$221 million initial Pilgrim Baxter re-equitisation payments, the Group placed 105 million new ordinary shares, simultaneously with 25 million existing issued shares, representing shares held in connection with satisfying claims and errors in accordance with the Scheme of Demutualisation.

Solvency

The Group's life assurance and asset management businesses all operate within regulatory environments which set minimum levels of required capital for the purposes of policyholder and customer protection. All of the Group's main operating businesses have solvency levels comfortably in excess of the local regulatory minimums. In November 2000 the Group received an A2 senior unsecured issuer rating from Moody's Investor Service and Old Mutual Life Assurance Company (South Africa) Limited, the Group's South African life company, received an Aa3 rating for domestic liabilities. Mutual & Federal Insurance Company Limited enjoys an AAA rating from Duff & Phelps and Nedcor had a tier 1 capital ratio of 11.5% at 31 December 2000 (1999: 10.5%).

Gearing

In order to fund acquisitions this year and bring the Group toward a more balanced capital structure, the Group raised £850 million of debt finance, which at 31 December 2000 represented a gearing proportion (defined as debt over capital plus debt) of 25% or 23%, net of cash and short term investments which are immediately available to repay debt.

Treasury management

The Group's central treasury function is responsible for managing Old Mutual's internal and external financing requirements and related interest rate exposures, the management of foreign currency exposures, and the development of best practice within the Group for co-ordinating and managing financial risk. Group Treasury also maintains and develops Old Mutual's banking relationships in order to ensure transactional and funding needs are met at all times.

Risk management

The Group recognises that effective risk management is an essential part of protecting and increasing shareholder value and earnings. At the Group level the principal risks are the volatility of the major currencies in which the Group operates (Rand and US\$) to Sterling and investment market movements.

Given the lack of deep and liquid markets for African trading currencies and the size of currency-related risks, the Group does not currently hedge translation risk, although action may be taken to hedge specific forecast cash flows, such as the payment of dividends from South Africa.

In order to manage investment risk, the Group makes limited use of derivative contracts outside regulated entities only for the purpose of risk reduction or efficient portfolio management. Speculative activity is not permitted and

all transactions must be fully covered by cash or corresponding assets and liabilities. The total income of all derivative instruments outside regulated entities is not material to the Group.

Other risks managed by the Group's businesses are described below.

Life Assurance

Underwriting risk is controlled by underwriting principles governing product re-pricing procedures and authority limits. The underwriting process takes into account actual mortality, morbidity and expense experience. The impact of HIV/AIDS is mitigated wherever possible by writing products that allow for re-pricing on a regular basis or are priced to allow for the expected inflationary effects of AIDS. The Group also conducts HIV tests for lives insured above specific values and offers reduced premiums for those willing to undergo regular testing.

Market risks on non-profit policies (where the investment risk is carried by the shareholders) principally reside in the guaranteed non-profit annuity book, which is closely matched with gilts and semi-gilt investments. Other non-profit policies are also suitably matched through comprehensive investment guidelines. Market risks on with-profit policies where investment risk is shared are minimised by the practice of smoothing bonus declarations out of surplus assets. Where guarantees are involved, a minimum portion is held in fixed interest assets. Reducing or passing bonuses or even the claw back of non-vested bonuses can mitigate the impact of significant investment shocks before there would be recourse to shareholders. Amounts would be recoverable should market values subsequently improve.

Equity price risk and interest rate risk (on the value of securities) are modelled by the Group's risk-based capital practices which require sufficient capital to be held by the life assurance company in excess of the statutory minimum to allow the Group to manage significant equity exposures. Credit risk is monitored by credit committees covering life and third party funds which establish appropriate exposure limits by portfolio.

Banking

Financial instruments are fundamental to the operations of Nedcor and such instruments are frequently used to create, alter or reduce the risks that the Group is exposed to in the course of its normal operations. Risks relating to trading and non-trading activities are managed through a comprehensive framework of policies, methods and independent monitoring committees.

Asset and liability management is conducted within a formal structure which monitors the levels of acceptable financial risk and the management thereof. Asset and liability management is not heavily reliant on trading securities and derivatives. The focus is on utilising on-balance sheet mechanisms.

Interest rate risk for Nedcor is the Group's net income exposure to adverse movements in rates arising as a result of the mismatches in the re-pricing terms of assets and liabilities. Prospective re-pricing of assets and liabilities is assessed using gap analysis and earnings at risk modelling techniques to assess the potential impact.

Liquidity risk is the risk of being unable to raise funds at market prices to meet commitments as they fall due or satisfy client demands for funds. Risk is managed by the maintenance of adequate capital combined with sophisticated cash flow forecasting and strategic planning, maintaining an adequate pool of high quality marketable assets and ensuring appropriate diversity in liabilities.

Credit risk is governed by policy guidelines and administered by an appropriately constituted committee, which meets to approve all facilities in excess of 10% of capital together with other large exposures, risk limits, provisions and non-performing loans. Concentrations in country credit risk are similarly managed.

Nedcor trades primarily in foreign exchange and interest rate markets using interest rate swaps, forward rate agreements, bonds and bond options. Currency options, equity and equity derivatives are also traded on a limited basis and may have adverse consequences to shareholder funds. Trading exposures, however, are measured using sensitivity analysis, value at risk and scenario testing and Nedcor operates a formal system of monitoring and oversight on market trading risk.

Asset Management

The exposure of our asset management businesses to market fluctuations is limited to impacts on revenue levels which themselves are a function of the value of client portfolios. Investment risk is principally borne by the client. Compliance risks faced by these businesses is monitored and reviewed by compliance and risk committees which have been established for this purpose. The risk of loss of key employees is managed by the extension of long term incentive schemes which align with shareholder value targets, and competition restrictions in employment agreements.

GNI makes extensive use of derivatives in the ordinary course of its business, however, the nature of this business requires that positions be matched with minimal basis risk, therefore exposures are small. Credit exposures are monitored daily by a credit committee. Gerrard & King's credit risk exposures are now minimal following the winding down of its banking book over the last quarter of 2000.

General Insurance

Underwriting risks are controlled through a formal system of parameters within Mutual & Federal Insurance Company Limited which are regularly updated and only deviated from following approval by senior management. Reinsurance cover is in place, with retentions set at conservative levels. Equity price risk is covered by the capital strength of the Company.

Julian V F Roberts

Group Finance Director
London, 6 March 2001

Board of Directors

The Board comprises five executive and six non-executive directors.



Mike Levett (61)

B. Com, D. Econ. Sc (hc), FIA, FFA, FASSA, is the Chairman and Chief Executive.

He was Chief Executive of the Group's South African life company from 1985 until demutualisation in 1999 and has worked for the Group since 1959. He is also a non-executive director of Barloworld Limited, Central Africa Building Society, Mutual & Federal Insurance Company Limited, Nedcor Limited, South African Breweries plc and Old Mutual South Africa Trust plc.



Eric Anstee (50)

FCA, is Chief Executive, Financial Services, a position to which he was appointed during 2000, having joined the Group as Group Finance Director in 1998.

He was previously Finance Director of The Energy Group PLC. Prior to that he was Group Finance Director of Eastern Group plc from 1993 to 1997. Before joining Eastern Group plc, he was a senior partner with Ernst & Young. He is a member of the Senate of the Institute of Chartered Accountants in England and Wales. He is a non-executive director of Severn Trent plc.



Richard Laubscher (49)

B.Com (Hons) (Fin), AMP (Harvard), was appointed as an executive director with effect from 1 January 2001.

He is Chief Executive of Nedcor Limited, a position he has held since 1994, and of Nedcor Bank Limited and Chairman of Cape of Good Hope Bank and of Peoples Bank. He has worked for the Nedcor Group for a total of 30 years. He is also a director of The Banking Council and of National Housing Finance Corporation in South Africa.



Julian Roberts (43)

BA, FCA, MCT, was appointed as Group Finance Director from 21 August 2000.

He is also a non-executive director of Nedcor Limited and of Mutual & Federal Insurance Company Limited. He was formerly Group Finance Director of Sun Life & Provincial Holdings PLC. Before joining Sun Life & Provincial Holdings PLC, he was Director and Chief Financial Officer of Aon UK Holdings Limited for five years.



Jim Sutcliffe (44)

BSc, FIA, joined the Group as an executive director and as Chief Executive, Life, in January 2000.

He was formerly Deputy Chairman of Liberty International plc, having previously been Chief Executive, UK, of Prudential plc and Chief Operating Officer of Jackson National, Prudential's US subsidiary.



Norman Broadhurst (59)

FCA, FCT, is a non-executive director, Chairman of the Audit Committee and Deputy Chairman of Old Mutual Financial Services (UK) plc. He was Group Finance Director of Railtrack plc from 1994 to 2000. From 1990 to 1994 he was the Finance Director and then Deputy Chief Executive (Finance/Commercial) for VSEL Consortium PLC. His other current non-executive directorships include Chloride Group plc, Clubhaus plc, Tomkins plc, Taylor Woodrow plc and United Utilities PLC.



Warren Clewlow (64)

OMSG, CA(SA), D. Econ. (hc), is a non-executive director and Chairman of the Compliance Committee. He has been Chairman of Barloworld Ltd since 1991. He was previously Chief Executive of the Barloworld group and has managed many of its diverse divisions. He is also a non-executive director of Nedcor Limited, Sasol Limited and Iscor Limited.



Christopher Collins (61)

FCA, is a non-executive director and Chairman of the Remuneration Committee. He was appointed Chairman of Hanson PLC in 1998, having been Vice-Chairman since 1995. His international experience includes working as a Hanson PLC representative in Australia. He is also Chairman of Forth Ports plc and a non-executive director of The Go-Ahead Group PLC and of Alfred McAlpine plc.



Peter Joubert (67)

BA, DPWM, is a non-executive director. He is also Chairman of Delta Motor Corporation (Pty) Limited, Delta Electrical Industries Limited, Foodcorp Holdings (Pty) Limited, Munich Reinsurance of Africa Limited, NEI Africa Holdings Limited and Sandvik (Pty) Limited, deputy chairman of Nedcor Limited and a director of Impala Platinum Holdings Limited, Malbak Limited, Murray & Roberts Holdings Limited and Nedcor Bank Limited. He is a past Managing Director and Chairman of African Oxygen Limited.



Chris Liebenberg (66)

CAIB(SA), FIBSA, AMP (Harvard), is a non-executive director. He is also Chairman of Nedcor Limited and a former Minister of Finance in the South African Government of National Unity. He is a past Chief Executive of Nedcor Limited and past Chairman of Hoechst SA. He is also a director of Mutual & Federal Insurance Company Limited and of Development Bank of Southern Africa.



Murray Stuart (67)

CBE, MA, LLB, D. Univ, CA, FCT, is the senior non-executive director and Chairman of the Nomination Committee. He is also non-executive Chairman of Intermediate Capital Group plc, a non-executive director of The Royal Bank of Scotland Group plc and of CMG plc, a member of the Supervisory Board of Vivendi Environnement, and a member of the Advisory Board of Credit Lyonnais Europe. He was Chairman of ScottishPower plc from 1992 to 2000. He was previously Deputy Managing Director of ICL and Chief Executive of Metal Box.

Directors' Report

The directors of Old Mutual plc submit their report and the audited financial statements of the Group for the year ended 31 December 2000.

Principal activities

The Company is the holding company of the Old Mutual group of companies, whose principal activities are life assurance (including retirement savings), asset management (including unit trusts and portfolio management and services), banking and general insurance.

Share capital

The Company's issued share capital as at 31 December 2000 was £355,141,289.10 divided into 3,551,412,891 ordinary shares of 10p each (1999: £344,462,423 divided into 3,444,624,230 ordinary shares of 10p each). During the year ended 31 December 2000, a total of 1,788,661 ordinary shares of 10p each were issued pursuant to the Group's share schemes (including on the exercise of "roll-over" options granted under the Gerrard Group plc share schemes in connection with the Group's acquisition of Gerrard Group plc) and 105,000,000 shares were issued pursuant to a placing in connection with the restructuring of revenue-sharing arrangements at the Company's subsidiary, Pilgrim Baxter & Associates, Ltd. Authorities from the shareholders for the Company to make market purchases and/or to purchase pursuant to contingent purchase contracts relating to each of the four African stock exchanges on which the Company's shares are listed up to an aggregate of 344,462,423 of its own shares were in force at 31 December 2000.

Review of the year and future developments

The Chairman's Statement, the Business Review and the Financial Review beginning on pages 4, 18 and 34 respectively contain a review of the year and of future developments of the Group. The Group's profit, appropriations and financial position are shown in the financial statements.

Dividend

The directors recommend a final dividend of 3.1p per share for payment on 31 May 2001 to holders of ordinary shares on the register at the close of business on 20 April 2001.

If approved, this dividend will be paid to shareholders on the South African, Malawi and Zimbabwe branch registers and the Namibian section of the UK register in the respective local currency of those territories, by reference to the relevant exchange rates prevailing on 12 April 2001, as determined by the Company. The equivalent of the recommended Sterling dividend in these currencies will be announced by the Company on 17 April 2001. It is expected that payment will be made via dividend access trust mechanisms in each country concerned. This means that holders of shares on the South African branch register will receive their dividend from a South African domestic entity and will not, therefore, be subject to the South African tax on foreign dividends on this dividend.

For future dividends, the Board intends to follow a policy to achieve stable returns to shareholders over time reflecting the Group's long term investment return and the cash flow requirements of its businesses. It expects to declare an interim dividend for the current year in September 2001, payable in November 2001, representing approximately one third of the expected full dividend for the year.

Directors

The Board currently has 11 members, consisting of five executive and six non-executive directors. The Chairman and Chief Executive (Mr M J Levett), the Chief Executive, Financial Services (Mr E E Anstee) and the six non-executive directors (Mr N N Broadhurst, Mr W A M Clewlow, Mr C D Collins, Mr P G Joubert, Mr C F Liebenberg and Mr C M Stuart) were all in office as at 1 January 2000. Mr J H Sutcliffe was appointed as an executive director and Chief Executive, Life, on 24 January 2000; Mr J V F Roberts was appointed as Group Finance Director (a role previously held by Mr Anstee) on 21 August 2000 and Mr R C M Laubscher, Chief Executive of Nedcor Limited, was appointed as an executive director as from 1 January 2001.

Directors' interests

Details of the directors' interests (within the meaning of section 346 of the Companies Act 1985, including interests of connected persons) in the share capital of the Company and its quoted subsidiaries are set out in the table below, whilst their interests in share options and awards made under the Company's share incentive schemes are described in the section of the Remuneration Report entitled "Directors' share options". No director had a material interest in any significant contract with the Company or any of its subsidiaries during the year.

	Old Mutual plc number of shares	Nedcor Limited number of shares	Nedcor Investment Bank Holdings Limited number of shares	Mutual & Federal Insurance Company Limited number of shares
At 31 December 2000				
M J Levett	184,000	–	–	864,100
E E Anstee	47,508	–	–	–
N N Broadhurst	2,416	–	–	–
W A M Clewlow	30,700	–	–	–
C D Collins	5,541	–	–	–
P G Joubert	50,000	15,000	–	–
C F Liebenberg	600	20,768	320,706	40,500
J V F Roberts	–	–	–	500
C M Stuart	5,541	–	–	–
J H Sutcliffe	10,000	–	–	–
At 1 January 2000				
M J Levett	184,000	100	–	864,100
E E Anstee	47,508	100	–	500
N N Broadhurst	2,416	–	–	–
W A M Clewlow	30,700	–	–	–
C D Collins	5,541	–	–	–
P G Joubert	4,500	15,000	–	–
C F Liebenberg	600	20,459	320,000	40,500
C M Stuart	5,541	–	–	–

Included in the above interests are the following non-beneficial interests held as qualification shares: M J Levett (100 shares in Nedcor Limited at 1 January 2000, and 500 shares in Mutual & Federal Insurance Company Limited at both 1 January and 31 December 2000); E E Anstee (100 shares in Nedcor Limited and 500 shares in Mutual & Federal Insurance Company Limited at 1 January 2000); C F Liebenberg (500 shares in Mutual & Federal Insurance Company Limited at both 1 January and 31 December 2000); and J V F Roberts (500 shares in Mutual & Federal Insurance Company Limited at 31 December 2000). Neither Mr Sutcliffe nor Mr Roberts had any interests in shares in the Company or any of its subsidiaries at their respective dates of appointment as directors of the Company.

Corporate governance and internal control

A statement on corporate governance and internal control appears on pages 46 to 50.

Substantial interests in shares

As at 6 March 2001, the following substantial share interest had been declared to the Company in accordance with Part VI of the Companies Act 1985:

Name	No. of shares	% of total issued shares
Old Mutual Life Assurance Company (South Africa) Limited	300,000,000	8.4%

Employment policies

The Group's employment policies are regularly reviewed and updated to ensure their appropriateness for the locations in which they apply. They are designed to promote a working environment which supports the recruitment and retention of highly effective employees, improves productivity and fosters relationships free of discrimination. Whilst local employment policies and procedures are developed by each subsidiary company according to its own circumstances, a number of key Human Resources values and policies are promoted throughout the Group:

- the Group considers that the establishment of the right priorities and environment for its people is essential for their performance and development and to the future of the Group;
- employees are recruited and promoted on the basis of their suitability for the job, without discrimination in terms of race, religion, national origin, colour, gender, age, marital status, sexual orientation or disability unrelated to the task at hand. In South Africa this principle needs to be balanced against the requirement to address the issues of employment equity, and the Group's practices are cognisant of this;
- the Group values the involvement of its employees and continues to keep them informed on matters affecting them as employees and factors relevant to the performance of the Group. Employee involvement and consultation are managed in a number of ways, including in-house publications, briefings, roadshows, and the intranet. In many parts of the business employee representatives are consulted regularly on a wide range of issues affecting their current and future interests. Where this is not the case, change management processes and capability are being developed to ensure the inclusion of staff in changes affecting them;
- the efforts of the individual in helping to create the success of the Group should be appropriately recognised. Pay systems are structured to recognise both the contribution of individuals and the performance of the sector of the business in which they work;
- training and development of all employees remains a priority and new initiatives are being developed.

Supplier payment policy

In most cases a supplier of goods or services does so under standard terms of contract which lay down terms of payment. In other cases, specific terms are agreed beforehand. It is the Group's policy to ensure that the terms of payment are notified in advance and adhered to. The total outstanding indebtedness of the Company (and its service company subsidiary, Old Mutual Berkeley Square Limited) to trade creditors as at 31 December 2000 amounted to £1.73 million, corresponding to 12 days' payments when averaged over the year then ended.

Charitable and political contributions

The Company and its subsidiaries in the UK made charitable donations of £162,202 (1999: £211,241) and made no (1999: none) political donations during the year.

Social investment and environmental activities

A description of the Group's social investment and environmental activities is set out in the Corporate Citizenship section of this document on pages 51 to 55.

Auditors

KPMG Audit Plc have expressed their willingness to continue in office as auditors of the Company and a resolution proposing their re-appointment will be put to the Annual General Meeting.

By order of the Board

Martin C Murray

Group Company Secretary

London, 6 March 2001

Corporate Governance and Internal Control

The Group is committed to the objective of achieving high standards of corporate governance and internal control. In the year ended 31 December 2000 and in the preparation of this Annual Report and Accounts, the Company has applied the principles set out in Section 1 of the Combined Code and complied throughout the accounting period with the Code provisions set out therein in the following manner.

Board of directors

The Board meets eight times a year (including sessions devoted to strategy and business planning) and has specific matters reserved to it for decision. It also meets ad hoc, as and when required, to deal with specific matters requiring Board consideration between its regularly scheduled meetings. Directors, on appointment and regularly thereafter, are briefed in writing and orally by the executive management and may take independent professional advice at the Company's expense if necessary for the furtherance of their duties.

The Board currently comprises five executive and six non-executive directors, as described in more detail on pages 40 and 41 of this document. Mr Liebenberg is chairman of the Company's subsidiary, Nedcor Limited. The other non-executive directors are considered to be free from any business or other relationship that could materially interfere with the exercise of their independent judgement. In reaching this view, the Board has taken into account that Mr Clewlow is non-executive chairman of Barloworld Limited, a South African company on whose board Mr Levett serves as a non-executive director.

Mr Levett serves as both Chairman and Chief Executive. The Nomination Committee has confirmed that it considers his continued holding of this dual role to be in the Company's best interests for the present, in view of the continuity of executive knowledge and experience that he provides to the Board. The Nomination Committee keeps this matter regularly under review. The executive element of the Board is balanced by a strong independent group of non-executive directors. Mr Stuart serves as the senior independent non-executive director.

The Articles of Association of the Company require that one third of the directors (excluding those appointed by the Board during the year) shall retire by rotation each year. This reflects the principle of the Combined Code and is applied in such a manner that each of the directors will submit himself for re-election at regular intervals and at least every three years. Proposals for re-election to the Board are considered by the Nomination Committee, and are not automatic.

The Nomination Committee, chaired by Mr Stuart, meets at least twice a year and makes recommendations to the Board in relation to the appointment of directors and the structure of the Board. The committee members currently comprise all of the non-executive directors, together with Mr Levett, who does not take part in any decisions regarding his dual role as Chairman and Chief Executive.

The Remuneration Committee, chaired by Mr Collins, comprises all of the non-executive directors except for Mr Liebenberg. All members of the Remuneration Committee are considered by the Board to be independent for the purposes of the Combined Code. It meets at least four times a year. Details of how the Board has applied the principles of the Combined Code in respect of directors' remuneration are provided in the Remuneration Report on pages 56 to 61 of this document.

The Group Compliance Committee, chaired by Mr Clewlow, reviews compliance risks within the Group's wholly-owned operations, with a view to ensuring that appropriate controls are in place to address those risks.

Responsibility for the day-to-day control of compliance remains, however, primarily with the management of the underlying operations. An escalation process is in place that ensures significant compliance issues are reported to the Group Compliance Committee and, as appropriate, to the Board.

The Audit Committee of the Board (the Group Audit Committee) comprises all of the non-executive directors, and is chaired by Mr Broadhurst. Its terms of reference enable it to take an independent view of the appropriateness of the Group's accounting policies and practices for presentation of the Report and Accounts, the effectiveness of the Group's internal control system (including financial, operational and compliance controls and risk management). The minimum number of meetings per year of the Group Audit Committee was increased during 2000 from three to four, to reflect the additional responsibilities undertaken by it in relation to requirements of the Institute of Chartered Accountants in England and Wales entitled "Internal Control Guidance for Directors on the Combined Code" (the Turnbull guidance) dated September 1999.

The Group also has a number of audit committees which operate at subsidiary level, namely at Old Mutual Financial Services (UK) plc, Old Mutual (South Africa) Limited, Old Mutual Zimbabwe, Old Mutual (US) Holdings, Inc, Nedcor Limited and Mutual & Federal Insurance Company Limited, with terms of reference (in relation to the businesses under their respective remit) broadly equivalent to those of the Group Audit Committee. The Group Audit Committee receives minutes of the proceedings and reports from each of these subsidiary audit committees on a regular basis.

The Group Audit Committee reviews annually the remit, authority, resources and scope of the work of internal audit. It considers the appointment of, and fees (both audit and non-audit) for, the external auditors, who have unrestricted access to it. It also monitors internal and external auditors' performance against expectations.

Internal control environment

The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its effectiveness, whilst the role of executive management is to implement Board policies on risk and control.

Executive management have implemented an internal control system designed to facilitate effective and efficient operation of the Group and its business units and aimed at enabling them to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the Group's business objectives. These include protecting policyholders' interests, safeguarding shareholders' investments, safeguarding assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed. The system of internal control also helps to ensure the quality of internal and external reporting, compliance with applicable laws and regulations, and internal policies with respect to the conduct of business.

The Group's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board is of the view that there is a sufficient ongoing process which has steadily improved throughout the year for identifying, evaluating and managing the significant risks faced by the Group, and that this process has been in place for the year ended 31 December 2000 and up to the date of approval of this Report. The process accords with the Turnbull guidance and is regularly reviewed by the Board.

Corporate Governance and Internal Control *continued*

The key components of the Group's overall system of internal control currently in operation and the process of review by the directors are set out below.

Business planning

The Board regularly reviews the Group's strategic direction and the executive directors consider the strategy for individual businesses with executive management on a planned basis. Annual budgets and three year strategic plans are prepared, with performance targets for each business set by the executive directors in conjunction with executive managers. The overall Group plan is then reviewed by the Board in the light of the Group's objectives. Performance against plan is regularly monitored at Board level.

Management structures

The Group has an appropriate organisational structure for planning, executing, controlling and monitoring its business operations in order to achieve the strategic business objectives approved by the Board. The management of the Group as a whole is delegated to the executive directors in accordance with a Scheme of Delegated Authority, which also governs the conduct of the executive managers of the underlying wholly-owned operations of the Group. These executive managers are accountable for the control, conduct and performance of their businesses within the agreed business strategy.

Each of the Group's separately quoted subsidiaries, Nedcor Limited, Nedcor Investment Bank Holdings Limited and Mutual & Federal Insurance Company Limited, has a board that comprises executive and non-executive directors. Each board is responsible for compliance with good corporate governance and codes of conduct applicable to listed South African companies (the King Report). In addition, as regulated businesses, all three of these entities must comply with regulatory requirements in their sectors.

Risk management

Executive management are responsible for the identification, evaluation and management of the significant risks applicable to their areas of business. These risks are assessed on a regular basis and may be associated with a variety of internal or external sources. The Group Risk Management Committee is responsible for maintaining and updating on a regular basis the Group's risk profile and monitoring changes to it.

The Group Risk Management Committee reports to the Group Audit Committee on the significant risks to the achievement of the Group's objectives. The Group Risk Management Committee comprises executive management and is chaired by the Group Finance Director. It is supported by a Group Risk Function that co-ordinates monthly reporting from the Risk Management Committees within the Group's subsidiaries or business units, whose terms of reference are aligned with those approved by the Board for the Group Risk Management Committee. It also benefits from agreed cross-membership by executive management from subsidiaries that support the escalation of risk issues that are of relevance to the Board.

In relation to the Group's life assurance businesses, the Chief Actuary is responsible for ensuring that financial soundness is maintained with regard to actuarial and underwriting risks in the Group's South African life business. He reports three times a year to an Actuarial Review Committee, which comprises senior actuaries and executive management of the Group, on the integrity of the actuarial valuation results and his satisfaction with overall financial discipline.

Monitoring of controls

The Board has reviewed the effectiveness of the system of internal control during the year. The key processes supporting the Board's regular and annual review processes are summarised below.

The Chief Executive Officers of the Group's principal subsidiaries and business units report to the Board on behalf of their respective executive committees on major changes in the business and the external environment that affect the significant risks of their respective businesses. The Group Finance Director provides the Board with monthly performance information, which includes key performance and risk indicators.

Management report regularly on their review of risks and how they are managed to executive committees in the Group's principal subsidiaries and business units, and to their respective Risk Management Committees. These Risk Management Committees provide monthly reports to the Group Risk Management Committee, which reports quarterly to the Board.

As part of the Board's annual review process, each executive director is asked to complete a letter of assurance confirming compliance throughout the year and up to the date of approval of this Annual Report with the Group's Scheme of Delegated Authority and with the Group's risk management and control policies. The results of these letters are reported to the Group Audit Committee. These letters of assurance are supported by regularly updated risk profiles of each subsidiary and business unit, combined with a process of control self-assessment. Management teams in each subsidiary and business unit have applied the Criteria of Control Model (CoCo) developed by the Canadian Institute of Chartered Accountants, and have produced a control integrity profile for successive assurances given at increasingly higher levels of management and finally to the Group Audit Committee. This process is co-ordinated by the Group Risk Management Committee and facilitated by the Group Risk Function.

The Group's internal audit function operates on a global basis and carries out regular risk-focused reviews of the system of internal control. The internal audit function operates independently of executive management, reporting, for day-to-day operational purposes only, to the Group Finance Director, with unrestricted access to the Chairman and the Group Audit Committee. An Internal Audit Charter, reviewed and approved by the Group Audit Committee, governs internal audit activity within the Group. Progress against the plan is reported regularly to that Committee.

Control failures are reported in terms of an escalation protocol to the appropriate level of risk and audit committee, where rectification procedures and progress are closely monitored. Planned corrective actions are independently monitored for timely completion by internal audit and, as appropriate, by the Group Audit Committee and Board.

Acquisitions

In the case of companies acquired during the year, including Gerrard Group plc, acquired in March 2000, and United Asset Management Corporation, acquired in September 2000, the internal controls in place in these companies have been reviewed against the Group's benchmarks of effective risk management and control and they are being integrated into the Group's systems.

Corporate Governance and Internal Control *continued*

Associates

The policyholders' funds of the Group's life assurance operations have holdings representing in aggregate in excess of 20% of the issued share capital of a number of major South African and Zimbabwean companies listed on the JSE Securities Exchange South Africa and the Zimbabwe Stock Exchange, respectively. These are held as investments and the companies concerned are not subject to the governance or control structures of the Group.

Investor relations

The Company is committed to a process of continuing dialogue with its investors and has maintained a policy of proactive communication, appropriate disclosure and transparency of information throughout the past year. After each results declaration and following major corporate actions, the Company makes appropriate contact with investors and intermediaries, and issues news releases and other materials, including electronic communications. Formal presentations, webcasts and speeches are posted on the Company's website, www.oldmutual.com, where they are accessible by interested parties.

Old Mutual Shareholder Services, based in Cape Town, supports shareholders who hold their shares in the name of the Group's South African corporate nominee through a telephone call-centre, personal enquiry desks and direct communications. The Company's Registrars in the UK and each other country where its shares are listed offer comprehensive services to personal shareholders to deal with specific requests that they may have. The Company's brokers in each of the five markets where Old Mutual's shares are listed also maintain active communications with, and other services for, shareholders.

Group strategy and performance are communicated to financial markets through annual and interim reports, news releases, speeches, transcripts and presentations, using a wide spectrum of internal and external communications channels. Frequently asked questions are posted on the Company's website and the Company responds to many direct requests for information and also provides answers to specific queries. The Company's website maintains a comprehensive set of services for investors, which includes the Company's share price, details of dividends and other essential data for shareholders.

The Board monitors investor relations matters closely. The executive directors participate fully in specific investor programmes on an international basis.

Going concern

The Board has satisfied itself that the Group has adequate resources to continue in operation for the foreseeable future. The Group's financial statements have accordingly been prepared on a going concern basis.

By order of the Board

Martin C Murray

Group Company Secretary

London, 6 March 2001

Corporate Citizenship

Social investment

For many years the Old Mutual group has operated social investment and charitable donations programmes within the regions in which its principal businesses operate. The Company conducts a significant part of these activities through Old Mutual Foundations established in South Africa, Zimbabwe, Bermuda, Malawi and Namibia.

The policy priorities chosen for the Group's social investment programme are education, health and welfare, local economic development and matching funds for staff community initiatives. In addition to the activities of the Old Mutual Foundations, it is the policy of the Group to support specific programmes developed by its individual business units in the context in which each business operates.

The Group has adopted a Code of Business Conduct and Ethics, copies of which are available from the Company upon request.

South Africa

The activities of the Old Mutual South African Foundation concentrate on education, health and welfare, local economic development and job creation, and a staff community builder programme. The Foundation also contributes to arts and culture, environmental projects and disaster relief. In 2000 total expenditure was R20 million.

The Group's South African social investment and community involvement activities for 2000 included the construction of a school in the Western Cape and a donation to the Red Cross Children's Hospital. Initiatives took place throughout the country to aid local economic development through funding for training projects from brick-making and building skills to training for the hotel industry. The Disaster Relief Fund contributed to a variety of emergencies, including the floods in Mozambique and Mpumalanga, the tornado which devastated the Cape Flats region and settlement fires. Funding for the Rural Economic Development Initiative helped development workshops to improve management and business skills in 20 local communities. The Grant Fund was established in 2000, providing start-up capital to new business initiatives within these communities. The Foundation will expand its support for this project in 2001.

Sponsorships by Old Mutual's businesses have a strong social component, with key programmes focused on arts and culture, including the National Choir Festival, sports (particularly road running through the Two Oceans and Soweto Marathons), and the environment and conservation, notably the establishment of the Save Chapman's Peak Fund.

Rest of Africa

In Zimbabwe, community building programmes focus on education and training, health, welfare and medical research, sports development, social sponsorships including arts and culture, job and business skills development, donations and staff community builder projects. The 2000 education projects focused on mathematics in schools, health projects involved AIDS awareness and AIDS research, as well as the Cancer Centre, Blood Transfusion and Medic Alert: in sport the emphasis was on road running, together with golf, cricket and swimming. The Community Builder Projects hold a donations budget for long term donations to orphanages and homes throughout Zimbabwe as well as for arts and culture. The Old Mutual Staff Community Builder Programme was established in 2000 to provide financial support for the efforts of staff members and families who have been actively involved in sustainable, long term community development projects.

Corporate Citizenship *continued*

The activities of the Old Mutual Foundations in Namibia and Malawi are modelled on those of the South African Foundation, with particular emphasis on health, welfare and medical projects.

Nedcor

Nedcor's social responsibility arm, the Nedcor Foundation, is its main conduit for external social investment. Nedcor contributes 1.2% of its attributable income to the Nedcor Foundation, which it regards as an integral part of its business. A total of R105 million has been spent by the Nedcor Foundation over the last five years.

The Nedcor Foundation focuses its activities on education (with strong emphasis on mathematics, science, technology training and literacy programmes), business and leadership development (especially among youth), affordable housing, conservation and the environment, primary healthcare and poverty relief. Nedcor has a vested interest in the future of the country and its business extends to ensuring that the living and working environment of all South Africa's people is improved. By supporting the disadvantaged and impoverished through a range of projects sponsored by its Foundation, Nedcor contributes towards a democratic society that is successful, open and non-racial.

Nedcor, through its Foundation, works closely with government, the non-government organisation sector and other corporate, business and development agencies.

The aim of the Nedcor Social Investment Programme is to make a meaningful difference to the lives of people in disadvantaged communities who seek to empower themselves, thereby contributing towards a better and more prosperous South Africa.

In addition, Nedcor has supported the Arts and Culture, Sports and Green Trusts, the Business Trust and the Tourism Business Council. Nedcor has also shown its support of the new South Africa through the business activities of Peoples Bank, NedEnterprise and Kagiso Trust Investment Company.

Mutual & Federal

Mutual & Federal supports a range of charitable and socially beneficial activities, including crime prevention, education, primary healthcare, traffic safety, the environment, and socio-economic initiatives for the disadvantaged. It is moving towards corporate social investment, rather than outright donations, and there is continual realignment according to the changing needs of society and the business environment.

United Kingdom

During 2000, Old Mutual plc supported various sports and arts events and it is planned that this association will continue and grow in 2001. Much of the Group's UK social responsibility programme is conducted directly through the operating businesses. In 2000, Old Mutual International undertook community-based sponsorships in Guernsey and Hook, whilst Old Mutual Asset Managers (UK) focused on arts activities, including contributions to the Barbican Art Gallery, the Royal Academy, the English National Opera and the London Philharmonic Orchestra. A major UK/South African environmental sponsorship was made through the Group's association with Kirstenbosch Botanical Gardens and its award-winning contribution to the Chelsea Flower Show. Old Mutual Asset Managers (UK) contributed to the Lord Mayor's charity event. Gerrard Group, including Capel Cure Sharp and Greig Middleton, made contributions to sport and the arts.



The Old Mutual South African Foundation concentrates on education, health and welfare, local economic development and job creation, and a staff community builder programme.



In Zimbabwe, community building programmes focus on education and training, health, welfare and medical research, sports development and social sponsorships.



The Nedcor Foundation focuses on education, business and leadership development, affordable housing, conservation and the environment, primary healthcare and poverty relief.



Mutual & Federal supports a range of activities, including crime prevention, education, primary healthcare, traffic safety, the environment, and socio-economic initiatives for the disadvantaged.



The Old Mutual South African Foundation also contributes to arts and culture, environmental projects and disaster relief.



United States

The UAM Charitable Foundation was established by UAM in 1993. In addition some individual affiliates of UAM have their own charitable programmes. In 2000, UAM set aside \$150,000 for outright gifts and \$30,000-\$50,000 for matching employees' donations. The UAM Foundation supports Greater Boston area organisations that help minorities and disadvantaged children and adults to improve their lives, especially through education and social services, cultural programmes, and investment management industry-related initiatives that benefit minorities and the disadvantaged.

Economic development

Old Mutual South Africa's Transformation Initiative covers relationships with government and other stakeholders, and business activities in relation to transformation, including support for black economic empowerment, social investment and community involvement.

During 2000, Old Mutual remained active in the financing of Black Economic Empowerment transactions and in the support of important infrastructure development activities, including water and electrification projects, and bulk infrastructure projects such as the Beit Bridge toll bridge and the Maputo Corridor toll road. Old Mutual now owns or manages over R2 billion in infrastructure and empowerment assets.

Old Mutual, through Old Mutual Asset Managers (South Africa), is now the largest manager of infrastructure funds in South Africa, following its award of R800 million in the South African Infrastructure Fund.

In 1999 Old Mutual South Africa established a joint venture with Unity Corporation, a trade union-led consortium, to launch the Infrastructure, Development and Environmental Assets (IDEAS) Fund. This has given excellent returns, as well as positively contributing to the development of viable economic zones, increasing spend and procurement from entities controlled by previously disadvantaged individuals, and providing sustainable job creation and support for small businesses through a deliberate policy of allocating procurement spend to such entities. The Group constantly looks for other joint ventures underpinned by a sound commercial rationale, that deliver on clearly defined social and community goals.

Financial literacy and education are a national priority in South Africa and Old Mutual worked on three major programmes in 2000, including a Money Management series with Peoples Bank, linking distribution of educational booklets with a series of educational talk shows on a variety of community radio stations across the country. The Group Schemes business provides educational workshops covering basic financial concepts, as well as budgeting and financial products.

Old Mutual contributed R18.2 million to the Business Trust for Job Creation in 2000. Projects focus on building the tourism industry, education and the strengthening of the criminal justice system.

In Zimbabwe, the Group actively supports economic empowerment initiatives. Z\$24 billion of the Group's assets are invested in indigenous enterprises, through investments and loans, and assistance with infrastructure development including low cost housing, roads, shopping centres, electricity, farming and telephones. The Group has also supported Government initiatives by participating in capital raising. Old Mutual Zimbabwe actively pursues links with organisations involved in the development of entrepreneurial skills within Zimbabwe.

Environment

The Group recognises that its business activities have both direct and indirect environmental impacts. The Group's environmental policy is to strive to:

- use energy and natural resources wisely and to minimise waste;
- take appropriate account of environmental considerations in its operations; and
- support through its social and community investment programmes initiatives on environmental issues that have a direct impact on the lives of its clients.

The policy is delivered through the following:

- using water and electricity efficiently;
- optimising efficient use of natural resources;
- minimising its production of waste, and identifying the best means to dispose of the same; and
- monitoring environmental impacts and, where appropriate, setting targets for reduction.

Amongst the various environmental projects with which it is involved, Old Mutual has established a trust fund and donated R100,000 towards the restoration of the Chapman's Peak Road, a natural landmark in Cape Town. Old Mutual's joint initiative with the Botanical Society, the National Botanical Institute Environment Day Poster Project, aims to educate children about their environment and to encourage them to become active custodians of some of the world's unique ecosystems. It is one of the biggest environmental education projects of its kind in South Africa and the posters have already reached some four million children.

The Cape Flats Food Growing and Tree Project is an urban agriculture and greening programme that helps people in the Cape Flats townships to grow food for themselves and their families through trench gardening. Old Mutual is a Diamond Custodian of the Table Mountain Fund. Table Mountain is one of the world's foremost eco-tourism destinations, with 2,285 plant species in the peninsula alone.

Remuneration Report

This report has been prepared by the Remuneration Committee and has been approved by the Board for submission to shareholders.

The Remuneration Committee consists exclusively of non-executive directors who are considered to be independent. It meets at least four times a year and is responsible for:

- determining the total remuneration package and contractual terms for each of the executive directors; and
- reviewing and monitoring incentive share arrangements (including option schemes) of the Company.

Where appropriate, the Remuneration Committee takes advice on specific issues from independent consultants.

Remuneration policy

The Company embraces the principles and complies with the provisions of the Combined Code relating to directors' remuneration. It seeks to attract, retain and motivate the high quality management necessary to lead and develop the Group's businesses. The importance of aligning the interests of directors and senior managers with shareholders is carefully considered, particularly in the design of the performance-related elements of their remuneration packages.

The individual salary, incentive and benefit levels of the executive directors are reviewed annually by the Remuneration Committee, having regard to individual responsibilities and performance.

Employee Share Ownership Plans (ESOPs)

Prior to demutualisation, the Group operated a share incentive scheme using shares in a subsidiary company, Old Mutual Group Achievements Ltd (OMGA). Most entitlements to OMGA shares outstanding at the date of demutualisation have been converted into entitlements linked to Old Mutual plc shares and those entitlements continue to be governed by the OMGA rules. The ESOPs currently in use are as follows:

(a) Share Option and Deferred Delivery Plan

This is the plan generally used for the grant of "executive" options to qualifying senior level employees of the Group. A regular annual grant was made under this plan in March 2000 and an interim grant, for new appointments or promotions, in September 2000. All grants outside South Africa were made subject to a UK retail price index (RPI) related earnings per share (EPS) performance target. The minimum target specified, for option grants of up to 100% of basic salary, was that growth in EPS must exceed the accumulated growth in RPI, over the three year vesting period, plus 9%. Higher targets are applied for grants in excess of 100% of basic salary. South African grants, which are made as options on deferred delivery shares, were subject to an escalating strike price, rather than a performance target. Options awarded during 2000 have a maximum life of six years.

(b) Restricted Share Plan

Shares awarded under this plan are restricted for three or more years and are subject to forfeiture in the event of early termination of employment. The Restricted Share Plan is currently used primarily to assist in recruiting key individuals to the Group.

The funding obligations under the Restricted Share Plan and the Share Option and Deferred Delivery Plan may be met directly by the Group or by an Employee Share Trust. The obligations currently undertaken by the

Employee Share Trust in relation to Group employees outside South Africa have been hedged in part by a series of contracts for differences which have the economic effect of a purchase of shares. The Employee Share Trust currently has no obligation to meet any of the costs associated with the granting of options to the directors of Old Mutual plc. These are expected to be met from market purchases at the time of exercise or by the issue of new shares.

(c) Savings-Related Share Option Scheme

The Group operates a savings-related share option scheme, which provides a savings and investment opportunity for employees in the United Kingdom. The scheme is open to both full-time and part-time employees. The options may normally be exercised after three or five years at a price equivalent to not less than 80% of the market value of the shares at the time of grant.

The Company is proposing at this year's Annual General Meeting to adopt an All Employee Share Plan, which may, if approved by shareholders, supersede the savings-related share option scheme in due course.

(d) Annual Incentive Plan

This plan links the acquisition of shares in the Company to an eligible employee's annual bonus. The Remuneration Committee has determined that the executive directors of the Company in office during 2000 may elect to defer some or all of their annual bonus entitlement for 2000 into shares of the Company for three years, on terms that, provided the Group's EPS increase by a factor of at least 9% above RPI over that period and the participant remains employed by the Group, he will then receive one free matching share (net of tax at his currently applicable marginal rate) for each share acquired with his net of tax deferred bonus.

Directors' service contracts

Directors who held executive office during the year have service contracts, the terms of which are considered by the Remuneration Committee to provide a proper balance of duties and security between the respective parties.

Mr Anstee and Mr Levett have service contracts terminable on 12 months' notice, save that until 12 July 2001 (being two years from the date on which the Company's shares were first listed) the period of notice required to be given by the Company is 24 months. Mr Sutcliffe and Mr Roberts have service contracts terminable on 12 months' notice. In the case of all executive directors, dismissal by the employer, without notice and in the absence of specific grounds, may require a payment equal to three-quarters of the aggregate of his salary, contractual benefits and a sum equal to 25% of his salary for the period concerned in respect of potential annual bonuses, which includes an allowance for mitigation. If not terminated, the contract can continue until the director attains the age of 60 (in the case of Mr Anstee, Mr Roberts and Mr Sutcliffe) or until 30 June 2003 (in the case of Mr Levett, his normal retirement date).

Directors' remuneration

Remuneration for each of Messrs Anstee, Levett, Roberts and Sutcliffe comprises a basic salary, an allowance (described in more detail under "Benefit allowance" below) in lieu of pension or other benefits in kind, an annual bonus based on the performance of the individual and the Group, and participation in the Group's executive share incentive schemes. Details of the remuneration and share options of directors in office during the year under review are set out later in this Remuneration Report.

Remuneration Report *continued*

Mr Laubscher was not a director of the Company during the year and his remuneration and terms of service were determined by Nedcor Limited, which is separately listed on the JSE Securities Exchange South Africa and has its own remuneration committee.

Benefit allowance

The Company has adopted a cash-based package approach for the four executive directors who held office during 2000 and other senior executives. The total cash package comprises a basic salary and a benefit allowance, which was 35% of basic salary for the four executive directors from 1 April 2000 (previously 25%). The benefit allowance is provided in lieu of contributions to retirement funds, life, disability and medical cover, as well as other fringe benefits which are usual at this level such as car or travel allowances. The executive directors may use the benefit allowance to purchase benefits appropriate to their needs from independent suppliers of their choice or, if they wish, may participate in certain benefit arrangements established for Group employees in the UK. Participation in any Group defined contribution pension arrangement is on a commercial basis, which must be fully funded from the benefit allowance.

Mr Levett's contract of service includes the provision of residential accommodation in the UK at the Company's expense. The Company has leased appropriate accommodation in London since May 1999 for this purpose.

Mr Sutcliffe's contract of service includes the provision of a monthly allowance for residential accommodation (in lieu of the provision of accommodation) in South Africa.

Annual bonus

The annual bonuses for 2000 for Mr Sutcliffe, who joined the Board in January 2000, and for Mr Roberts, who joined the board in August 2000, were guaranteed as part of their terms of engagement at, respectively, the pro rata equivalent of 50% of his basic salary for the part of the year during which Mr Sutcliffe was employed by the Company, and £80,000 in the case of Mr Roberts. The annual bonus plans for Mr Anstee and Mr Levett in 2000 were based as to 80% and 100% of maximum bonus, respectively, upon the growth in the Group's operating earnings per share on a long term investment return basis for the year exceeding prescribed targets (on a scale from 10% to 17.5%). The balance of Mr Anstee's bonus target was referable to assessment of individual performance. Growth in operating earnings per share on a long term investment return basis exceeded 17.5% in 2000 and the Remuneration Committee was satisfied that Mr Anstee's performance during the year justified full payment of the individual performance-related element of his bonus. Mr Levett and Mr Anstee accordingly were entitled to receive the maximum bonus, of 50% of annual salary, for that year and may elect (along with Mr Sutcliffe and Mr Roberts) to defer some or all of this, under the terms of the Annual Incentive Plan described above.

Directors' share options

The following options and rights over shares in the Company were granted during the year and are now outstanding under the Company's share option schemes:

	Date of grant	No. of shares	Exercise price	Date exercisable or receivable
E E Anstee	14.03.00	886,800	130.25p	14.03.03 ¹ – 14.03.06
E E Anstee	11.04.00	8,920	108.6p	01.05.03 – 01.11.03
M J Levett	14.03.00	1,007,700	130.25p	14.03.03 ¹ – 14.03.06 ²
J V F Roberts	08.09.00	150,600	–	21.08.03 – 21.08.05 ³
J V F Roberts	08.09.00	288,800	172.75p	08.09.03 ¹ – 08.09.06
J H Sutcliffe	14.03.00	517,300	130.25p	14.03.03 ¹ – 14.03.06
J H Sutcliffe	14.03.00	460,700	–	24.01.03 ⁴
J H Sutcliffe	11.04.00	15,538	108.6p	01.05.05 – 01.11.05

Notes:

¹ Subject to the fulfilment of performance targets prescribed by the Remuneration Committee, under which these will only be exercisable if the Company's EPS increase by prescribed factors in excess of UK RPI over the period between 1 January 2000 and 31 December 2002, which the Remuneration Committee considers to be stretching targets, having regard to the currencies in which the majority of the Group's revenues are currently earned.

² Subject to curtailment to 12 months after Mr Levett's retirement date.

³ Restricted shares, which are to be released in three equal tranches on the third, fourth and fifth anniversaries of Mr Roberts' appointment, subject to his still being in employment with the Group on those dates.

⁴ Restricted shares, which are to be released on the third anniversary of Mr Sutcliffe's appointment, subject to his still being in employment with the Group on that date.

⁵ No payment was made by any of the directors for the grant of any of the above options or awards.

Details of the directors' share interests arising from the OMGA Share Incentive Scheme, which were outstanding at 1 January 2000 and are now outstanding, are set out below:

	Date of grant	No. of options over OMGA shares	Date exercised	Date of conversion	(Equivalent*) no. of Company shares	(Equivalent*) price per Company share
M J Levett	01.01.97	470,200	16.04.99	26.04.99	507,816	R9.17
	15.05.97	654,100	23.07.97	26.04.99	706,428	R9.17
	01.10.98	876,300	22.10.98	26.04.99	946,404	R8.98
	01.10.98	1,939,800	01.10.98	26.04.99	2,094,984	R9.07
	01.10.98	200	22.10.98	26.04.99	216	R9.07
	01.10.98	808,000	16.04.99	26.04.99	872,640	R8.98
E E Anstee	01.11.98	1,979,200	N/A	26.04.99	2,137,536*	R9.21*

The market price of the Company's shares was 166p at 29 December 2000 (the last trading day of the year), ranging from a low of 125.75p to a high of 181p during the year ended 31 December 2000.

Gains on share options

Options under the OMGA Share Incentive Scheme were awarded prior to demutualisation on the basis of the performance of the individuals, but are not linked to future performance criteria. Exercise of the options (in the case of Mr Anstee) and delivery or disposal of the shares (in the case of Mr Levett) is only permitted at the earliest, as to one third at the end of each of three, four and five years following the date of grant of the relevant option. Exercise of the options (in the case of Mr Anstee) or delivery of the shares (in the case of Mr Levett) must in any event take place within six years of the grant of the option concerned.

None of the directors exercised any options during the year ended 31 December 2000.

Remuneration Report *continued*

Directors' emoluments

1. Remuneration

Remuneration of the directors of the Company in office during the years ended 31 December 2000 and 31 December 1999 (including, in each case, remuneration from offices held with the Company's subsidiaries, Old Mutual Financial Services (UK) plc, Old Mutual Group Limited (Bermuda), Old Mutual Life Assurance Company (South Africa) Limited, Nedcor Limited, Nedcor Bank Limited and Mutual & Federal Insurance Company Limited, where relevant) was as follows:

	Year to 31 December 2000				
	Salary & fees £000	Bonus £000	Benefit & benefit allowance £000	Pension £000	Total £000
M J Levett	525	263 ¹	336 ²	–	1,124
E E Anstee	385	193 ¹	125	–	703
J V F Roberts	105	80 ¹	37	–	222 ³
J H Sutcliffe	362	181 ¹	121 ⁴	–	664 ⁵
N N Broadhurst	51	–	–	–	51
W A M Clewlow	68	–	–	–	68
C D Collins	41	–	–	–	41
P G Joubert	72	–	–	–	72
C F Liebenberg	224	–	–	–	224
C M Stuart	43	–	–	–	43

	Year to 31 December 1999				
	Salary & fees £000	Bonus £000	Benefit & benefit allowance £000	Pension £000	Total £000
M J Levett	428	417 ⁶	207 ²	–	1,052
E E Anstee	300	150	75	–	525
N N Broadhurst	31	–	–	–	31
W A M Clewlow	31 ⁷	–	–	–	31 ⁷
C D Collins	31	–	–	–	31
P G Joubert	46	–	–	–	46
C F Liebenberg	162	–	–	–	162
C M Stuart	33	–	–	–	33

Notes:

¹ Eligible for deferment, at the director's election, into a bonus matching arrangement under the Annual Incentive Plan.

² Inclusive of cost of London accommodation provided by the Company.

³ Mr Roberts was first employed by the Group on 21 August 2000 and his emoluments for 2000 accordingly relate to service from 21 August to 31 December 2000.

⁴ Inclusive of allowance for accommodation in South Africa.

⁵ Mr Sutcliffe was first employed by the Group on 24 January 2000 and his emoluments for 2000 accordingly relate to service from 24 January to 31 December 2000.

⁶ In April 1999 Mr Levett was awarded £192,500 by way of bonus for his services to the Group for the previous two years. This amount is included in the figures for the year to 31 December 1999.

⁷ Mr Clewlow waived £12,000 of these fees in favour of Barloworld Limited in the period ended 31 July 1999.

⁸ The executive directors waived in favour of the Company fees for non-executive directorships held in subsidiary companies totalling £12,492 and Mr Liebenberg waived in favour of Nedcor Limited fees arising from his non-executive directorship of Nedcor Investment Bank Holdings Limited totalling £11,643 during the year ended 31 December 2000. These waivers are currently expected to continue in effect in the future.

2. Pension benefits

At 31 December 2000 Mr Levett had accrued pension fund benefits, paid-up since December 1998, under his previous service with the South African Mutual Life Assurance Society, held in the Old Mutual Staff Retirement Fund and the Old Mutual Offshore Retirement Savings Plan. Both of these are defined contribution funds and the growth in value in 2000 is based on investment returns only. There were no contributions specific to Mr Levett to either of these funds during 2000. His accrued benefit accrues final fund interest annually, subsequent to the end of the funds' financial year, which runs from 1 July to 30 June. The benefit as at 31 December 2000 therefore includes both the final rate of fund interest for the period 1 July 1999 to 30 June 2000 and the interim rate of fund interest from 1 July 2000 to 31 December 2000. The actual growth in the benefit may therefore differ from the amount provided as at 31 December 2000 when the final fund interest rate for the period 1 July 2000 to 30 June 2001 is declared in the last quarter of 2001.

	Date of birth	Actual service to year end	Increase in accrued pension fund value during the year £000	Accumulated total accrued pension fund value at 31 December 2000 £000
M J Levett	6 June 1939	42 yrs	875	7,217

In February 2001, Mr Levett withdrew all sums accrued under the above-mentioned funds and, as a consequence, he no longer has any remaining pension benefits from the Group.

None of Mr Anstee, Mr Roberts or Mr Sutcliffe has any accrued pension fund benefits in any Group pension fund and none of them contributed to any Group pension fund during 2000.

C D Collins

Chairman of Remuneration Committee, on behalf of the Board
London, 6 March 2001

Statement of Directors' Responsibilities

in respect of the preparation of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Summary Consolidated Profit and Loss Account

for the year ended 31 December 2000

The following table summarises the Group's results reported in the profit and loss accounts on pages 65 to 68. This summary does not form part of the statutory financial statements. In the table below, operating profit is based on a long term investment return and is stated before goodwill amortisation, short term fluctuations in investment return, non-operating items, taxation and minority interests.

				£m		Rm	
	Existing operations	Acquired operations	Year to 31 Dec 2000 Total	Year to 31 Dec 1999 Total	Year to 31 Dec 2000 Total	Year to 31 Dec 1999 Total	
Operating profit							
Life assurance							
Continuing operations	478	–	478	426	5,029	4,200	
Discontinued operations	–	–	–	(50)	–	(493)	
Banking	325	2	327	210	3,440	2,072	
Asset management	67	57	124	48	1,305	473	
General insurance	44	–	44	59	463	582	
Other shareholders' income/(expenses)	(36)	(26)	(62)	(32)	(652)	(316)	
Operating profit based on a long term investment return before goodwill amortisation							
	878	33	911	661	9,585	6,518	
Goodwill amortisation			(54)	(5)	(568)	(49)	
Short term fluctuations in investment returns			(180)	778	(1,894)	7,670	
Non-operating items			356	54	3,746	532	
Profit on ordinary activities before tax			1,033	1,488	10,869	14,671	
Tax on profit on ordinary activities			(186)	(165)	(1,958)	(1,627)	
Profit on ordinary activities after tax			847	1,323	8,911	13,044	
Minority interests			(341)	(257)	(3,588)	(2,534)	
Profit on ordinary activities after tax and minority interests			506	1,066	5,323	10,510	
Dividends paid and proposed			(163)	(69)	(1,714)	(680)	
Retained profit for the financial year			343	997	3,609	9,830	
Earnings per share							
				p	c		
Basic earnings per share			15.0	34.1	157.8	336.2	
Diluted earnings per share			14.9	33.9	156.6	334.2	
Operating earnings per share (based on a long term investment return before amortisation of goodwill)			17.0	12.3	179.4	121.4	
Dividend per share			4.7	2.0	49.5	19.7	
Weighted average number of shares – millions			3,373	3,127	3,373	3,127	

Auditors' Report to the Members of Old Mutual plc

for the year ended 31 December 2000

We have audited the financial statements on pages 65 to 122.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 62, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Financial Services Authority regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 46 to 50 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

6 March 2001

Consolidated Profit and Loss Account

for the year ended 31 December 2000

Notes		£m		Rm	
		Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
	Technical account – general business				
	Earned premiums, net of reinsurance				
	Gross premiums written				
	Existing operations	297	291	3,125	2,869
	Acquired operations	41	–	431	–
	Outward reinsurance premiums	(33)	(33)	(347)	(325)
5(d)		305	258	3,209	2,544
	Change in the provision for unearned premiums, net of reinsurance				
	Gross amount	(3)	2	(32)	20
	Reinsurers' share	1	(1)	11	(10)
		303	259	3,188	2,554
8(a)	Allocated investment return transferred from the non-technical account	44	56	463	552
	Claims incurred, net of reinsurance				
	Claims paid				
	Gross amount	(248)	(223)	(2,609)	(2,199)
	Reinsurers' share	22	21	231	207
5(d)		(226)	(202)	(2,378)	(1,992)
	Change in the provisions for claims, net of reinsurance				
	Gross amount	1	8	11	79
	Reinsurers' share	(2)	(5)	(21)	(49)
		(227)	(199)	(2,388)	(1,962)
9	Net operating expenses	(76)	(57)	(800)	(562)
	Balance on the technical account – general business	44	59	463	582
	Analysed between:				
	Existing operations	44	59	463	582
17(a)	Acquired operations	–	–	–	–
		44	59	463	582
	Analysis of balance on technical account – general business				
	General business result before long term investment return	–	3	–	30
8(a)	Long term investment return	44	56	463	552
	Balance on the technical account – general business	44	59	463	582

Notes		£m		Rm	
		Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
	Non-technical account – insurance and asset management activities				
	Balance on the technical account – long term business	419	292	4,408	2,879
15(b)	Tax attributable to shareholders' profits on long term business	53	84	558	828
5(a)(iii)	Profit from long term business before tax	472	376	4,966	3,707
	Balance on the technical account – general business	44	59	463	582
6	Investment income	104	267	1,094	2,632
7	Investment expenses and charges	(28)	(33)	(295)	(325)
8(a)	Allocated investment return transferred from the long term business account	(184)	543	(1,936)	5,353
8(a)	Allocated investment return transferred to the general business technical account	(44)	(56)	(463)	(552)
	Unrealised (losses)/gains on investments	(30)	64	(315)	631
5(c)	Asset management operating profit before goodwill amortisation	124	48	1,305	473
	Other income	3	186	32	1,834
	Other charges	(57)	(225)	(600)	(2,219)
	Goodwill amortisation	(30)	(5)	(315)	(49)
	Insurance and asset management operating profit on ordinary activities before tax and non-operating items	374	1,224	3,936	12,067
	Analysed between:				
	Continuing operations	374	1,274	3,936	12,560
	Discontinued operations	–	(50)	–	(493)
		374	1,224	3,936	12,067
	Non-technical account – banking activities				
	Interest receivable	1,864	1,652	19,612	16,287
	Interest payable	(1,400)	(1,208)	(14,730)	(11,909)
5(b)	Net interest income	464	444	4,882	4,378
	Dividend income	9	6	95	59
	Fees and commissions receivable	255	229	2,682	2,258
	Dealing profits	115	88	1,210	868
	Other operating income	28	7	295	69
5(b)	Operating income	871	774	9,164	7,632
	Administrative expenses	(265)	(223)	(2,789)	(2,199)
	Depreciation and amortisation	(48)	(34)	(505)	(335)
	Fees and commissions payable	(24)	(33)	(253)	(325)
	Goodwill amortisation	(24)	–	(253)	–
	Other operating charges	(137)	(124)	(1,441)	(1,222)
	Operating profit before provisions	373	360	3,923	3,551
	Provisions	(94)	(163)	(989)	(1,607)
5(b)	Operating profit before share of associated undertakings' profit	279	197	2,934	1,944
	Share of associated undertakings' profit	24	13	253	128
5(b)	Banking operating profit on ordinary activities before tax and non-operating items	303	210	3,187	2,072

Consolidated Profit and Loss Account

for the year ended 31 December 2000

Notes		£m		Rm	
		Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
	Non-technical account – insurance, asset management and banking activities				
	Insurance and asset management operating profit on ordinary activities before tax and non-operating items	374	1,224	3,936	12,067
5(b)	Banking operating profit on ordinary activities before tax and non-operating items	303	210	3,187	2,072
	Profit on ordinary activities before tax and non-operating items	677	1,434	7,123	14,139
11	Non-operating items	356	54	3,746	532
	Gain on restructuring of Dimension Data and other interests	356	–	3,746	–
	Profit on sale of businesses – continuing operations	–	46	–	453
	– discontinued operations	–	31	–	306
	Share selling service offered to policyholders on demutualisation – continuing operations	–	(23)	–	(227)
	Profit on ordinary activities before tax	1,033	1,488	10,869	14,671
	Analysis of profit on ordinary activities before tax				
	Operating profit based on a long term investment return before goodwill amortisation	911	661	9,585	6,518
	Goodwill amortisation	(54)	(5)	(568)	(49)
	Short term fluctuations in investment returns	(180)	778	(1,894)	7,670
	Non-operating items	356	54	3,746	532
		1,033	1,488	10,869	14,671
15(b)	Tax on profit on ordinary activities	(186)	(165)	(1,958)	(1,627)
	Profit on ordinary activities after tax	847	1,323	8,911	13,044
	Minority interests	(341)	(257)	(3,588)	(2,534)
3	Profit on ordinary activities after tax and minority interests	506	1,066	5,323	10,510
4	Dividends paid and proposed	(163)	(69)	(1,714)	(680)
	Retained profit for the financial year	343	997	3,609	9,830
	Earnings and dividend per share attributable to equity shareholders				
			p		c
3	Basic earnings per share	15.0	34.1	157.8	336.2
3	Diluted earnings per share	14.9	33.9	156.6	334.2
3	Operating earnings per share (based on a long term investment return before amortisation of goodwill)	17.0	12.3	179.4	121.4
4	Dividend per share	4.7	2.0	49.5	19.7
	Weighted average number of shares - millions	3,373	3,127	3,373	3,127

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2000

Notes	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Profit for the financial year	506	1,066	5,323	10,510
Foreign exchange movements	(415)	(35)	477	241
Total recognised gains for the year	91	1,031	5,800	10,751

Reconciliation of Movements in Consolidated Equity Shareholders' Funds

for the year ended 31 December 2000

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Total recognised gains for the year	91	1,031	5,800	10,751
4 Dividends paid and proposed	(163)	(69)	(1,714)	(680)
	(72)	962	4,086	10,071
Issues of new capital				
Issue of new capital in respect of re-equitisation of Pilgrim Baxter & Associates and employee share option schemes	153	–	1,691	–
Proceeds from sale of shares previously held to satisfy claims and errors on demutualisation	24	–	253	–
Issue of new capital on policyholder self-investment transaction	–	404	–	3,954
Issue of new capital on listing	–	559	–	5,355
Net addition to equity shareholders' funds	105	1,925	6,030	19,380
Equity shareholders' funds at the beginning of the year	3,513	1,588	34,907	15,527
Equity shareholders' funds at the end of the year	3,618	3,513	40,937	34,907

Consolidated Balance Sheet

at 31 December 2000

Notes	£m		Rm		
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999	
Intangible assets					
18	Goodwill	2,279	164	25,786	1,629
Insurance and other assets					
19	Land and buildings	831	914	9,403	9,081
20	Other financial investments	15,173	17,167	171,680	170,577
		16,004	18,081	181,083	179,658
	Assets held to cover linked liabilities	5,602	5,916	63,386	58,784
		21,606	23,997	244,469	238,442
Reinsurers' share of technical provisions					
	Long term business provision	118	140	1,335	1,391
	Claims outstanding	19	16	215	159
	Provision for unearned premiums	7	5	79	50
30		144	161	1,629	1,600
23	Debtors	3,890	524	44,014	5,207
24	Other assets	530	133	5,997	1,322
	Cash at bank and in hand	458	443	5,182	4,402
25	Prepayments and accrued income	232	317	2,625	3,150
		5,110	1,417	57,818	14,081
	Total insurance and other assets	26,860	25,575	303,916	254,123
Banking assets					
	Cash and balances at central banks	1,138	760	12,876	7,552
22(a)	Treasury bills and other eligible bills	657	744	7,433	7,393
22(b)	Loans and advances to banks	1,218	613	13,781	6,091
22(c)	Loans and advances to customers	11,404	9,704	129,033	96,423
22(f)	Debt securities	924	629	10,455	6,250
22(g)	Equity securities	624	145	7,061	1,441
21	Interest in associated undertakings	207	179	2,343	1,779
24(c)	Tangible fixed assets	93	98	1,052	974
19	Land and buildings	102	89	1,154	884
24	Other assets	547	88	6,189	874
	Prepayments and accrued income	373	168	4,220	1,669
	Total banking assets	17,287	13,217	195,597	131,330
	Total assets	46,426	38,956	525,299	387,082

Notes	£m		Rm		
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999	
Capital and reserves					
26	Called up share capital	355	344	4,017	3,418
26	Share premium account	511	868	5,782	8,625
26	Profit and loss account	2,752	2,301	31,138	22,864
	Equity shareholders' funds	3,618	3,513	40,937	34,907
28	Minority interests	1,013	857	11,458	8,515
29	Subordinated liabilities	39	–	442	–
Insurance and other liabilities					
Technical provisions					
	Long term business provision	13,048	14,767	147,636	146,731
	Claims outstanding	323	319	3,654	3,170
	Provision for unearned premiums	62	43	702	427
30		13,433	15,129	151,992	150,328
	Technical provisions for linked liabilities	5,602	5,916	63,386	58,784
31	Provisions for other risks and charges	220	317	2,490	3,150
32	Creditors	5,646	997	63,883	9,907
33	Amounts owed to credit institutions	1,224	96	13,850	953
	Accruals and deferred income	230	43	2,602	427
	Total insurance and other liabilities	26,355	22,498	298,203	223,549
Banking liabilities					
34	Deposits by banks	1,873	798	21,193	7,929
35	Customer accounts	10,737	9,343	121,487	92,836
36	Debt securities in issue	1,417	1,194	16,033	11,864
37	Other liabilities	1,195	609	13,521	6,048
38	Provisions for liabilities and charges	114	76	1,290	755
29	Subordinated liabilities	65	68	735	679
	Total banking liabilities	15,401	12,088	174,259	120,111
	Total liabilities	46,426	38,956	525,299	387,082
Memorandum items					
43	Commitments	554	244	6,269	2,422
44	Contingent liabilities	937	863	10,602	8,584

These financial statements were approved by the duly authorised Executive Committee on behalf of the Board on 6 March 2001 and were signed on the Board's behalf by:

Julian V F Roberts
Group Finance Director

Company Balance Sheet

at 31 December 2000

Notes	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Fixed assets				
Investments				
	8	–	91	–
	1	43	11	427
	33	–	373	–
39	1,281	679	14,494	6,747
39	1,227	264	13,883	2,623
	2,550	986	28,852	9,797
Current assets				
Debtors				
	188	95	2,127	945
	1	1	11	10
	2	279	23	2,773
	191	375	2,161	3,728
Creditors: amounts falling due within one year				
33	643	–	7,275	–
	515	68	5,827	676
	14	5	158	50
	8	–	91	–
4	35	21	395	209
	1,215	94	13,746	935
	(1,024)	281	(11,585)	2,793
	1,526	1,267	17,267	12,590
Capital and reserves				
26	355	344	4,017	3,418
26	511	868	5,782	8,625
27	660	55	7,468	547
	1,526	1,267	17,267	12,590

These financial statements were approved by the duly authorised Executive Committee on behalf of the Board on 6 March 2001 and were signed on the Board's behalf by:

Julian V F Roberts
Group Finance Director

Consolidated Cash Flow Statement

for the year ended 31 December 2000

Notes	£m		Rm		
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999	
Operating activities					
46	Net cash inflow from insurance operating activities	128	495	1,346	4,880
46	Net cash inflow from banking operating activities	847	257	8,913	2,534
Net cash inflow before financing activities		975	752	10,259	7,414
46(a)	Net cash outflow from returns on investments and servicing of finance	(72)	(124)	(753)	(1,223)
46(a)	Total taxation paid	(156)	(70)	(1,642)	(690)
46(a)	Net cash outflow from capital expenditure and financial investment	(295)	(84)	(3,104)	(828)
46(a)	Net cash (outflow)/inflow from acquisitions and disposals	(1,718)	66	(18,076)	650
	Equity dividend paid	(122)	–	(1,284)	–
Net cash (outflow)/inflow financing activities		(1,388)	540	(14,600)	5,323
46(a)	Net cash inflow from financing activities	1,027	547	10,801	5,391
Net cash (outflow)/inflow of the Group excluding long term business		(361)	1,087	(3,799)	10,714
Cash flows relating to insurance activities were invested as follows:					
46(b),(c)	Increase in cash holdings	142	122	1,494	1,202
46(b)	(Decrease)/increase in net portfolio investments	(1,008)	732	(10,605)	7,215
		(866)	854	(9,111)	8,417
Cash flows relating to banking activities were invested as follows:					
Increase in cash and balances at central banks		505	233	5,312	2,297
Net cash (outflow)/inflow of the Group excluding long term business		(361)	1,087	(3,799)	10,714

The cash flows presented in this statement relate to shareholder and general business transactions only.

Notes to the Financial Statements

for the year ended 31 December 2000

1 Accounting policies

The following principal accounting policies have been applied consistently in dealing with items that are considered material in relation to the Group's financial statements.

Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with the provisions of Section 255A of, and schedules 9A and 9 to, the Companies Act 1985, applicable United Kingdom accounting standards and, in relation to the insurance business, the Statement of Recommended Practice "Accounting for Insurance Business" issued by the Association of British Insurers (ABI SORP) in December 1998.

In order to present a true and fair view of the Group's insurance and banking operations, the directors have prepared these financial statements using Schedule 9A and 9 formats respectively. Had a Schedule 9A format been used solely, banking activities would be summarised in appropriate income and expense lines within the non-technical account, and banking assets and liabilities would be shown together with insurance and other assets and liabilities in the balance sheet.

The Company's balance sheet has been prepared in accordance with Section 226 of, and schedule 4 to, the Companies Act 1985. As permitted by Section 230 of the Companies Act 1985, no profit and loss account of the Company is presented.

No note of historical cost profits has been prepared as the Group's only material gains or losses on assets relate to the holding and disposal of insurance company investments.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings up to 31 December 2000. Subsidiaries of the Group have been consolidated using acquisition accounting principles, with the results of subsidiary undertakings acquired or disposed in the year being included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Associated undertakings outside of the long term business fund are accounted for using the equity method of accounting. Investments in associated undertakings attributable to long term business, or otherwise held as part of the Group's investment portfolio, are accounted for as investments.

Investments

(i) Insurance

Investments, including those classified under assets held to cover linked liabilities, are stated at their current value. Listed investments are stated at year end market value. Unlisted investments are valued, on a prudent basis, by the directors having regard to their likely realisable value.

Land and buildings are treated as investment properties and valued at a market valuation primarily by internal professional valuers. The Group has commenced a programme whereby properties will be valued by independent external valuers on a cyclical basis such that the full portfolio will be covered within five years. In accordance with UK SSAP 19, no depreciation is provided on the properties as the directors consider that these properties are held for investment and to depreciate them would not give a true or fair view.

Securities borrowed and lent that are collateralised by cash are included in the balance sheet at amounts equal to the collateral advanced or received.

Shares in subsidiary undertakings are included in the Company balance sheet at historical cost, adjusted for any permanent impairment.

(ii) Banking

Securities which are intended to be held to maturity are stated at cost, adjusted for differences between cost and redemption value which are amortised over the period to redemption date. Securities held for trading purposes are marked to market value and the related gains/losses are taken directly to the banking non-technical profit and loss account as they arise. Other investments are stated at cost and provision is made where, in the opinion of the directors, there has been a permanent diminution in value.

Where securities are sold under agreements to repurchase securities at future dates, the securities are recorded in the financial statements with the corresponding liability to repurchase those securities. Securities purchased under agreements to resell those securities at future dates are treated as secured loans and reflected on the balance sheet. Profits and losses arising from these transactions are accounted for over the periods of the contracts.

Acceptances, promissory notes, trade and other bills drawn by customers and discounted by banking subsidiaries are included under advances. Amounts rediscounted are included under the contra items for acceptances.

1 Accounting policies (continued)

Freehold land and buildings are treated as investment properties and are not depreciated, although they are assessed for impairment on a regular basis.

Properties in possession that are held with a view to orderly realisation of the advance are included under advances and valued at the lower of cost or net realisable value. Cost includes advances, interest and other charges.

Financial futures and options contracts held for trading purposes are valued daily at fair value and capital gains and losses resulting from these valuations are accounted for in the capital value of the funds to which they relate. Margin deposits are included in current assets.

Investment return

Dividends on equity investments are accrued on an "ex-dividend" basis. Interest on fixed income securities, net rental income from property investments and investment expenses are recorded on an accruals basis.

Realised gains and losses represent the difference between net sales proceeds and purchase price. Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and their original cost or, if they have been previously valued, their valuation at the last balance sheet date. Movements in unrealised gains and losses are recorded in the profit and loss account, and include an adjustment for previously recognised unrealised gains and losses on investments disposed during the reporting period.

Income arising from the securities lending and borrowing business is recognised in the non-technical account on an accruals basis.

For long term business, an allocation is made from the long term business technical account to the non-technical account representing the difference between the long term investment return and the actual return on investments of the long term business that is directly attributable to shareholders. The long term investment return for relevant categories of investments takes into account past performance, current trends and future expectations.

The long term investment return on investments supporting general insurance technical provisions and related shareholders' funds is allocated from the non-technical account to the general business technical account.

Long term business

Long term business results have been prepared on a modified statutory solvency basis. The main features of this basis are outlined below.

(i) Premiums

Premiums and annuity considerations are stated gross of commission, exclude taxes and levies, and are accounted for when due for payment, except for unit-linked premiums, which are accounted for when the liability is established. Outward reinsurance premiums are accounted for on a payable basis.

(ii) Claims

Maturity and annuity claims are recorded as they fall due for payment. Death claims and surrenders are accounted for when notified.

(iii) Long term business provisions

Long term business provisions for South African and other African businesses have been computed using a gross premium valuation. Provisions in respect of South African business have been prepared in accordance with the Financial Soundness Valuation basis as set out in the guidelines issued by the Actuarial Society of South Africa in Prudential Guidance Note ("PGN") 103 (1998). Under this guideline, the provisions are valued using realistic expectations of future experience with prescribed margins for prudence and deferral of profit emergence. This method makes implicit allowance for deferred acquisition costs.

Technical provisions supporting linked policies reflect the market value of assets supporting these liabilities.

For other territories, the valuation bases adopted are in accordance with the local actuarial practices and methodologies.

(iv) Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the sale of insurance contracts. As the gross premium valuation method used in South Africa and other African territories to determine the long term business provision makes implicit allowance for the deferral of acquisition costs, no explicit deferred acquisition cost asset has been included in the balance sheet. Deferral of costs on other business is limited to the extent that there are available future margins.

Notes to the Financial Statements *continued*

for the year ended 31 December 2000

1 Accounting policies (continued)

General insurance business

(i) Premiums

Premiums are stated gross of commissions, exclude taxes and levies and are accounted for in the period in which the risk commences. The proportion of the premiums written relating to periods of risk after the balance sheet date is carried forward to subsequent accounting periods as unearned premiums, so that earned premiums relate to risks carried during the accounting period.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance.

(ii) Claims

Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to but not paid at the end of the accounting period whether reported or not.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events, and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used and estimates made are reviewed regularly.

(iii) Acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

Banking

(i) Banking income

Interest receivable and payable are recognised in the banking non-technical account as they accrue.

Fee and other income is recognised in the banking non-technical account when receivable, except where it is charged to cover the costs of a continuing service to, or risk borne for, the customer. In these cases, the income is recognised on an appropriate basis over the relevant period.

Other operating income is derived from township development and computer-related services, including distribution and servicing of equipment.

(ii) Derivative instruments

Off-balance sheet financial instruments, commonly referred to as derivatives, are contracts the characteristics of which are derived from those of underlying assets, interest and exchange rates or indices. They include future, forward, swap and option transactions in the foreign exchange, interest rate and equity markets. Transactions are negotiated directly with customers, with the Group acting as a counterparty, or can be dealt through exchanges.

Certain subsidiaries of the Group use derivative instruments for both trading and non-trading activities.

Trading activities

The Group trades in financial instruments for customer facilitation and as principal. The objective of trading in financial instruments is to maximise short term gains for both the customer and/or the Group. Trading activity is restricted to certain areas in the Group and is subject to strict policies and limits.

Trading positions on financial futures, option contracts and forward rate agreements are marked to market value and the resultant profits and losses are accounted for in the non-technical account. Fair values are based on quoted market prices when available. Where not marked to market, the fair value of short term borrowings approximate to the carrying amount because of the short maturity of these instruments. Where no quoted prices are available for a particular derivative, its fair value is determined by reference to quoted market prices for its component parts. Fair values reflect adjustments for credit and market risk.

Non-trading activities

Non-trading activities (or hedges) are financial instruments which form part of the Group's risk management strategy. A derivative is designated as a hedge if its purpose is to match or eliminate the risk inherent in the Group's non-trading assets, liabilities and cash flows arising from potential movements in interest rates, exchange rates, credit ratings, equity prices or commodity prices.

Profits and losses on contracts entered into for the purpose of hedging are recognised in the appropriate non-technical account on the same basis and cover the same accounting period as those of the hedged items to which they relate. Once a hedge ceases to be effective, it is transferred to the trading book at fair value.

1 Accounting policies (continued)

(iii) Loans and advances and doubtful debts

Specific provisions for bad and doubtful debts are made against identified doubtful advances, including amounts in respect of interest that is not serviced, and are deducted from advances. When there is no longer any prospect of recovery, the outstanding debt is written off.

In addition, a further provision is maintained against banking exposures, which are not separately identified, but known from experience to exist in any portfolio of banking relationships. The provision is deducted from advances. The provisions, both specific and general, made during the year, less recoveries of advances previously written off, are charged to the banking non-technical account.

(iv) Instalment transactions

Instalment credit agreements are regarded as financing transactions and total instalments, less unearned finance charges, are included in advances and other accounts in the banking balance sheet.

Lease income and finance charges are computed at the commencement of the contractual periods and are recognised in income in proportion to the net cash investment capital balances outstanding.

(v) Debt securities in issue and subordinated debt instruments issued

Premiums and discounts incurred in the issue of fixed rate subordinated liabilities are accounted for as an adjustment to the amount of the liability and amortised over the relevant period to maturity.

Asset management

Asset management fees and commissions are credited as earned, while expenses are recognised when incurred.

Taxation and deferred taxation

Taxation is charged on all taxable profits arising during the year. Deferred taxation is calculated on the liability method and is provided only to the extent that it is probable that a liability will crystallise in the foreseeable future.

Goodwill

Purchased goodwill arising on consolidation in respect of acquisitions has been capitalised and amortised over its estimated useful life, normally twenty years. Gains or losses on subsequent disposals of subsidiary or associated undertakings will include any attributable goodwill.

Tangible fixed assets

Tangible assets, principally computer equipment and software, motor vehicles, fixtures and furniture, are capitalised and depreciated by equal annual instalments over their estimated useful lives.

Pension plans and post-retirement liabilities

Defined benefit and defined contribution schemes have been established for eligible employees of the Group with the assets held in separate trustee administered funds.

For defined benefit schemes, pension costs are charged to the profit and loss account so as to spread the related charges over the service lives of employees and are determined by independent qualified actuaries undertaking formal actuarial valuations at least every three years. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme. Any difference between the amounts charged against profits and the amounts contributed to schemes is included as a prepayment or provision in the balance sheet.

Contributions in respect of defined contribution schemes are recognised when incurred.

Certain Group companies make provision for post retirement medical and housing benefits for eligible employees. The expected costs of post retirement benefits are charged over the expected working lives of eligible employees.

Employee share ownership plans

The assets, liabilities, income and expenses of employee share ownership plans (ESOPs) are incorporated into the financial statements. These shares are recognised as fixed assets in the balance sheet and amortised over the vesting period, until they vest unconditionally with the employees.

The shares in the trust are put under option to employees at their value on the date the options are granted. The difference between the shares' value at the date of grant and their residual value is charged as an operating expense to the profit and loss account. This charge is spread over the employees' period of service in respect of which the options have been granted.

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

2 Foreign currencies

The information contained in these financial statements is expressed in both Sterling and South African Rand. This is in order both to meet the legal requirements of Schedule 9A of the UK Companies Act 1985 and to provide the users of the accounts in South Africa with illustrative information.

Principal exchange rates used to translate the operating results, assets and liabilities of key foreign business segments are presented below.

	R		US\$	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Profit and loss account (average rate)	10.5213	9.8588	1.5159	1.6153
Balance sheet (closing rate)	11.3148	9.9364	1.4937	1.6176

Foreign currency revenue transactions are translated at weighted average exchange rates for the year. Foreign currency assets and liabilities are translated at year end exchange rates. Exchange differences arising from the translation of net investments in foreign subsidiary undertakings are taken to the consolidated statement of total recognised gains and losses. Other exchange differences are included in the profit and loss account as part of unrealised gains and losses on investments.

3 Earnings and earnings per share

Basic earnings per share are based upon the profit attributable to equity shareholders after the amortisation of goodwill arising on acquisitions.

The directors view operating earnings per share, derived from operating profit based on a long term investment return and before goodwill amortisation, short term fluctuations in investment return, non-operating items, taxation and minority interests, as providing a better indication of the underlying performance of the Group. A table reconciling operating profit after tax and minority interests to operating earnings is included below.

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Profit on ordinary activities after tax and minority interests	506	1,066	5,323	10,510
Goodwill amortisation net of minority interests	42	5	442	49
Short term fluctuations in investment return net of minority interests	205	(667)	2,158	(6,576)
Non-operating items net of taxation and minority interests	(178)	(19)	(1,873)	(187)
Operating profit	575	385	6,050	3,796

	P		C	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Basic earnings per share	15.0	34.1	157.8	336.2
Goodwill amortisation net of minority interests	1.2	0.1	13.1	1.1
Short term fluctuations in investment return net of minority interests	6.1	(21.3)	64.0	(210.0)
Non-operating items net of taxation and minority interests	(5.3)	(0.6)	(55.5)	(5.9)
Operating earnings per share	17.0	12.3	179.4	121.4

Basic earnings per share are calculated by reference to the profit on ordinary activities after tax and minority interests of £506 million (R5,323 million) for the year ended 31 December 2000 (1999: £1,066 million (R10,510 million)) and a weighted average number of shares in issue of 3,373 million (1999: 3,127 million). This is calculated after taking into account shares held by Employee Share Ownership Plans (ESOPs), which have waived their rights to dividends.

The diluted earnings per share calculation reflects the impact of shares in the ESOP Trusts, which upon vesting will have an anticipated dilution effect of 26 million (1999: 13 million) shares.

316 million (1999: 316 million) Old Mutual plc shares held by policyholders' funds are included in the weighted average number of shares used in the earnings per share calculation, reflecting the policyholders' economic interest in these shares.

4 Dividend

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Equity: ordinary				
Group				
Final dividend proposed: 3.1p (1999: 2.0p) per 10p share	108	69	1,135	680
Interim dividend paid: 1.6p (1999: nil p) per 10p share	55	–	579	–
	163	69	1,714	680
Company				
Final dividend proposed: 3.1p (1999: 2.0p) per 10p share	35	21	395	209
Interim dividend paid: 1.6p (1999: nil p) per 10p share	16	–	192	–
	51	21	587	209

Provision has been made in the Group's financial statements for a final dividend of 3.1p per share calculated using the number of shares in issue at 31 December 2000 of 3,551 million less 88 million shares in Employee Share Ownership Plans, which have waived their rights to dividends.

As a consequence of the exchange control arrangements in place in South Africa and other relevant African territories, dividends to shareholders on the branch registers in those countries (or in the case of Namibia, the Namibian section of the principal register) are settled through Dividend Access Trusts established for that purpose. The dividend payable by the Company represents only the proportion of the Group dividend payable to shareholders on the principal register (other than its Namibian section) and is calculated based on the directors' estimate of the number of shares that will be on the share registers at the close of business on 20 April 2001, being the record date for the dividend.

5 Segmental analysis

5(a) Life assurance

(i) Gross premiums written

	£m			Rm		
	South Africa	Rest of world	Total	South Africa	Rest of world	Total
Year to 31 December 2000						
Single	1,393	219	1,612	14,656	2,304	16,960
Recurring	1,187	166	1,353	12,489	1,747	14,236
	2,580	385	2,965	27,145	4,051	31,196
Year to 31 December 1999						
Single	1,650	208	1,858	16,269	2,050	18,319
Recurring	1,279	197	1,476	12,611	1,941	14,552
	2,929	405	3,334	28,880	3,991	32,871

(ii) New business premiums

Year to 31 December 2000

New business premiums on a statutory basis

Single	1,393	219	1,612	14,656	2,304	16,960
Recurring	227	21	248	2,388	221	2,609
	1,620	240	1,860	17,044	2,525	19,569
Annual premium equivalent	366	43	409	3,854	451	4,305

Year to 31 December 1999

New business premiums on a statutory basis

Single	1,650	202	1,852	16,269	1,991	18,260
Recurring	204	36	240	2,011	355	2,366
	1,854	238	2,092	18,280	2,346	20,626
Annual premium equivalent	369	56	425	3,637	555	4,192

Annual premium equivalent is defined as one tenth of single premiums plus recurring premiums.

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

5 Segmental analysis (continued)

5(a) Life assurance (continued)

(iii) Analysis of life operating profit

Year to 31 December 2000

	£m			Rm		
	South Africa	Rest of world	Total	South Africa	Rest of world	Total
Individual business	165	4	169	1,736	42	1,778
Group business	85	3	88	894	32	926
Life assurance technical result	250	7	257	2,630	74	2,704
Long term investment return	215	6	221	2,262	63	2,325
Life assurance operating profit	465	13	478	4,892	137	5,029
Interest receivable from group undertakings eliminated on consolidation	(6)	–	(6)	(63)	–	(63)
Balance on the technical account – long term business	459	13	472	4,829	137	4,966

Year to 31 December 1999

Individual business	168	2	170	1,656	20	1,676
Group business	67	2	69	661	19	680
Continuing operations	235	4	239	2,317	39	2,356
Discontinued operations	–	(50)	(50)	–	(493)	(493)
Life assurance technical result	235	(46)	189	2,317	(454)	1,863
Long term investment return	167	20	187	1,647	197	1,844
Balance on the technical account – long term business	402	(26)	376	3,964	(257)	3,707

5(b) Banking operating profit

Year to 31 December 2000

	£m			Rm		
	South Africa	Rest of world	Total	South Africa	Rest of world	Total
Net interest income	421	43	464	4,430	452	4,882
Non-interest revenue	382	25	407	4,019	263	4,282
Operating income	803	68	871	8,449	715	9,164
Specific and general provisions	(90)	(4)	(94)	(947)	(42)	(989)
Net income	713	64	777	7,502	673	8,175
Goodwill amortisation	(24)	–	(24)	(253)	–	(253)
Operating expenses	(452)	(22)	(474)	(4,757)	(231)	(4,988)
Operating profit before share of associated undertakings' profit	237	42	279	2,492	442	2,934
Share of associated undertakings' profit	24	–	24	253	–	253
Banking operating profit on ordinary activities before tax	261	42	303	2,745	442	3,187

Year to 31 December 1999

Net interest income	422	22	444	4,162	216	4,378
Non-interest revenue	317	13	330	3,125	129	3,254
Operating income	739	35	774	7,287	345	7,632
Specific and general provisions	(162)	(1)	(163)	(1,597)	(10)	(1,607)
Net income	577	34	611	5,690	335	6,025
Operating expenses	(399)	(15)	(414)	(3,933)	(148)	(4,081)
Operating profit before share of associated undertakings' profit	178	19	197	1,757	187	1,944
Share of associated undertakings' profit	13	–	13	128	–	128
Banking operating profit on ordinary activities before tax	191	19	210	1,885	187	2,072

5 Segmental analysis (continued)

5(c) Asset management operating profit

	£m			Rm		
	Existing operations	Acquired operations	Total	Existing operations	Acquired operations	Total
Year to 31 December 2000						
Operating income	251	245	496	2,641	2,578	5,219
Asset management worldwide	53	44	97	557	463	1,020
Private client UK – gross profit	7	19	26	74	200	274
– integration costs	–	(14)	(14)	–	(147)	(147)
Other financial services	7	8	15	74	84	158
Asset management operating profit before goodwill amortisation	67	57	124	705	600	1,305
Goodwill amortisation	(4)	(26)	(30)	(42)	(273)	(315)
Asset management operating profit	63	31	94	663	327	990
Year to 31 December 1999						
Operating income	192	–	192	1,893	–	1,893
Asset management worldwide	45	–	45	444	–	444
Private client UK	3	–	3	29	–	29
Asset management operating profit before goodwill amortisation	48	–	48	473	–	473
Goodwill amortisation	(5)	–	(5)	(49)	–	(49)
Asset management operating profit	43	–	43	424	–	424

Operating income comprises gross fees earned from asset management activities.

5(d) Analysis of general insurance result by class of business

	£m			Rm		
	Premiums written net of reinsurance	Claims incurred net of reinsurance	Underwriting result	Premiums written net of reinsurance	Claims incurred net of reinsurance	Underwriting result
Year to 31 December 2000						
Motor	141	113	(3)	1,484	1,189	(32)
Fire	131	96	–	1,378	1,010	–
Accident	11	5	2	116	53	21
Other	22	12	1	231	126	11
	305	226	–	3,209	2,378	–
Long term investment return	–	–	44	–	–	463
Operating profit	305	226	44	3,209	2,378	463
Analysed between						
Existing operations	267	198	44	2,809	2,083	463
Acquired operations	38	28	–	400	295	–
	305	226	44	3,209	2,378	463
Year to 31 December 1999						
Motor	123	98	(1)	1,213	967	(7)
Fire	40	70	1	394	690	8
Accident	86	26	3	848	256	30
Other	9	8	–	89	79	(1)
	258	202	3	2,544	1,992	30
Long term investment return	–	–	56	–	–	552
Operating profit	258	202	59	2,544	1,992	582

General insurance operating profit consists of the underwriting result reported above and the long term investment return disclosed in note 8(a).

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

5 Segmental analysis (continued)

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 30 Dec 2000	Year to 31 Dec 1999
5(e) Other shareholders' income/(expenses)				
Long term investment return credited to operating result	17	21	179	207
Net corporate expenses	(79)	(53)	(831)	(523)
Other shareholders' income/(expenses) before intragroup interest	(62)	(32)	(652)	(316)
Interest payable to group undertakings eliminated on consolidation	6	–	63	–
Other shareholders' income/(expenses)	(56)	(32)	(589)	(316)

Included in other shareholders' income/(expenses) of £56 million (R589 million) are interest income and losses on sale of investments amounting to £2 million (R23 million).

	£m			Rm		
	South Africa	Rest of world	Total	South Africa	Rest of world	Total
5(f) Net assets						
31 December 2000						
Life assurance	1,247	157	1,404	14,110	1,776	15,886
Banking	534	292	826	6,042	3,304	9,346
Asset management	67	1,049	1,116	758	11,869	12,627
General insurance	139	9	148	1,573	102	1,675
Other	81	43	124	917	486	1,403
Net assets	2,068	1,550	3,618	23,400	17,537	40,937
31 December 1999						
Life assurance	1,810	170	1,980	17,986	1,689	19,675
Banking	513	79	592	5,097	785	5,882
Asset management	36	128	164	358	1,272	1,630
General insurance	189	10	199	1,878	99	1,977
Other	139	439	578	1,381	4,362	5,743
Net assets	2,687	826	3,513	26,700	8,207	34,907

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
5(g) Banking business average assets				
Retail	3,487	4,014	36,688	39,573
Commercial	1,280	1,360	13,467	13,408
Corporate	2,730	2,806	28,723	27,664
Investment merchant banking	2,128	2,180	22,389	21,492
International	774	992	8,143	9,780
Other	3,272	1,217	34,426	11,998
	13,671	12,569	143,836	123,915
Average interest-earning assets	12,989	12,173	136,661	120,011
		%		%
Net interest margin (based on average assets)	3.57	3.65	3.57	3.65

5 Segmental analysis (continued)

5(h) Funds under management

	£m			Rm		
	South Africa	Rest of world	Total	South Africa	Rest of world	Total
31 December 2000						
Investments including assets held to cover linked liabilities	14,913	6,693	21,606	168,739	75,730	244,469
Unit trusts						
Asset management worldwide						
Old Mutual Asset Managers	1,266	779	2,045	14,325	8,814	23,139
Private client	–	1,252	1,252	–	14,166	14,166
Other financial services	–	200	200	–	2,263	2,263
	1,266	2,231	3,497	14,325	25,243	39,568
Third party						
Asset management worldwide						
Old Mutual Asset Managers	4,101	379	4,480	46,402	4,288	50,690
United Asset Management	–	119,111	119,111	–	1,347,715	1,347,715
	4,101	119,490	123,591	46,402	1,352,003	1,398,405
Private client	–	19,619	19,619	–	221,985	221,985
Other financial services	15	420	435	170	4,752	4,922
	4,116	139,529	143,645	46,572	1,578,740	1,625,312
Total funds under management	20,295	148,453	168,748	229,636	1,679,713	1,909,349
31 December 1999						
Investments including assets held to cover linked liabilities	16,998	6,999	23,997	168,897	69,545	238,442
Unit trusts						
Asset management worldwide	1,941	745	2,686	19,287	7,403	26,690
Private client	–	1,111	1,111	–	11,039	11,039
Nedcor Investment Bank Asset Managers	757	278	1,035	7,522	2,762	10,284
	2,698	2,134	4,832	26,809	21,204	48,013
Third party						
Asset management worldwide	4,697	399	5,096	46,668	3,965	50,633
Private client	–	8,538	8,538	–	84,837	84,837
Nedcor Investment Bank Asset Managers	2,360	35	2,395	23,450	348	23,798
Other financial services	11	–	11	113	–	113
	7,068	8,972	16,040	70,231	89,150	159,381
Total funds under management	26,764	18,105	44,869	265,937	179,899	445,836

Following the sale of Nedcor Investment Bank Asset Managers to Franklin Templeton in July 2000, the associated funds under management have been excluded at 31 December 2000.

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

6 Investment income	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Technical account – long term business				
Income from investment properties	60	79	631	779
Income from other financial investments	1,137	1,109	11,963	10,933
Gains on the realisation of investments	699	1,807	7,354	17,815
	1,896	2,995	19,948	29,527
Non-technical account – insurance and asset management activities				
Income from other financial investments	70	89	736	877
Gains on the realisation of investments	34	178	358	1,755
	104	267	1,094	2,632

7 Investment expenses and charges	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Technical account – long term business				
Interest payable on other loans	1	5	11	49
Investment management expenses	33	23	347	227
	34	28	358	276
Non-technical account – insurance and asset management activities				
Interest payable on bank loans and overdrafts	27	3	284	30
Investment management expenses	1	30	11	295
	28	33	295	325

Interest payable on bank loans and overdrafts in the non-technical account includes £26 million (R274 million) in respect of debt finance used for the Company's acquisition of United Asset Management Corporation.

8 Insurance long term investment return

In accordance with requirements of the ABI SORP, profit on ordinary activities is stated after allocating an investment return earned by insurance businesses based on a long term investment return. This long term investment return is based on achieved real rates of return adjusted for current inflation expectations, and consensus economic investment forecasts.

For life assurance business, the return is applied to an average value of investible shareholders' assets, adjusted for net fund flows. For general insurance liabilities, the return is an average value of investible assets supporting shareholders' funds and insurance liabilities, adjusted for net fund flows. Short term fluctuations in investment return represent the difference between actual return and long term investment return.

The long term investment rate of return used in South Africa is 14 per cent. (1999: 14 per cent.). The directors are of the opinion that this rate of return is prudent and has been selected with a view to ensuring that returns credited to operating earnings are not inconsistent with the actual returns expected to be earned over the long term.

8(a) Analysis of short term fluctuations in investment returns	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Technical account – long term business				
Actual investment return attributable to shareholders	31	730	326	7,197
Long term investment return credited to operating result	215	187	2,262	1,844
	(184)	543	(1,936)	5,353
Technical account – general business				
Actual investment return attributable to shareholders	55	230	579	2,268
Long term investment return credited to operating result	44	56	463	552
	11	174	116	1,716
Non-technical account				
Actual investment return attributable to shareholders	10	82	105	808
Long term investment return credited to operating result	17	21	179	207
	(7)	61	(74)	601
Short term fluctuations in investment returns	(180)	778	(1,894)	7,670

8(b) Comparison of long term investment returns with actual investment returns	1996-2000		1995-1999	
	£m	Rm	£m	Rm
Technical account – long term business				
Actual investment return attributable to shareholders	1,586	12,325	2,686	18,686
Long term investment return credited to operating result	1,241	10,006	1,853	12,676
	345	2,319	833	6,010
Technical account – general business				
Actual investment return attributable to shareholders	467	3,796	645	4,532
Long term investment return credited to operating result	345	2,847	499	3,411
	122	949	146	1,121
Non-technical account				
Actual investment return attributable to shareholders	92	913	82	808
Long term investment return credited to operating result	38	386	21	207
	54	527	61	601
Short term fluctuations in investment returns	521	3,795	1,040	7,732

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

9 Net operating expenses	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Technical account – long term business				
Acquisition costs	175	227	1,841	2,233
Administration expenses	318	325	3,346	3,209
	493	552	5,187	5,442
Technical account – general business				
Acquisition costs	49	39	516	385
Administration expenses	27	18	284	177
	76	57	800	562

10 Profit on ordinary activities before tax	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Profit on ordinary activities before tax is stated				
After crediting				
Aggregate rentals receivable under				
Finance leases	134	159	1,409	1,568
Operating leases	8	10	84	99
Income from listed investments	826	685	8,691	6,753
Gains on the disposal of investment securities – banking	8	43	84	424
After charging				
Depreciation	68	58	715	572
Rental charges – operating leases and similar hire purchase	31	30	326	296
Auditors' remuneration	8	5	86	49

10(a) Auditors' remuneration

For audit services	4	3	45	30
For other services	4	2	41	19
	8	5	86	49

The above figures include £0.2 million (1999: £0.1 million) in respect of audit fees payable by the Company.

11 Non-operating items

Profit attributable to shareholders for the year ended 31 December 2000 is stated after crediting/(charging) the following non-recurring items.

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Gain on restructuring of Dimension Data and other interests	356	–	3,746	–
Profit on sale of NedTravel	–	20	–	197
Profit on flotation of Nedcor Investment Bank	–	46	–	453
Profit on sale of UK life assurance operations	–	15	–	148
Provision for costs associated with the withdrawal of the Group from its UK life assurance operations	–	(4)	–	(39)
Profit on sale and restructuring of businesses	356	77	3,746	759
Cost of free share selling service offered to policyholders on demutualisation	–	(23)	–	(227)
Non-operating items before tax and minority interests	356	54	3,746	532
Taxation	(5)	–	(52)	–
Non-operating items after tax and before minority interests	351	54	3,694	532
Minority interests	(173)	(35)	(1,821)	(345)
Non-operating items after tax and minority interests	178	19	1,873	187

12 Directors' emoluments and interests

The remuneration payable to the directors of the Company for their services to the Group including the estimated money value of benefits in kind for the year ended 31 December 2000 is shown in the Remuneration Report on pages 56 to 61 of this document.

The interests of directors of the Company in shares of the Company and its quoted subsidiaries are shown in the Directors' Report on page 43 and in the Remuneration Report on page 59 of this document.

13 Remuneration expenses

The aggregate remuneration payable in respect of employees during the year was:

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Wages and salaries	525	389	5,524	3,847
Social security costs	19	15	200	148
Pension costs	23	29	242	274
	567	433	5,966	4,269

13(a) Particulars of staff

The average number of persons employed by the Group during the year was:

	Year to 31 Dec 2000	Year to 31 Dec 1999
Life assurance	14,473	15,467
Banking	18,862	17,010
Asset management	5,456	1,187
General insurance	2,617	2,278
Other	58	57
	41,466	35,999

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

14 Employee benefits

14(a) Employee pension plans

The Group operates a number of pension schemes around the world. These schemes have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. The schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they operate.

The most recent valuation of the largest defined benefit fund in the United Kingdom is in respect of the asset management businesses in the Group and was made on 30 March 2000 by an independent qualified actuary. The attained age method was used for calculating the scheme's past service liabilities and the principal actuarial assumptions adopted were an investment return of 7 per cent. before retirement and 6 per cent. after retirement, salary increases of 6 per cent. and pensions in payment increases of 3.5 per cent. The market value of scheme assets at that date was £63.1 million and the actuarial value of the assets represented 124 per cent. of the benefits accrued to members, after allowing for expected future increases in earnings. This scheme is now closed to new members.

The most recent valuation of the defined benefit fund for the South African life business was made on 1 July 2000 by an independent qualified actuary. The attained age method was used and the principal actuarial assumptions adopted were an investment return of 12 per cent., salary increases ranging from 11.0 per cent. (at age 60 and above) to 16.8 per cent. (at age 20) and pensions in payment increases of 8.0 per cent. per annum. The market value of scheme assets at that date was £11 million (R113 million) and the actuarial value of the assets represented 177 per cent. of the benefits accrued to members, after allowing for expected future increases in earnings. This scheme is now closed to new members.

At 31 December 2000, the provision for pension contributions included in other provisions and charges in the Group's balance sheet amounted to £9 million (R102 million) (1999: £7million (R69 million)). The charge to the technical account represents the regular pension cost, offset by the investment return on the surplus scheme assets, and variations from regular cost arising from the scheme's surplus being amortised on a straight line basis over the average expected remaining service lives of current employees. An analysis of the profit and loss account charge is presented below.

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Pension cost charge				
Regular cost	29	36	305	344
Variations from regular cost	(6)	(7)	(63)	(70)
Profit and loss charge	23	29	242	274

14(b) Post retirement benefits

Certain Group subsidiary undertakings provide medical and mortgage bond benefits to qualifying employees beyond the date of retirement. The profit and loss account charge and related liability included in the Group's balance sheet is presented below.

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
Profit and loss charge	7	1	74	6
Provisions for other risks and charges	57	67	645	663

14(c) Employee share ownership plans (ESOPs)

The ESOPs currently in use are described on pages 56 and 57 in the Remuneration Report.

The total ESOP expenses charged to the profit and loss account for the year ended 31 December 2000 were £5 million (R55 million) (1999: £4 million (R37 million)).

The number and market value of the investment of the Group's ESOPs in the ordinary shares of the Company at 31 December 2000 were 88,186,786 (1999: 68,580,222) and £145 million (R1,640 million) (1999: £111 million (R1,108 million)) respectively. Dividends on these shares have been waived by the ESOP trusts. The shares held by the ESOP trusts are held for the continuing benefit of the Group's business, and are recognised as fixed assets in the balance sheet and amortised over the vesting period, until they vest unconditionally with the employees.

15 Tax on profit on ordinary activities	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
15(a) Technical account – long term business				
United Kingdom taxation				
UK corporation tax	–	5	–	49
Overseas taxation				
South African tax	112	112	1,178	1,106
Rest of world tax	5	4	53	39
Prior period adjustment	–	(5)	–	(50)
	117	116	1,231	1,144

15(b) Non-technical account – insurance, asset management and banking activities

United Kingdom taxation				
UK corporation tax	123	39	1,294	384
Double taxation relief	(104)	(32)	(1,094)	(315)
	19	7	200	69
Overseas taxation				
South African tax	118	37	1,241	366
Rest of world tax	9	2	95	20
Secondary taxation on companies (STC)	32	18	338	177
Deferred taxation	(76)	16	(800)	157
Prior period adjustment	31	1	326	10
Tax for the year	133	81	1,400	799
Tax attributable to shareholders' profits on long term business	53	84	558	828
Charge to non-technical account – insurance, asset management and banking activities	186	165	1,958	1,627

15(c) Reconciliation of tax charge

Tax at UK rate of 30.0 per cent. (1999: 30.25 per cent.) on profit on ordinary activities before tax	310	450	3,262	4,436
Untaxed income (including tax exempt investment return)	(204)	(252)	(2,146)	(2,484)
Disallowable expenditure	16	(25)	166	(246)
STC	32	(18)	338	(177)
Other	32	10	338	98
Reported tax charge	186	165	1,958	1,627

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

16 Profit for the financial year

As permitted by section 230(4) of the Companies Act 1985, no profit or loss account is presented for the parent Company. The Company's profit for the financial year was £81 million (R853 million) (1999: £55 million (R547 million)).

17 Acquisitions and disposals

17(a) Acquisitions

(i) United Asset Management Corporation

In September 2000, the Group acquired the net assets of United Asset Management Corporation for a cash consideration of £1,351 million (R14,412 million). During December 2000, the Group restructured its revenue sharing interests in Pilgrim Baxter & Associates (PBA) and OMAM(US) affiliates to increase participation in the earnings of those firms. The fair value adjustments detailed below relate to the reclassification of intangible assets to goodwill on consolidation, the recognition of a deferred taxation asset in respect of future tax benefits expected to arise from re-equitisation payments made to affiliates and intangible asset amortisation, and a revaluation of businesses acquired for resale.

The resultant goodwill of £1,795 million (R19,147 million) has been capitalised and is being amortised over its estimated useful life of twenty years. The Group has accounted for the purchase of United Asset Management Corporation using acquisition accounting principles, whereby its results are included in the consolidated profit and loss from the date of acquisition.

	£m		Rm	
	Book value on acquisition	Fair value adjustments	Fair value to Group	Fair value to Group
Intangible assets	534	(534)	-	-
Investments	32	-	32	341
Debtors	103	-	103	1,099
Tangible fixed assets	18	-	18	192
Cash at bank and in hand	133	-	133	1,419
Prepayments and accrued income	7	-	7	75
Other assets	10	-	10	107
Deferred tax asset	30	194	224	2,390
Subordinated liabilities	(34)	-	(34)	(363)
Creditors	(246)	-	(246)	(2,624)
Amounts owed to credit institutions	(287)	-	(287)	(3,062)
Net assets of retained businesses	300	(340)	(40)	(426)
Net assets of businesses acquired for resale	46	198	244	2,603
Net assets of acquired businesses	346	(142)	204	2,177
Consideration paid				
Original consideration			1,351	14,412
Purchase of revenue shares				
PBA initial payments			160	1,707
PBA option			285	3,040
PBA phantom stock plan			116	1,237
OMAM(US) affiliates			87	928
Total consideration			1,999	21,324
Goodwill arising on acquisition			1,795	19,147

17 Acquisitions and disposals (continued)

17(a)(i) Acquisitions (continued)

The summarised profit and loss account of United Asset Management Corporation for the period from 1 January 2000 to 30 September 2000 and for the full year ended 31 December 1999, together with the consolidated statements of total recognised gains and losses for each period, prepared in accordance with the accounting policies applied by United Asset Management Corporation in those periods, is presented below.

	1 Jan 2000 to 30 Sep 2000	£m Year to 31 Dec 1999	1 Jan 2000 to 30 Sep 2000	Rm Year to 31 Dec 1999
Profit and loss account – summary				
Revenues	471	546	4,873	5,383
Profit on ordinary activities before tax	60	66	621	651
Tax on profit on ordinary activities	(25)	(28)	(259)	(276)
Profit on ordinary activities after tax	35	38	362	375
Statement of total recognised gains and losses				
Profit on ordinary activities after tax	35	38	362	375
Foreign exchange movements	4	2	41	20
Total recognised gains for the year	39	40	403	395

(ii) Gerrard Group

On 31 March 2000, the Group acquired £172 million of net assets of Gerrard Group for a consideration of £529 million. The resultant goodwill of £357 million has been capitalised and is being amortised over its estimated useful life of twenty years. The Group has accounted for the purchase of Gerrard Group using acquisition accounting principles, whereby its results are included in the consolidated profit and loss account from the date of acquisition.

An analysis of the net assets acquired and the fair value of Gerrard Group is presented below.

	£m			Rm
	Insurance and other	Banking	Total	Total
Investments	917	–	917	9,546
Debtors	2,445	–	2,445	25,458
Tangible fixed assets	17	–	17	177
Treasury bills and other eligible bills	–	8,371	8,371	87,142
Loans and advances to banks and customers	–	11,054	11,054	115,072
Interest in associated undertakings	–	15	15	156
Other assets	–	189	189	1,967
Prepayments and accrued income	–	8	8	83
Cash at bank and in hand	134	4	138	1,437
Creditors and provisions	(3,394)	–	(3,394)	(35,332)
Deposits by banks and customers	–	(19,119)	(19,119)	(199,026)
Other liabilities	–	(469)	(469)	(4,889)
Net assets	119	53	172	1,791
Consideration paid			529	5,507
Goodwill arising on acquisition			357	3,716

There were no material accounting policy alignments or fair value adjustments to assets and liabilities in Gerrard Group's balance sheet at the date of acquisition. However, adjustments to the Gerrard Group balance sheet at the date of acquisition have been made in respect of provisions and the rollover of options since the interim reporting date, which better reflect the value of the net

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

17(a) Acquisitions (continued)

(iii) Other

In October 2000, the Group's 51 per cent. owned general insurance subsidiary, Mutual & Federal Insurance Company Limited, acquired net assets of £96 million (R1,103 million) of CGU Holdings Limited for a consideration of £106 million (R1,206 million). Goodwill of £10 million (R103 million) has been capitalised and is being amortised over nine years.

During July 2000, the Group's listed banking subsidiary, Nedcor Limited, acquired FBC Fidelity Bank, which has been merged with Peoples Bank to create the biggest empowerment bank in South Africa. No goodwill arose on the acquisition of FBC Fidelity Bank, as the consideration paid and net assets acquired both amounted to nil.

	£m	Rm
	Fair value to Group	Fair value to Group
Goodwill arising on acquisitions of CGU Holdings Limited and FBC Fidelity Bank		
Gross assets	720	7,515
Gross liabilities	(624)	(6,412)
Net assets	96	1,103
Consideration paid	106	1,206
Goodwill arising on acquisition	10	103

There were no material accounting policy alignments or fair value adjustments to assets and liabilities in the balance sheets of CGU Holdings Limited and FBC Fidelity Bank at the dates of acquisition.

17(b) Disposals

There were no disposals during the year ended 31 December 2000. In December 1999, the Group sold its UK life assurance company, Old Mutual Life Assurance Company Limited (OMLA), to the Century Group. The results of OMLA for the year ended 31 December 1999 have been disclosed as discontinued operations in the Group's profit and loss account.

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
18 Goodwill				
At beginning of year	164	100	1,629	981
Additions arising on acquisitions during the year (note 17(a))	2,162	63	22,747	627
Adjustment in respect of prior year acquisitions	-	8	-	78
Amortisation for the year	(33)	(5)	(347)	(49)
Foreign exchange and other movements	(14)	(2)	1,757	(8)
At end of year	2,279	164	25,786	1,629

Goodwill amortisation for the year of £54 million (R568 million) (1999: £5 million (R49 million)) comprises £33 million (R347 million) (1999: £5 million (R49 million)) disclosed in note 18 above, and £21 million (R221 million) (1999: £nil (Rnil)) disclosed in note 21.

19 Land and buildings	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Insurance and other assets				
Market value				
Freehold	816	894	9,233	8,882
Long and short leasehold	15	20	170	199
	831	914	9,403	9,081
Market value of land and buildings occupied for own use	116	123	1,313	1,222
Cost				
Freehold	580	667	6,563	6,628
Long and short leasehold	-	17	-	169
	580	684	6,563	6,797
Cost of land and buildings occupied for own use	67	96	758	954
Banking				
Market value				
Freehold	100	85	1,131	844
Long and short leasehold	2	4	23	40
	102	89	1,154	884
Market value of land and buildings occupied for own use	97	28	1,100	278
Cost				
Freehold	117	106	1,327	1,048
Long and short leasehold	2	10	26	96
	119	116	1,353	1,144
Cost of land and buildings occupied for own use	110	32	1,242	318

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
20 Insurance and other assets – other financial investments				
Market value				
Shares and other variable yield securities and units in unit trusts	9,273	11,831	104,922	117,557
Debt securities and other fixed income securities	3,929	3,099	44,456	30,792
Other loans	308	250	3,485	2,484
Deposits with credit institutions	1,483	1,987	16,780	19,744
Other investments	180	–	2,037	–
	15,173	17,167	171,680	170,577
Included in the above were investments:				
Listed on London Stock Exchange	1,284	1,447	14,528	14,378
Listed on recognised southern African investment exchanges	9,638	9,890	109,052	98,271
Listed on other investment exchanges	18	1,103	204	10,960
	10,940	12,440	123,784	123,609
Cost/book value				
Shares and other variable yield securities and units in unit trusts	6,912	10,307	78,208	102,414
Debt securities and other fixed income securities	3,732	2,937	42,227	29,183
Other loans	296	304	3,349	3,021
Deposits with credit institutions	1,337	1,593	15,128	15,829
Other investments	1	–	11	–
	12,278	15,141	138,923	150,447
Assets held to cover linked liabilities				
Cost	3,592	5,079	40,643	50,467
21 Interest in associated undertakings				
At beginning of year	179	109	1,779	1,077
Share of associated undertakings' operating profit	24	13	253	130
Net additions	41	56	460	556
Goodwill amortisation	(21)	–	(221)	–
Foreign exchange and other movements	(16)	1	72	16
At end of year	207	179	2,343	1,779

22 Banking assets	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
22(a) Treasury bills and other eligible bills				
Investment securities				
Treasury bills and similar securities	397	577	4,492	5,734
Other eligible bills	33	67	373	665
	430	644	4,865	6,399
Other securities	227	100	2,568	994
	657	744	7,433	7,393

The movement in the book value of Treasury bills and other eligible bills held for investment purposes was as follows:

At beginning of year	644	396	6,399	3,865
Net (disposals)/additions	(158)	253	(1,788)	2,492
Foreign exchange and other movements	(56)	(5)	254	42
At end of year	430	644	4,865	6,399

Investment securities are those intended for use on a continuing basis in the activities of the Group and not for dealing purposes.

22(b) Loans and advances to banks	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Remittances in transit	11	12	124	121
Other/loans to other banks	1,207	601	13,657	5,970
Total loans and advances to banks	1,218	613	13,781	6,091

All loans and advances to banks are repayable on demand.

22(c) Loans and advances to customers	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Advances secured on residential properties	3,213	2,960	36,354	29,413
Leases and instalment debtors	1,094	1,068	12,378	10,614
Factoring accounts	31	32	351	317
Preference shares and debentures	332	463	3,757	4,596
Other loans and overdrafts	6,933	5,257	78,446	52,232
Loans granted under resale agreements	75	81	849	804
Other	87	128	983	1,279
Total loans and advances before provisions (note 22(e))	11,765	9,989	133,118	99,255
Provision for bad and doubtful debts (note 22(d))	(361)	(285)	(4,085)	(2,832)
Loans and advances to customers after provisions	11,404	9,704	129,033	96,423
Maturity profile				
Repayable on demand or at short notice	1,537	1,754	17,391	17,425
Three months or less but not repayable on demand or at short notice	2,834	1,108	32,066	11,012
One year or less but over three months	1,026	882	11,609	8,765
Five years or less but over one year	5,198	3,135	58,814	31,155
Over five years	1,170	3,110	13,238	30,898
Provision for bad and doubtful debts	(361)	(285)	(4,085)	(2,832)
Loans and advances to customers after provisions	11,404	9,704	129,033	96,423

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

22 Banking assets (continued)	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
22(d) Loans and advances to customers – provision for bad and doubtful debts				
Non-performing loans				
Value of non-performing loans before specific provisions	515	350	5,832	3,515
Specific provisions	(272)	(182)	(3,079)	(1,804)
Value of non-performing loans after specific provisions	243	168	2,753	1,711
Specific provisions				
At beginning of year	182	148	1,804	1,449
Charge to profit and loss account	82	98	862	964
Amounts written off in year	(71)	(94)	(745)	(930)
Recoveries of advances written off in previous years	9	10	91	95
Foreign exchange and other movements	70	20	1,067	226
At end of year	272	182	3,079	1,804
General provisions				
At beginning of year	103	43	1,028	419
Charge to profit and loss account	5	62	50	609
Foreign exchange and other movements	(19)	(2)	(72)	–
At end of year	89	103	1,006	1,028
Total provisions for bad and doubtful debts	361	285	4,085	2,832
22(e) Loans and advances to customers – concentrations of exposure				
Loans and advances before provisions				
Individuals	4,041	4,015	45,723	39,894
Manufacturing	1,438	1,644	16,270	16,336
Financial services, insurance and real estate	3,647	2,005	41,265	19,922
Other	2,639	2,325	29,860	23,103
Loans and advances to customers before provisions	11,765	9,989	133,118	99,255
Specific provisions				
Individuals	98	57	1,114	565
Manufacturing	15	16	174	159
Financial services, insurance and real estate	31	34	348	334
Other	128	75	1,443	746
Specific provisions against loans and other advances to customers	272	182	3,079	1,804

22 Banking assets (continued)

22(f) Debt securities

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Book value				
Investment securities				
Government securities	393	293	4,447	2,909
Other securities				
Government securities	140	244	1,584	2,426
Other public sector securities	391	92	4,424	915
	531	336	6,008	3,341
	924	629	10,455	6,250

Investment securities analysed by listing status

Listed on recognised southern African investment exchanges	385	276	4,356	2,745
Unlisted	8	17	91	164
	393	293	4,447	2,909

All other debt securities are listed on recognised southern African investment exchanges.

Maturity profile – book value

Due within one year	348	235	3,938	2,335
Due after one year	576	394	6,517	3,915
	924	629	10,455	6,250

The movement in the book value of debt securities held for investment purposes was as follows:

At beginning of year	293	310	2,909	3,028
Additions	153	470	1,731	4,638
Disposals	(19)	(412)	(215)	(4,058)
Foreign exchange and other movements	(34)	(75)	22	(699)
At end of year	393	293	4,447	2,909

22(g) Equity securities

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Book value				
Investment securities				
Listed on London Stock Exchange	464	–	5,250	–
Listed on recognised southern African investment exchanges	50	54	566	533
Unlisted	110	91	1,245	908
	624	145	7,061	1,441
Market value				
Investment securities				
Listed on London Stock Exchange	464	–	5,250	–
Listed on recognised southern African investment exchanges	52	59	588	587
Unlisted	287	95	3,247	944
	803	154	9,085	1,531

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
22 Banking assets (continued)				
22(g) Equity securities (continued)				
The movement in the book value of equity securities held for investment purposes was as follows:				
At beginning of year	145	131	1,441	1,280
Net additions	534	14	6,043	161
Foreign exchange and other movements	(55)	–	(423)	–
At end of year	624	145	7,061	1,441
23 Debtors				
Debtors arising from direct insurance operations (note 23(a))	268	95	3,032	946
Debtors arising from reinsurance operations	6	11	68	109
Other debtors (note 23(b))	3,616	418	40,914	4,152
	3,890	524	44,014	5,207
23(a) Debtors arising from direct insurance operations				
Amounts owed by policyholders	52	30	588	298
Amounts owed by intermediaries	29	17	328	169
Outstanding securities realised	66	31	747	309
Other	121	17	1,369	170
	268	95	3,032	946
23(b) Other debtors				
Outstanding securities realised	186	136	2,105	1,351
Tax recoverable	1	2	11	20
Securities purchased under agreements to resell	2,368	–	26,793	–
Other	1,061	280	12,005	2,781
	3,616	418	40,914	4,152
24 Other assets				
Insurance				
Deferred tax asset (note 24(a))	320	–	3,621	–
Tangible fixed assets (note 24(c))	101	58	1,143	576
Other	109	75	1,233	746
	530	133	5,997	1,322
Banking				
Customer indebtedness for acceptances	76	88	860	874
Securities purchased	459	–	5,193	–
Other	12	–	136	–
	547	88	6,189	874

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
24(a) Deferred tax asset				
At beginning of year	-	-	-	-
Acquisition of subsidiaries	236	-	2,526	-
Charge for the year	74	-	775	-
Utilised during the year	(10)	-	(113)	-
Foreign exchange and other movements	20	-	433	-
At end of year	320	-	3,621	-
The deferred tax asset comprises:				
Insurance funds	34	-	385	-
Unrelieved tax losses	22	-	249	-
Accelerated capital allowances	109	-	1,233	-
Short term timing differences	11	-	124	-
Other timing differences	144	-	1,630	-
	320	-	3,621	-

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
24(b) Deferred tax asset – unrecognised				
Insurance funds	56	-	634	-
Unrelieved tax losses	4	-	45	-
Accelerated capital allowances	1	-	11	-
Short term timing differences	3	-	34	-
Other timing differences	(1)	-	(11)	-
	63	-	713	-

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

24 Other assets (continued)	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
24(c) Tangible fixed assets				
Insurance and other assets				
Computer and other equipment, fixtures and vehicles				
Cost				
At beginning of year	135	196	1,341	1,922
Additions	38	32	430	318
Acquisitions	60	–	679	–
Disposals	(25)	(78)	(283)	(775)
Foreign exchange and other movements	1	(15)	198	(124)
At end of year	209	135	2,365	1,341
Accumulated depreciation				
At beginning of year	(77)	(109)	(765)	(1,064)
Charge for year	(20)	(29)	(226)	(288)
Acquisitions	(24)	–	(272)	–
Disposals	13	57	147	566
Foreign exchange and other movements	–	4	(106)	21
At end of year	(108)	(77)	(1,222)	(765)
Net book value				
At end of year	101	58	1,143	576
Banking				
Computer and other equipment, fixtures and vehicles				
Cost				
At beginning of year	202	200	1,978	1,952
Additions	57	47	645	462
Acquisitions	12	–	136	–
Disposals	(15)	(42)	(170)	(412)
Foreign exchange and other movements	(31)	(3)	(43)	(24)
At end of year	225	202	2,546	1,978
Accumulated depreciation				
At beginning of year	(104)	(108)	(1,004)	(1,057)
Charge for year	(47)	(32)	(532)	(315)
Acquisitions	(9)	–	(102)	–
Disposals	10	37	113	365
Foreign exchange and other movements	18	(1)	31	3
At end of year	(132)	(104)	(1,494)	(1,004)
Net book value				
At end of year	93	98	1,052	974
25 Prepayments and accrued income				
Accrued interest and rent	193	228	2,184	2,266
Other prepayments and accrued income	39	89	441	884
	232	317	2,625	3,150

26 Equity shareholders' funds

	At 31 Dec 2000	At 31 Dec 1999
Authorised 6,000,000,000 ordinary shares of 10p each	600	600

The movement in equity shareholders' funds for the year is shown below.

	£m					
	Number of shares m	Equity shareholders' funds	Share capital	Share premium	Profit and loss	Total
Year to 31 December 2000						
Opening equity shareholders' funds	3,444	–	344	868	2,301	3,513
Issue of shares for re-equitisation of Pilgrim Baxter & Associates and employee share option schemes	107	–	11	142	–	153
Transfer between reserves	–	–	–	(500)	500	–
Retained profit for the financial year	–	–	–	–	343	343
Amounts taken directly to reserves	–	–	–	–	24	24
Foreign exchange and other movements	–	–	–	1	(416)	(415)
Closing equity shareholders' funds	3,551	–	355	511	2,752	3,618
Year to 31 December 1999						
Opening equity shareholders' funds	1	1,588	–	–	–	1,588
Policy self investment	316	–	32	24	348	404
Issue of shares on demutualisation	2,654	(1,588)	265	332	991	–
Additional capital raised on listing	473	–	47	512	–	559
Retained profit for the financial year	–	–	–	–	997	997
Foreign exchange movements	–	–	–	–	(35)	(35)
Closing equity shareholders' funds	3,444	–	344	868	2,301	3,513

	Rm					
	Number of shares m	Equity shareholders' funds	Share capital	Share premium	Profit and loss	Total
Year to 31 December 2000						
Opening equity shareholders' funds	3,444	–	3,418	8,625	22,864	34,907
Issue of shares for re-equitisation of Pilgrim Baxter & Associates and employee share option schemes	107	–	122	1,569	–	1,691
Transfer between reserves	–	–	–	(5,261)	5,261	–
Retained profit for the financial year	–	–	–	–	3,609	3,609
Amounts taken directly to reserves	–	–	–	–	253	253
Foreign exchange and other movements	–	–	477	849	(849)	477
Closing equity shareholders' funds	3,551	–	4,017	5,782	31,138	40,937
Year to 31 December 1999						
Opening equity shareholders' funds	1	15,527	–	–	–	15,527
Policy self investment	316	–	318	235	3,401	3,954
Issue of shares on demutualisation	2,654	(15,527)	2,646	3,489	9,392	–
Additional capital raised on listing	473	–	454	4,901	–	5,355
Retained profit for the financial year	–	–	–	–	9,830	9,830
Foreign exchange movements	–	–	–	–	241	241
Closing equity shareholders' funds	3,444	–	3,418	8,625	22,864	34,907

All ordinary shares in issue carry the same right to receive dividends and other distributions paid by the Company, except for certain shares held by Employee Share Ownership Plans where dividends have been waived by the trustees.

Old Mutual placed 105 million new ordinary shares on the London Stock Exchange, the proceeds of which were used to satisfy the initial \$221 million of payments to the principals of Pilgrim Baxter & Associates in terms of Old Mutual plc's restructured management incentives and acquisition of control of additional revenue streams (see note 17(a)).

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

26 Equity shareholders' funds (continued)

On demutualisation, the Company issued free shares to the existing members of the original society and, in addition, issued 37 million free shares to a nominee company, incorporated in South Africa, where they were held in trust pending their use in correcting any errors made when allocating free shares to qualifying members. Under the terms of the Scheme of Demutualisation if, on the expiry of a period of eighteen months after demutualisation, any free shares issued to the nominee company remained in trust, having not been allocated to qualifying members, they were to be sold in the market and the proceeds paid to Old Mutual plc.

The Company placed 25 million of its existing issued shares, representing shares held in connection with satisfying claims and errors in the Company's demutualisation in May 1999, which are now due to be sold in accordance with the Scheme of Demutualisation. It was considered inappropriate to sell the balance of the shares on 11 November 2000, as certain allocations were still in the process of being finalised. As these proceeds represent external funds passing to the Company, they are treated as distributable reserves and reflected as a movement in reserves of £24 million (R253 million) (amounts taken directly to reserves in the tables on page 101).

The transfer from share premium to profit and loss reserves is described on page 37 of the Financial Review.

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 2000
27 Company reserves – profit and loss account				
At beginning of year	55	-	547	-
Transfer from share premium account	500	-	5,261	-
Amounts taken directly to reserves	24	-	253	-
Retained profit for the year	81	55	853	542
Foreign exchange movements	-	-	554	5
At end of year	660	55	7,468	547

All of the above reserves of the Company at 31 December 1999 and 2000 were distributable.

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
28 Minority interests				
At beginning of year	857	808	8,515	7,901
Minority interests' share of profit, net of dividends	276	150	2,904	1,479
Net acquisition/(disposal) of interests	3	(116)	32	(1,144)
Foreign exchange and other movements	(123)	15	7	279
At end of year	1,013	857	11,458	8,515

29 Subordinated liabilities

Insurance and other liabilities

Subordinated debt instruments are repayable:

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Less than two years	19	–	215	–
Between two and five years	18	–	204	–
Over five years	2	–	23	–
	39	–	442	–

The total insurance and other subordinated debt instruments of the Group are as follows:

£0.8 million loan repayable within two years	1	–	11	–
£2.8 million repayable in instalments between July 2001 and July 2003	3	–	34	–
US\$22 million repayable between January 2001 and February 2002	15	–	170	–
US\$27 million repayable June 2004	18	–	204	–
£1.6 million loan repayable after five years	2	–	23	–
	39	–	442	–

The instruments repayable in US dollars between January 2001 and February 2002 bear interest at a rate of between 5.5 and 6.0 per cent. per annum on the nominal value. The instruments repayable in US dollars in June 2004 bear interest at a rate of 6.0 per cent. per annum on the nominal value. Both of these subordinated notes are guaranteed by United Asset Management Corporation.

Banking

Subordinated debt instruments are repayable:

Less than two years	14	–	158	–
Between two and five years	12	29	136	291
Over five years	39	39	441	388
	65	68	735	679

The total subordinated debt instruments of the Group are as follows:

R80 million repayable 15 May 2001	7	8	80	78
R80 million repayable 15 May 2002	7	8	80	77
R140 million repayable 15 May 2003	12	13	136	133
US\$40 million repayable 17 April 2008	27	24	302	245
US\$18 million repayable 31 August 2009	12	11	136	111
R200 million repayable 30 November 2029	–	4	1	35
	65	68	735	679

The instruments repayable between 15 May 2001 and 2003 bear interest at the rate of 14 per cent. per annum on the nominal value and are guaranteed by Nedcor Limited. The instruments repayable in US dollars on 17 April 2008 and 31 August 2009 bear interest at the 6-month Libor rate and 1.5 basis point below the 6-month Libor rate respectively, on the nominal value of the instrument. The subordinated unsecured debentures, repayable on 30 November 2029, are now free of interest. Coupon holders are entitled, in the event of interest default, to put the coupon covering such interest payment to Nedcor Limited.

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

30 Technical provisions	£m			Rm		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At 31 December 2000						
Long term business technical provision	13,048	(118)	12,930	147,636	(1,335)	146,301
Claims outstanding – long term business	169	–	169	1,912	–	1,912
Claims outstanding – general business	154	(19)	135	1,742	(215)	1,527
Provision for unearned premiums	62	(7)	55	702	(79)	623
	13,433	(144)	13,289	151,992	(1,629)	150,363
At 31 December 1999						
Long term business technical provision	14,767	(140)	14,627	146,731	(1,391)	145,340
Claims outstanding – long term business	197	–	197	1,958	–	1,958
Claims outstanding – general business	122	(16)	106	1,212	(159)	1,053
Provision for unearned premiums	43	(5)	38	427	(50)	377
	15,129	(161)	14,968	150,328	(1,600)	148,728

Valuation methods and assumptions: South Africa

The valuation was performed using the “Financial Soundness Valuation” method, in keeping with the applicable professional guidance notes issued by the Actuarial Society of South Africa (“ASSA”). The technical provisions are based on realistic expectations of future experience with prescribed margins for prudence and deferring the emergence of profit.

Where applicable, allowance has been made for bonuses already declared, as well as future bonuses still to be declared at rates consistent with the assumed valuation interest rates. These bonuses include both vested bonuses and non-vested (terminal) bonuses.

The principal assumptions used at 31 December 2000 and 31 December 1999 for South Africa are set out below.

Rates of interest (gross of tax and charges)

Non-profit annuities – discounted on appropriate spot yield curve
With-profit annuities – interest rate on which premium rates were based
Assurances – 14 per cent. per annum for all years

The gross interest rates were reduced as follows, where applicable:

- to allow for tax;
- to allow for the minimum margin of 0.25 percentage points per annum, as prescribed by the ASSA; and
- in the case of smoothed bonus business, by an additional margin equal to the excess over the 0.25 percentage points of the capital charges applicable to the business. This second tier margin is incorporated to ensure that the value of capital charges emerge as profit over the full duration of the policy.

Mortality tables

Non-profit annuities – a90 rated down 5 years
With-profit annuities – PA90 rated down 1 year (adjusted for own experience)
Assurances – table derived from own experience with allowance for increasing AIDS claims

For assurances, the above underlying mortality rates were further increased by the prescribed ASSA margin of 7.5 per cent. For annuities, the mortality rates were reduced by the prescribed ASSA margin of 7.5 per cent.

Renewal expenses

Renewal expense assumptions (including renewal commissions) have been based on recent experience inflating at 11 per cent. per annum.

In terms of the prescribed ASSA margins, the underlying expense assumption was increased by 10 per cent., and the expense inflation assumption was increased to 12.1 per cent.

Surrenders/lapses

Where appropriate, allowance has been made for surrenders and lapses at rates consistent with past experience.

The underlying lapse rates were then increased by the prescribed ASSA margin of 25 per cent. Surrender rates were increased or decreased by the prescribed ASSA margin of 10 per cent., depending on which alternative gave rise to an increase in liabilities.

Valuation method and assumptions outside South Africa

Technical provisions have been calculated using generally accepted actuarial methods for the territory in question, and using interest rates and actuarial tables appropriate to the territory in question.

30 Technical provisions (continued)

30(a) Pensions mis-selling

The terms of the sale of Old Mutual Life Assurance Company Ltd, agreed in December 1999, included a warranty by the Group in respect of the costs of mis-sold pension business such that, if related costs exceeded the provisions passed to the purchaser, the Group would remain liable. Provisions of £36 million (R407 million) at 31 December 2000 (1999: £38 million (R380 million)) have been retained by the Group in accordance with Personal Investment Authority guidelines to cover for this eventuality.

	£m				Rm			
	Provision for deferred tax	Provision for pension and other obligations	Other provisions	Total	Provision for deferred tax	Provision for pension and other obligations	Other provisions	Total
31 Insurance and other – provisions for other risks and charges								
Year to 31 December 2000								
At beginning of year	58	74	185	317	576	732	1,842	3,150
Acquisition of subsidiaries	–	–	5	5	–	–	53	53
Charge to the profit and loss account	(49)	30	13	(21)	(516)	316	137	(221)
Utilised during the year	–	(13)	(14)	(27)	–	(137)	(147)	(284)
Released during the year	–	–	(9)	(9)	–	–	(95)	(95)
Foreign exchange and other movements	(4)	(25)	(31)	(45)	(3)	(164)	(104)	(113)
At end of year	5	66	149	220	57	747	1,686	2,490
Year to 31 December 1999								
At beginning of year	–	75	348	423	3	734	3,397	4,134
Charge to the profit and loss account	58	30	119	206	572	(280)	1,173	2,019
Foreign exchange and other movements	–	(31)	(282)	(312)	1	(282)	(2,728)	(3,003)
At end of year	58	74	185	317	576	732	1,842	3,150

The potential liability for deferred tax provided in the financial statements is as follows:

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
31(a) Deferred tax liability				
The deferred tax liability comprises:				
Short term timing differences	5	(3)	57	(30)
Insurance funds	–	60	–	596
Prepayment of pension contributions	–	1	–	10
	5	58	57	576

There were no unrecognised deferred tax liabilities at 31 December 2000 (1999: nil).

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
32 Creditors				
Creditors arising from direct insurance operations (note 32(a))	275	87	3,112	865
Creditors arising from reinsurance operations	4	7	44	70
Other creditors including tax and social security				
Falling due within one year (note 32(b))	5,345	893	60,478	8,873
Falling due after one year	22	10	249	99
	5,646	997	63,883	9,907

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

32 Creditors (continued)	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
32(a) Creditors arising from direct insurance operations				
Amounts owed to policyholders	55	64	622	636
Amounts owed to intermediaries	9	3	102	30
Outstanding securities purchased	53	–	600	–
Other	158	20	1,788	199
	275	87	3,112	865

32(b) Other creditors including taxation and social security – falling due within one year	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Current taxation	257	42	2,908	417
Dividend payable	108	69	1,222	680
Outstanding securities purchased	3,042	146	34,420	1,451
Other creditors	1,938	636	21,928	6,325
	5,345	893	60,478	8,873

33 Amounts owed to credit institutions	£m		Rm	
	General business and shareholders	Company	General business and shareholders	Company
At 31 December 2000				
Bank overdrafts	22	–	249	–
Bank loans	544	551	6,156	6,234
Other loans	658	92	7,445	1,041
	1,224	643	13,850	7,275
Repayable				
Within one year	332	29	3,757	328
Between one and two years	565	561	6,393	6,347
Greater than two years	327	53	3,700	600
	1,224	643	13,850	7,275
At 31 December 1999				
Bank loans	8	–	79	–
Other loans	88	–	874	–
	96	–	953	–
Repayable				
Within one year	88	–	874	–
Between one and two years	2	–	20	–
Greater than two years	6	–	59	–
	96	–	953	–

Bank loans include:

- a US\$1.6 billion Acquisition Finance Facility dated 15 September 2000, of which US\$304 million was drawn. The facility is repayable on 14 September 2001, with a term-out option for US\$500 million to 13 September 2002.
- a £300 million Revolving Credit Facility dated 18 August 1999, of which £286 million has been drawn. The facility is repayable on 18 August 2002.
- a three year term loan of £30 million, repayable on 30 April 2003.
- a five year term loan of £6 million, repayable on 30 May 2005.

Other loans include:

- US\$400 million preference shares issued in September 2000.
- US\$67 million senior debt, secured by the stock of certain UAM affiliates, repayable in July 2005.
- US\$183 million senior debt, secured by the stock of certain UAM affiliates, repayable in July 2008.
- US\$125 million senior debt, secured by the stock of certain UAM affiliates, repayable in August 2005.

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
34 Deposits by banks				
Items in the course of transmission to other banks	22	31	249	308
Secured deposits	724	–	8,192	–
Other deposits	1,127	767	12,752	7,621
	1,873	798	21,193	7,929

All deposits by banks are repayable on demand.

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
35 Customer accounts, maturity profile				
Repayable on demand	2,462	5,138	27,857	51,063
With agreed maturity dates or years of notice, by remaining maturity, of:				
Three months or less but not repayable on demand	5,201	2,097	58,848	20,832
One year or less but over three months	2,283	1,303	25,832	12,945
Five years or less but over one year	646	745	7,309	7,397
Over five years	145	60	1,641	599
	10,737	9,343	121,487	92,836

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
36 Debt securities in issue				
Bonds and medium term notes (notes 36(a))	1,213	1,157	13,725	11,496
Other debt securities in issue	204	37	2,308	368
	1,417	1,194	16,033	11,864

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
36(a) Bonds and medium term notes, maturity profile				
Repayable:				
Within one year	1,162	983	13,148	9,768
Between one and two years	13	102	147	1,009
Between two and five years	38	72	430	719
	1,213	1,157	13,725	11,496

All other debt securities in issue are repayable between one and two years.

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
37 Banking – other liabilities				
Trade creditors	216	238	2,444	2,361
Other liabilities falling due within one year (note 37(a))	979	371	11,077	3,687
	1,195	609	13,521	6,048
	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
37(a) Other banking liabilities – falling due within one year				
Current taxation	6	2	68	20
Other liabilities, including accrued interest	513	281	5,804	2,793
Securities sold under agreement to resell	384	–	4,345	–
Liabilities under acceptances	76	88	860	874
	979	371	11,077	3,687
	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
38 Banking – provision for liabilities and charges				
Provision for deferred taxation	86	72	977	712
Other provisions	28	4	313	43
	114	76	1,290	755
	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
38(a) Banking - deferred tax				
At beginning of year	72	67	712	653
Charge to profit and loss account	47	18	491	179
Foreign exchange and other movements	(33)	(13)	(226)	(120)
At end of year	86	72	977	712
Comprising				
Short term and other timing differences	(44)	43	(490)	424
Leasing transactions	146	29	1,648	288
Unrelieved tax losses	(16)	–	(181)	–
	86	72	977	712
	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
38(b) Banking - unrecognised deferred tax				
Assets				
Unrelieved tax losses	4	–	45	–
Other	1	–	11	–
	5	–	56	–

39 Investments – Company

	£m			Rm		
	Shares in subsidiaries	Loans to subsidiaries	Total	Shares in subsidiaries	Loans to subsidiaries	Total
At 31 December 2000						
At beginning of year	679	264	943	6,747	2,623	9,370
Acquisitions	602	–	602	6,334	–	6,334
Net amount advanced during year	–	963	963	1,413	11,260	12,673
At end of year	1,281	1,227	2,508	14,494	13,883	28,377
At 31 December 1999						
At beginning of year	–	–	–	–	–	–
Acquisitions	679	–	679	6,747	–	6,747
Net amount advanced during year	–	264	264	–	2,623	2,623
At end of year	679	264	943	6,747	2,623	9,370

The Company's principal subsidiaries at 31 December 2000 are set out in note 40 on page 110.

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

40 Principal Group and associated undertakings

The principal Group undertakings whose results are included in the consolidated financial statements (all of which are held indirectly by the Company and all shares of which are ordinary shares) are:

Name	Nature of business	Percentage holding ¹	Country of incorporation	Year end
Acadian Asset Management, Inc.	Asset management	100	Massachusetts, USA	31 December
Analytic Investors, Inc.	Asset management	100	California, USA	31 December
Barrow, Hanley, Mewhinney & Strauss, Inc.	Asset management	100	Nevada, USA	31 December
Clay Finlay Inc.	Asset management	100	New York, USA	31 December
Dwight Asset Management Company	Asset management	100	Delaware, USA	31 December
NWQ Investment Management Company	Asset management	100	Massachusetts, USA	31 December
Old Mutual Asset Managers (Bermuda) Ltd	Asset management	100	Bermuda	31 December
Old Mutual Asset Managers (South Africa) (Pty) Ltd	Asset management	100	South Africa	31 December
Old Mutual Asset Managers (UK) Ltd	Asset management	100	England and Wales	31 December
Pilgrim Baxter & Associates, Ltd	Asset management	100	Delaware, USA	31 December
Provident Investment Counsel	Asset management	100	Massachusetts, USA	31 December
United Asset Management Corporation	Asset management	100	Delaware, USA	31 December
Gerrard & King Ltd	Banking	100	England and Wales	31 December
Old Mutual Bank Ltd	Banking	100	South Africa	31 December
GNI Fund Management Ltd	Financial services	100	England and Wales	31 December
GNI Ltd	Financial services	100	England and Wales	31 December
Old Mutual Group Ltd	Financial services	100	Bermuda	31 December
Old Mutual Securities Ltd	Financial services	100	England and Wales	31 December
Old Mutual Specialised Finance (Pty) Ltd	Financial services	100	South Africa	31 December
Old Mutual Healthcare (Pty) Ltd	Health insurance	100	South Africa	31 December
Old Mutual Health Insurance Ltd	Health insurance	100	South Africa	31 December
Ashtree Investments Ltd	Investment holding	100	South Africa	31 December
Old Mutual Portfolio Holdings (South Africa) (Pty) Ltd	Investment holding	100	South Africa	31 December
Rodina Investments Ltd	Investment holding	100	South Africa	31 December
Old Mutual International (Guernsey) Ltd	Life assurance	100	Guernsey	31 December
Old Mutual Life Assurance Company (Bermuda) Ltd	Life assurance	100	Bermuda	31 December
Old Mutual Life Assurance Company (Malawi) Ltd	Life assurance	100	Malawi	31 December
Old Mutual Life Assurance Company Ltd	Life assurance	61	Kenya	31 December
Old Mutual Life Assurance Company (South Africa) Ltd	Life assurance	100	South Africa	31 December
Old Mutual Life Assurance Company (Namibia) Ltd	Life assurance	100	Namibia	31 December
Old Mutual Life Assurance Company Zimbabwe Ltd	Life assurance	100	Zimbabwe	31 December
Capel Cure Sharp Ltd	Private client fund management	100	England and Wales	31 December
Gerrard Ltd	Private client fund management	100	England and Wales	31 December
Greig Middleton Financial Services Ltd	Private client fund management	100	England and Wales	31 December
Old Mutual Property Investment Corporation (Pvt) Ltd	Property holding	100	Zimbabwe	31 December
Old Mutual Properties (Pty) Ltd	Property management	100	South Africa	31 December
Fairbairn Trust Company Ltd	Trust administration	100	Guernsey	31 December
Gerrard Investment Funds Ltd	Unit trust management	100	South Africa	31 December
Old Mutual Fund Managers (Guernsey) Ltd	Unit trust management	100	Guernsey	31 December
Old Mutual Fund Managers Ltd	Unit trust management	100	England and Wales	31 December
Old Mutual Unit Trust Management Company Namibia Ltd	Unit trust management	100	Namibia	31 December
Old Mutual Unit Trust Managers Ltd	Unit trust management	100	South Africa	31 December
Ridgefield Unit Trust Administration Ltd	Unit trust management	100	England and Wales	31 December
Mutual & Federal Insurance Company Ltd	General insurance	51	South Africa	31 December
Nedcor Ltd	Banking	53.4	South Africa	31 December
Nedcor Bank Ltd	Banking	53.4	South Africa	31 December
Cape of Good Hope Bank Ltd	Banking	53.4	South Africa	31 December
Nedcor Investment Bank Holdings Ltd	Banking	50.4	South Africa	31 December
Nedcor Asia Ltd	Banking	53.4	Hong Kong	31 December

Note:

¹Percentage holding of issued shares at 31 December 2000

A complete list of subsidiaries is included in the Company's annual return.

41 Related party transactions

The Group provides certain pension fund, insurance, banking and financial services to related third parties as defined by FRS 8. These are conducted on similar terms to third party transactions and are not material to the Group's results. In accordance with FRS 8, transactions or balances with Group entities that have been eliminated on consolidation are not reported.

No director had a material interest in any contract of significance with the Company or any of its subsidiaries during 2000.

42 Post balance sheet events

On 2 March 2001, the Group announced it had entered into an agreement to acquire Unified Life Insurance Company, a company domiciled in Texas, USA, for £25 million. The acquisition is subject to approval by the Texas Department of Insurance. Unified Life Insurance Company will provide a platform for Old Mutual to sell a suite of annuity and term products in the USA through brokers.

43 Commitments

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Undrawn formal standby facilities, credit lines and other commitments to lend	530	172	5,997	1,707
Capital and other commitments	24	72	272	715
	554	244	6,269	2,422

44 Contingent liabilities

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Guarantees and assets pledged as collateral security	771	588	8,724	5,845
Irrevocable letters of credit	85	214	962	2,125
Other contingent liabilities	81	61	916	614
	937	863	10,602	8,584

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

45 Banking financial instruments

Notwithstanding the exemption available to insurance groups from the scope of FRS 13, the tables below set out details of derivative financial instruments in respect of the banking activities of the Group.

The Group uses off-balance sheet financial instruments (derivatives) to meet customers' requirements for proprietary trading and to hedge interest rate risk, foreign exchange risk and other market risks. Contracts used for hedging purposes, undertaken as part of the Group's risk management strategy, are classified as "other contracts" in the table below.

45(a) Summary	£m							Rm
	Contracts held for trading purposes			Other contracts	Contracts held for trading purposes			Other contracts
	Notional principal	Positive value	Negative value	Notional principal	Notional principal	Positive value	Negative value	Notional principal
At 31 December 2000								
Exchange rate contracts								
Spot, forwards and futures	21,198	10,648	10,550	8,872	239,851	120,480	119,371	100,385
Currency swaps	447	213	234	–	5,058	2,410	2,648	–
Options purchased	48	43	5	1	544	487	57	11
Options written	42	–	42	1	475	–	475	11
	21,735	10,904	10,831	8,874	245,928	123,377	122,551	100,407
Interest rate contracts								
Interest rate swaps	13,182	6,665	6,517	1,487	149,152	75,413	73,739	16,825
Forward rate agreements	11,076	5,370	5,706	300	125,322	60,760	64,562	3,394
Options purchased	248	211	37	150	2,806	2,387	419	1,697
Options written	99	–	99	–	1,120	–	1,120	–
Futures	257	133	124	–	2,908	1,505	1,403	–
	24,862	12,379	12,483	1,937	281,308	140,065	141,243	21,916
Balances arising from off-balance sheet financial instruments								
	46,597	23,283	23,314	10,811	527,236	263,442	263,794	122,323
At 31 December 1999								
Exchange rate contracts								
Spot, forwards and futures	9,010	5,648	3,362	9,504	89,538	56,121	33,417	94,428
Currency swaps	309	159	150	5	3,071	1,577	1,494	51
Options purchased	40	17	23	4	398	170	228	40
Options written	26	20	6	4	250	194	56	40
	9,385	5,844	3,541	9,517	93,257	58,062	35,195	94,559
Interest rate contracts								
Interest rate swaps	7,327	3,500	3,827	949	72,810	34,780	38,030	9,434
Forward rate agreements	4,498	1,925	2,573	–	44,695	19,125	25,570	–
Options purchased	154	154	–	–	1,531	1,531	–	–
Options written	257	–	257	3	2,556	–	2,556	31
Futures	449	280	169	38	4,460	2,780	1,680	382
	12,685	5,859	6,826	990	126,052	58,216	67,836	9,847
Balances arising from off-balance sheet financial instruments								
	20,070	11,703	10,367	10,507	219,309	116,278	103,031	104,406

Fair value of assets/(liabilities)	£m							Rm
	Contracts held for trading purposes			Other contracts	Contracts held for trading purposes			Other contracts
	Notional principal	Positive value	Negative value	Notional principal	Notional principal	Positive value	Negative value	Notional principal
The fair value of trading instruments entered into with third parties was as follows:								
At 31 December 2000								
Exchange rate contracts								
Spot, forwards and futures	75	388	313	8	848	4,390	3,542	91
Currency swaps	1	227	226	–	11	2,568	2,557	–
Options purchased	1	1	–	–	11	11	–	–
Options written	(1)	–	1	–	(11)	–	11	–
	76	616	540	8	859	6,969	6,110	91
Interest rate contracts								
Interest rate swaps	(28)	297	325	(35)	(318)	3,360	3,678	(396)
Forward rate agreements	7	22	15	(3)	79	249	170	(34)
Options purchased	7	7	–	–	79	79	–	–
Options written	(47)	–	47	–	(532)	–	532	–
	(61)	326	387	(38)	(692)	3,688	4,380	(430)
Balances arising from off-balance sheet financial instruments	15	942	927	(30)	167	10,657	10,490	(339)
At 31 December 1999								
Exchange rate contracts								
Spot, forwards and futures	–	–	–	(1)	–	2	2	(7)
Currency swaps	31	167	136	–	306	1,661	1,355	–
Options purchased/written	(1)	–	1	–	(2)	4	6	–
	30	167	137	(1)	304	1,667	1,363	(7)
Interest rate contracts								
Interest rate swaps	(13)	65	78	(2)	(123)	648	771	(15)
Forward rate agreements	2	4	2	–	20	43	23	–
Options purchased/written	(41)	20	61	–	(408)	197	605	–
	(52)	89	141	(2)	(511)	888	1,399	(15)
Balances arising from off-balance sheet financial instruments	(22)	256	278	(3)	(207)	2,555	2,762	(22)

These figures do not demonstrate the exposure of the Group to interest rate, foreign exchange or commodity market risks, since they include only off-balance sheet instruments. The market risk exposure arising from such instruments may be increased or offset by on-balance sheet transactions.

There were no material unrecognised gains or losses on “other contracts” for the year.

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

45 Financial instruments (continued)	£m			Rm		
	Exchange rate contracts	Interest rate contracts	Total	Exchange rate contracts	Interest rate contracts	Total
45(b) Trading						
Replacement cost of OTC derivatives						
At 31 December 2000						
Maturity analysis						
Under one year	367	42	409	4,152	475	4,627
One to five years	86	124	210	973	1,403	2,376
Over five years	163	160	323	1,844	1,810	3,654
	616	326	942	6,969	3,688	10,657
Counterparty analysis						
Financial institutions	599	318	917	6,777	3,597	10,374
Non-financial institutions	17	8	25	192	91	283
	616	326	942	6,969	3,688	10,657
At 31 December 1999						
Maturity analysis						
Under one year	19	29	48	191	289	480
One to five years	30	45	75	301	450	751
Over five years	118	15	133	1,175	149	1,324
	167	89	256	1,667	888	2,555
Counterparty analysis						
Financial institutions	157	83	240	1,564	828	2,392
Non-financial institutions	10	6	16	103	60	163
	167	89	256	1,667	888	2,555
Notional principal of OTC derivatives						
At 31 December 2000						
Maturity analysis						
Under one year	19,399	13,651	33,050	219,497	154,458	373,955
One to five years	1,984	7,680	9,664	22,448	86,897	109,345
Over five years	352	3,531	3,883	3,983	39,953	43,936
	21,735	24,862	46,597	245,928	281,308	527,236
Counterparty analysis						
Financial institutions	21,593	24,458	46,051	244,321	276,737	521,058
Non-financial institutions	142	404	546	1,607	4,571	6,178
	21,735	24,862	46,597	245,928	281,308	527,236
At 31 December 1999						
Maturity analysis						
Under one year	8,801	8,646	17,447	87,452	85,926	173,378
One to five years	393	3,118	3,511	3,907	30,979	34,886
Over five years	191	921	1,112	1,898	9,147	11,045
	9,385	12,685	22,070	93,257	126,052	219,309
Counterparty analysis						
Financial institutions	8,909	12,400	21,309	88,523	123,222	211,745
Non-financial institutions	476	285	761	4,734	2,830	7,564
	9,385	12,685	22,070	93,257	126,052	219,309

Replacement cost is defined as the cost of replacing transactions that have a positive fair value.

45(c) Non-trading

	£m		Rm	
	At 31 Dec 2000	At 31 Dec 1999	At 31 Dec 2000	At 31 Dec 1999
Notional principal				
The notional principal amounts of non-trading instruments entered into with third parties were as follows:				
Exchange rate contracts	8,874	9,517	100,407	94,559
Interest rate contracts	1,937	990	21,916	9,847
	10,811	10,507	122,323	104,406
The maturity of the notional principal amounts and replacement cost of instruments entered into with third parties was:				
Exchange rate contracts				
Under one year	13	1,117	147	11,092
One to five years	8,820	8,340	99,796	82,867
Over five years	41	60	464	600
	8,874	9,517	100,407	94,559
Interest rate contracts				
Under one year	920	359	10,410	3,582
One to five years	432	305	4,888	3,026
Over five years	585	326	6,618	3,239
	1,937	990	21,916	9,847

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

45 Financial instruments (continued)

45(d) Non-trading book interest rate risk

The Group holds interest rate exposure in the non-trading book. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. At 31 December 2000, non-trading book interest risk, after taking into account off-balance sheet hedges, comprised:

	£m						
	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non-interest bearing	Total
At 31 December 2000							
Assets							
Cash and balances at central banks	882	-	-	-	-	256	1,138
Treasury bills and other eligible bills	539	107	10	1	-	-	657
Loans and advances to banks	1,218	-	-	-	-	-	1,218
Loans and advances to customers	9,785	190	295	540	430	164	11,404
Debt securities	439	-	20	339	126	-	924
Equity securities	-	-	-	-	-	624	624
Investments in associated undertakings	-	-	-	-	-	207	207
Tangible fixed assets	-	-	-	-	-	93	93
Land and buildings	-	-	-	-	-	102	102
Other assets	444	-	-	-	-	103	547
Prepayments and accrued income	-	-	-	-	-	373	373
	13,307	297	325	880	556	1,922	17,287
Liabilities							
Deposits by banks	1,873	-	-	-	-	-	1,873
Customer accounts	8,743	295	484	869	15	331	10,737
Debt securities in issue	771	331	269	46	-	-	1,417
Provision for liabilities and charges	-	-	-	-	-	114	114
Other liabilities	385	-	-	-	-	2,696	3,081
Subordinated liabilities	-	7	-	19	39	-	65
	11,772	633	753	934	54	3,141	17,287
Net position	1,535	(336)	(428)	(54)	502	(1,219)	-
Off-balance sheet items	566	(13)	(17)	(382)	(154)	-	-
Interest rate sensitivity gap	2,101	(349)	(445)	(436)	348	(1,219)	-
Cumulative gap	2,101	1,752	1,307	871	1,219	-	-

£m

45(d) Non-trading book interest rate risk (continued)

At 31 December 1999

Assets

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non-interest bearing	Total
Cash and balances at central banks	-	-	-	-	-	760	760
Treasury bills and other eligible bills	706	26	11	1	-	-	744
Loans and advances to banks	613	-	-	-	-	-	613
Loans and advances to customers	6,934	514	467	1,391	-	398	9,704
Debt securities	192	86	28	165	158	-	629
Equity securities	-	-	-	-	-	324	324
Tangible fixed assets	-	-	-	-	-	98	98
Land and buildings	-	-	-	-	-	89	89
Other assets	-	-	-	-	-	88	88
Prepayments and accrued income	-	-	-	-	-	168	168
	8,445	626	506	1,557	158	1,925	13,217

Liabilities

Deposits by banks	798	-	-	-	-	-	798
Customer accounts	6,641	265	333	1,680	126	298	9,343
Debt securities in issue	876	186	81	51	-	-	1,194
Provision for liabilities and charges	-	-	-	-	-	76	76
Other liabilities	-	-	-	-	-	1,738	1,738
Subordinated liabilities	-	7	-	20	41	-	68
	8,315	458	414	1,751	167	2,112	13,217

Net position

	130	168	92	(194)	(9)	(187)	-
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Off-balance sheet items

	373	(23)	(4)	(346)	-	-	-
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Interest rate sensitivity gap

	503	145	88	(540)	(9)	(187)	-
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Cumulative gap

	503	648	736	196	187	-	-
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Notes to the Financial Statements *continued*

for the year ended 31 December 2000

Rm

45 Financial instruments (continued)

45(d) Non-trading book interest rate risk (continued)

At 31 December 2000

Assets

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non-interest bearing	Total
Cash and balances at central banks	9,980	-	-	-	-	2,896	12,876
Treasury bills and other eligible bills	6,098	1,211	113	11	-	-	7,433
Loans and advances to banks	13,781	-	-	-	-	-	13,781
Loans and advances to customers	110,715	2,150	3,338	6,110	4,865	1,855	129,033
Debt securities	4,967	-	226	3,836	1,426	-	10,455
Equity securities	-	-	-	-	-	7,061	7,061
Investments in associated undertakings	-	-	-	-	-	2,343	2,343
Tangible fixed assets	-	-	-	-	-	1,052	1,052
Land and buildings	-	-	-	-	-	1,154	1,154
Other assets	5,024	-	-	-	-	1,165	6,189
Prepayments and accrued income	-	-	-	-	-	4,220	4,220
	150,565	3,361	3,677	9,957	6,291	21,746	195,597

Liabilities

Deposits by banks	21,193	-	-	-	-	-	21,193
Customer accounts	98,925	3,338	5,476	9,833	170	3,745	121,487
Debt securities in issue	8,724	3,745	3,044	520	-	-	16,033
Provision for liabilities and charges	-	-	-	-	-	1,290	1,290
Other liabilities	4,356	-	-	-	-	30,503	34,859
Subordinated liabilities	-	79	-	215	441	-	735
	133,198	7,162	8,520	10,568	611	35,538	195,597

Net position

	17,367	(3,801)	(4,843)	(611)	5,680	(13,792)	-
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Off-balance sheet items

	6,403	(147)	(192)	(4,322)	(1,742)	-	-
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Interest rate sensitivity gap

	23,770	(3,948)	(5,035)	(4,933)	3,938	(13,792)	-
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Cumulative gap

	23,770	19,822	14,787	9,854	13,792	-	-
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At 31 December 1999

Assets

Cash and balances at central banks	-	-	-	-	-	7,552	7,552
Treasury bills and other eligible bills	7,012	259	108	14	-	-	7,393
Loans and advances to banks	6,091	-	-	-	-	-	6,091
Loans and advances to customers	68,903	5,111	4,642	13,816	-	3,951	96,423
Debt securities	1,910	858	277	1,644	1,561	-	6,250
Equity securities	-	-	-	-	-	3,220	3,220
Tangible fixed assets	-	-	-	-	-	974	974
Land and buildings	-	-	-	-	-	884	884
Other assets	-	-	-	-	-	874	874
Prepayments and accrued income	-	-	-	-	-	1,669	1,669
	83,916	6,228	5,027	15,474	1,561	19,124	131,330

Liabilities

Deposits by banks	7,929	-	-	-	-	-	7,929
Customer accounts	65,993	2,636	3,313	16,692	1,240	2,962	92,836
Debt securities in issue	8,700	1,853	808	503	-	-	11,864
Provision for liabilities and charges	-	-	-	-	-	755	755
Other liabilities	-	-	-	-	-	17,267	17,267
Subordinated liabilities	-	70	-	200	409	-	679
	82,622	4,559	4,121	17,395	1,649	20,984	131,330

Net position

	1,294	1,669	906	(1,921)	(88)	(1,860)	-
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Off-balance sheet items

	3,715	(231)	(43)	(3,441)	-	-	-
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Interest rate sensitivity gap

	5,009	1,438	863	(5,362)	(88)	(1,860)	-
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Cumulative gap

	5,009	6,447	7,310	1,948	1,860	-	-
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45(e) Fair value disclosure

The fair value of the financial assets and liabilities of the Group's banking subsidiary comprised:

Trading book financial assets and liabilities

Assets

	£m		£m		£m		Rm	
	Book value at 31 Dec 2000	Fair value at 31 Dec 2000	Book value at 31 Dec 1999	Fair value at 31 Dec 1999	Book value at 31 Dec 2000	Fair value at 31 Dec 2000	Book value at 31 Dec 1999	Fair value at 31 Dec 1999
Cash and balances at central banks	1,137	1,137	760	760	12,865	12,865	7,552	7,552
Treasury bills and other eligible bills	215	215	137	137	2,433	2,433	1,357	1,357
Loans and advances to banks	1,204	1,204	613	613	13,623	13,623	6,091	6,091
Loans and advances to customers	11,388	11,388	9,704	9,704	128,852	128,852	96,423	96,423
Debt securities	531	531	340	340	6,008	6,008	3,377	3,377
Investments in associated undertakings	207	207	-	-	2,343	2,343	-	-
Tangible fixed assets	-	-	98	98	-	-	974	974
Land and buildings	-	-	89	100	-	-	884	992
Other assets	398	398	88	88	4,503	4,503	874	874
Prepayments and accrued income	373	373	168	168	4,220	4,220	1,669	1,669
Off balance sheet financial instruments – positive value	-	942	256	256	-	10,657	2,555	2,555

Liabilities

Deposits by banks	1,873	1,873	798	798	21,193	21,193	7,929	7,929
Customer accounts	10,721	10,721	9,343	9,343	121,306	121,306	92,836	92,836
Debt securities in issue	1,417	1,417	1,194	1,194	16,033	16,033	11,864	11,864
Provision for liabilities and charges	12	12	76	76	136	136	755	755
Other liabilities	1,115	1,112	1,738	1,738	12,616	12,582	17,277	17,277
Subordinated liabilities	65	65	68	68	735	735	679	679
Off balance sheet financial instruments – negative value	-	927	278	278	-	10,490	2,762	2,762

Non-trading book financial assets and liabilities

Assets

Marketable assets	817	773	607	607	9,242	8,747	6,036	6,036
Debt securities	393	399	289	289	4,447	4,515	2,873	2,873
Equity securities	624	628	324	618	7,061	7,106	3,220	6,141

Liabilities

Customer accounts	16	16	-	-	181	181	-	-
Provision for liabilities and charges	102	102	-	-	1,154	1,154	-	-
Other liabilities	80	80	-	-	905	905	-	-

All financial assets and liabilities held or issued for trading purposes are carried in the financial statements at fair value. For those financial assets and liabilities in the non-trading book, fair values have been determined by valuation against mid-market prices or by discounting forward cash flows.

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
46 Reconciliation of operating profit to net operating cash flows				
Profit from insurance and asset management activities before tax and non-operating items	374	1,224	3,936	12,067
Depreciation and amortisation of goodwill	46	13	484	128
Unrealised investment gains/(losses)	184	(416)	1,936	(4,101)
Profits relating to the long term business	(472)	(376)	(4,966)	(3,707)
Long term investment return in the life business	215	187	2,262	1,844
Cash received from long term business	277	–	2,914	–
Increase/(decrease) in provisions for other risks and charges	2	(8)	21	(79)
Increase/(decrease) in insurance technical provisions net of reinsurance	4	(3)	42	(30)
Other (including amounts reinvested in long term business operations)	(502)	(126)	(5,283)	(1,242)
Net cash inflow from insurance operating activities	128	495	1,346	4,880
Operating profit from banking activities	303	210	3,187	2,072
(Decrease)/increase in accrued income and prepayments	(235)	82	(2,473)	808
Provision for bad and doubtful debts	95	263	1,000	2,593
Depreciation and amortisation	48	33	505	325
Other	14	(75)	149	(740)
Net cash flow from banking trading activities	225	513	2,368	5,058
Net (decrease)/increase in collections/transmissions	(6)	11	(63)	108
Net increase/(decrease) in loans and advances to banks and customers	5,557	(1,233)	58,467	(12,156)
Net (decrease)/increase in deposits by banks and customer accounts	(6,876)	788	(72,344)	7,769
Net increase in debt securities in issue	397	306	4,177	3,017
Net increase/(decrease) in other assets	9,951	(229)	104,697	(2,258)
Net (decrease)/increase in other liabilities	(8,401)	101	(88,389)	996
Net cash inflow from banking operating activities	847	257	8,913	2,534

46(a) Analysis of cash flows

Returns on investment and servicing of finance				
Net interest paid	(7)	(6)	(69)	(59)
Dividends paid to minority interests	(65)	(111)	(684)	(1,095)
Finance costs of debt and non-equity share capital	–	(7)	–	(69)
Net cash outflow from returns on investments and servicing of finance	(72)	(124)	(753)	(1,223)
Taxation				
United Kingdom corporation tax	(9)	(30)	(95)	(296)
Overseas tax	(147)	(40)	(1,547)	(394)
Total taxation paid	(156)	(70)	(1,642)	(690)
Capital expenditure and financial investment				
Net purchase of banking investment securities	(180)	(22)	(1,894)	(217)
Net purchase of tangible fixed assets	(115)	(62)	(1,210)	(611)
Net cash outflow from capital expenditure and financial investment	(295)	(84)	(3,104)	(828)
Acquisitions and disposals				
Acquisition of interests in subsidiary undertakings	(1,718)	(64)	(18,076)	(631)
Disposal of interests in subsidiary undertakings	–	130	–	1,281
Net cash (outflow)/inflow from acquisitions and disposals	(1,718)	66	(18,076)	650
Financing activities				
Issue of ordinary share capital net of costs	154	559	1,618	5,509
Issue of ordinary share capital of subsidiary undertakings to minority interests	10	23	106	227
Net cash inflow from disposal of issued shares in connection with satisfying claims and errors on demutualisation	37	–	392	–
Increase/(decrease) in borrowings	826	(35)	8,685	(345)
Net cash inflow from financing activities	1,027	547	10,801	5,391

	£m		Rm	
	Year to 31 Dec 2000	Year to 31 Dec 1999	Year to 31 Dec 2000	Year to 31 Dec 1999
46(b) Movement in portfolio investments, net of financing				
Increase in cash holdings	142	122	1,494	1,202
Cash flow (excluding long term business)				
(Decrease)/increase in net portfolio investments	(1,008)	732	(10,605)	7,215
Movement arising from cash flow	(866)	854	(9,111)	8,417
Movement in long term business	(1,705)	3,521	1,271	34,730
Acquired/(disposed) with subsidiary	804	(22)	8,459	(217)
Changes in market values and exchange rates	(295)	712	1,586	9,563
Total movement in portfolio investments, net of financing	(2,062)	5,065	2,205	52,493
Portfolio investments, net of financing at beginning of year	18,524	13,459	184,060	131,567
Portfolio investments, net of financing at end of year	16,462	18,524	186,265	184,060

	£m					
	At start of year	Cash flow	Changes in long term business	Acquired with subsidiary	Changes to market value, currencies and other	At end of year
46(c) Movement in insurance cash, portfolio investments and financing						
Year to 31 December 2000						
Movement in insurance cash and portfolio investments						
Cash in hand and at bank	443	142	(99)	–	(28)	458
Land and buildings	914	(16)	(65)	2	(4)	831
Other financial investments	17,167	(992)	(1,541)	802	(263)	15,173
	18,524	(866)	(1,705)	804	(295)	16,462
Movement in financing						
Share capital	344	11	–	–	–	355
Share premium	868	143	–	–	(500)	511
Subordinated liabilities	–	–	–	39	–	39
Bank loans	8	536	–	–	–	544
Other loans	88	289	–	287	(6)	658
	1,308	979	–	326	(506)	2,107

	Rm					
	At start of year	Cash flow	Changes in long term business	Acquired with subsidiary	Changes to market value, currencies and other	At end of year
Year to 31 December 2000						
Movement in insurance cash and portfolio investments						
Cash in hand and at bank	4,402	1,494	(779)	–	65	5,182
Land and buildings	9,081	(168)	452	21	17	9,403
Other financial investments	170,577	(10,437)	1,598	8,438	1,504	171,680
	184,060	(9,111)	1,271	8,459	1,586	186,265
Movement in financing						
Share capital	3,418	122	–	–	477	4,017
Share premium	8,625	1,580	–	–	(4,423)	5,782
Subordinated liabilities	–	–	–	410	32	442
Bank loans	79	5,589	–	–	488	6,156
Other loans	874	3,013	–	3,020	538	7,445
	12,996	10,304	–	3,430	(2,888)	23,842

Notes to the Financial Statements *continued*
for the year ended 31 December 2000

	£m	Rm
	Year to 31 Dec 2000	Year to 31 Dec 2000
46(d) Acquisitions of subsidiary undertakings		
Net assets acquired		
Investments	949	9,887
Cash	145	1,512
Other net liabilities	(622)	(6,109)
	<u>472</u>	<u>5,290</u>
Goodwill arising on acquisitions	2,162	22,747
Cash consideration	<u>2,634</u>	<u>28,037</u>

Embedded Value Information

1. Embedded value

The embedded value of Old Mutual plc at 31 December 2000 is set out below, together with the corresponding position at 31 December 1999.

	£m		Rm	
	31 Dec 2000	31 Dec 1999	31 Dec 2000	31 Dec 1999
Adjusted net worth	4,730	4,608	53,517	45,791
Equity shareholders' funds	3,618	3,513	40,937	34,907
Excess of market value of listed subsidiaries over their net asset value	1,132	1,114	12,805	11,069
Adjustment to include OMI life subsidiaries on a statutory solvency basis	(20)	(19)	(225)	(185)
Value of in-force business	823	806	9,314	8,003
Value of in-force business before cost of solvency capital	886	884	10,028	8,781
Cost of solvency capital	(63)	(78)	(714)	(778)
Embedded value	5,553	5,414	62,831	53,794

An embedded value is an actuarially determined estimate of the economic value of a life assurance company, excluding any value that may be attributed to future new business. Old Mutual plc's embedded value is the sum of its adjusted net worth and the present value of the projected stream of future after-tax profits from its life assurance business in force at the valuation date, adjusted for the cost of holding solvency capital equal to the South African Statutory Capital Adequacy Requirement (or equivalent for non-African operations).

The adjusted net worth is equal to the consolidated equity shareholders' funds adjusted to reflect the Group's listed subsidiaries at market value, and Old Mutual International (OMI) life assurance subsidiaries on a statutory solvency basis.

The embedded value does not include a market valuation of the Group's asset management subsidiaries (including asset management business written through the life assurance companies), nor of any other in-force non-life business of the Group.

No account has been taken of capital gains tax proposed to be introduced in South Africa with effect from 1 October 2001. Draft legislation was issued by the South African tax authorities in December for comment. As there may still be changes to the proposed legislation it was considered premature to adjust the embedded value to include the impact of capital gains tax as envisaged by the draft legislation. An indication of the impact of the proposed legislation on the embedded value has however been provided in section 5.

The assumptions used to calculate the embedded value are set out in section 4.

The table below sets out a geographical analysis of the value of in-force business at 31 December 2000 and 31 December 1999.

	£m		Rm	
	31 Dec 2000	31 Dec 1999	31 Dec 2000	31 Dec 1999
South Africa	706	687	7,988	6,830
Individual business	451	448	5,098	4,455
Group business	255	239	2,890	2,375
Rest of World	117	119	1,326	1,173
Value of in-force business	823	806	9,314	8,003

Embedded Value Information *continued*

2. Embedded value profits

Embedded value profits represent the change in embedded value over the period, adjusted for any capital raised and dividends proposed. The after-tax embedded value profits for the 12 months to 31 December 2000 are set out below, together with the corresponding figures for the 12 months to 31 December 1999.

	£m		Rm	
	12 months to 31 Dec 2000	12 months to 31 Dec 1999	12 months to 31 Dec 2000	12 months to 31 Dec 1999
Embedded value at end of year	5,553	5,414	62,831	53,794
Embedded value at beginning of year	5,414	3,086	53,794	30,174
Increase in embedded value	139	2,328	9,037	23,620
Less capital raised	(177)	(963)	(1,956)	(9,309)
Self-investment transaction	–	(404)	–	(3,954)
New capital raised	(153)	(559)	(1,691)	(5,355)
Proceeds from sale of shares previously held to satisfy claims and errors on demutualisation	(24)	–	(265)	–
Plus dividends proposed	163	69	1,714	680
Embedded value profits	125	1,434	8,795	14,991

The components of the embedded value profits are set out below:

	£m		Rm	
	12 months to 31 Dec 2000	12 months to 31 Dec 1999	12 months to 31 Dec 2000	12 months to 31 Dec 1999
Profits from new business	74	75	782	741
– Point of sale	68	69	718	678
– Expected return to end of year	6	6	64	63
Expected return	144	160	1,514	1,581
Experience variances	28	} 13	289	} 129
Experience assumption changes	72		757	
Profits before investment and exceptional items	318	248	3,342	2,451
Investment variances	(14)	} 99	(143)	} 972
Investment assumption changes	10		101	
Investment return on adjusted net worth	484	1,331	5,092	13,118
Exceptional items	–	(185)	–	(1,826)
– Impact of 2000 SA tax change	–	(121)	–	(1,190)
– Sale of UK life operation	–	(12)	–	(118)
– Additional pensions mis-selling provisions	–	(52)	–	(518)
Exchange rate movements	(673)	(59)	403	276
Embedded value profits	125	1,434	8,795	14,991

The profits from new life assurance business comprise the value of new business written during the year, determined initially at the point of sale and then accumulated to the end of the year by applying the discount rate to the value of new business at the point of sale and adding back the expected cost of solvency capital between the point of sale and the end of the year. The new business profits for the 12 months to 31 December 1999 are shown on the old South African tax basis – the restated figures on the new tax basis (effective 1 January 2000) are set out in section 3 below.

The profits from existing life assurance business consist of the expected return on the in-force business, experience variances and changes in experience assumptions. The expected return is determined by applying the discount rate to the value of in-force business at the beginning of the year and adding back the expected cost of solvency capital over the year. The experience variances are caused by differences between the actual experience in the year and the assumptions used to calculate the value at the start of the year. The amount under assumption changes is the result of revised expectations of future experience and includes the value of certain margins not previously valued.

The investment variances represent the differences between the actual returns in the year and the assumptions used to calculate the value at the start of the year. The investment assumption change primarily represents the 1% reduction in all South African

investment return assumptions and the risk discount rate, reflecting the decline in interest rates in South Africa. Differentials between the various investment assumptions and the risk discount rate have been left unchanged.

The investment return on adjusted net worth represents the actual investment return earned on the shareholder portfolio investments (which includes the return on the market value of the shareholders' investments in Nedcor, Mutual & Federal and Nedcor Investment Bank), as well as the profits arising from other non-life businesses within the Group.

The basis of taxation of life assurance companies in South Africa changed with effect from 1 January 2000, but the impact was included in the value of in-force as at 31 December 1999. The value of in-force business as at 31 December 2000 does not include the impact of the proposed introduction of capital gains tax in South Africa.

3. Value of new business

The value of new business (VNB) written in the year is the present value of the projected stream of after-tax profits from that business, adjusted for the cost of holding solvency capital. The value is determined initially at the point of sale and then accumulated to the end of the year as described in section 2 above.

The tables below set out a geographical analysis of the value of new business for the 12 months to 31 December 2000 and the 12 months to 31 December 1999. New business profitability (as measured by the ratio of the value of new business to the Annual Premium Equivalent) is also shown. Annual Premium Equivalent (APE) is calculated as recurring premiums (RP) plus 10% of single premiums (SP).

	12 months to 31 Dec 2000					12 months to 31 Dec 1999				
	RP £m	SP £m	APE £m	VNB £m	Margin	RP Rm	SP Rm	APE Rm	VNB Rm	
South Africa	179	1,097	289	67	23%	1,886	11,542	3,040	708	
Individual business	131	805	212	38	18%	1,384	8,465	2,230	399	
Group business (excl free shares)	48	292	77	29	38%	502	3,077	810	309	
Rest of World	20	211	41	5	13%	212	2,216	434	56	
Total (pro forma)	199	1,308	330	72	22%	2,098	13,758	3,474	764	
SA Group (free shares)		78	8	2	22%		818	82	18	
Total	199	1,386	338	74*	22%	2,098	14,576	3,556	782*	

*Value of new business net of cost of solvency capital of £5 million (R52 million).

	12 months to 31 Dec 1999					12 months to 31 Dec 1999				
	RP £m	SP £m	APE £m	VNB £m	Margin	RP Rm	SP Rm	APE Rm	VNB Rm	
South Africa	162	1,043	266	55	21%	1,597	10,280	2,625	546	
Individual business (new tax basis)	141	697	211	28	13%	1,390	6,873	2,077	277	
Group business (excl free shares)	21	346	55	27	49%	207	3,407	548	269	
Rest of World	36	172	53	7	13%	355	1,696	525	70	
Total (pro forma – new tax basis)	198	1,215	319	62	20%	1,952	11,976	3,150	616	
SA Individual (tax change)				8					73	
SA Group (free shares)		175	18	5†	30%		1,727	172	52†	
Total (old tax basis)	198	1,390	337	75*	22%	1,952	13,703	3,322	741*	

†Value of new business relating to demutualisation proceeds restated due to overstatement of £2 million (R19 million) in December 1999.

*Value of new business net of cost of solvency capital of £7 million (R65 million).

The tax change in respect of Individual business in South Africa reflects the impact of the new South African tax basis effective 1 January 2000. The value of new Group business for the year to 31 December 2000 includes an amount of £1.7 million (R18 million) in respect of the proceeds from free shares issued to retirement funds at demutualisation, and re-invested with Old Mutual. The corresponding figure for the year to 31 December 1999 was £5.3 million (R52 million).

The value of new business excludes the value of new individual unit trust and some Group market-linked business written through the life companies, as the profits on this business arise in the asset management subsidiaries. It also excludes premium increases arising from indexation arrangements in respect of existing business, as these are already included in the value of in-force

Embedded Value Information *continued*

business. The value of new business however includes the value of new *Investment Frontiers* business that originated from existing policies that matured. A reconciliation of the new business premiums shown in the notes to the financial statements to those shown above is set out below.

	£m		Rm	
	Recurring premiums	Single premiums	Recurring premiums	Single premiums
New business premiums in the notes to the financial statements	248	1,612	2,609	16,960
Less:				
– Group market-linked business not valued	–	(268)	–	(2,819)
– Unit trust business not valued	–	(108)	–	(1,142)
– New business premiums arising from indexation	(49)	–	(511)	–
Plus transfer of maturing policies to Investment Frontiers	–	150	–	1,577
New business premiums as per embedded value report	199	1,386	2,098	14,576

4. Assumptions

The principal assumptions used in the calculation of the value of in-force business and the value of new business are set out below.

- The pre-tax investment and economic assumptions used for South African business were as follows:

South Africa	31 Dec 2000	31 Dec 1999
Fixed Interest Return	13.0%	14.0%
Equity and Property Return	16.0%	17.0%
Inflation	9.0%	10.0%
Risk Discount Rate	17.0%	18.0%

For the non-South African operations, appropriate investment and economic assumptions were chosen on bases consistent with those adopted in South Africa.

- Rates of future bonuses have been set at levels consistent with the investment return assumptions.
- For the in-force business, projected company taxation is based on the current tax basis that applies to South African life assurers, and includes full allowance for secondary tax on companies that may be payable in South Africa. No account has been taken of proposed capital gains tax in South Africa.
- The assumed future mortality, morbidity and voluntary discontinuance rates have been based as far as possible on analyses of recent operating experience. Allowance has been made where appropriate for the effect of expected AIDS-related claims.
- The management expenses attributable to life assurance business have been analysed between expenses relating to the acquisition of new business and the maintenance of business in force. Assumed future expenses were based on levels experienced up to 31 December 2000. The future expenses attributable to life assurance business do not include Group holding company expenses.
- Future investment expenses were based on the current scales of fees payable by the life assurance companies to the asset management subsidiaries. To the extent that these fees include profit margins for the asset management subsidiaries, these margins have not been included in the value of in-force business or the value of new business.
- The effect of increases in premiums over the period for policies in-force as at 31 December 2000 and 31 December 1999 has been included in the value of in-force business only where such increases are associated with indexation arrangements. Other increases in premiums of existing policies are included in the value of new business.
- The experience assumptions have been changed to reflect revised expectations of future experience and to include certain margins not previously valued. In particular, Group Schemes' mortality assumptions were revised, Employee Benefits' expense and retention assumptions were revised, and some sources of Individual Life profit not previously valued have now been valued.
- Conversions between Rand and Sterling were carried out at the following exchange rates:

	Rand per Sterling
At 31 December 2000	11.3148
At 31 December 1999	9.9364
12 months to 31 December 2000 (average)	10.5213
12 months to 31 December 1999 (average)	9.8588

5. Alternative Assumptions

The discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risks associated with the realisation of the future profits. To illustrate the effect of using different discount rates, the table below shows the embedded value of Old Mutual plc at 31 December 2000 at alternative discount rates. In determining the values at different discount rates, all other assumptions have been left unchanged.

	£m			Rm		
	Value at central discount rate -1%	Value at central discount rate	Value at central discount rate +1%	Value at central discount rate -1%	Value at central discount rate	Value at central discount rate +1%
Adjusted net worth	4,730	4,730	4,730	53,517	53,517	53,517
Value of in-force business	928	823	731	10,502	9,314	8,267
Value before cost of capital	929	886	847	10,513	10,028	9,580
Cost of solvency capital	(1)	(63)	(116)	(11)	(714)	(1,313)
Embedded value	5,658	5,553	5,461	64,019	62,831	61,784

The table below sets out the value of new life assurance business for the 12 months to 31 December 2000 at alternative discount rates.

	£m			Rm		
	Value at central discount rate -1%	Value at central discount rate	Value at central discount rate +1%	Value at central discount rate -1%	Value at central discount rate	Value at central discount rate +1%
Value before cost of capital	84	79	75	885	834	786
Cost of solvency capital	-	(5)	(9)	-	(52)	(99)
Value of new business	84	74	66	885	782	687

The table below shows the sensitivity of the value of in-force business at 31 December 2000 and the value of new business for the 12 months to 31 December 2000 to changes in key assumptions. All of the sensitivities have been determined at the central discount rates and for each sensitivity illustrated, all other assumptions have been left unchanged.

	£m		Rm	
	Value of in-force business at 31 Dec 2000	Value of new life business for year to 31 Dec 2000	Value of in-force business at 31 Dec 2000	Value of new life business for year to 31 Dec 2000
Central assumptions	823	74	9,314	782
Effect of:				
• Decreasing the pre-tax investment return assumptions by 1% with bonus rates changing commensurately	(89)	(7)	(1,007)	(74)
– Value before cost of capital	(33)	(3)	(366)	(27)
– Cost of solvency capital	(56)	(4)	(641)	(47)
• Voluntary discontinuance rates increasing by 25%	(33)	(12)	(368)	(127)
• Maintenance expense levels increasing by 20% with no corresponding increase in policy charges	(78)	(7)	(881)	(74)
• Increasing the inflation assumption by 1%	(11)	(1)	(125)	(10)

Embedded Value Information *continued*

As mentioned in section 1, no account has yet been taken of the capital gains tax (CGT) proposed to be introduced in South Africa with effect from 1 October 2001. Given that about 10% of the Company's equity portfolio is traded each year, we have estimated that CGT as currently proposed could reduce the equity investment return in the Individual Policyholder Fund (IPF) by about 0.5% per annum, and in the Corporate Policyholder Fund (CPF) and Corporate Fund (CF) by about 0.9% per annum. Based on the Company's current product and investment portfolio mix, the overall investment return on total policyholder funds is expected to reduce by about 0.1% per annum. This would cause the value of in-force life business (before cost of capital) to reduce by about £3.3 million (R37 million). The corresponding reduction in the value of new business (before cost of capital) is £0.3 million (R3 million).

A 0.9% per annum reduction in the investment return on solvency capital would increase the cost of solvency capital (and reduce the net value of in-force life business) by £50 million (R577 million), if the risk discount rate remained unchanged. The corresponding figure for the cost of solvency capital in respect of new business is £0.4 million (R4 million). Should the risk discount rate be reduced from 17% to 16% when CGT is introduced, then the net impact on the cost of solvency capital would cause a small increase in the value of new and in-force life business.

6. External review

These results have been reviewed by Tillinghast-Towers Perrin, who have confirmed to the directors that the methodology and assumptions used to determine the embedded value are reasonable and that the embedded value profits are reasonable in the context of the operating performance and experience of the life assurance business during the 12 months to 31 December 2000.

Notice of Annual General Meeting

The Annual General Meeting of Old Mutual plc (the “Company”) will be held in the Ballroom, Claridge’s, Brook Street, London W1A 2JQ, on Friday 18 May 2001 at 11.00 a.m. for the following purposes:

- 1 To receive and adopt the directors’ report and audited financial statements of the Group for the year ended 31 December 2000.
- 2 To declare a final dividend of 3.1p per ordinary share.
- 3 (i) to re-appoint Mr C D Collins as a director of the Company;
(ii) to re-appoint Mr P G Joubert as a director of the Company;
(iii) to re-appoint Mr R C M Laubscher as a director of the Company;
(iv) to re-appoint Mr M J Levett as a director of the Company; and
(v) to re-appoint Mr J V F Roberts as a director of the Company.
- 4 To re-appoint KPMG Audit Plc as auditors to the Company.
- 5 To authorise the directors of the Company to settle the remuneration of the auditors.

As special business, to consider and, if thought fit, pass the following resolutions, those numbered 6 and 11 as Ordinary Resolutions and those numbered 7, 8, 9 (i) to (iv) and 10 as Special Resolutions:

Ordinary Resolution

- 6 That, pursuant to Section 80 of the Companies Act 1985, and in substitution for any previously existing authority under that section insofar as not already used, the directors be and they are hereby authorised generally and unconditionally to allot relevant securities (as defined in the said Section 80) up to an aggregate nominal amount of £118,394,637 provided that:
 - (i) this authority shall expire at the end of the next Annual General Meeting of the Company; and
 - (ii) the Company may before such expiry make one or more offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or agreements as if the authority hereby conferred had not expired.

Special Resolutions

- 7 That, subject to the passing of the immediately preceding resolution, the directors be and they are hereby authorised to allot equity securities, within the meaning of Section 94 of the Companies Act 1985, up to a maximum nominal aggregate amount of £17,759,195 for cash, as if Section 89(1) of that Act did not apply to any such allotment. This authority shall expire at the end of the next Annual General Meeting of the Company, save that the Company may before such expiry make one or more offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.
- 8 That the Company be and is hereby unconditionally and generally authorised in accordance with Section 166 of the Companies Act 1985 to purchase Ordinary Shares of 10p each in the Company (“Ordinary Shares”) by way of market purchase (as defined in Section 163(3) of the Companies Act 1985) upon and subject to the following conditions:

Notice of Annual General Meeting *continued*

- (i) the maximum number of such Ordinary Shares which may be purchased pursuant to this authority (when aggregated with any purchases made pursuant to any of the contingent purchase contracts referred to in Resolution 9 below) shall be 355,183,913;
- (ii) the minimum price which may be paid for any Ordinary Share is 10p and the maximum price (exclusive of expenses) which may be paid for such Ordinary Share is not more than 5% above the average of the middle market values taken from the London Stock Exchange Daily Official List for the five business days before the date on which such Ordinary Share is contracted to be purchased;
- (iii) such authority shall continue for a period of 12 months from the date hereof (or until the conclusion of the Company's Annual General Meeting in 2002 whichever is the earlier), provided that any contract for the purchase of any such Ordinary Shares which is concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires; and
- (iv) all Ordinary Shares purchased pursuant to the said authority shall be cancelled immediately upon completion of the purchase.

9 That the following contingent purchase contracts, in the respective forms produced to the meeting (or with any non-material amendments thereto which the directors may consider to be necessary or desirable), each be and is hereby approved in accordance with Section 164 of the Companies Act 1985 and that the Company be and is hereby authorised to make off-market purchases of its shares pursuant to each such contract for a period of 12 months from the date hereof (or until the conclusion of the Company's Annual General Meeting in 2002, whichever is the earlier):

- (i) contract between the Company and Merrill Lynch South Africa (Pty) Limited pursuant to which the Company may make off-market purchases from Merrill Lynch South Africa (Pty) Limited of up to a maximum of 355,183,913 Ordinary Shares of 10p each in the Company ("Ordinary Shares") in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 8 above or any of the other contingent purchase contracts referred to in this Resolution 9);
- (ii) contract between the Company and ABN Amro Securities (Namibia) (Pty) Limited pursuant to which the Company may make off-market purchases from ABN Amro Securities (Namibia) (Pty) Limited of up to a maximum of 355,183,913 Ordinary Shares in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 8 above or any of the other contingent purchase contracts referred to in this Resolution 9);
- (iii) contract between the Company and Fleming Martin Edwards Securities (Private) Ltd pursuant to which the Company may make off-market purchases from Fleming Martin Edwards Securities (Private) Ltd of up to a maximum of 355,183,913 Ordinary Shares in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 8 above or any of the other contingent purchase contracts referred to in this Resolution 9);
- (iv) contract between the Company and Stockbrokers Malawi Limited pursuant to which the Company may make off-market purchases from Stockbrokers Malawi Limited of up to a maximum of 355,183,913 Ordinary Shares in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 8 above or any of the other contingent purchase contracts referred to in this Resolution 9).

10 That the Articles of Association, in the form now produced to the meeting and signed by the Chairman, be and are hereby adopted as the Articles of Association of the Company in substitution for the existing Articles of Association.

Ordinary Resolution

11 That:

- (i) the Rules of the Old Mutual Share Incentive Scheme (the “Scheme”) be amended by the inclusion, as a schedule to the Scheme, of the Trust Deed and Rules of the Old Mutual All Employee Share Plan (the “Plan”);
- (ii) the Plan, the main features of which are summarised in the section headed “Resolution 11” in the accompanying Notes, and the Trust Deed and Rules of which are produced to the meeting and signed by the Chairman for the purpose of identification, be approved; and
- (iii) the directors be authorised to do all such acts and things as they may consider necessary or desirable to carry the Plan into effect and to obtain its approval by the Inland Revenue.

By Order of the Board
Martin C Murray
Group Company Secretary

London, 6 March 2001

Registered Office:
3rd Floor
Lansdowne House
57 Berkeley Square
London W1J 6ER

Notes:

- 1 A member of the Company entitled to attend and vote at the meeting may appoint (a) proxy(ies) to attend and, on a poll, vote on his or her behalf or, in the case of a member who holds shares through Old Mutual Nominees, instruct the nominee company to vote on his or her behalf or request such nominee company to appoint him or her as proxy to enable him or her to attend the meeting in person. (Old Mutual Nominees is Old Mutual (South Africa) Nominees (Pty) Limited, Old Mutual (Namibia) Nominees (Pty) Limited, Old Mutual Zimbabwe Nominees (Private) Limited or Old Mutual (Blantyre) Nominees Limited if shares are held through the Group’s nominee on the South African, Namibian, Zimbabwe or Malawi register respectively). A proxy need not be a member of the Company.
- 2 Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company gives notice that only those shareholders entered on the register of members of the Company at 6.00 p.m. (UK time) on 16 May 2001 will be entitled to attend and to vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to the entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- 3 To be effective, the form of proxy or, as the case may be, the voting instruction form for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be received at the return address specified on the enclosed postage-free envelope or by the Company’s registrar, Computershare Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 7NH by not later than 11.00 a.m. (UK time) on 16 May 2001.
- 4 The completion and return of a form of proxy or voting instruction form will not preclude a member entitled to attend and vote at the meeting from doing so if he or she wishes.

Documents available for inspection

Copies of the directors’ service contracts, together with the register of directors’ interests, the contingent purchase contracts referred to in Resolutions 9(i) to (iv), the new Articles of Association of the Company referred to in Resolution 10, showing the full terms of the proposed amendments to the existing Articles of Association, and the Old Mutual Share Incentive Scheme, including the schedule referred to in Resolution 11(i) setting out the Trust Deed and Rules of the Old Mutual All Employee Share Plan, are available for inspection at the registered office

Notice of Annual General Meeting *continued*

of the Company in London; at Mutualpark, Jan Smuts Drive, Pinelands 7405, South Africa; at “1066”, 4th Floor, 35 Pritchard Street, Johannesburg, South Africa; at Old Mutual Building, Glyn Jones Road, Blantyre, Malawi; at Mutual Platz, 5th Floor, Post Street Mall, Windhoek, Namibia; at Mutual Gardens, 100 The Chase (West), Emerald Hill, Harare, Zimbabwe; and at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB during normal business hours on each business day from the date of this notice until the Annual General Meeting and at the Ballroom, Claridge’s, Brook Street, London W1A 2JQ from at least 15 minutes prior to the Annual General Meeting until the conclusion of that meeting. The new Articles of Association and the Trust Deed and Rules of the Old Mutual All Employee Share Plan are also available on the Company’s website, www.oldmutual.com

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

Resolution 2 – Dividend

A dividend of 3.1p per Ordinary Share is being recommended by the Board. Subject to the dividend being approved at the Annual General Meeting, it is expected that the relevant subsidiaries of the Company will declare to the trustees of the Dividend Access Trusts, which have been established in each of South Africa, Zimbabwe, Namibia and Malawi, an equivalent amount of dividend in relation to the estimated number of shares on those territories’ respective registers in the respective local currencies of those territories (by reference to the exchange rate prevailing on 12 April 2001, as determined by the Board).

Shareholders on the branch registers (or, in the case of Namibia, the relevant section of the principal register) in the territories will then receive their dividend, in accordance with the provisions of the Company’s Articles of Association, from the Dividend Access Trust concerned, rather than from the Company.

The equivalent amounts of the recommended dividend in each of the four other currencies will be notified by the Company to each of the stock exchanges on which the Company’s shares are listed on 17 April 2001.

Resolutions 3(i) to (v) – Re-appointment of directors

Mr Collins, Mr Joubert and Mr Levett retire by rotation in accordance with Articles 95 and 96 of the Company’s Articles of Association and will be seeking re-appointment at the Annual General Meeting.

Mr Laubscher and Mr Roberts, who have been appointed as directors since the last Annual General Meeting, automatically retire in accordance with Article 94 of the Company’s Articles of Association and will seek re-appointment at the meeting.

Mr Levett has a service contract terminable on 12 months’ notice, save that until 12 July 2001 the period of notice required to be given by the Company is 24 months. Mr Roberts has a service contract terminable on 12 months’ notice. Mr Laubscher’s letter of engagement as an executive director of the Company does not contain a prescribed notice period, but his engagement as a director is envisaged to continue for so long as Mr Laubscher remains chief executive officer of Nedcor Limited, provided that Nedcor Limited remains a subsidiary of the Company. It is also terminable by the Board or the Company in accordance with the Articles of Association of the Company. The appointments of Mr Collins and Mr Joubert as non-executive directors are each at the will of the parties, but are stated to be envisaged to last initially for three years from the date of listing of the Company’s shares on the London Stock Exchange and thereafter to be reviewed annually prior to the Company’s Annual General Meeting.

Brief biographical details of each of the above directors, and of the rest of the Board, are set out on pages 40 and 41.

Resolutions 4 & 5 – Auditors

KPMG Audit Plc has indicated its willingness to continue in office and Resolution 4 proposes the re-appointment of KPMG Audit Plc as auditors. Resolution 5 proposes that the directors be authorised to determine the remuneration of the auditors.

Resolutions 6 & 7 – Authority to allot shares

In accordance with Section 80 of the UK Companies Act 1985 (the “Companies Act”), it is proposed to renew the authority for the directors to allot relevant securities up to an amount not exceeding 33 $\frac{1}{3}$ % of the current issued ordinary share capital as at 6 March 2001 without having to obtain prior approval from shareholders.

In accordance with Section 95 of the Companies Act, it is proposed to renew the authority of the directors to allot equity securities for cash without first being required to offer such securities pro rata to existing shareholders in accordance with the provisions of the Companies Act. This authority relates to up to 177,591,950 Ordinary Shares, being 5% of the issued ordinary share capital of the Company at 6 March 2001.

Resolutions 8 & 9(i) to (iv) – Purchase of own shares

Under Resolution 8, the Board is seeking to renew the standard general authority from shareholders to make market purchases of up to 10% of the Company’s issued Ordinary Shares. In addition, it is seeking shareholders’ approval (under Resolutions 9(i) to (iv)) to renew for a further year four “contingent purchase contracts” approved at last year’s Annual General Meeting, the effect of which would be to enable the Company to repurchase its shares on the JSE Securities Exchange South Africa and the Namibian, Zimbabwe and Malawi Stock Exchanges respectively. These authorities, if renewed, would run in parallel with the general authority (under Resolution 8) to purchase shares on the London Stock Exchange and any purchases under any such authority would be aggregated for the purposes of monitoring the overall 10% limit on purchases.

The purchase price for any shares cannot be more than 5% above the average of the middle market quotations taken from the London Stock Exchange Daily Official List for the five business days preceding such purchase (translated, for the purposes of any purchases under any of the contingent purchase contracts described in Resolutions 9(i) to (iv), into the applicable local currency at the then prevailing exchange rate). Any shares purchased under the authority granted by Resolution 8 or pursuant to any of the contingent purchase contracts to be approved under Resolutions 9(i) to (iv) will be cancelled and not reissued.

The authorities under Resolutions 8 and 9(i) to (iv), if approved, will only be exercised if market conditions make it advantageous for the Company to do so and the Board considers this to be in the best interests of shareholders generally.

Resolution 10 – Changes to the Articles of Association

Resolution 10 relates to the adoption of new Articles of Association of the Company to reflect a number of changes that are necessary or desirable in the light of, firstly, the recently promulgated Companies Act 1985 (Electronic Communications) Order 2000 and, secondly, the prospective entry of the Company’s shares to trading through the “STRATE” system on the JSE Securities Exchange South Africa (the “JSE”). It is proposed that

Notice of Annual General Meeting *continued*

technical changes be made, to accommodate the above matters, to Articles 2 (definitions), 20(ii) (enforcing lien by sale), 36 (uncertificated shares), 44(iii) (untraced shareholders), 56 (notices), 60 (procedure if quorum not present), 80 (voting on behalf of incapable member), 83 (execution of proxies), 84 (delivery of proxies), 85 (maximum validity of proxy), 87 (cancellation of proxy's authority), 101 (vacation of office by directors), 115 (notice of board meetings), 122 (resolution in writing), 142 (summary financial statements and other communications), 143 (service of notices), 145 (addresses of members), 146 (service of notice on person entitled automatically by law) and 147 (when notice deemed served). Because of the number of these changes, they have not been itemised separately in Resolution 10 and have been incorporated into a revised draft of the Articles of Association, which it is proposed should replace the existing Articles of Association.

If and when Resolution 10 is passed, the Company will consider the manner, timing and extent of implementing electronic communications with shareholders, as permitted by the Companies Act 1985 (Electronic Communications) Order 2000. That Order (and the changes to the Articles of Association) enables the principal documents, which the UK Companies Act 1985 previously required a company to transmit to its members in writing, to be sent (where the shareholder concerned has expressly agreed) to an electronic address nominated by the shareholder for that purpose. It also enables a company to post communications on its website where they will be accessible by shareholders and, subject to various safeguards, to receive proxies electronically. **These procedures are not mandatory – they enable the Company and those of its shareholders who wish to do so to communicate electronically only if both the Company and the shareholder concerned expressly agree. Members will not be obliged to receive electronic communications if they do not wish to do so.**

STRATE (an acronym for Share TRAnsaCTIONS Totally Electronic) is a project of the JSE to establish a new electronic clearing, settlement and custody system for securities listed on the JSE. With the implementation of STRATE, certificated holdings on the Company's South African branch register will be replaced with an electronic record of ownership. Shareholders who are unwilling to dematerialise their shareholdings in STRATE may retain their share certificates. Old Mutual plc is currently scheduled to be transferred into STRATE on 18 December 2001 and the changes to the Articles are intended to enable the Company to take any steps that may be necessary or desirable to facilitate this transition. The Company will communicate with shareholders affected by the dematerialisation into STRATE to explain its implications in more detail later in the year.

Resolution 11 – Adoption of the Old Mutual All Employee Share Plan (the “Plan”)

It is proposed that the Plan be adopted so as to enable the Company, if the directors think fit, to offer share-based incentives to UK (and, where appropriate, non-UK) employees of the Group in a tax-effective manner in accordance with amendments to UK tax legislation made in 2000. If and when the Plan is activated in the UK, the directors would intend to use it in lieu of further invitations to participate in the existing Savings-Related Share Option Plan and would operate it in such a manner that all of the Group's eligible UK employees would be invited to participate in it on a like basis. The following is a summary of the principal features of the Plan:

(i) Constitution

The Plan is governed by the Governing Rules of the Old Mutual Share Incentive Scheme (the “Scheme”) and the Trust Deed and Rules of the Plan which will form a schedule to the Scheme. The Governing Rules of the Scheme and the Trust Deed and Rules of the Plan will be submitted for approval to the Inland Revenue. The Company and the Trustees of the Old Mutual plc Employee Share Trust will both be parties to the Trust Deed in addition to the Trustees of the Plan.

(ii) Eligibility

All employees or full-time directors of Old Mutual plc (the “Company”) and such of its subsidiaries as are designated participating companies by the directors (the “Group”) who are ordinarily resident in the UK for tax purposes and who have completed such minimum period of service not exceeding 18 months as the directors may determine will be able to join the Plan.

(iii) Basis for Participation

The Plan provides for the acquisition of shares in the Company (the “Shares”). Shares may be allocated to participants on one or more of four bases. The directors will determine in any year whether the Plan will be operated and, if so, on what basis.

(iv) Allocation of Shares

Free Shares: Allocations of Free Shares will be made to participating employees on a date set by the directors following the announcement of the Company’s final results for its previous accounting period. The value of Free Shares allocated to employees may be made conditional on performance targets, which will be determined by the directors, being met. Where this is the case, employees will be informed of the performance targets which apply to them before the start of the period when their performance will be measured.

Each participant in the Plan will contract with the Company to allow his Free Shares to be held by the Trustees for five years or such shorter period, being not less than three years, as the directors determine. Free Shares may be removed from trust after three years, but, if removed before the fifth anniversary of allocation, income tax and National Insurance Contributions must be paid on their value. Free Shares may be retained by the Trustees so long as the participant remains employed by the Group.

Partnership Shares: Invitations to employees to buy Partnership Shares may also be given to employees at the discretion of the directors. Employees will be able to apply to purchase Partnership Shares at any time. The directors will determine the terms for the acquisition of all Partnership Shares on one of the following bases:

- (a) Each participant in the Plan will agree with the Company to buy Partnership Shares by deductions from salary, which will be accumulated each month and held in an account until the end of an accumulation period not exceeding 12 months. At the end of the accumulation period the salary saved will be transferred to the Trustees, who will acquire Partnership Shares and then hold them on the participant’s behalf. The participant will thereafter be able to ask the Trustees to transfer his Partnership Shares to him at any time. Partnership Shares may, however, be retained by the Trustees so long as the participant remains employed by the Company; or
- (b) Each participant in the Plan will agree with the Company to buy Partnership Shares by deductions from salary, which will be deducted each month and transferred directly to the Trustees. Within 30 days of the pay deduction the Trustees will acquire Partnership Shares and then hold them on the participant’s behalf. The participant will thereafter be able to ask the Trustees to transfer his Partnership Shares to him at any time. Partnership Shares may, however, be retained by the Trustees so long as the participant remains employed by the Company.

Matching Shares: If the Company decides to offer the opportunity for the acquisition of Partnership Shares, it may also offer Matching Shares to those participants who elect to buy Partnership Shares. Allocations of Matching

Notice of Annual General Meeting *continued*

Shares will be made on the same day as Partnership Shares are acquired on behalf of participants by the Trustees. Allocations of Matching Shares will be made to all participants on exactly the same basis.

The terms on which Matching Shares will be allocated are the same as the terms for Free Shares, save that if a participant withdraws the Partnership Shares to which the allocation of Matching Shares applies he will forfeit the relevant Matching Shares.

(v) Dividends

Participants will be entitled to dividends paid on their Free Shares, Partnership Shares and Matching Shares while they are held in trust. The Company will determine whether:

- (a) The dividends will be paid in cash to the Trustees who will transfer them directly to participants; or
- (b) The dividends will be paid to the Trustees, who will use them (within 30 days of their payment date) to acquire further shares ("Dividend Shares") in the Company on behalf of the participants. The Dividend Shares will then be held in the trust for at least three years. A participant who leaves the employment of the Group during the three-year holding period will have his Dividend Shares transferred to him when his employment terminates, subject to payment of Income Tax.

(vi) Individual limits

Free Shares: The maximum value of Free Shares which can be given to an employee through the Plan for any year is the lesser of £5,000 and the limit contained in the relevant legislation, currently £3,000.

Partnership Shares: The maximum amount which an employee can have deducted from his salary per month for the purpose of buying Partnership Shares is the lower of 10% of his salary or £125, or, if the relevant legislation so provides, up to £175.

Matching Shares: The maximum number of Matching Shares which can be given to an employee who buys Partnership Shares through the Plan in any year is twice the number of Partnership Shares acquired. The Company will decide the basis on which Matching Shares are allocated up to a maximum match of two Matching Shares for every Partnership Share.

Dividend Shares: The maximum value of dividends that can be reinvested for a participant is £1,500 or such higher amount as may be provided in the relevant legislation.

(vii) Termination of Employment/Forfeiture

Free and Matching Shares: If a participant ceases to be an employee by reason of death, injury, disability, redundancy, retirement, by reason of the fact that his employing company or the part of the business in which he is employed is transferred out of the Group or due to a change of control of the Company, his Free Shares and/or Matching Shares will be transferred to him (or to his personal representatives) with no charge to Income Tax or National Insurance Contributions.

If a participant ceases to be an employee within three years of the allocation to him of Free Shares and/or Matching Shares for any other reason, both his Free Shares and Matching Shares will be forfeit and he will have no further entitlement to them.

If a participant ceases to be an employee at least three years after his Free and/or Matching Shares are allocated to him, the Trustees will transfer his shares to him, subject to the payment of Income Tax and National Insurance Contributions.

Partnership Shares: If a participant ceases to be an employee at any time and for any reason, his Partnership Shares will be transferred to him subject to the payment of Income Tax and National Insurance Contributions.

(viii) Issues and Reorganisations

Where Shares are held on behalf of participants and there is a general offer being made to the Company's shareholders or a rights or capitalisation issue or other variation of the Company's share capital, participants will be able to instruct the Trustees how to act or vote on their behalf. Otherwise in these circumstances the number of Shares held under the Plan will be adjusted in such manner as the directors determine, subject to written confirmation from the Company's auditors that the adjustment is, in their opinion, fair and reasonable.

(ix) Retention of Shares

All the Shares acquired by a participant under the Plan may be retained by the Trustees after the relevant holding periods referred to above until the participant's employment with the Group is terminated. The participant may request the transfer of his Shares at any time after the relevant holding periods.

(x) Reconstructions and take-overs

In the event of any reconstruction or take-over of the Company, participants may instruct the Trustees to receive any form of consideration in respect of any Shares held for them under the Plan. Consideration paid in cash is treated in a specific way. Any Shares which are received as consideration will be held in the trust on the same terms as the existing Free Shares, Partnership Shares, Matching Shares or Dividend Shares to which they relate.

(xi) Administration

The Trustees and administrators of the Old Mutual All Employee Share Plan will be appointed by the directors. The trust will hold the Shares on behalf of the participants during the applicable holding period.

The Trustees will meet to vote on decisions relating to the administration of the trust and be responsible for complying with relevant Inland Revenue requirements.

(xii) Changes to the Plan

The directors may change the Plan in accordance with the Governing Rules of the Scheme; the directors in their discretion may alter the Rules of the Plan, provided that any amendments relating to the definition of "eligible employee", the limits on the number of Shares that may be issued pursuant to the Scheme, the maximum entitlement of any eligible employee or participant; or the basis for determining an eligible employee's entitlement, the terms of Shares, cash or other benefits to be provided and the basis for any adjustments of entitlements which are to the advantage of current or future participants, may be made only by an ordinary resolution of the shareholders in general meeting. The exceptions to this requirement are minor amendments which the directors consider necessary or desirable to benefit the administration of the Scheme or to obtain or maintain favourable tax, exchange control or regulatory treatment for the participants in the Plan or employees in any subsidiary.

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The Company needs Inland Revenue approval only to a change to a “Key Feature”, namely a feature which is necessary to satisfy the legislation.

(xiii) Termination

The directors or the Company at a general meeting may provide for the Plan to terminate at any time.

(xiv) Limits on the use of Unissued Shares

The Plan is subject to limits on the number of Shares which may be subscribed for as set out in the Governing Rules of the Scheme; in any ten year period not more than 10% of the issued share capital of the Company from time to time may be issued or become issuable pursuant to the grant of options or subscription of Shares for appropriation under all employees’ share schemes established by the Company; and in any five year period not more than 5% of the issued share capital of the Company from time to time may be issued or become issuable pursuant to the grant of options or subscription of shares for appropriation under all employees’ share schemes established by the Company.

Shareholder Information

The Company's shares are listed on the London, Malawi, Namibian and Zimbabwe Stock Exchanges and on the JSE Securities Exchange South Africa ("JSE"). The primary listing is on the London Stock Exchange and the other listings are all secondary listings.

During the year (and with comparative figures for the period from 12 July 1999, when the Company's shares were first admitted to listing, to 31 December 1999), the high and low prices at which the Company's shares are recorded by the various exchanges as having traded were as follows:

	2000		1999	
	High	Low	High	Low
London Stock Exchange	181.0p	125.75p	168.5p	121.25p
JSE	R19.3	R13.4	R16.15	R12.10
Malawi Stock Exchange	MK178.5	MK100.0	MK115.0	MK79.5
Namibian Stock Exchange	N\$19.15	N\$14.7	N\$16.05	N\$12.10
Zimbabwe Stock Exchange	Z\$197	Z\$95	Z\$102.25	Z\$70.50

As at 31 December 2000, the geographical analysis and shareholder profile of the Company's share register were as follows:

	Total shares	% of whole	Number of shareholders
UK (principal) register	1,141,675,504	32.15	11,185
South African branch register	2,312,442,197	65.11	71,974 ¹
Malawi branch register	6,813,050	0.19	5,935
Namibian section of register	17,170,591	0.48	1,145 ¹
Zimbabwe branch register	73,311,549	2.07	41,405
	3,551,412,891	100	131,644

Size of shareholding	Total shares	Number of holders
1 – 1,000	41,190,155	107,366
1,001 – 10,000	58,033,169	22,065
10,001 – 100,000	43,680,910	1,520
100,001 – 250,000	38,784,076	231
250,001 +	3,369,724,581	462 ¹

Note 1: The registered shareholdings on the South African register include Old Mutual (South Africa) Nominees (Pty) Limited, which held a total of 667,868,595 shares as nominee for 613,085 underlying beneficial owners as at 31 December 2000. The registered shareholdings on the Namibian section of the register include Old Mutual (Namibia) Nominees (Pty) Limited, which held a total of 5,381,528 shares as nominee for 8,827 underlying beneficial owners as at 31 December 2000.

The Company's share register is administered by Computershare Services in conjunction with local representatives in various jurisdictions. The following are the contact details:

In the UK

Computershare Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 7NH
(PO Box 82, Bristol BS99 7NH)
Tel: (44) 870 702 0000

In Malawi

Nico Corporate Finance Limited
4th Floor, Unit House
Victoria Avenue, Blantyre
(PO Box 1396, Blantyre)
Tel: (265) 623 856

In Zimbabwe

Corpserve (Private) Ltd
4th Floor, UDC Centre
Corner 1st Street and
Union Avenue, Harare
Tel: (263) 912 34621-5

In South Africa

Computershare Services Limited
41 Fox Street, Johannesburg, 2001
(PO Box 61595, Marshalltown, 2107)
Tel: (27) 11 370 7777

In Namibia

Transfer Secretaries (Pty) Limited
Kaiserkrone Centre
Shop No.12, Windhoek
(PO Box 2401, Windhoek)
Tel: (264) 61 227 647

The Company's Shareholder Services, based in Cape Town, administer a number of shareholder support functions, including the following:

- telephone and postal sales (via the Share Sales Service) of shares held through Old Mutual (South Africa) Nominees (Pty) Limited on the South African branch register and shares held through Old Mutual (Namibia) Nominees (Pty) Limited on the Namibian section of the register;
- dividend mandate arrangements; and
- tracing of holders of unclaimed shares in the Company.

If you have any questions on any of the above matters, you may contact Shareholder Services on 08 60 60 9000 (International (27) 21 504 8107) at any time between 8.00 a.m. and 5.00 p.m. (local time) Monday to Friday.

Checking your holding online

An online service is situated at the Investor Centre option within the website address www.computershare.com and gives shareholders access into their account to confirm registered details, mandate instructions in place, dividend enquiries and a real-time shareholding balance. A simple calculator function places a market quote against each holding and allows shareholders to estimate its value. There are also a number of downloadable forms from this site such as change of address, dividend mandate instructions and stock transfer forms. Finally there is an extensive list of frequently asked questions and the facility to contact Computershare Services by e-mail.

The Company's financial calendar for the forthcoming year is as follows:

Currency conversion date for final dividend	12 April 2001
Announcement of currency equivalents of final dividend, as so converted	17 April 2001
Ex-dividend date on all exchanges where the Company's shares are listed	opening of business on 18 April 2001
Record date for final dividend	close of business on 20 April 2001
Annual General Meeting	18 May 2001
Final dividend payment date	31 May 2001
Expected date of announcement of interim results	4 September 2001
Interim dividend payment date	November 2001
Final results for 2001	March 2002

Rule 144A ADRs

The Company has a Rule 144A American Depositary Receipt ("Rule 144A ADR") facility through The Bank of New York. Each Rule 144A ADR represents ten ordinary shares in the Company. As at 31 December 2000, none of the Company's shares were held in the form of Rule 144A ADRs. Any enquiries about the Company's Rule 144A ADR facility should be addressed to The Bank of New York, 101 Barclay Street, New York, N.Y. 10286.

Websites

Further information on the Company can be found at the following websites:

www.oldmutual.com

www.oldmutual.co.za

Contacts

Investor Relations Department

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Lansdowne House

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London

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