

OLD MUTUAL PLC

Interim Results for the six months ended 30 June 2000

HIGHLIGHTS

- Operating profits based on a long term investment return advance strongly by 61% to £457 million
- Operating earnings per share based on a long term investment return rise 50% to 9 pence
- Total funds under management increase 23% to £55.1 billion from £44.9 billion at December 1999
- Continuing life assurance operating profits based on a long term investment return rise 26% to £249 million
- Banking operating profits increase 59% to £156 million
- Greater international presence through proposed \$1.46 billion acquisition of United Asset Management Corporation
- Interim dividend of 1.6 pence per share up 20% from pro forma interim 1999

Mike Levett, Chairman and Chief Executive, comments:

"The past six months have seen Old Mutual make considerable progress in the development of its core businesses. Completion of the Gerrard take-over and the launch of our offer for United Asset Management demonstrate our determination to become a truly international financial services business."

5 September 2000

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NOTE TO EDITORS

Photographs of the Old Mutual management team are available at www.newscast.co.uk

OLD MUTUAL PLC
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CHAIRMAN'S STATEMENT

I am pleased to report a continued improvement in the key financial results of the Group. Operating profits based on a long term investment return ("smoothed profits") grew by 61% to £457 million from £283 million.

Operating earnings per share grew by 50% to 9 pence. After adjusting last year's figure for one-off UK life assurance write downs and special provisions made by Nedcor, growth was 28%.

The Board has declared an interim dividend per share of 1.6 pence, which represents a 20% increase on the pro forma 1999 interim dividend. This dividend will be paid on 30 November to shareholders on the register at close of stockmarkets on 20 October.

In this half year we have moved rapidly to expand our presence on the world stage, while finding new ways to deliver growth from our core financial services businesses.

In life assurance, we continued our initiatives to grow our leading life assurance and financial services operations. New life assurance premiums were up 9% from last year, while operating profits on continuing businesses were up 26%. Our range of single premium investment products continued to penetrate well in the marketplace and we expanded through new offerings during the period. In line with our strategy to seek international expansion, our recently announced joint venture with Kotak Mahindra Finance Ltd, one of India's largest financial services companies, aims to build a substantial longer term presence in this untapped market.

In asset management, we have moved swiftly towards building a world-class multinational fund management business. The completion in March of our acquisition of the Gerrard Group has brought within the Group the largest UK private client stockbroker and a leading player in the high net worth market. In June we launched a \$1.46 billion tender offer for United Asset Management Corporation ('UAM') in the US. Successful completion of this transaction will significantly diversify our earnings and will triple our global assets under management to approximately \$275 billion, ranking Old Mutual among the top 30 fund managers in the world.

Nedcor, our 53% owned banking subsidiary, maintained its outstanding track record. It reported a 27% rise in attributable income to R1,230 million (£119 million), while return on equity rose from 21% to 24%, reflecting substantially higher levels of capital and asset productivity. The cost to income ratio decreased to 52%. While Nedcor's proposed merger with Stanbic was not permitted, Nedcor is well positioned for future growth on a stand alone basis and is engaged in various major strategic initiatives. These include investments in technology through alliances and its intention to leverage its empowerment position through the acquisition of FBC Fidelity Bank.

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CHAIRMAN'S STATEMENT (cont'd)

Mutual & Federal, our 51% owned general insurance subsidiary, incurred a moderate underwriting deficit in a very difficult period for the industry. It is in the process of completing its acquisition of CGU Holdings for R1,206 million (£115 million), which will extend its market reach and improve its cost structures in future.

Whilst smoothed profits advanced satisfactorily as shown above, asset values were impacted by both the adverse performance of stockmarkets (with the JSE down some 10%) and a decline of the average exchange rate of the Rand to Sterling (by about 5%) during the period. In consequence, the Group's embedded value declined marginally from £5.4 billion to £5.2 billion over the six months to 30 June 2000. The JSE had recovered by approximately 9% by the end of August. Profit on ordinary activities after tax and minorities was £39 million compared to £601 million last year.

We have moved both to strengthen our executive team and to focus it with specific responsibilities for managing our key businesses. In January, Jim Sutcliffe took up the position of Chief Executive, Life, covering our life assurance and related businesses worldwide. Eric Anstee has more recently been appointed as Chief Executive, Financial Services, covering our asset management, private client and other financial services businesses. It is intended that Eric will also assume responsibility for the UAM group of companies upon completion of that acquisition. I am pleased to welcome Julian Roberts, who joined us last month as Group Finance Director. In addition to strengthening executive management, we have taken steps throughout the Group to ensure that we attract and retain appropriately incentivised senior management.

The past six months have seen Old Mutual make considerable progress in transforming itself into an international financial services group with exciting scope for further growth. I believe our major financial services businesses are geared to deliver, and we have the right people focusing on customer and shareholder value. The outlook for the rest of the year is positive.

MIKE LEVETT
Chairman & Chief Executive

5 September 2000

OLD MUTUAL PLC
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OPERATING REVIEW

Life assurance

Operating profits from our continuing life businesses, including the long term investment return of £114 million, were principally generated by our South African business and at £249 million are 26% higher than in the equivalent period last year. Equivalent annual new business premiums rose 9% in Sterling terms.

South Africa

The key measures of performance for our life assurance operations - margins on managed assets and return on capital - continue to compare well against world-class benchmarks. Life operating profit after tax, including a 14% longer term return on capital allocated, amounted to an annualised 2.1% of life assets and 23% of allocated capital. South African equivalent annual new business premiums rose 14% in Rand, compared with the first six months of 1999.

Operating profits from our group business - Employee Benefits, increased by 37% to £48 million as a result of improved fee collection, tight expense management, capital charges on higher asset balances and positive underwriting results. New recurring business premiums of £22 million were comparable with the full 1999 figure of £22 million. Single premiums of £169 million (excluding market-linked business where profits are reported under Asset Management), were 34% higher than in the same period last year and, setting aside the effect of demutualisation proceeds reinvestment, were comparable with the 1999 figure.

Our *Platinum*, *Core Growth* and *Genesis* products contributed strongly to this growth, with the *Guaranteed Fund* recently declaring a highly competitive 16% bonus rate in respect of the year to June 2000. Employee Benefits continued to strengthen its position in the market through the launch of *Symmetry*, the multi-manager investment range, and *Synergy*, a new short term disability product. A new flexible risk product range will be introduced shortly.

Important advances have been made in the area of group retirement fund administration, most recently through the introduction of *SplitFunder*, a computer application that ensures efficient transfer of member-level investment choices to the appropriate asset managers. We have also strengthened the Employee Benefits management team with the recruitment of high calibre individuals in important areas of the business.

Individual business profits at £87 million were 21% up on the first half of 1999, resulting largely from capital charges on higher asset balances, repricing due to tax changes, continuing positive underwriting profits and tight expense management. Single premium sales were 19% above the equivalent period of 1999, reflecting the continued success of our *Investment Frontiers* product range.

OLD MUTUAL PLC
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OPERATING REVIEW (cont'd)

Individual recurring premium new business volumes were 9% below 1999 levels. While our affinity group business, Group Schemes, displayed good growth, this was offset by lower recurring premium new business in Individual Life. Following last year's agency sales force restructuring we introduced tighter entry requirements. The recruitment of new advisors on this basis is proceeding more slowly than expected and this has had a direct impact on sales volumes. Later this year we will introduce a salaried advisory service to the high-income market, offering professional advice, personalised service and the choice of a flexible range of best-of-breed products.

As part of our continuing programme to develop value adding products, the *Essential Savings Plan* was launched in June. This easy-to-deliver product range offers an affordable recurring premium investment for individuals, and is part of the value proposition for further building our presence in the emerging middle income market.

Building on our relationship with Nedcor, our Group Schemes operation has started a joint distribution venture with Peoples Bank, in which life and savings products are distributed via Peoples Bank branches nationwide. We continue to discuss with government their plans to phase out non-statutory deductions from payroll of government employees, and together with Nedcor and Peoples Bank to develop alternative payment mechanisms.

Embedded value new business profits were double the corresponding figure for the first six months of 1999, due mainly to conservatism in the basis used to calculate the 30 June 1999 figure.

Compared to the full year 1999 figure in South Africa, new business profits are 7% down (3% down in Rand) after adjusting for 1999 new business that arose from demutualisation and the new tax basis. New business margins reduced from 18% to 16%.

The development of a fully integrated eCommerce capability is a strategic priority. Our current website is continually enhancing the service provided to registered users and we expect to deliver specific eCommerce-based value propositions within the next year.

During the past six months Old Mutual has extended its partnerships in networks and systems, working with Nedcor and Dimension Data, including joint investments in Internet Solutions, a leading South African corporate internet service provider, and Miraculum, a business-to-business electronic marketplace.

We have put in place some key strategic initiatives to develop the life business. We recognise that, to deliver shareholder value, we must deliver improving value to our customers. We are therefore investing significantly in improved systems in Employee Benefits and Individual Life. We are intent on developing a customer-focused business that delivers crafted value propositions to clearly defined market segments. Brand-building has also received close attention, most visibly through the successful 'green' advertising campaign. We are focusing on delivering world class products at lower cost, and on further developing value-creating initiatives between our life assurance and banking interests.

OLD MUTUAL PLC
Interim Results for the six months ended 30 June 2000

OPERATING REVIEW (cont'd)

Rest of the world

While South Africa presents in itself significant growth opportunities, we also have the ambition to develop our business in a number of other markets. To this end, we are investigating life assurance opportunities in developed markets, currently focusing on the United States and the UK.

We are starting to see the benefit of pollination across borders, in which ideas and technology in one region can be applied to meet opportunities in another. For example, internet technology will be used to provide back office servicing from South Africa for products (such as *Investment Frontiers*) launched in the UK and other countries.

In the developing world, we have recently formed a joint venture with the Indian Financial services company Kotak Mahindra, with the intention of setting up a life assurance business following the approaching deregulation of that fast growing market.

Elsewhere in southern Africa, our businesses in Zimbabwe, Namibia and Malawi continue to have leading positions in their financial services sectors. Economic conditions in Zimbabwe have, however, recently been particularly difficult.

Subsequent to the sale of our UK life assurance business which was completed last year, we successfully arranged the reinsurance of our liabilities for pensions mis-selling exposures.

ASSET MANAGEMENT

Operating profits from our asset management businesses grew strongly during the half year to £36 million, up 50% including a contribution of £10 million from Gerrard businesses and after restructuring costs of £10 million. Total assets managed by our wholly-owned subsidiaries increased by 25% since December 1999 to £52 billion, principally due to the addition of the Gerrard Group funds of some £13 billion.

In order to report the underlying developments within our asset management businesses more clearly and best reflect our newly acquired businesses, we are for the first time presenting the results of these businesses as three reportable segments:

- **Asset Management Worldwide**, which contains the existing South African and international Old Mutual Asset Managers (OMAM) businesses and Unit Trusts in South Africa; and will include United Asset Management Corporation (UAM);
- **Private Client**, which contains the existing UK private client business Capel Cure Sharp (CCS) and the acquired Greig Middleton business; and
- **Other Financial Services**, which primarily consists of the existing Old Mutual Securities, the acquired Gerrard broking businesses and the South African Specialised Finance and Trust businesses.

OLD MUTUAL PLC
Interim Results for the six months ended 30 June 2000

OPERATING REVIEW (cont'd)

Asset Management Worldwide

Operating profits grew strongly by 56%, on the back of strong performance from both OMAM businesses and Old Mutual Unit Trusts.

OMAM's fees in the period benefited from a high asset base following the growth in stock markets in 1999. OMAM retained margin levels benefiting from the relaxation of exchange control regulations in South Africa and kept third party funds under management comparable with 1999 levels.

The South African unit trust business made excellent progress during the period, also benefiting from the relaxation of exchange control regulations. Inflows totalled a record £435 million and the Company enjoyed a leading market share. Nevertheless, repurchases were up 33%, resulting in a net sales increase of 12%.

On 19 June, we announced an agreed tender offer for the equity of UAM, a US-listed fund management group. Total cost at the tender price would be \$1.46 billion plus \$769 million in acquired net debt. On conclusion of this acquisition, which is expected to take place in the final quarter of the current year, the enlarged Group is expected to have total assets under management of approximately \$275 billion.

The acquisition of UAM will not only give existing clients access to a broader range of investment capabilities, but will also be a very significant step in the evolution of OMAM into a fully-fledged multi-national, multi-style asset manager.

We are working closely with the management of UAM and with the management of a number of key affiliates to progress plans for the future of the combined businesses.

Private client

Our UK private client business benefited from strong revenues in the period, particularly in the first quarter, consistent with the high level of stockmarket activity. Operating profits for the period at £12 million, before restructuring costs, were up 100% on the corresponding period in the prior year. The period includes a strong initial contribution for three months from Greig Middleton, while Capel Cure Sharp achieved success in selling its excellently performing unit trust range.

The acquisition of Gerrard Group plc, with effect from 31 March, represents a major step forward in the development of Old Mutual's asset management activities in the United Kingdom. Our private client businesses, Greig Middleton and Capel Cure Sharp, are currently being put together and later this year the merged companies, comprising approximately 1,800 staff in total, will move into a single new headquarters in the City of London.

The enlarged firm will be the largest provider of specialised broking, investment management and asset management products and services to individuals in the UK. Priority is currently being given to uniting the businesses where the major task is to integrate the back office systems. At the same time, the front office is planning for increasing penetration of discretionary advice and unit trust products through the expanded client base.

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OPERATING REVIEW (cont'd)

This integration process is proceeding well in line with our expectations at the time of announcing the Gerrard acquisition. As we indicated at that time, the integration will take longer than that following our acquisition of Albert E Sharp Securities, given the relative sizes of the businesses being merged and the greater complexity of the systems issues arising.

We expect restructuring costs for the integration of the two businesses to total £25 million, of which £10 million has been incurred in this half year. Anticipated synergies from cost savings and revenue enhancements are expected to be £25 million per annum from 2002 onwards.

The integration of these businesses will continue during the remainder of the year under the leadership of Clive Boothman, the newly appointed CEO. Clive joins us from Schroders, where he was previously Managing Director of its global Private Client Group.

Other financial services

GNI, our specialised broking and derivatives market subsidiary, performed well in its first three months in the Group which led to an improved contribution at £6 million from Other Financial Services, which also benefited from profits from our South African specialised financial services businesses.

In May this year we merged Albert E Sharp Securities and Greig Middleton's institutional and corporate stockbroking businesses to form Old Mutual Securities. With a staff of 120 in London, Birmingham and elsewhere in the UK, Old Mutual Securities focuses on the growth sector of corporate and advisory services for smaller and medium sized UK and European companies. Since launch it has built its corporate client list to more than 100 companies, with research coverage spanning more than 300 stocks in 15 sectors and as market makers dealing in the shares of more than 200 companies.

We have also transferred the European business of Greig Middleton to GNI. GNI continues to grow revenues and has expanded its client base for Contracts for Differences. GNI Touch is now used as a trading platform. GNI's screen trading in exchange futures, and its bond and equity stock lending and Financing enjoyed a strong performance during the period. We continue to be excited by the potential of leveraging this leading technology across the Group.

BANKING

Nedcor has contributed another set of outstanding results to the Group and in consequence has further strengthened its position as the leading corporate, technology, and retail bank in South Africa. Reported attributable income from Nedcor's banking operations grew 27% to R1,230 million, (£119 million). The five-year compound growth rate in EPS of 25% has provided an excellent return for Old Mutual over the years.

In the period under review, Nedcor increased its return on equity from 21% to 24%, and dropped its cost to income ratio by a further 2% to 52%. The charge for bad and doubtful debts decreased and provisioning remains conservative.

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OPERATING REVIEW (cont'd)

Nedcor is rapidly building a framework for the future convergence of banking with electronic delivery channels. It has recently strengthened its innovative partnership with Dimension Data Holdings plc, a global network services company, which recently listed in London. Additionally, through other partnerships in smart cards, transaction processing ventures with leading technology companies and a new software services joint venture in India, Nedcor continues to be at the forefront of banking information technology.

In July Nedcor acquired FBC Fidelity Bank, which will be merged with Peoples Bank to create the biggest empowerment bank in South Africa. Joint ventures with Capital One and Old Mutual Group Schemes in Peoples Bank will broaden the products offered to the hitherto underserved segment of the market.

Old Mutual Banking Services will be launched in South Africa during the fourth quarter to offer banking products to Old Mutual clients.

GENERAL INSURANCE

At the beginning of the year all general insurers in South Africa were hit by severe floods, which caused extensive damage to property and disruption of business, and resulted in the worst claims period for many years.

Under the circumstances, our 51%-owned subsidiary, Mutual & Federal, managed the conditions well, mitigating losses through effective use of reinsurance and enforcing the higher premiums levels set at the end of the previous year. Net premium income increased 2% (8% in Rand terms) to £134 million. By the close of the first six months the underwriting deficit, as reported by Mutual & Federal, was halved in comparison to the same period of 1999. If maintained, the trend should be sufficient to produce a small underwriting profit by year end. Mutual & Federal's capital position remains very sound. It is in the process of completing its acquisition of CGU Holdings for R1,206 million (£115 million), which is expected to produce synergies and place it in a position to take advantage of further opportunities in a consolidating market.

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Independent review report by KPMG Audit Plc to Old Mutual plc

Introduction

We have been instructed by the company to review the financial information set out on pages 8 to 25 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2000.

KPMG Audit Plc
Chartered Accountants
London
5 September 2000

OLD MUTUAL PLC
Consolidated profit and loss account for the six months ended 30 June 2000

	Notes	£m				Rm	
		6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Operating profit							
Life assurance	5a, 5e						
Continuing operations		249	198	426	2,573	1,944	4,200
Discontinued operations		-	(54)	(50)	-	(526)	(493)
Banking	5b	156	98	210	1,610	968	2,072
Asset Management	5c	36	24	48	372	234	473
General insurance business	5d, 5e	23	27	59	238	265	582
Other shareholders' income/ (expenses)	5e	(7)	(10)	(32)	(72)	(100)	(316)
Operating profit based on a long term investment return							
Goodwill amortisation	10	(10)	(3)	(5)	(103)	(25)	(49)
Short term fluctuations in investment return	5e	(282)	477	778	(2,911)	4,688	7,670
Non-operating items	7	-	16	54	-	154	532
Profit on ordinary activities before tax							
Tax on profit on ordinary activities	8	(84)	(51)	(165)	(868)	(499)	(1,627)
Profit on ordinary activities after tax							
Minority interests		(42)	(121)	(257)	(434)	(1,187)	(2,534)
Profit on ordinary activities after tax and minority interests							
Dividend proposed	4	(55)	-	(69)	(569)	-	(680)
Retained (loss) / profit for the period							
		(16)	601	997	(164)	5,916	9,830
Earnings and dividend per share attributable to equity shareholders							
				p			c
Basic earnings per share	3	1.2	20.0	34.1	12.0	199.0	336.2
Diluted earnings per share	3	1.2	20.0	33.9	11.9	197.0	334.2
Operating earnings per share	3	9.0	6.0	12.3	92.4	60.0	121.4
Dividend per share	4	1.6	-	2.0		-	19.7

OLD MUTUAL PLC
Consolidated statement of total recognised gains and losses
for the six months ended 30 June 2000

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year To 31 December 1999
Profit on ordinary activities	39	601	1,066	405	5,916	10,510
Foreign exchange movements	(136)	123	(35)	(203)	408	241
Total recognised gains and losses for the period	(97)	724	1,031	202	6,324	10,751

Reconciliation of movement in equity shareholders' funds

for the six months ended 30 June 2000

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Total recognised gains and losses for the period	(97)	724	1,031	202	6,324	10,751
Dividend proposed	(55)	-	(69)	(569)	-	(680)
	(152)	724	962	(367)	6,324	10,071
Issue of new capital on policyholder self-investment	-	404	404	-	3,954	3,954
Issue of new capital on listing	-	-	559	-	-	5,355
Net (reduction in) / addition to equity shareholders' funds	(152)	1,128	1,925	(367)	10,278	19,380
Equity shareholders' funds at the beginning of the period	3,513	1,588	1,588	34,907	15,527	15,527
Equity shareholders' funds at the end of the period	3,361	2,716	3,513	34,540	25,805	34,907

OLD MUTUAL PLC
Consolidated balance sheet at 30 June 2000

	Notes	£m			Rm		
		At 30 June 2000	At 31 December 1999	At 30 June 1999	At 30 June 2000	At 31 December 1999	At 30 June 1999
Intangible assets	10	634	164	98	6,515	1,629	931
Insurance and other assets							
Investments		16,585	18,081	16,602	170,440	179,658	157,848
Assets held to cover linked liabilities		5,779	5,916	5,771	59,385	58,784	54,872
Reinsurers' share of technical provisions		146	161	183	1,497	1,600	1,736
Debtors		3,967	524	375	40,767	5,207	3,564
Other assets		972	133	377	9,992	1,322	3,589
Cash at bank and in hand		440	443	325	4,524	4,402	3,092
Prepayments and accrued income		225	317	269	2,316	3,150	2,560
Total insurance assets		28,114	25,575	23,902	288,921	254,123	227,261
Banking assets							
Cash and balances at central banks		398	760	312	4,094	7,552	2,963
Treasury bills and other eligible bills		7,385	744	1,338	75,894	7,393	12,717
Loans and advances to banks		3,131	613	63	32,180	6,091	598
Loans and advances to customers		16,997	9,704	10,138	174,676	96,423	96,386
Debt securities		748	629	640	7,691	6,250	6,087
Equity securities		174	145	155	1,792	1,441	1,470
Interest in associated undertakings		219	179	63	2,249	1,779	623
Other assets		313	275	220	3,217	2,732	2,055
Prepayments and accrued income		189	168	258	1,941	1,669	2,452
Total banking assets		29,554	13,217	13,187	303,734	131,330	125,351
Total assets		58,302	38,956	37,187	599,170	387,082	353,543

OLD MUTUAL PLC
Consolidated balance sheet at 30 June 2000

	£m			Rm		
	At 30 June 2000	At 31 December 1999	At 30 June 1999	At 30 June 2000	At 31 December 1999	At 30 June 1999
Liabilities						
Capital and reserves						
Called up share capital	344	344	297	3,418	3,418	2,964
Share premium account	868	868	357	8,625	8,625	3,563
Profit and loss account	2,149	2,301	2,062	22,497	22,864	19,278
Equity shareholders' funds	3,361	3,513	2,716	34,540	34,907	25,805
Minority interests	874	857	829	8,984	8,515	7,883
Fund for future appropriations	-	-	6	-	-	57
Insurance and other liabilities						
Technical provisions						
Technical provisions	14,120	15,129	14,474	145,104	150,328	137,607
Technical provisions for linked liabilities	5,779	5,916	5,694	59,385	58,784	54,138
Provisions for other risks and charges	343	317	221	3,522	3,150	2,101
Creditors	5,626	1,093	915	57,853	10,860	8,698
Accruals and deferred income	89	43	120	909	427	1,144
Total insurance liabilities	25,957	22,498	21,424	266,773	223,549	203,688
Banking liabilities						
Deposits by banks	9,271	798	651	95,276	7,929	6,191
Customer accounts	16,487	9,343	9,405	169,420	92,836	89,422
Debt securities in issue	1,189	1,194	1,493	12,218	11,864	14,190
Other liabilities	1,046	609	57	10,750	6,048	546
Provision for liabilities and charges	47	76	546	487	755	5,189
Subordinated liabilities	70	68	60	722	679	572
	28,110	12,088	12,212	288,873	120,111	116,110
Total liabilities	58,302	38,956	37,187	599,170	387,082	353,543

OLD MUTUAL PLC
Consolidated cash flow statement for the six months ended 30 June 2000

	Notes	£m			Rm		
		6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Operating activities							
Net cash flow from operating activities	12	205	(4)	752	2,113	(42)	7,414
Net cash inflow/(outflow) from returns on investments and servicing of finance		8	2	(124)	84	20	(1,223)
Total taxation paid		(42)	(37)	(70)	(436)	(360)	(690)
Net cash outflow from capital expenditure and financial investment		(65)	(32)	(84)	(674)	(313)	(828)
Net cash (outflow)/inflow from acquisitions and disposals		(555)	16	66	(5,727)	154	650
Equity dividends paid		(67)	-	-	(694)	-	-
Net cash (outflow)/inflow before financing activities		(516)	(55)	540	(5,334)	(541)	5,323
Net cash inflow from financing activities		83	56	547	856	550	5,391
Net cash (outflow)/inflow of the Group excluding long term business		(433)	1	1,087	(4,478)	9	10,714
Shareholder cash flows relating to insurance and other activities were invested as follows:							
Increase in cash holdings		64	44	122	660	428	1,202
(Decrease)/increase in net portfolio investments		(162)	171	732	(1,674)	1,687	7,215
		(98)	215	854	(1,014)	2,115	8,417
Shareholders cash flows relating to banking and other activities were invested as follows:							
(Decrease)/increase in cash and balances at central banks		(335)	(214)	233	(3,464)	(2,106)	2,297
Net cash (outflow)/inflow of the Group excluding long term business		(433)	1	1,087	(4,478)	9	10,714

The cash flows presented in this statement exclude cash flows arising within life assurance policyholder funds.

OLD MUTUAL PLC
Notes to the financial statements for the six months ended 30 June 2000

1 Basis of preparation

The results for the six months to 30 June 2000 and the balance sheet at that date have been prepared using accounting policies consistent with those used in the Group 1999 Annual Report. These accounting policies are in accordance with the Statement of Recommended Practice on "Accounting for Insurance Business" issued by the Association of British Insurers in December 1998 ("ABI SORP").

The results for the six months ended 30 June 2000 and 1999 are unaudited, but have been reviewed by the auditors whose report is presented on page 7. The auditors have reported on the statutory accounts for the year ended 31 December 1999 and the accounts have been delivered to the Registrar of Companies. The auditors' report in respect of the year ended 31 December 1999 was unqualified and did not contain a statement under section 237 (2) or (3) of the UK Companies Act 1985.

These financial statements do not constitute statutory accounts as described in section 240 of the UK Companies Act 1985.

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

	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Profit and loss account (average rate)	10.3330	9.8305	9.8588
Balance sheet (closing rate)	10.2767	9.5075	9.9364

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Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

3 Operating earnings and earnings per share

In order to facilitate the evaluation of performance over the period reported, the Group has presented additional earnings per share information derived from operating profits based on a long term investment return and before goodwill amortisation ("operating earnings"). A table reconciling operating earnings to profit on ordinary activities after tax and minority interests is included below.

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Reconciliation of basic earnings per share						
Profit on ordinary activities after tax and minority interests	39	601	1,066	405	5,916	10,510
Goodwill amortisation	10	3	5	103	25	49
Short term fluctuations net of minority interest	252	(419)	(667)	2,602	(4,119)	(6,576)
Non-operating items net of minority interest	-	(6)	(19)	-	(58)	(187)
Operating earnings	301	179	385	3,110	1,764	3,796
	p					
Basic earnings per share	1.2	20.0	34.1	12.0	199.0	336.2
Goodwill amortisation	0.3	0.1	0.1	3.1	0.8	1.1
Short term fluctuations net of minority interest	7.5	(13.9)	(21.3)	77.3	(137.8)	(210.0)
Non-operating items net of minority interest	-	(0.2)	(0.6)	-	(2.0)	(5.9)
Operating earnings per share	9.0	6.0	12.3	92.4	60.0	121.4
	Number of shares millions					
Shares in issue at 1 January 2000 and 30 June 2000	3,444					

Basic earnings per share is calculated by reference to the profit on ordinary activities after tax and minorities of £39 million (R405 million) for the six months ended 30 June 2000 (June 1999: £601million (R5,916 million), December 1999: £1,066 million (R10,510 million)) and a weighted average number of shares in issue of 3,365 million (June 1999: 2,971 million, December 1999: 3,127 million). This is calculated after taking into account shares purchased during the year by Employee Share Ownership Plans (ESOPs), which waived their rights to dividends. The diluted earnings per share calculation reflects the impact of shares in ESOP Trusts, which upon vesting will have an anticipated dilution effect of 22 million (June 1999: 39 million, December 1999: 13 million) shares.

Old Mutual plc shares held in policyholders' funds (316 million) are included in the weighted average number of shares reflecting the policyholders' economic interest.

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Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

4 Dividend

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Equity: ordinary						
Interim dividend proposed: 1.6p per 10p share (December 1999: 2p per 10p share)	55	-	69	565	-	680

Provision has been made in the Group financial statements for an interim dividend of 1.6p per share calculated using the number of shares in issue at 30 June 2000 of 3,444 million less 88 million shares in Employee Share Ownership Plans, which have waived their rights to dividends. As stated in the Group's prospectus, no interim dividend was declared in 1999.

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 these countries (or in the case of Namibia, the Namibian section of the principal register) are settled through Dividend Access Trusts established for that purpose.

OLD MUTUAL PLC
Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

5 Analysis of operating profit

5a Analysis of life assurance operating profit

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Individual business	87	72	170	899	706	1,676
Group business	48	35	69	496	339	680
Continuing operations	135	107	239	1,395	1,045	2,356
Discontinued operations	-	(54)	(50)	-	(526)	(493)
Life assurance operating profit	135	53	189	1,395	519	1,863
Long term investment return (note 5e)	114	91	187	1,178	899	1,844
Life assurance operating profit	249	144	376	2,573	1,418	3,707

5b Banking operating profit

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Net interest income	227	221	444	2,344	2,172	4,378
Non-interest revenue	194	161	330	2,004	1,585	3,254
Total operating income	421	382	774	4,348	3,757	7,632
Specific and general provision	(51)	(79)	(163)	(527)	(777)	(1,607)
Net Income	370	303	611	3,821	2,980	6,025
Operating expenses	(223)	(210)	(414)	(2,304)	(2,063)	(4,081)
Operating profit before income from associated undertakings	147	93	197	1,517	917	1,944
Income from associated undertaking's profit	9	5	13	93	51	128
Banking operating profit on ordinary activities before tax	156	98	210	1,610	968	2,072

OLD MUTUAL PLC
Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

5c Asset management operating profit

	£m			Rm		
	6 months 30 June 2000	6 months 30 June 1999	Year to 31 December 1999	6 months 30 June 2000	6 months 30 June 1999	Year to 31 December 1999
Asset management worldwide	28	18	45	289	177	444
Private client	2	6	3	21	57	29
Other financial services	6	-	-	62	-	-
Asset management operating profit	36	24	48	372	234	473

5d Analysis of premiums and underwriting result by class of business

	£m		Rm	
	Premiums written net of reinsurance	Underwriting result	Premiums written net of reinsurance	Underwriting result
Six months to 30 June 2000				
Motor	60	(3)	628	(27)
Fire	59	(3)	609	(28)
Accident	9	3	89	28
Other	6	-	61	(4)
Total	134	(3)	1,387	(31)
Six months to 30 June 1999				
Motor	58	(1)	573	(10)
Fire	27	1	262	10
Accident	44	(6)	432	(56)
Other	2	1	20	5
Total	131	(5)	1,287	(51)
Year to 31 December 1999				
Motor	123	(1)	1,213	(7)
Fire	40	1	394	8
Accident	86	3	848	30
Other	9	-	89	(1)
Total	258	3	2,544	30

General insurance operating profit consists of the underwriting result reported above and the long term investment return disclosed in note 5e.

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Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

5e 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 and 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 businesses, the return is applied to 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 the 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.

Analysis of operating profit based on a long term investment return

	£m			Rm		
	6 months 30 June 2000	6 months 30 June 1999	Year to 31 December 1999	6 months 30 June 2000	6 months 30 June 1999	Year to 31 December 1999
Life assurance						
Actual investment return attributable to shareholders	(129)	402	730	(1,331)	3,961	7,197
Short term fluctuations in investment return	(243)	311	543	(2,509)	3,062	5,353
Long term investment return credited to operating results	114	91	187	1,178	899	1,844
Life assurance operating profit on ordinary activities	135	53	189	1,395	519	1,863
Life assurance operating profit based on a long term investment return	249	144	376	2,573	1,418	3,707
General insurance						
Actual investment return attributable to shareholders	(1)	150	230	(9)	1,474	2,268
Short term fluctuations in investment return	(27)	118	174	(278)	1,158	1,716
Long term investment return credited to operating results	26	32	56	269	316	552
General insurance operating profit on ordinary activities	(3)	(5)	3	(31)	(51)	30
General insurance operating profit based on a long term investment return	23	27	59	238	265	582
Other shareholders' income/(expenses)						
Actual investment return attributable to shareholders	(3)	83	82	(31)	811	808
Short term fluctuations in investment return	(12)	48	61	(124)	468	601
Long term investment return credited to operating results	9	35	21	93	343	207
Corporate expenses	(16)	(45)	(53)	(165)	(443)	(523)
Other shareholders' income/(expenses)	(7)	(10)	(32)	(72)	(100)	(316)
Total short term fluctuations in investment return	(282)	477	778	(2,911)	(4,688)	(7,670)

OLD MUTUAL PLC
Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

6 Segmental analysis

6a Long term business – gross premiums written

	£m			Rm		
	South Africa	Rest of world	Total	South Africa	Rest of world	Total
Single premiums						
Six months to 30 June 2000						
Individual business	405	84	489	4,187	866	5,053
Group business	297	17	314	3,068	178	3,246
Total continuing operations	702	101	803	7,255	1,044	8,299
Single premiums						
Six months to 30 June 1999						
Individual business	339	90	429	3,333	892	4,225
Group business	312	7	319	3,069	70	3,139
Total continuing operations	651	97	748	6,402	962	7,364
Discontinued operations	-	3	3	-	28	28
Total	651	100	751	6,402	990	7,392
Single premiums						
Year to 31 December 1999						
Individual business	738	181	919	7,278	1,784	9,062
Group business	912	21	933	8,991	207	9,198
Total continuing operations	1,650	202	1,852	16,269	1,991	18,260
Discontinued operations	-	6	6	-	59	59
Total	1,650	208	1,858	16,269	2,050	18,319
Recurring premiums						
Six months to 30 June 2000						
Individual business	461	52	513	4,764	537	5,301
Group business	158	26	184	1,634	270	1,904
Total continuing operations	619	78	697	6,398	807	7,205
Recurring premiums						
Six months to 30 June 1999						
Individual business	468	56	524	4,596	555	5,151
Group business	166	24	190	1,630	234	1,864
Total continuing operations	634	80	714	6,226	789	7,015
Discontinued operations	-	10	10	-	100	100
Total	634	90	724	6,226	889	7,115
Recurring premiums						
Year to 31 December 1999						
Individual business	932	116	1,048	9,190	1,143	10,333
Group business	347	54	401	3,421	532	3,953
Total continuing operations	1,279	170	1,449	12,611	1,675	14,286
Discontinued operations	-	27	27	-	266	266
Total	1,279	197	1,476	12,611	1,941	14,552

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Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

6b Long term business – new business premiums

	£m			Rm		
	South Africa	Rest of world	Total	South Africa	Rest of world	Total
Continuing operations						
Single premiums						
Six months to 30 June 2000						
Individual business	405	84	489	4,187	866	5,053
Group business	297	17	314	3,068	178	3,246
Total	702	101	803	7,255	1,044	8,299
Single premiums						
Six months to 30 June 1999						
Individual business	339	90	429	3,333	892	4,225
Group business	312	7	319	3,069	70	3,139
Total	651	97	748	6,402	962	7,364
Single premiums						
Year to 31 December 1999						
Individual business	738	181	919	7,278	1,784	9,062
Group business	912	21	933	8,991	207	9,198
Total	1,650	202	1,852	16,269	1,991	18,260
Recurring premiums						
Six months to 30 June 2000						
Individual business	87	10	97	899	103	1,002
Group business	22	1	23	226	10	236
Total	109	11	120	1,125	113	1,238
Recurring premiums						
Six months to 30 June 1999						
Individual business	96	8	104	946	81	1,027
Group business	3	2	5	29	19	48
Total	99	10	109	975	100	1,075
Recurring premiums						
Year to 31 December 1999						
Individual business	182	29	211	1,794	286	2,080
Group business	22	7	29	217	69	286
Total	204	36	240	2,011	355	2,366
Equivalent annual premium –						
six months to 30 June 2000						
Individual business	128	18	146	1,318	190	1,508
Group business	52	3	55	534	28	562
Total	180	21	201	1,852	218	2,070
Equivalent annual premium –						
six months to 30 June 1999						
Individual business	130	17	147	1,279	173	1,452
Group business	34	3	37	336	26	362
Total	164	20	184	1,615	199	1,814
Equivalent annual premium –						
year to 31 December 1999						
Individual business	256	47	303	2,521	465	2,986
Group business	113	9	122	1,116	90	1,206
Total	369	56	425	3,637	555	4,192

A reconciliation to new business premiums on an embedded value basis is set out on page 29 of the Embedded value information.

OLD MUTUAL PLC
Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

6c Geographic analysis of funds under management

	£m			Rm		
	South Africa	Rest of world	Total	South Africa	Rest of world	Total
30 June 2000						
Investments including assets held to cover linked liabilities	16,138	6,226	22,364	165,846	63,983	229,829
Unit trusts						
Asset management worldwide	2,053	588	2,641	21,098	6,043	27,141
Private client	-	1,221	1,221	-	12,548	12,548
Nedcor Investment Bank Asset Managers	866	129	995	8,900	1,326	10,226
	2,919	1,938	4,857	29,998	19,917	49,915
Third party						
Asset management worldwide	4,444	379	4,823	45,670	3,895	49,565
Private client	-	20,384	20,384	-	209,481	209,481
Nedcor Investment Bank Asset Managers	2,022	301	2,323	20,780	3,093	23,873
Other financial services	15	342	357	154	3,515	3,669
	6,481	21,406	27,887	66,604	219,984	286,588
Total funds under management	25,538	29,570	55,108	262,448	303,884	566,332
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

OLD MUTUAL PLC
Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

7 Non-operating items

Profit in ordinary activities after tax and minorities is stated after (charging)/crediting the following non-recurring items

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Profit on sale of NedTravel	-	20	20	-	193	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)	(4)	-	(39)	(39)
Profit on sale of businesses	-	16	77	-	154	759
Cost of free share selling service offered to policyholders on demutualisation	-	-	(23)	-	-	(227)
Non-operating items after tax and before minorities	-	16	54	-	154	532
Minority interests	-	(10)	(35)	-	(96)	(345)
Non-operating items after tax and minorities	-	6	19	-	58	187

8 Taxation on profit on ordinary activities

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 2000	Year to 31 December 1999
United Kingdom corporation tax	11	-	12	114	3	118
Overseas tax	73	51	153	754	496	1,509
Tax on profit on ordinary activities	84	51	165	868	499	1,627

Tax on profits earned in the United Kingdom has been provided based on a rate of 30%. Tax on overseas sourced profits has been calculated using effective rates of taxation appropriate to each country.

OLD MUTUAL PLC

Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

9 Acquisitions and disposals

9a Acquisitions

During the six months, the Group acquired £158 millions of net assets of the Gerrard Group for a net consideration of £529 million. The resultant goodwill of £371 million has been capitalised and is being amortised over its estimated useful life of twenty years. The Group has accounted for the purchase of the Gerrard Group using acquisition accounting principles, whereby its results are included in the consolidated profit and loss account from the date of acquisition, namely 31 March 2000.

An analysis of provisional net assets acquired and the fair value of the Gerrard Group is as follows:

	£m			Rm		
	Insurance and other	Banking	Total	Insurance and other	Banking	Total
Tangible fixed assets	17	-	17	174	3	177
Investments	917	-	917	9,546	-	9,546
Debtors	2,445	-	2,445	25,458	-	25,458
Treasury bills and other eligible bills	-	8,371	8,371	-	87,142	87,142
Loans and advances to banks and customers	-	11,054	11,054	-	115,072	115,072
Interest in associated undertakings	-	15	15	-	156	156
Other assets	-	189	189	-	1,967	1,967
Prepayments and accrued income	-	8	8	-	83	83
Cash at bank and in hand	131	4	135	1,364	42	1,406
Creditors and provisions	(3,405)	-	(3,405)	(35,446)	-	(35,446)
Deposits by banks and customers	-	(19,119)	(19,119)	-	(199,026)	(199,026)
Other liabilities	-	(469)	(469)	-	(4,889)	(4,889)
Net assets	105	53	158	1,096	550	1,646
Net consideration paid			529			5,507
Goodwill arising on acquisition of the Gerrard Group			371			3,861

The Group also acquired associated undertakings in The Internet Solution, Comparex and Linx for a total consideration of £129 million (R1,333 million) during the reporting period. Provisional net assets acquired amounted to £15 million (R165 million). Goodwill arising on acquisition of £114 million (R1,168 million), has been capitalised and is being amortised over its estimated useful life of twenty years. In July 2000 Old Mutual South Africa acquired a further state in The Internet Solution for a consideration of £32 million (R330 million).

9b Disposals

There were no disposals during the half year ended June 2000. In December 1999, the Group sold its UK life assurance company, Old Mutual Life Assurance Company Ltd (OMLA), to the Century Group. The results of OMLA for the prior periods ended 30 June 1999 and 31 December 1999 have been disclosed as discontinued operations in the Group's consolidated profit and loss account.

OLD MUTUAL PLC
Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

10 Intangible Assets

	£m			Rm		
	At 30 June 2000	At 31 December 1999	At 30 June 1999	At 30 June 2000	At 31 December 1999	At 30 June 1999
Goodwill						
At beginning of period	164	100	100	1,629	981	981
Additions arising on acquisitions in the period (note 9)	485	63	-	5,031	627	-
Adjustments in respect of prior year acquisition	(3)	8	-	(31)	78	-
Amortisation for year	(10)	(5)	(3)	(103)	(49)	(25)
Exchange movements	(2)	(2)	1	(11)	(8)	(25)
At end of period	634	164	98	6,515	1,629	931

The prior year acquisition adjustment is in respect of revalued surplus stock positions in Albert E Sharp Holdings plc.

11 Post balance sheet events

Cancellation of share price premium account

Approval of the UK High Court was granted on 5 July 2000 to cancel an amount equal to £500 million standing to the credit of the share premium account of the Company. The effect of this will be to increase distributable reserves of the Company by £500 million. The order confirming the reduction was registered with the Registrar of Companies and became effective on 7 July 2000.

Acquisitions

On 16 June 2000, the Group signed a definitive merger agreement with United Asset Management Corporation (UAM), a United States holding company that managed \$188 billion (£124 billion) of assets through affiliated companies at 31 May 2000. This transaction has not yet been completed. The consideration for the purchase of the equity of UAM is expected to amount to \$1.46 billion (£963 million). UAM also has \$769 million (£507 million) of net debt, all or most of which the Group will be required to refinance after completion of the acquisition. When completed, the acquisition of UAM is currently expected to increase funds under management by the Group to approximately \$275 billion (£191 billion).

On 30 June 2000, the Group's 51% owned general insurance subsidiary, Mutual & Federal Insurance Company Limited, entered into an agreement to acquire the entire issued share capital of CGU Holdings Limited, under which it received irrevocable commitments to accept such an offer from CGU International Holdings Limited and Metropolitan Life Limited, which together hold 79% of the total share capital of CGU Holdings Limited.

OLD MUTUAL PLC
Notes to the financial statements for the six months ended 30 June 2000 (cont'd)

12 Reconciliation of operating profit to net operating cashflows

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Profit from insurance and other activities	9	675	1,278	97	6,634	12,599
Profit from banking activities	156	98	210	1,610	968	2,072
Profit on ordinary activities before tax	165	773	1,488	1,707	7,602	14,671
Unrealised investment (losses)/gains	197	(440)	(416)	2,040	(4,324)	(4,101)
Insurance and other activities non cashflow items	108	(66)	(367)	1,104	(659)	(3,618)
Banking non cashflow items	38	98	303	390	962	2,986
Net cashflow from other banking activities	(303)	(369)	(256)	(3,128)	(3,623)	(2,524)
Net cash outflow from operating activities	205	(4)	752	2,113	(42)	7,414

OLD MUTUAL PLC
Embedded value information

1 Embedded value

The embedded value of old Mutual plc at 30 June 2000 is set out below, together with the corresponding position at 31 December 1999.

	£m		Rm	
	At 30 June 2000	At 31 December 1999	At 30 June 2000	At 31 December 1999
Adjusted net worth	4,450	4,608	45,737	45,791
Equity shareholders' funds	3,361	3,513	34,540	34,907
Excess of market value of listed subsidiaries over their net asset value	1,108	1,114	11,388	11,069
Adjustment to include UK and offshore life subsidiaries on a statutory solvency basis	(19)	(19)	(191)	(185)
Value of in-force business	764	806	7,846	8,003
Value of in-force business before cost of solvency capital	840	884	8,628	8,781
Cost of solvency capital	(76)	(78)	(782)	(778)
Embedded value	5,214	5,414	53,583	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 UK and offshore life assurance subsidiaries on a statutory solvency basis.

The embedded value does not include a market valuation of the Group's non-acquired asset management subsidiaries (including asset management business written through the life assurance companies), nor of any other non-life business of the Group. The adjusted net worth includes goodwill in respect of acquired businesses.

No account has been taken of the proposed capital gains tax to be introduced in South Africa with effect from 1 April 2001. The South African tax authorities have so far only issued a discussion document setting out initial proposals, and it was therefore considered premature to adjust the embedded value to include the possible impact of capital gains tax at this stage.

The table below sets out a geographical analysis of the value of in-force business at 30 June 2000 and 31 December 1999.

	£m		Rm	
	At 30 June 2000	At 31 December 1999	At 30 June 2000	At 31 December 1999
South Africa	650	687	6,686	6,830
Individual Business	424	448	4,362	4,455
Group business	226	239	2,324	2,375
Rest of World	114	119	1,160	1,173
Value of in-force business	764	806	7,846	8,003

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

OLD MUTUAL PLC
Embedded value information (cont'd)

2. Embedded value profits

Embedded value profits represent the change in embedded value over the period, adjusted for any capital raised and dividends proposed. After-tax embedded value profits for the six months to 30 June 2000 are set out below, together with the corresponding figures for the six months to 30 June 1999 and the 12 months to 31 December 1999.

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Embedded value at end of period	5,214	4,692	5,414	53,583	44,600	53,794
Embedded value at beginning of period	5,414	3,086	3,086	53,794	30,174	30,174
Increase in embedded value	(200)	1,606	2,328	(211)	14,426	23,620
Less capital raised	-	404	963	-	3,954	9,309
Self-investment transaction	-	404	404	-	3,954	3,954
Capital raised at listing	-	-	559	-	-	5,355
Plus dividends proposed	55	-	69	569	-	680
Embedded value profits	(145)	1,202	1,434	358	10,472	14,991

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

	£m			Rm		
	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999	6 months to 30 June 2000	6 months to 30 June 1999	Year to 31 December 1999
Profit from new business	26	13	75	272	132	741
Point of sale	25	13	69	259	124	678
Expected return to end of period	1	-	6	13	8	63
Expected return	70	70	160	728	688	1,581
Experience variances	27	3	13	280	32	129
Profit before investment effects and non-operating items	123	86	248	1,280	852	2,451
Investment variances	(22)	90	99	(228)	880	972
Investment return on adjusted net worth	(38)	942	1,331	(388)	9,262	13,118
Impact of 2000 SA tax change	-	-	(121)	-	-	(1,190)
Non-operating items	-	(52)	(64)	-	(516)	(636)
Sale of OMLA	-	-	(12)	-	-	(118)
Additional pensions mis-selling provisions	-	(52)	(52)	-	(516)	(518)
Exchange rate movements	(208)	136	(59)	(306)	(6)	276
Embedded value profits	(145)	1,202	1,434	358	10,472	14,991

OLD MUTUAL PLC
Embedded value information (cont'd)

Profits from new life assurance business comprise the value of new business written during the period, determined initially at the point of sale and then accumulated to the end of the period 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 period. New business profits for the six months ended 30 June 1999 and the year ended 31 December 1999 are based on the South African tax basis that applied up to 31 December 1999, and are therefore not directly comparable to the corresponding figures for the six months to 30 June 2000. New business profits for the year ended 31 December 1999 restated on the new tax basis (effective 1 January 2000) are set out in section 3 below.

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 period and adding back the expected cost of solvency capital over the period. Experience variances are caused by differences between the actual experience in the period and the assumption used to calculate the value at the start of the period, as well as changes in assumptions regarding future experience.

Investment variances represent the differences between the actual returns in the period and the assumptions used to calculate the value at the start of the period, together with changes in future investment return and discount rate assumptions.

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, although the impact was included in the value of in-force as at 31 December 1999. The result for the half year ended 30 June 2000 however do not include the impact of the proposed introduction of capital gains tax in South Africa with effect from 1 April 2001.

3. Value of new business

The value of new business (VNB) written in the period is the present value of the projected stream of after-tax profits from that business, adjusted for the cost of holding solvency capital.

The tables below set out a geographical analysis of the value of new business for the six months to 30 June 2000, six months to 30 June 1999 and the 12 months to 31 December 1999. New business profitability (as measured by the ratio of the value of new business to the equivalent annual premium) is also shown. Equivalent annual premium (EAP) is calculated as recurring premiums (RP) plus one tenth of single premiums (SP).

	6 months to 30 June 2000 £m				Margin	6 months to 30 June 2000 Rm			
	RP	SP	EAP	VNB*		RP	SP	EAP	VNB*
South Africa	86	564	142	23	16%	884	5,825	1,467	234
Individual Business	65	395	104	9	9%	670	4,075	1,078	91
Group Business	21	169	38	14	37%	214	1,750	389	143
Rest of World	11	98	21	2	12%	113	1,014	214	25
Value at point of sale	97	662	163	25	15%	997	6,839	1,681	259
Expected return to end of period				1					13
Value at end of period	97	662	163	26	16%	997	6,839	1,681	272

* Value of new business net of cost of solvency capital of £2m (R23m)

	6 months to 30 June 2000 £m				Margin	6 month to 30 June 2000 Rm			
	RP	SP	EAP	VNB*		RP	SP	EAP	VNB*
South Africa	81	496	131	11	8%	794	4,877	1,282	106
Individual Business	74	370	111	5	4%	724	3,635	1,088	48
Group Business	7	126	20	6	30%	70	1,242	194	58
Rest of World	11	96	21	2	9%	114	943	208	18
Value at point of sale	92	592	152	13	8%	908	5,820	1,490	124
Expected return to end of period				-					8
Value at end of period	92	592	152	13	9%	908	5,820	1,490	132

* Value of new business net cost of solvency capital of £2m (R15)

OLD MUTUAL PLC

Embedded value information (cont'd)

3. Value of new business continued

	12 months to 31 Dec 1999 £m				Margin	12 months to 31 Dec 1999 Rm			
	RP	SP	EAP	VNB*		RP	SP	EAP	VNB*
South Africa	162	1,043	266	47	18%	1,597	10,280	2,625	467
Individual Business (new tax basis)	141	697	211	25	12%	1,390	6,873	2,077	248
Group Business (excl free shares)	21	346	55	22	40%	207	3,407	548	219
Rest of World	36	172	53	7	13%	355	1,696	525	67
Value at point of sale (adjusted)	198	1,215	319	54	17%	1,952	11,976	3,150	534
Expected return to end of period				6					63
Adjusted value at end of period	198	1,215	319	60	19%	1,952	11,976	3,150	597
SA Individual (tax change)				8	-				73
SA Group (free shares)		175	18	7	41%		1,727	172	71
Value at end of period	198	1,390	337	75	22%	1,952	13,703	3,322	741

* Value of new business net of cost of solvency capital of £7m (R65m)

The tax change in respect of individual business in South Africa reflects the impact of the new tax basis effective 1 January 2000. The value of new group business for the year to 31 December 1999 includes an amount of £7.2 million (R71 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 individual unit trust and some group market-linked business written by 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 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 show in note 6(b) 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 note 6(b) to the financial statements	120	803	1,238	8,299
Less:				
- Group market-linked business not valued	(1)	(130)	(12)	(1,348)
- Unit trust business not valued	-	(68)	-	(703)
- New business premiums arising from indexation	(22)	-	(229)	-
Plus transfer of maturing policies to Investment Frontiers	-	57	-	591
New business premiums on embedded value basis	97	662	997	6,839

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

OLD MUTUAL PLC
Embedded value information (cont'd)

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	30 June 2000	31 December 1999	30 June 1999
Fixed Interest Return	14.5%	14.0%	15.5%
Equity & Property Return	17.5%	17.0%	18.5%
Inflation	10.5%	10.0%	11.5%
Risk Discount Rate	18.5%	18.0%	19.5%

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 investment return assumptions.
- For in-force business, projected company taxation is based on the new tax basis that applies to South African life assurers, and includes full allowance for secondary taxation on companies payable in South Africa. No account has been taken of possible capital gains tax that may be payable in future.
- 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.
- 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 levels as at 31 December 1999, and projected forward with expense inflation to 30 June 2000. Expense savings arising from Project 500 that have occurred during the period have therefore not been taken into account – these will be reflected in the next valuation in December. 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 30 June 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.
- Conversions between Rand and Sterling were carried out at the following rates:

Exchange rates	Rand per Sterling
At 30 June 2000	10.2767
At 31 December 1999	9.9364
6 months to 30 June 2000 (average)	10.3330
6 months to 30 June 1999 (average)	9.8305
12 months to 31 December 1999 (average)	9.8588

OLD MUTUAL PLC
Embedded value information (cont'd)

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 30 June 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	4,450	4,450	4,450	45,737	45,737	45,737
Value of in-force business	882	764	658	9,072	7,846	6,763
Value before costs of capital	883	840	800	9,082	8,628	8,224
Cost of solvency capital	(1)	(76)	(142)	(10)	(782)	(1,461)
Embedded value	5,332	5,214	5,108	54,809	53,583	52,500

The table below sets out the value of new life assurance business for the six months to 30 June 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	29	27	25	304	282	261
Cost of solvency capital	-	(2)	(4)	-	(23)	(43)
Value of new business at point of sale	29	25	21	304	259	218

6. External review

The Group's embedded value 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 six months to 30 June 2000.