OLD MUTUAL PLC

Preliminary Results for the year ended 31 December 1999

HIGHLIGHTS - £ BASED

- Operating profits based on a longer term rate of return increased by 23% to £656 million (1998: £534 million).
  (Profit figures for the comparative 12 months to 31 December 1998 are given on a pro forma basis reflecting demutualisation and change in year end)

- Profits attributable to shareholders exceed £1 billion.

- Life assurance operating profits of £426 million from continuing operations, an increase of 47%.

- Adjusted earnings per share (smoothed) increased 21% to 12.2p (1998: 10.1p).

- Proposed final dividend of 2p is effectively covered 3.0 times on an annualised basis.

- Growth in life assurance new business embedded value profits to £75 million.

- Embedded value increased 74% to £5.4 billion, equivalent to 157p per share.

- Asset management profits up 109% to £48 million.

8 March 2000

Mike Levett, Chairman & Chief Executive commented:

"I am delighted to be able to report on a year of substantial progress at Old Mutual. We successfully made the transition from a mutual life society to an internationally listed financial services group, focused on delivering shareholder value. Progress was achieved in our South African businesses and, since our July listing, we have taken the first steps to create a platform for our international expansion."

HIGHLIGHTS - RANDS BASED

- Operating profits based on a longer term rate of return increased by 33% to R6,5 billion (1998: R4,9 billion).
  (Profit figures for the comparative 12 months to 31 December 1998 are given on a pro forma basis reflecting demutualisation and change in year end)

- Profits attributable to shareholders exceed R10 billion.

- Life assurance operating profits of R4,2 billion from continuing operations, an increase of 37%.

- Adjusted earnings per share (smoothed) increased 31% to 120c (1998: 92c).

- Proposed final dividend of 20c is effectively covered 3,0 times on an annualised basis.

- Growth in life assurance new business embedded value profits to R741 million.

- Embedded value increased 78% to R54 billion, equivalent to 1562c per share.

- Asset management profits up 129% to R474 million.

Note: Rate of exchange: Dividend and embedded value: 9,9364 R/£
Operating profits: 9,8588 R/£ (1998: 9,1060)

OLD MUTUAL PLC
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CHAIRMAN'S STATEMENT

Our maiden set of results as a public company for the year 1999 reflect the substantial progress achieved in the six months since we became a listed company.

As a life assurance company we measure progress against achievement of a smoothed profit performance, eliminating short-term fluctuations in the market values of our holdings of equity investments which would otherwise distort the true performance in the businesses. Smoothed operating profit in sterling rose by 23% to £656 million (1998: £534 million) and smoothed earnings per share increased by 21% to 12.2p. New business embedded value profits in our life assurance business were also highly satisfactory, at £75 million, compared to a loss of £4 million for the 6 months to December 1998.

The overall uplift in embedded value to £5.4 billion, an increase of 74% over the embedded value of £3.1 billion at the end of 1998, was struck after new capital of £559 million raised at the time of listing and £404 million new capital arising from policyholder self-investment at the beginning of the year.

Dividend

The directors are proposing a final dividend for the year of 2.0p per share. As outlined in our prospectus, this represents one half of the total dividend of 4.0p per share which the Board would have expected to recommend had the Group been listed throughout the year. This represents an increase of 33% on the notional figure for the previous year (3.0p per share) indicated in our prospectus. The annualised rate of dividend would be three times covered by the smoothed earnings per share of 12.2p.

As we said in our prospectus, the Board intends to follow a dividend policy aimed at achieving stable growth in dividends over time, measured against the Group's underlying earnings and cash flow. We plan to pay an interim dividend in November 2000, which would represent approximately one third of the total anticipated dividend for the year to December 2000.

Profits from operations

Whilst our core South African businesses continued to perform strongly in 1999, their results when translated from Rand into sterling were depressed by the fall of the average £/Rand exchange rate during 1999 compared to 1998 by a factor of 8%. Our life operating profits of £426 million from continuing operations represent an increase of 47% in sterling terms over the pro forma 1998 result. A key feature of the past year has been the outstanding performance of our core South African life operations. The performance in 1999 was the result of management action during the year to introduce market-leading new products, to revise pricing of new business, to develop a strong focus on cost containment, and to an outstanding investment management performance in a year of exceptional stockmarket returns.

CHAIRMAN'S STATEMENT (cont'd)

Total funds under management increased to £45 billion, £19 billion of which is managed outside South Africa. Profits from asset management, at £48 million, were up 109% over the year.

Old Mutual Asset Managers (OMAM) in South Africa capitalised on a successful year of investment performance, winning a record £1.6 billion of new third party funds. Our unit trusts in both South Africa and Europe topped a successful year with market-leading global technology funds. Shortly after the end of the year we announced an offer for Gerrard Group to make us a leading private client wealth manager in the UK. When completed, this acquisition will bring our total UK funds under management to more than £27 billion.

Project 500 – Driving down costs

The strong profit performance reflected our efforts to reduce the cost base of the organisation through our Project 500 programme. By the end of the year we had more than achieved the initial objective of Project 500, by putting actions into place that are expected to deliver annual cost savings in excess of R500 million (£50 million).

Subsidiaries

Nedcor, our listed banking subsidiary on the JSE, recently reported a 20% pro forma rise in operating income to £296 million before tax, non-recurring deductions for general provisions, and asset write-downs and income from associates. After charges against operating income under UK GAAP, pre-tax profit on banking business, including income from associates, was £210 million, compared to £287 million for the previous year.

During the year Nedcor greatly extended its focus on emerging information technologies in partnership with Dimension Data International Ltd. which after the year end acquired the European networks and e-commerce provider, Comparex Networks. Omnilink, a partnership between Old Mutual, Nedcor and Dimension Data, further developed during the year as a leading provider of backbone virtual private networks to industry and commerce.

Nedcor's management further strengthened capital and reserves of the bank during the year, with its capital ratio rising to 12%. Tight cost controls held expenses growth to under 2% and continued to drive down the cost/income ratio from 56.2% to 51.7%,

General insurance profits at our JSE-listed subsidiary, Mutual & Federal (M&F), were adversely affected by underwriting losses, although it is pleasing to note that the company returned to underwriting profit in the second half as a result of adjustments to premium levels. M&F returned £144 million of capital to shareholders by way of a special dividend in September 1999.

CHAIRMAN'S STATEMENT (cont'd)

Pre- and post-tax profits

Old Mutual's pre-tax result, on a statutory reporting basis, benefited from strong investment returns on shareholder assets, largely reflecting the recovery in the South African equity market during 1999. This produced an excess return of £778 million over the smoothed return used to calculate operating profits.

During the year a revised basis for the taxation of South African life assurance companies was introduced, with effect from January 2000. The effect of this change is reflected in our results for 1999. A transitional tax in 1999 on the move to the revised basis has led to an overall increase in the Group's effective tax charge to 25% (of smoothed operating earnings). In our first year as a public company it is a noteworthy milestone that profits after tax were over £1 billion, from which our maiden dividend of £69 million is proposed to be paid.

Technology

During the year we further developed our portfolio of emerging businesses. We partnered with Computer Sciences Corporation to outsource non-core infrastructure systems management in order to focus our investment on new systems development and integration initiatives. Across the Group, administrative intermediary and customer support systems are being systematically upgraded and transportable platforms developed to exploit synergies between operations worldwide. In e-commerce Old Mutual Unit Trusts in South Africa is already operating an end-to-end internet delivery channel. Other Group companies are re-focusing on developing further our ability to leverage the low cost base we have established through systems leadership in South Africa to provide life and wealth management products, and developing e-commerce distribution and service delivery channels, internationally.

Developments since the year end

In January 2000 we announced a recommended bid for Gerrard Group plc, a leading wealth management and financial services company in the UK. The bid has been declared unconditional as to acceptances and now awaits final regulatory approval. Gerrard provides an excellent opportunity to benefit from increased scale.

By merging Gerrard's private client business, Greig Middleton, with that of Capel Cure Sharp, our existing subsidiary, the prospective enlarged company will occupy a leading position in UK private client wealth management, with total UK funds under management of £27 billion and excellent prospects for future growth.

We agreed at year end the disposal of our UK Life business, via two separate transactions with XL Mid Ocean and Century Life. Once completed we expect this will release approximately £65m of capital. An exceptional book gain in net assets of £15 million was taken in 1999.

CHAIRMAN'S STATEMENT (cont'd)

Board appointment

In January 2000 Jim Sutcliffe was appointed to the Board of Old Mutual plc and joined the Executive Management Team, taking specific responsibilities for the Group's life assurance businesses. Jim has a significant track record in the industry in the UK, South Africa, and the USA. I welcome him to Old Mutual. His international experience will be invaluable to our management in seizing the many opportunities that we can see ahead.

Outlook

Our strong 1999 results demonstrate our ability to deliver shareholder value. We will continue to strive to drive value forward by enhancing the performance of our core businesses in southern Africa, growing profitability and reducing costs across all of our businesses; and seeking to add new business opportunities internationally in our chosen areas of operation. I am confident that Old Mutual has both the will and the potential to deliver further substantial progress in the coming years.

MIKE LEVETT
Chairman & Chief Executive

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OLD MUTUAL PLC

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REVIEW OF OPERATIONS

Old Mutual's business comprises life assurance in Southern Africa, asset management in Southern Africa and the UK, banking through its 53% subsidiary Nedcor Ltd, general insurance through its 51% interest in Mutual & Federal Investments Ltd., and other life and asset management businesses internationally.

LIFE ASSURANCE

Highlights

The year was characterised by strong growth in operating profits and a significant turnaround in new business profitability.

Life operating profits (before tax and based on a longer-term rate of return on shareholder fund portfolio investments) increased 120% to £376 million. Profits were boosted by one off items, totaling approximately £50 million, resulting primarily from investment market conditions in the year. This offset the loss of £50 million in respect of our discontinued UK life business. The life operating profit is equivalent to 1.5% of insurance funds at 31 December 1999, which compares very well with similar companies around the world. Insurance funds, a primary driver of profits, grew by 30% to £24 billion as at the year end.

Embedded value added by new business was £75 million compared with a loss of £4 million in the six months to 31 December 1998. This is an accumulated value as at the end of the year, and is on the 1999 South African tax basis. Restating the value on the new South African tax basis, including corresponding pricing changes, the new business embedded value would be £66 million.

Besides the recovery in the South African stock market, the strong improvement in operating profits and embedded value added by new business was the result of a very successful cultural shift from a mutual environment to a shareholder environment. This was evidenced by the effort put into eliminating unprofitable business, carefully managing costs (particularly in respect of new business related expenses), improved new business pricing and carefully managing all sources of profit. Expenses were held at 1998 levels, and office staff numbers decreased by over 10%.

REVIEW OF OPERATIONS (cont'd)

South African Individual Business

The key features of the year for our Individual Business were strong growth in operating profits to £168 million (before tax and excluding investment return on shareholder funds) and a significant turnaround in new business embedded value profitability to £36 million (including expected return to the end of the year), on the back of good volumes of single premium business, particularly for our *Investment Frontiers* product range, which was introduced towards the end of 1998. The market for individual investment products has been characterised by a trend towards flexible investment products. Our *Investment Frontiers* product range is ideally positioned to benefit from this trend, with a wide range of innovative investment offerings, which we further extended during the year.

Recurring premium growth for new business sold through affinity groups was also good, thanks to the success of our new renewable term risk product, the increased productivity of our sales force in this market, and to cross-selling initiatives with People's Bank (a subsidiary of Nedcor) and the JD Group (a South African retailer). This product is carefully structured to cope properly with the effect that AIDS will have in this market.

Sales volumes of other recurring premium new business have declined. The consequences of the spike in interest rates and the stock market decline in 1998 continued to affect consumer confidence in 1999. We took steps to improve profitability by restructuring our Agency Distribution channel and branch network, by cutting back on other new business related expenses and by increasing minimum premiums for several products. In the short run this has had a negative effect on new business volumes, but has built a sound platform for future growth. We have also continued to invest in the development of alternative distribution channels, such as direct distribution and e-commerce, where our primary website now receives over 30,000 visits per month.

We continue to use technology to improve business efficiency. In 1999, important enhancements were made to our client record and data-warehousing systems. New network technology improved messaging capability between our diverse platforms and systems. Our Affinity Group division significantly upgraded its policy administration system. Our call centre was the subject of intense activity around the time of our demutualisation and listing, with calls reaching 26,000 per day. We have built upon this capability to enhance our client servicing and reduce costs.

South African Group Business

Our Group Business unit has undergone a significant restructuring of its business operations in 1999 in recognition of the transforming marketplace. This has significantly reduced its cost base, while its retirement fund administration services have been re-priced. Pre-tax operating profits (excluding investment return on shareholder funds) increased to £67 million and embedded value added by new business was maintained at £32 million (including expected returns to the end of the year), on the back of single premiums of £521 million, and recurring premiums of £21 million, excluding Group market linked business.

REVIEW OF OPERATIONS (cont'd)

The ramifications of the 1998 stock market decline continued to be felt in 1999. New investments in our Guaranteed Fund product reduced noticeably, as many retirement funds retained their net cash flow on short term deposit. The Guaranteed Fund product did, however, receive new single premiums of £170 million from retirement funds which sold their free Old Mutual shares and invested the proceeds in their Guaranteed Fund policies.

The 1998 events triggered a change in outlook by the market to retirement fund investment products. With the predominance of defined contribution funds, and with many of these funds starting to offer member investment choice, the market decline highlighted the inappropriateness of the traditional guaranteed fund product for this market. We have accordingly developed and introduced two new smoothed bonus products, *CoreGrowth* and *Genesis*. These products have attracted significant new business, and by the end of 1999 had investments totalling £225 million.

Another new product introduced in 1999 was *Platinum Pensions*, a with-profit life annuity. This product succeeded our *OptiPlus* product range, which was closed to new business after the market fall. The new product has been structured to ensure more efficient use of capital and to build on the success of *Optiplus*, and attracted new business of £125 million by the end of the year.

Our risk business continued to produce acceptable underwriting results in a highly competitive market. We have a substantial IT project underway to improve service quality and productivity in our retirement fund administration area. This together with the restructuring of the business in 1999 will place the business on a sound basis for future growth.

International Business

Outside South Africa, our African life businesses operate in underdeveloped markets. They suffered difficult economic circumstances during 1999, typified by high inflation and high interest rates. Old Mutual maintains a leading market position in these markets, holds a strong brand and is well positioned to take advantage of any return to stable economic conditions.

Our life operations in the UK, Guernsey, the Isle of Man, Hong Kong, Dublin and Bermuda underwent a strategic review in 1999. As already reported, this resulted in the withdrawal of the Group from its UK life business, together with the sale of the Group's distribution business, Pioneer. Growth opportunities remain in the expatriate market and in other emerging markets.

REVIEW OF OPERATIONS (cont'd)

ASSET MANAGEMENT

Old Mutual Asset Managers

Total assets under management by OMAM Group were £27.1 billion at year-end. This represents strong growth of 44% over the year, driven by a combination of excellent new business inflows and buoyant investment markets.

Relative investment performance of OMAM's funds and products was highly competitive. Largely as a result of this, OMAM achieved an industry record for net new business inflows in South Africa amounting to £1.6 billion of new third party institutional mandates. OMAM also won third party mandates from US and UK institutions.

OMAM in South Africa added to its list of achievements in 1999 by being rated as the top fund management company in South Africa by the management of a very broad spread of the listed corporations in the 1999 Reuters Survey of Global Emerging Markets.

Competition for funds in South Africa remains strong. The institutional market continues to be influenced by the effects of retirement funds shifting from defined benefit to defined contribution schemes. In the retail market, investors take a more active interest in their contractual and discretionary savings. Product innovations and technology developments create new competitive dynamics in the quest to satisfy investor needs profitably.

OMAM will aim to develop its operations through a combination of organic growth, selective acquisition and strategic alliances.

Unit Trusts

During the year there were a number of structural changes in the OMAM Group. Old Mutual Fund Managers (OMFM), which administers and markets a range of UK-registered unit trusts, was merged with OMAM (UK) and moved into the latter's offices in the City of London. This created a unit trust operation with over £3 billion of assets under management. OMAM (Zimbabwe) was created by separating the asset management business from the Life Company in that country.

REVIEW OF OPERATIONS

(Asset Management cont'd)

OMUT, our unit trust management business in South Africa, had a very successful year, attracting £600m of new funds from investors and increasing its market share to over 19%, excluding money market funds.

In March 1999, OMUT launched a new Global Technology Fund, which attracted R875million (£88million) in new money and delivered a 62% return in the period ended 31 December 1999, to become the top performing new fund in the industry. In July 1999 another launch of two funds-of-funds products with different risk/reward profiles, attracted a further R337million (£34million).

Capel Cure Sharp

Total funds under management at the Capel Cure Sharp Group (CCS) at the year end were £9.6 billion, an increase of 5% over 1998 of which 53% is now managed on a discretionary basis. CCS's unit trust funds passed through the £1 billion mark during the year.

In November 1999 CCS Unit Trust group also launched a Global Technology Fund, which to date has attracted investment of £40 million and has delivered a return of 68% since launch, comfortably beating the benchmark index MSCI Global Technology. Over the year the performance of the unit trusts was excellent, with 15 of CCS's 16 funds producing above average performance and with ten in the first quartile.

The UK high net worth market is growing rapidly and attracting a larger customer base, especially of younger and more financially sophisticated individuals.

During 1999 we completed the merger of Albert E Sharp with Capel-Cure Myers, achieving annualised cost savings of £16 million as part of Project 500. The year also saw the development of a web-based communication channel, giving clients on-line access to their portfolios. This site is now being further developed in line with CCS's individual lifelong wealthcare strategy.

In October 1999 we launched Albert E Sharp Securities ("AESS") to develop the Group's institutional stockbroking and corporate finance business in the small to medium cap market. AESS will focus on industries and companies that are either growing or in the process of change. AESS began market making in February 2000.

REVIEW OF OPERATIONS

Acquisition of Gerrard Group plc

Through Capel Cure Sharp, Old Mutual already has a leading presence in the high net worth market. On 18 January 2000 Old Mutual announced a recommended offer for Gerrard Group plc, a leading specialist banking and private client business (Greig Middleton). The Group believes it is particularly well placed to capitalise on the growth of the UK high net worth market.

Galaxy Portfolio Services

Galaxy was formed in 1999 with the merger of Old Mutual Investment Services and Nedcor Investment Bank Investment Product Services (Pty) Limited. Assets under administration more than doubled from £400 million at the beginning of the year to £900 million as at 31 December 1999. Our effective interest, including the stake held via Nedcor Investment Bank Holdings Ltd, is 91%

In August, Galaxy launched an Investment Advisory Service, which created the facility for clients to have their assets managed by professional investment managers, in accordance with predetermined mandates representing various risk profiles. During the first five months to 31 December 1999, these mandates attracted nearly £50 million of client assets. Galaxy also launched a range of offshore foreign currency funds which enable both new and existing clients to diversify into a range of Dollar and Sterling funds managed by third parties.

BANKING

Nedcor again achieved excellent results, with headline operating earnings, excluding supplemental additions to general risk provisions and prudent write-downs in respect of central Johannesburg properties of £94 million and including income from associates, increasing from £287 million to £309 million. Earnings per share at Nedcor Group level increased by 25% and average total assets increased by 13%.

Retail banking had a particularly satisfactory year with market share growth experienced in home loans, credit cards and investment products. The Nedcor group's cost to income ratio reduced from 56.2% to an industry leading benchmark in South Africa of 51.7%. The hangover effects of the high interest rate environment were reflected in a 130% increase in the provisions compared to last year.

The bank remains well capitalised. Exceptional gains of £66 million were realised on sale of the Group's travel business and sale of 15% in Nedcor Investment Bank upon its listing, assisting Nedcor to achieve a capital adequacy ratio target of 12% during the year. Last year Nedcor Investment Bank contributed £50 million to Nedcor's bottom line 1999 results. This was 25% higher than last year, in spite of a general slowdown in corporate activity.

During the year Nedcor made an approach to Standard Bank to propose a merger at a ratio of one Nedcor share for 5.5 Stanbic shares. Nedcor is awaiting the outcome of its application for regulatory approval and of an action in the South African courts relating to regulatory jurisdiction before making an offer to Standard Bank's shareholders. Old Mutual continues to support the proposal.

Investment in strategic alliances continued during the year, with Nedcor commencing its joint venture with Capital One in the US, aimed at exploiting electronic technology to sell additional products. In September, Nedcor invested a further £140 million in Dimension Data International (DDIL).

Nedcor also floated 15% of its interest in Nedcor Investment Bank (NIB) on the Johannesburg and Namibian stock exchanges which raised £100 million in new capital. The float provides NIB with a significant brand building opportunity whilst enabling NIB to provide a share option incentive mechanism for key staff.

In December, NIB acquired the commercial division of Edward Nathan & Friedland, a leading corporate law firm in South Africa, which represents NIB's strategic response to the convergence of corporate advisory services in the South African marketplace. This transaction gives NIB a significant tier-one corporate finance capability and the possibility of additional deal flow and synergies generating a significant source of future growth.

Nedcor's goal is to develop a globally competitive and client-focused bank to take advantage of improvements in banking technology and enhanced e-commerce capability. Domestically Nedcor is a national champion in banking in South Africa.

Nedcor's international strategy concentrates on areas where both barriers to entry and capital requirements are lower and therefore much effort has been directed toward the virtual banking and technology arenas, again exploiting its vision of the convergence of banking and technology to create a unique platform for future growth.

GENERAL INSURANCE

The general insurance market in South Africa continues to suffer from the effects of intense competition, deteriorating claims experience and higher claims costs which has led to a decline in underwriting profitability across all classes. Fraudulent claims activity coupled with high costs of crime, added to rising accidents and fire claim costs, have had adverse consequences for the South African general insurance industry.

REVIEW OF OPERATIONS

(General Insurance cont'd)

For Mutual & Federal, which is one of the leaders in the market with a 12% market share, underwriting results were disappointing this year, relative to past performance. As a result earnings fell to £59 million from £86 million in 1998.

A programme to raise rates during the year was partially successful in restoring underwriting profitability by year end, but margin pressure remains. Underwriting performance remains, however, favourable by international standards and market-share was retained despite growing competition. A strict control over supplier costs ensured that increases in the average claims costs were held below the headline South African inflation rate of 8%.

Mutual & Federal was pleased to receive the award of South African Financial Services Intermediaries Association Commercial Insurer of the Year for 1999. In mid-1999 Duff & Phelps rating agency confirmed Mutual & Federal's AAA credit rating.

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FINANCIAL REVIEW

Introduction

Operating profit before tax for our life assurance business is determined using a modified statutory method of accounting for life profits and excludes the future profitability of in-force and new business. Operating profits before tax also include the results for the Group’s listed banking and general insurance subsidiaries before minorities and the results of the asset management operations in full.

Operating profits for the life and general insurance companies are reported on the basis of a longer term investment rate of return, which smoothes out the impact of short term fluctuations in investment returns on shareholder funds.

This statutory basis for calculating earnings is supplemented by a separate reporting of embedded value profit. Embedded value profit is a realistic method of profit reporting and reflects more accurately the underlying performance of the Group’s life assurance business.

An embedded value provides an actuarially determined estimate of the economic value of a life assurance company. It represents the sum of the shareholders’ net assets 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 an appropriate amount of solvency capital. The change in the embedded value over the period, adjusted for any capital raised and dividend provided for, provides a measure of the performance of a life assurance operation, referred to as the embedded value profit.

Financial Performance

Operating profits (based on the longer term rate of return) before tax increased 23% which included an outstanding performance from the Group’s core life insurance operations where operating profits from continuing businesses of £426 million represented an increase of 47% over 1998 pro forma of £289 million. High investment returns in South Africa have resulted in short term fluctuations being strongly positive. Total short term fluctuations for the Group amounted to £778 million. The focus on cost containment has also significantly contributed to the improved result.

The asset management businesses made a strong contribution to operating profits, with the overall result of £48 million representing an increase of 109% over 1998’s £23 million. The 1999 profits benefited both from a strong performance of OMAM (SA) which added £1.6 billion funds under management during the year and the cost savings achieved of £16 million in the integration of the UK private client businesses Capel Cure-Myers and Albert E Sharp.

FINANCIAL REVIEW (cont'd)

Funds under management for the Group totalled £45 billion. This represents a 29% increase over 1998. Of this amount at the year end OMAM group managed funds of £27.1 billion, including £19.3 billion of life funds, third party institutional funds of £5.1 billion and unit trusts of £2.7 billion.

Nedcor's banking underlying results were strong at £309 million before the impact of non-recurring deductions for general provisions and asset writedowns. These adjusted earnings exclude both the gains on the sale of Nedtravel (£20 million) and the listing of 15% of investment banking subsidiary NIB (£46 million) which are carried below the line as exceptionals and the non recurring deductions for general provisions and property portfolio writedowns. These provisions, charged by Nedcor against the gains, were grossed up in the Group results and deducted from operating earnings to arrive at a banking pre-tax profit of £210 million (1998: £287million).

From June 2000 the Bank for International Settlements, under the Basle agreement on Banking Supervision, proposes to impose an extra 1% provision on risk weighted assets for all emerging market banks. The increases in provisions were made with this target in mind. Overall Nedcor's reserves for bad and doubtful debts now stand at 3% of average advances. In addition retention of profit meant that Nedcor's capital ratio was 12% at year end, making Nedcor one of the best capitalised banks in South Africa. Start-up losses of £5 million were incurred in the development of Old Mutual Bank.

Mutual & Federal's result before minorities, at £59 million, was 31% below pro forma 1998 result of £86 million, reflecting tough underwriting conditions as a result primarily of the higher incidence of motor accident claims and inadequate rating levels in the fire account. Results did improve in the second half however, largely due to rate increases implemented in the second half year. In September, Mutual & Federal declared a special dividend of £144 million from excess capital. As a result, the Group's longer term rate of investment return will be calculated going forward on a lower level of shareholder funds.

Other shareholders' income/expense comprises the smoothed investment return on the shareholders' funds outside of the life assurance and general insurance companies plus returns on funds raised at listing, totalling £40 million, operating results from a number of financial services businesses including health, and corporate costs.

FINANCIAL REVIEW (cont'd)

In December 1999 the Group reached agreement to dispose of its UK life insurance operations to Century Group, following the reinsurance of its annuity portfolio to XL Mid Ocean. The transaction has received regulatory approval and awaits consent of the Court. Results for both 1998 and 1999 have been impacted by provisions required against pension mis-selling and the effects of improving annuitant mortality.

The UK life operation has been treated separately in discontinued operations. The Group has retained provisions of £38 million against warranties provided to the purchaser in respect of pension mis-selling, over and above the provisions held in the company disposed of. The sale and reinsurance agreement results in a gain of £15 million on book value in 1999 including £10 million in respect of the reinsurance agreement. However, although the sale gave rise to a gain on book value, it resulted in an embedded value loss of £12 million.

Profit before tax is declared after additional general risk provisions and property write-downs by Nedcor, amortisation of goodwill from the Group's acquisition of Albert E Sharp, and investment returns in excess of the longer term investment return.

The effective rate of tax in 1999 was 25%. The Four Funds basis of life taxation in South Africa was modified with effect from 1 January 2000. Inter alia, the changes reduced the deductibility of expenses for tax in the policyholders' life funds and the deductibility of transfers of profit from policyholder funds to shareholders' funds. The impact of both changes is expected to increase the effective rate of tax in the South African life business in future years to about 28%. The 1999 result includes a transitional charge in respect of the move to this new basis of £61 million.

The directors have proposed a final dividend for 1999 of 2.0p per share. On an annualised basis, the 4.0p per share represents an increase of 33% over the notional annual dividend of 3.0p per share indicated in the prospectus when we listed.

Embedded Value Profits

Excluding capital raised and dividends provided for, the Group's embedded value increased during 1999 by £1,434 million. Most of this growth arose from investment return on the adjusted net worth, which benefited from high investment returns on shareholder investments, particularly in South Africa.

Profits from new business written during the year were £75 million, up significantly from a loss of £4 million in the second half of 1998.

Positive new business embedded value profits were generated by all the South African life businesses. This improvement was aided by a recovery from the adverse circumstances that affected our new business in the second half of 1998 and the first half of 1999. *Investment Frontiers*, *Platinum Pensions*, and investment in the Guaranteed Fund by some retirement funds of the proceeds from the sale of their free demutualisation shares contributed in particular to improved single premium volumes. A focus on new business cost containment and the introduction of more profitable new products also made a positive contribution.

The change in the South African tax basis, however, had a negative impact of £121 million on embedded value profits. This charge includes provision for the additional tax of £61 million that will be payable at the end of 2000 on transition from the old to the new basis. The remaining £60 million also includes the capitalised value of future additional tax expected to be paid by shareholders, after making allowance for amounts to be borne by policyholders.

Experience variances (other than additional provisions for pensions mis-selling reported at mid-year) and investment variances were both positive. Exchange rate impacts result from movement in the average £/Rand exchange rate.

Embedded Value

During 1999 the Group's embedded value rose 74% from £3.1 billion to £5.4 billion. This includes additional capital of £963 million, £404 million from the policyholder self investment at the beginning of the year, and £559 million raised in the course of listing in the middle of the year.

The value of in-force business has increased from £771 million to £806 million. This increase would have been greater but for the adverse impact of the exclusion of the discontinued UK life operations and the inclusion of the effect of the new SA tax basis.

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

We have continued to maintain a 1% margin between our discount rate and the assumed equity return rate which we believe is a conservative treatment.

FINANCIAL REVIEW (cont'd)

Shareholders' Funds

The Group derives competitive advantage from the financial strength of its life businesses in South Africa. Retention of capital in excess of the minimum statutory requirements for the life business enables shareholders' funds to be invested in a diversified portfolio of equity investments, which in addition to current beneficial tax treatment, enhances returns to shareholders in the longer term. The proposed introduction of Capital Gains Tax in South Africa from 1 April 2001 may to some extent reduce the tax advantage of equities. We will continue to evaluate the optimal mix of our shareholder portfolio investments, to ensure that these deliver maximum value for shareholders.

Since the allocation of shares in the demutualisation and subsequent listing of the company on five stock exchanges, the remaining significant portion of shareholder funds in the balance sheet is invested in our listed subsidiaries Nedcor and Mutual & Federal, and also in our various asset management businesses and in other subsidiary businesses. These businesses form an integral part of the Group.

Capital Management

Internal targets were set in 1999 for the return on capital for life assurance businesses based on a prudent internal measure of required solvency capital. These targets are kept under constant review to ensure they are consistent with the Group's overall sterling return on capital targets.

During 1999 the life business units have reviewed their capital requirements to ensure efficient use of capital. Particular attention is being paid to designing and developing new products that have lower capital requirements and provide a higher return on capital. It is consequently envisaged that over time capital will be generated in excess of that required for the life businesses, and that this excess capital could be gradually released for redeployment elsewhere in the Group.

The Group has also sought to reallocate capital from less productive activities and to free up excess capital in parts of the business to enable the Group to develop businesses expected to have higher growth and greater return on equity for shareholders. The sale of the Group's UK life business, which has underperformed for a number of years, should release £65 million of capital when successfully completed. In keeping with this overall Group philosophy of optimal capital utilisation, Mutual & Federal's Board of Directors declared a special dividend of £144 million to shareholders from excess funds in September 1999.

The raising of £559 million new equity capital at listing and the syndication of a £300 million revolving credit facility at very competitive rates during the year demonstrates the value to the Group of access to lower-cost international capital markets.

FINANCIAL REVIEW (cont'd)

The acquisition of Gerrard will be financed largely from internal cash resources, except for the loan notes to be taken up by Gerrard shareholders. Following this acquisition, the Group retains the capability to mobilise internal and external resources to make further acquisitions which fit the established strategic criteria and meet our required rate of return, whilst maintaining at all times sufficient working capital for operations and normal business contingencies.

Share buybacks

The company keeps shareholder capital constantly under review. Resolutions will be put at the next annual general meeting of the company to renew existing authorities to allot shares, to disapply statutory pre-emption rights, and to make market purchases of Old Mutual shares on the London Stock Exchange. In addition the company intends to seek shareholder approvals for a reduction in share premium account in order to create reserves in the accounts and authorities to buy back shares on the four southern African stock exchanges on which its shares are currently listed.

The mechanism for achieving any future stock market purchases in the African territories will be through four separate "contingent purchase contracts" with the respective counterparty defined in the contracts, in each of territories concerned. Further details of the proposed resolutions and the contingent purchase contracts will be included with the notice of meeting in the annual report. The authorities to buy back shares will collectively permit the company to buy up to a maximum of 10% of the current issued share capital.

Shareholder information

On July 12 1999 the company listed its shares on five stock exchanges in London, Johannesburg, Malawi, Zimbabwe, and Namibia. The total number of shares in issue at the year end was 3,444,624,230.

For calculating earnings per share the average number of shares in issue for the year was 3,127,051,667.

The annual general meeting will be held at the Grosvenor House Hotel, London, at 11:00 a.m. on 18 May 2000. Notice will be given with the company's annual report and accounts, which are expected to be posted in the first week of April.

Subject to the dividend being approved at the Annual General Meeting, it will be paid on 31 May 2000 to shareholders on the UK register on 14 April 2000 and on the southern African registers on 7 April 2000, which will also be the currency conversion date for converting the dividend into other currencies.

The interim results for the six months to 30 June 2000 will be released on Tuesday 5 September 2000.

Old Mutual plc
Preliminary results for the year ended 31 December 1999

Summary consolidated profit and loss account
Year to 31 December 1999

	Note	**Year to 31 December 1999 £m**	Pro forma year to 31 December 1998 £m
Operating profit			
Life assurance (based on a long term investment return)			
Continuing operations	**4**	**426**	**289**
Discontinued operations		**(50)**	**(118)**
Banking	**5**	**210**	**287**
Asset management		**48**	**23**
General insurance business (based on a long term investment return)	**6**	**59**	**86**
Other shareholders' income / (expenses)	**7**	**(37)**	**(33)**
Operating profit before short term fluctuations in investment return		**656**	**534**
Short term fluctuations in investment return	**10**	**778**	**(477)**
Non-operating items	**12**	**54**	**-**
Profit on ordinary activities before tax		**1,488**	**57**
Tax on profit on ordinary activities	**11**	**(165)**	**(85)**
Profit / (loss) on ordinary activities after tax		**1,323**	**(28)**
Minority interests		**(257)**	**(73)**
Profit / (loss) attributable to shareholders		**1,066**	**(101)**
Dividend proposed	**13**	**(69)**	**-**
Retained profit / (loss) for the financial period		**997**	**(101)**

		p	**p**
Basic earnings per share	**13**	**34.1**	**(3.4)**
Diluted earnings per share	**13**	**33.9**	**(3.4)**
Adjusted earnings per share based on a long term investment return	**13**	**12.2**	**10.1**

Old Mutual plc
Preliminary results for the year ended 31 December 1999
Consolidated profit and loss account

Technical account - long term business

	Notes	**Year to 31 December 1999 £m**	Pro forma year to 31 December 1998 £m
Earned premiums, net of reinsurance			
Gross premiums written			
Continuing operations	2	**3,301**	3,328
Discontinued operations	2	**33**	37
		3,334	3,365
Outward reinsurance premiums		**(5)**	(20)
		3,329	3,345
Investment income		**2,995**	2,507
Unrealised gains on investments		**3,783**	-
Other technical income, net of reinsurance		**35**	4
		10,142	5,856
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		**(3,360)**	(2,970)
Reinsurers' share		**35**	56
		(3,325)	(2,914)
Change in the provision for claims, net of reinsurance		**(67)**	(31)
		(3,392)	(2,945)
Changes in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
Gross amount		**(3,670)**	448
Reinsurers' share		**(30)**	(12)
		(3,700)	436
Change in technical provisions for linked liabilities, net of reinsurance		**(1,519)**	260
		(5,219)	696
Net operating expenses		**(552)**	(543)
Investment expenses and charges		**(28)**	(26)
Unrealised losses on investments		**-**	(3,147)
Tax attributable to the long term business		**(116)**	(50)
Allocated investment return transferred from / (to) the non technical account		**(543)**	312
Balance on the technical account - long term business		**292**	153
Analysed between:			
Continuing operations		**342**	271
Discontinued operations		**(50)**	(118)
Balance on the technical account - long term business		**292**	153

Analysis of balance on technical account - long term business

Long term business result before investment return	**105**	21
Long term investment return	**187**	132
Balance on the technical account - long term business	**292**	153

Technical account - general business

	Notes	**Year to 31 December 1999 £m**	Pro forma year to 31 December 1998 £m
Earned premiums, net of reinsurance			
Gross premiums written (continuing operations)		**291**	292
Outward reinsurance premiums		**(33)**	(39)
	6	**258**	253
Change in the provision for unearned premiums, net of reinsurance			
Gross amount		**2**	7
Reinsurers' share		**(1)**	-
		259	260
Allocated investment return transferred from the non-technical account		**56**	79
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		**(223)**	(226)
Reinsurers' share		**21**	35
		(202)	(191)
Change in the provisions for claims, net of reinsurance			
Gross amount		**8**	(4)
Reinsurers' share		**(5)**	-
		(199)	(195)
Net operating expenses		**(57)**	(58)
Balance on the technical account - general business		**59**	86

Analysis of balance on technical account - general business

General business result before long term investment return	**3**	7
Long term investment return	**56**	79
Balance on the technical account - general business	**59**	86

Non-technical account – insurance and asset management activities

	Year to 31 December 1999 £m	Pro forma year to 31 December 1998 £m
Balance on the technical account - long term business	**292**	153
Tax attributable to shareholders' profits on long term business	**84**	18
Profit from long term business before tax	**376**	171
Balance on the technical account - general business	**59**	86
Investment income	**267**	81
Unrealised gains on investments	**64**	-
Allocated investment return transferred from / (to) the long term business technical account	**543**	(312)
Investment expenses and charges	**(33)**	(2)
Unrealised losses on investments	**-**	(167)
Allocated investment return transferred to the general business technical account	**(56)**	(79)
Other income	**242**	124
Other charges	**(238)**	(132)
Insurance operating profit / (loss) on ordinary activities before tax	**1,224**	(230)

Old Mutual plc
Preliminary results for the year ended 31 December 1999
Consolidated profit and loss account

Non-technical account - banking activities

	Year to 31 December 1999 £m	Pro forma year to 31 December 1998 £m
Interest receivable	**1,652**	1,940
Interest payable	**(1,208)**	(1,507)
Net interest income	**444**	433
Dividend income	**6**	9
Fees and commissions receivable	**229**	242
Fees and commissions payable	**(33)**	(6)
Dealing profits	**88**	74
Other operating income	**7**	32
Operating income	**741**	784
Administrative expenses	**(223)**	(233)
Depreciation and amortisation	**(34)**	(26)
Other operating charges	**(124)**	(173)
Operating profit before provisions	**360**	352
Provisions	**(163)**	(71)
Operating profit	**197**	281
Share of associated undertakings' operating profit	**13**	6
Banking operating profit on ordinary activities before tax	**210**	287

Old Mutual plc
Preliminary results for the year ended 31 December 1999

Consolidated profit and loss account

Non-technical account – insurance, asset management and banking activities

	Notes	Year to 31 December 1999 £m	Pro forma year to 31 December 1998 £m
Insurance and asset management operating profit on ordinary activities before tax and non-operating items		**1,224**	(230)
Banking operating profit on ordinary activities before tax and non-operating items		**210**	287
Profit on ordinary activities before tax and non-operating items		**1,434**	57
Non-operating items	12	**54**	-
Profit on sale of businesses		**77**	-
Cost of the free share selling service offered to policyholders on demutualisation		**(23)**	-
Profit on ordinary activities before tax		**1,488**	57
Tax on profit on ordinary activities	11	**(165)**	(85)
Profit / (loss) on ordinary activities after tax		**1,323**	(28)
Minority interests		**(257)**	(73)
Profit / (loss) on ordinary activities after tax and minority interests		**1,066**	(101)
Dividends proposed	13	**(69)**	-
Retained profit / (loss) for the year		**997**	(101)

Consolidated statement of total recognised gains and losses

	Year to 31 December 1999 £m	Pro forma year to 31 December 1998 £m
Profit / (loss) for the year	**1,066**	(101)
Foreign exchange movements	**(35)**	(87)
Total recognised gains and losses for the year	**1,031**	(188)

Reconciliation of movements in equity shareholders' funds

	Year to 31 December 1999 £m	Pro forma year to 31 December 1998 £m
Total recognised gains and losses for the year	1,031	(188)
Dividend proposed	(69)	-
Retained profit / (loss) for the financial year	962	(188)
Issue of new capital on self-investment transaction	404	-
Issue of new capital on listing	559	-
Net addition / (reduction) to equity shareholders' funds	1,925	(188)
Equity shareholders' funds at the beginning of the year	1,588	1,776
Equity shareholders' funds at the end of the year	**3,513**	1,588

Old Mutual plc
Preliminary results for the year ended 31 December 1999

Consolidated balance sheet
at 31 December 1999

	At 31 December 1999 £m	At 31 December 1998 £m
Insurance assets		
Intangible assets		
Goodwill	**164**	100
Investments		
Land and buildings	**914**	885
Other financial investments	**17,167**	12,398
	18,081	13,283
Assets held to cover linked liabilities	**5,916**	5,121
	23,997	18,404
Reinsurers' share of technical provisions		
Long term business provision	**140**	172
Claims outstanding	**16**	19
Provision for unearned premiums	**5**	5
	161	196
Debtors	**524**	210
Other assets	**133**	89
Cash at bank and in hand	**443**	176
Prepayments and accrued income	**317**	335
	1,417	810
Total insurance assets	**25,739**	19,510
Banking assets		
Cash and balances at central banks	**760**	537
Treasury bills and other eligible bills	**744**	732
Loans and advances to banks	**613**	137
Loans and advances to customers	**9,704**	9,415
Debt securities	**629**	412
Equity securities	**145**	131
Tangible fixed assets	**98**	92
Land and buildings	**89**	101
Other assets	**267**	150
Prepayments and accrued income	**168**	252
Total banking assets	**13,217**	11,959
Total assets	**38,956**	31,469

Old Mutual plc
Preliminary results for the year ended 31 December 1999

Consolidated balance sheet (continued)
at 31 December 1999

	At 31 December 1999 £m	At 31 December 1998 £m
Liabilities		
Capital and reserves		
Called up share capital	**344**	-
Share premium account	**868**	-
Profit and loss account	**2,301**	-
Fund for future appropriations	**-**	1,588
Equity shareholders' funds	**3,513**	1,588
Minority interests	**857**	808
Fund for future appropriations	**-**	6
Insurance liabilities		
Technical provisions		
Long term business provision	**14,767**	11,716
Claims outstanding	**319**	261
Provision for unearned premiums	**43**	41
	15,129	12,018
Technical provisions for linked liabilities	**5,916**	5,121
Provisions for other risks and charges	**317**	423
Creditors	**1,093**	372
Accruals and deferred income	**43**	44
Total insurance liabilities	**22,498**	17,978
Banking liabilities		
Deposits by banks	**798**	1,223
Customer accounts	**9,343**	8,345
Debt securities in issue	**1,194**	896
Provisions for liabilities and charges	**76**	72
Other liabilities	**609**	493
Subordinated liabilities	**68**	60
Total banking liabilities	**12,088**	11,089
Total liabilities	**38,956**	31,469

Old Mutual plc
Preliminary results for the year ended 31 December 1999

Consolidated cash flow statement excluding long term business

	Year to 31 December 1999 £m
Operating activities	
Net cash inflow from insurance operating activities	**495**
Net cash inflow from banking operating activities	**257**
Net cash inflow from operating activities	**752**
Net cash outflow from returns on investments and servicing of finance	**(124)**
Total taxation paid	**(70)**
Net cash outflow from capital expenditure and financial investment	**(84)**
Net cash inflow from acquisitions and disposals	**66**
Net cash inflow before financing activities	**540**
Net cash inflow from financing	**547**
Net cash inflow of the Group excluding long term business	**1,087**

	Year to 31 December 1999 £m
Cash flows relating to insurance activities were invested as follows:	
Increase in cash holdings	**122**
Increase in net portfolio investments	**732**
	854
Cash flows relating to banking activities were invested as follows:	
Increase in cash and balances at central banks	**233**
Net cash inflow of the Group excluding long term business	**1,087**

Notes to the financial information

1. Basis of preparation

The financial information for the year ended 31 December 1999, set out on pages 20 to 35, has been prepared on the basis of the accounting policies set out in the Group's Prospectus dated 19 May 1999, and in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers.

Following the Group's decision to change its year end to 31 December, in preparation for demutualisation and listing, comparative information has been presented on a pro forma basis. The balance sheet and the pro forma profit and loss account comparatives have been substantially derived from the financial information contained in Parts 7 and 8 of the Group's Prospectus dated 19 May 1999. The pro forma profit and loss account combines the actual results for the six months from 1 July to 31 December 1998 with the first half year results to 30 June 1998 derived on a time apportioned basis. Certain reclassifications have been made to the pro forma information in the Prospectus to accord with the format adopted in this financial information.

No comparative cashflow has been presented as it is not considered practicable or meaningful in a pre-demutualisation environment.

Following the sale of our UK life subsidiary, Old Mutual Life Assurance Company (OMLA), in December 1999 its results for the year then ended have been disclosed as discontinued operations in the Group's long term business technical account.

Rates of exchange used to translate Rand based amounts into Sterling were:

	Year ended 31-Dec 1999	Year ended 31-Dec 1998
Profit and loss account (weighted average rate)	9.8588	9.106
Balance sheet (year end rate)	9.9364	9.7763

Financial information presented in the preliminary announcement for the year ended 31 December 1999 constitutes non-statutory accounts within the meaning of section 240 of the Companies Act 1985. The 1999 statutory accounts for the Group have not been finalised, however, the financial information included in this announcement has been prepared by the directors based upon the results and position which will be reflected in the statutory accounts when complete.

Old Mutual plc
Preliminary results for the year ended 31 December 1999

Notes to the financial information

2. Long term business - gross premiums written

	South Africa £m	Rest of Africa £m	Rest of world £m	Total £m
Single premiums				
Year to 31 December 1999				
Individual business				
Life / endowment / other	565	4	168	**737**
Retirement and immediate annuities	173	9	-	**182**
	738	13	168	**919**
Group business	912	19	2	**933**
Total continuing operations	1,650	32	170	**1,852**
Discontinued operations	-	-	6	**6**
Total	1,650	32	176	**1,858**
Single premiums				
Pro forma year to 31 December 1998				
Individual business				
Life / endowment / other	273	6	167	**446**
Retirement and immediate annuities	315	7	-	**322**
	588	13	167	**768**
Group business	956	13	-	**969**
Total continuing operations	1,544	26	167	**1,737**
Discontinued operations	-	-	8	**8**
Total	1,544	26	175	**1,745**
Recurring premiums				
Year to 31 December 1999				
Individual business				
Life / endowment / other	650	34	69	**753**
Retirement and other annuities	163	13	-	**176**
Affinity groups	119	-	-	**119**
	932	47	69	**1,048**
Group business	347	54	-	**401**
Total continuing operations	1,279	101	69	**1,449**
Discontinued operations			27	**27**
Total	1,279	101	96	**1,476**
Recurring premiums				
Pro forma year to 31 December 1998				
Individual business				
Life / endowment / other	727	33	51	**811**
Retirement and other annuities	165	7	-	**172**
Affinity groups	116	5	-	**121**
	1,008	45	51	**1,104**
Group business	426	61	-	**487**
Total continuing operations	1,434	106	51	**1,591**
Discontinued operations	-	-	29	**29**
Total	1,434	106	80	**1,620**

Old Mutual plc
Preliminary results for the year ended 31 December 1999

Notes to the financial information

3. Long term business - new business premiums

	South Africa £m	Rest of Africa £m	Rest of world £m	Total £m
Single premiums – continuing business				
Year to 31 December 1999				
Individual business	738	13	168	**919**
Group business	912	19	2	**933**
Total	1,650	32	170	**1,852**
Single premiums – continuing business				
Pro forma year to 31 December 1998				
Individual business	588	13	167	**768**
Group business	956	13	-	**969**
Total	1,544	26	167	**1,737**
Recurring premiums – continuing business				
Year to 31 December 1999				
Individual business	182	14	15	**211**
Group business	22	7	-	**29**
Total	204	21	15	**240**
Recurring premiums – continuing business				
Pro forma year to 31 December 1998				
Individual business	233	17	14	**264**
Group business	66	1	-	**67**
Total	**299**	**18**	**14**	**331**

Single premiums are those premiums arising on contracts where there is no expectation of future premiums. Additional single premiums are permitted on most contracts of this type and these are also classified as single premiums. Individual recurring premiums are those where there is a contractual obligation to pay on a regular basis. Group business recurring premiums are those received during the financial year in respect of new risk contracts and fund management schemes. Flows into and out of investment products for group business are dependent on the arrangements in place with individual retirement funds and will vary considerably from year to year.

Notes to the financial information

4. Life operating profit – continuing operations

	Year to 31 December 1999 £m
Individual business	168
Group business	67
Rest of world	4
Life technical result from continuing operations	239
Long term investment return	187
Total life operating profit from continuing operations	426

5. Banking operating profit

In the year to 31 December 1999, the profit on the sale of NedTravel and 15% of Nedcor Investment Bank (£66 million) has been treated as a non-operating item in the consolidated profit and loss account (see note 12). The increase in general risk provisions of £71 million and property portfolio writedowns of £23 million charged by Nedcor in their financial statements have been grossed up for tax and deducted from operating earnings in this UK GAAP financial information to arrive at a banking pre-tax profit of £210 million.

6. Analysis of general insurance result

	Premiums written net of reinsurance £m	Claims incurred net of reinsurance £m
Class of business		
Year to 31 December 1999		
Motor	123	98
Fire	40	70
Accident	86	26
Other	9	5
	258	199
Pro forma year to 31 December 1998		
Motor	119	96
Fire	33	26
Accident	96	69
Other	5	4
	253	195

7. Other shareholder income/expenses

	Year to 31 December 1999 £m	Pro forma year to 31 December 1998 £m
Investment return based on a long term investment return	21	N/A
Other investment income	19	N/A
Other income	11	4
Other charges	(88)	(37)
	(37)	(33)

8. Funds under management

	At 31 December 1999 £m	At 31 December 1998 £m
Investments including assets held to cover linked liabilities	**23,997**	18,404
Unit trusts		
Capel-Cure Sharp	**1,111**	804
Old Mutual Asset Managers	**2,686**	1,979
Nedcor Investment Bank Asset Managers	**1,035**	857
	4,832	3,640
Third party		
Capel-Cure Sharp	**8,538**	8,412
Old Mutual Asset Managers	**5,107**	2,100
Nedcor Investment Bank Asset Managers	**2,395**	2,224
	16,040	12,736
Total funds under management	**44,869**	34,780

9. Insurance long term investment return

Group operating profit is stated after allocating an investment profit in the insurance businesses based on a long term investment return. The long term investment return is based on achieved real rates of return adjusted for current inflation expectations, and consensus economic and investment forecasts. The return is applied to assets held in the shareholders' funds for life assurance, and general insurance businesses and other appropriate shareholders funds outside of life assurance entities. The difference between actual return and the long term investment return is included in short term fluctuations.

The long term investment rate of return used in South Africa is 14%. For other territories, the long term investment return used was consistent with the investment returns experienced in those territories. The directors are of the opinion that these rates of return are prudent and have 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.

Old Mutual plc
Preliminary results for the year ended 31 December 1999
Notes to the financial information

10. Analysis of short term fluctuations in investment returns

	Year to 31 December 1999 £m	Pro forma year to 31 December 1998 £m
Technical account - long term business		
Actual return attributable to shareholders	**731**	(180)
Long term return credited to operating results	**187**	132
	544	(312)
Technical account - general business		
Actual return attributable to shareholders	**230**	(86)
Long term return credited to operating results	**56**	79
	174	(165)
Non- technical account		
Actual return attributable to shareholders	**81**	-
Long term return credited to operating results	**21**	-
	60	-
Excess/ (deficit) of actual returns over long term return	**778**	(477)

11. Taxation

	Year to 31 December 1999 £m	Pro forma year to 31 December 1998 £m
United Kingdom	**(7)**	(1)
Overseas	**(158)**	(84)
	(165)	(85)

12. Non-operating items

Profit attributable to shareholders for the year ended 31 December 1999 is stated after (charging)/ crediting the following non-recurring items

	Year to 31 December 1999 £m
Profit on sale of NedTravel	**20**
Profit on flotation of Nedcor Investment Bank	**46**
Profit on sale of UK Life assurance operations	**15**
Provisions for cost associated with the withdrawal of the Group from its UK life assurance operation	**(4)**
Profit on sale of businesses	**77**
Cost of the free share selling services offered to policyholders on demutualisation	**(23)**
Non-operating items before tax and minorities	**54**
Taxation	-
Non-operating items after tax and before minorities	**54**
Minority interests	**(35)**
Non-operating items after tax and minorities	**19**

13. Earnings and dividend per share

The basic earnings per share shown in the profit and loss account is calculated by reference to the earned profit/ (loss) attributable to shareholders of £1,066 million for the year ended 31 December 1999 (1998: loss of £101 million) and a weighted average number of shares in issue of 3,127 million (1998: 2,971 million). In accordance with merger accounting principles, it has been assumed that the number of shares issued as a result of the self-investment transaction and demutualisation in February and May 1999 respectively were in issue throughout the year. The diluted earnings per share calculation reflects the impact of shares in an Employee Share Ownership Trust, which on conversion will have an anticipated dilution effect of 13 million shares.

Earnings have been decreased by net short term fluctuations of £667 million and by £19 million to adjust for post tax and minority non-operating items to calculate the earnings per share based on a long term rate of return.

The dividend per share of 2p has been calculated using the 3,444 million shares in issue at 31 December 1999.

14. Post balance sheet events

In January 2000, the group made an offer to purchase the entire share capital of the Gerrard Group plc for approximately £525 million. The transaction remains subject to regulatory approval which is expected to be received during March 2000.

Supplementary embedded value information

1. Embedded value

The embedded value of Old Mutual plc as at 31 December 1999 is set out below, together with the corresponding position at 31 December 1998.

	31 Dec 1999 £m	31 Dec 1998 £m
Adjusted net worth	**4,608**	2,315
Equity shareholders' funds	3,513	1,588
Excess of market value of listed subsidiaries over their net asset value	1,114	748
Adjustment to include UK and offshore life subsidiaries on a statutory solvency basis	(19)	(21)
Value of in-force business	**806**	771
Value of in-force business before cost of solvency capital	884	849
Cost of solvency capital	(78)	(78)
Embedded value	**5,414**	3,086

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 distributable profits from its life assurance business in force at the valuation date, adjusted for the cost of holding solvency capital equal to 100 per cent of 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 UK and offshore 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.

The basis of taxation of life assurance companies in South Africa changed with effect from 1 January 2000, and this has been fully taken into account in determining the embedded value as at 31 December 1999. No account has been taken of the proposed capital gains tax to be introduced in South Africa with effect from 1 April 2001, as announced by the Minister of Finance in his Budget Speech on 23 February 2000.

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.

	31 Dec 1999 £m	31 Dec 1998 £m
South Africa	687	632
Individual business	*448*	*456*
Group business	*239*	*176*
Rest of World	119	139
Value of in-force business	**806**	**771**

The value of in-force business as at 31 December 1999 excludes the value in respect of Old Mutual Life Assurance Company in the UK, which was sold towards the end of the year.

2. Embedded value profits

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

	Year to 31 Dec 1999 £m
Embedded value at 31 December 1999	5,414
Embedded value at 1 January 1999	3,086
Increase in embedded value	2,328
Less capital raised	963
Self-investment transaction	*404*
Capital raised at listing	*559*
Plus dividends proposed	69
Embedded value profits	**1,434**

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

	Year to 31 Dec 1999 £m
Profits from new business (1999 SA tax basis)	75
– *Point of sale*	*69*
– *Expected return to end of year*	*6*
Profits from existing business	
– Expected return	160
– Experience variances	13
– Additional pensions mis-selling provisions	(52)
Investment variances	99
Investment return on adjusted net worth	1,331
Impact of 2000 SA tax change	(121)
Sale of UK life operation	(12)
Exchange rate movements	(59)
Embedded value profits	**1,434**

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 profits from existing life assurance business consist of the expected return on the in-force business and experience variances. 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, as well as changes in assumptions regarding future experience.

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, together with changes in future investment return and discount rate assumptions.

The investment return on adjusted net worth represents the actual investment return earned on the adjusted net worth (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.

As mentioned above, the basis of taxation of life assurance companies in South Africa changed with effect from 1 January 2000. The amount shown represents the net effect of the increased tax payable by shareholders as a result of the new tax basis (including the tax payable on transition to the new system) after allowing for the portion thereof to be borne by policyholders.

Towards the end of the year, Old Mutual Life Assurance Company in the UK reinsured its annuity portfolio of some £400 million with XL Mid Ocean Reinsurance Ltd and was sold to Century Life plc, arising in a gain in net asset value of £15 million. The embedded value loss on the sale of the company of £12 million shown above includes the gain in net asset value of £15 million.

3. Value of new business

The value of new business written in the year is the present value, at the point of sale, of the projected stream of after-tax profits from that business, adjusted for the cost of holding solvency capital.

The table below sets out a geographical analysis of the value of new business, based on both the 1999 South African tax basis, and the 2000 South African tax basis. The value shown on the 2000 tax basis reflects the net effect of the increased tax payable by shareholders after allowing for the portion thereof to be borne by new policies. The amounts of new recurring and single premiums written during the year are also shown.

	12 months to 31 December 1999			
	New premiums		Value of new business	
	Recurring £m	Single £m	1999 SA tax basis £m	2000 SA tax basis £m
South Africa	162	1,218	62	54
Individual business	*141*	*697*	33	*25*
Group business	*21*	*521*	29	*29*
Rest of World	36	172	7	7
Total	**198**	**1,390**	**69***	**61***

* Net of cost of solvency capital of £7m

The value of new group business includes £7.2 million in respect of the proceeds of free shares issued to retirement funds at demutualisation, and re-invested with Old Mutual.

The value of new business excludes the value of new group market-linked and unit trust business, the profits on which 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 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 above to those shown in note 3 to the financial information is set out below:

	Recurring Premiums £m	Single Premiums £m
New business premiums as per the embedded value report	198	1,390
Add:		
- group market-linked business not valued	1	427
- unit trust business not valued	-	137
- new business premiums arising from premium indexation	41	-
Less transfer of maturing policies to Investment Frontiers	-	(96)
Less discontinued operations		(6)
New business premiums in note 3 to the financial information	240	1,852

The assumptions used to calculate the value of new business are set out in section 4.

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 December 1999**	**31 December 1998**
Fixed Interest Return	14.0%	16.5%
Equity & Property Return	17.0%	19.5%
Inflation	10.0%	12.5%
Risk Discount Rate	18.0%	20.5%

  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 new tax basis that applies to SA life assurers, and includes an estimate of STC that may be payable in South Africa.

- For the in-force business, assumed future policy charges are based on the policy charges that will apply in 2000 as a result of the new tax basis 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 split between expenses relating to the acquisition of new business and the maintenance of business in force. Assumed future expenses were based on current levels of expenses. Expense savings arising from Project 500 have been only partially taken into account. Further savings are expected to materialise in 2000, and will be reflected in subsequent valuations. The future expenses attributable to life insurance business do not include group expenses incurred at the holding company level.

- Future investment expenses were based on the current scales of fees payable by the life insurance 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 1998 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.

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 1999 at alternative discount rates. In determining the values at different discount rates, all other assumptions have been left unchanged. The sensitivity of the value of in-force business and value of new business to changes in other assumptions is shown later.

	Value at Central Discount Rate -1% £m	Value at Central Discount Rate £m	Value at Central Discount Rate +1% £m
Adjusted net worth	4,608	4,608	4,608
Value of in-force business	930	806	693
Value before cost of capital	932	884	839
Cost of solvency capital	(2)	(78)	(146)
Embedded value	**5,538**	**5,414**	**5,301**

The table below sets out the value of new life assurance business on the 2000 South African tax basis for the 12 months to 31 December 1999 at alternative discount rates.

	12 months to 31 December 1999		
	Value at Central Discount Rate -1%	Value at Central Discount Rate	Value at Central Discount Rate +1%
	£m	£m	£m
Value before cost of capital	73	68	63
Cost of solvency capital	-	(7)	(13)
Value of new business	**73**	**61**	**50**

The table below shows the sensitivity of the value of in-force business at 31 December 1999 and the value of new business on the 2000 South African tax basis for the 12 months to 31 December 1999 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.

	Value of in-force business at 31 Dec 1999	Value of new life business for year to 31 Dec 1999
	£m	£m
Central assumptions	806	61
Effect of:		
• Decreasing the pre-tax investment return assumptions by 1% with bonus rates changing commensurately	(109)	(10)
• Voluntary discontinuance rates increasing by 25%	(35)	(9)
• Maintenance expense levels increasing by 20% with no corresponding increase in policy charges	(87)	(8)
• Increasing the inflation assumption by 1%	(11)	(2)

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 insurance business during the 12 months to 31 December 1999.