Highlights

- Operating profit* of £455 million (2000: £457 million), a 10% increase in Rand terms to R5,195 million (2000: R4,721 million)
- Operating earnings per share* of 7.8p (2000: 9.0p) decreased 13%, a 3% decrease in Rand terms to 89.3c (2000: 92.4c)
- Underlying life assurance operating profit before long term investment return of £145 million (2000: £135 million) increased 7%, a 19% increase in Rand terms to R1,656 million (2000: R1,395 million)
- Banking operating profit of £168 million (2000: £156 million) increased 8%, a 19% increase in Rand terms to R1,918 million (2000: R1,610 million)
- Positive net fund inflows from major US asset managers, with retained Group funds under management increasing 2% over the period
- Embedded value of £5.7 billion (31 December 2000: £5.6 billion) increased 3%, the same increase in Rand terms to R64.7 billion (31 December 2000: R62.8 billion)
- Interim dividend of 1.7p (2000: 1.6p), an increase of 6%

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

Mike Levett, Chairman and Chief Executive, comments:

"These results are positive against a background of declining international equity markets and a further fall in the value of the Rand. Our focus continues to be on delivering value from our recently acquired international businesses, and our core South African operations, to build a strong base for future growth."

4 September 2001

Contents

Chief Executive's statement

In the first six months, our South African businesses have all performed well with substantial increases in Rand profitability and the Group continued to build upon its international presence in key financial markets. In April we announced that we had reached an agreement to acquire Fidelity & Guaranty Life in the United States, and in May we launched our Americom US life venture. These acquisitions, together with last year's acquisition of United Asset Management, create an exciting capability to distribute savings and investment products in the US.

Our results for the first half have been impacted by the depreciation of the Rand against Sterling and declines in world equity markets. The average Rand/Sterling exchange rate in the period was 11% lower than the equivalent period last year, thereby reducing operating profit for the six months ended 30 June 2001 by approximately £43 million. World-wide equity market conditions in the first half-year were challenging, as evidenced by an 11% fall in the MSCI World Index, although the JSE increased 11%.

In the first half the Group's smoothed operating profit of £455 million is on par with the £457 million of the prior year, and well ahead of the £283 million of 1999. Operating earnings per share of 7.8p was 13% below the 9.0p last year. Embedded value of £5.7 billion at 30 June 2001 increased 3% from £5.6 billion at December 2000, representing £1.60 per share, an increase of 3% from £1.56.

Significant progress has been made in the reorganisation of our asset management businesses. The positive benefit resulting from our strategic review of United Asset Management last year, is evidenced by the strong turnaround this year in net fund inflows at Pilgrim Baxter and the Old Mutual Asset Managers (US) companies. The integration of the Gerrard back office is also proceeding according to plan.

The result from our underlying life operations of £145 million, before long term investment return, is 7% higher than the £135 million last year (a 19% increase in Rand terms). This is a good performance, which reflects positive investment returns in South Africa. Long term investment return of £82 million is 28% lower than the £114 million last year reflecting the redeployment of capital to purchase UAM. The value of new business on an embedded value basis increased 4% to £27 million from £26 million last year, a 14% increase in Rand terms. Sales in the first quarter were disappointing, but have improved during the year. We spent some £9 million on building our new businesses in the US (Americom) and the UK (due to start later in the year).

The Group's financial services businesses produced an operating profit of £90 million, an increase of 150% when compared to the £36 million in the prior year, principally as a result of a £64 million contribution from our US asset management businesses, which we acquired in September 2000. Funds under management at the end of the period were £166 billion, a decrease of 2% from £169 billion at 31 December 2000, although this equates to a 2% increase in funds after adjusting for £7 billion of fund outflows where affiliates have been sold. Group funds under management have been assisted by the strengthening US dollar. Average US dollar fund levels have decreased by an average of 10%. Completed affiliate sales in the US since acquisition have returned after-tax sale proceeds of $255 million to the Group.

Our banking operations produced an operating profit of £168 million, an increase of 8% over the equivalent prior year period. Nedcor, our 53% owned subsidiary, earned a first half operating profit of £172 million before exceptional items, an increase of 7% from £161 million in the prior year and reported positive results from its strategic alliances. During the period Nedcor improved its market share, as measured by total assets, to 19%.

Our general insurance operations produced an operating profit of £24 million, an increase of 4% over the £23 million of the prior year. Mutual & Federal, our 51% owned subsidiary, produced an underwriting result of £1 million compared to a loss of £3 million last year. Special dividends of £71 million, paid to shareholders in the last quarter of 2000, have reduced Mutual & Federal's asset base from which long term investment returns are generated.

Profit after tax and minority interest of £137 million (2000: £39 million) includes a positive impact of £94 million from short term fluctuations in investment returns, offset by a write-down of Nedcor's interest in Dimension Data (before minority interests) of £304 million and goodwill amortisation of £69 million.

In April, the Group successfully launched a $650 million convertible bond offer and was pleased with the level of demand for the issue, with proceeds being used towards the refinancing of the UAM acquisition. In early July, the Group secured a £900 million five year revolving credit facility, which greatly enhances the Group's financial flexibility.

The Board has declared an interim dividend of 1.7p per share, an increase of 6% on last year's interim dividend of 1.6p per share. This dividend will be paid to shareholders on the register at the close of business on 19 October 2001 for all the exchanges where Old Mutual plc's shares are listed. The shares will trade ex-dividend from the opening of business on 17 October 2001. The local currency equivalents of the proposed dividend for shareholders on the South African, Malawi and Zimbabwe branch registers and the Namibian section of the principal register will be determined using exchange rates on 15 October 2001. The conversion rates will be announced by the Company on 16 October 2001.

In July, I announced my intention to split my current role as Chairman and Chief Executive. The Board has appointed Jim Sutcliffe as Chief Executive of the Group with effect from 1 November 2001. Jim's extensive experience and leadership skills will be key strengths as the Group continues to drive shareholder value forward. I would like to take this opportunity to wish him every success in his new role.

As announced last Friday, the Board has accepted the resignation of Eric Anstee. I would like to thank Eric for the enormous contribution that he has made to the Group. Scott Powers joined the group on 1 September to run our US asset management businesses, and Ed Warner has been promoted to Chief Executive of Old Mutual Financial Services (UK). Both Scott and Ed will report to Jim, who has now assumed Eric's responsibilities.

These results are positive against a background of declining international equity markets and a further fall in the value of the Rand. Our focus continues to be on delivering value from our recently acquired international businesses, and our core South African operations, to build a strong base for future growth.

Mike Levett
Chairman and Chief Executive
4 September 2001

Business review

LIFE ASSURANCE

The underlying growth in operating profits before long term investment return was strong at 19% in Rand terms (7% in Sterling terms). This growth rate excludes investment of £9 million in developing our new businesses in the US (Americom) and UK (due to launch later this year). Margins on managed assets and the return on allocated capital remained strong at 2.3% and 24% respectively. As part of our drive to improve capital efficiency, we have used some $500 million previously allocated to the life business to finance the purchase of UAM. This reduces the long term investment return allocated to the life segment, and hence the associated operating profits.

New business profits of £27 million have increased 4% from £26 million last year. In Rand terms the new business profit has increased by 14%, principally due to the impact on Individual Business of changes to the method of financing acquisition expenses at the end of 2000. Individual Business volumes in South Africa were marginally up on last year, but Group Business volumes were unusually low this year, reflecting the irregular nature and size of their new business and price competition in Group Life business. After a poor first quarter, new business levels have been improving steadily, particularly in the Individual broker market.

The acquisition of Fidelity & Guaranty Life, which is expected to be completed within the next two months, will strengthen our presence in the growing US savings market, and represent another positive step forward, as the Group builds its international presence. The deal will provide further US fixed annuity distribution through managing general agents and complement our Americom business, which started in May, which writes similar business through direct telephone contact with independent financial advisers.

In May, our Indian life assurance joint venture, OM Kotak Mahindra, opened for business in Mumbai and Calcutta, and it now has over 300 sales agents operating from five branches.

South Africa

Life operating profits before long term investment return from South Africa of R1,565 million have increased 12% from R1,395 million. The increase is largely attributable to an increase in life assets, as a result of positive equity and bond markets in South Africa.

The embedded value of in-force life business of R8,735 million has increased by 9% from R7,988 million at the beginning of the year. This increase is largely a result of growth in life assets and changes in economic assumptions, partially offset by the anticipated effect of capital gains tax on future profits.

Individual Business

Operating profits before long term investment return of R1,085 million have increased 19% from R909 million. This principally reflects the increase in life funds under management, but also increased mortality profits and improved retention.

Total individual recurring new business premiums have remained flat. Our recruitment of new personal financial advisers is progressing well and agent productivity has improved. New business sales trends were better in the second quarter after a disappointing first quarter. The retail distribution relationship with Nedcor Personal Financial Planning is progressing well, with sales increasing 90%. New single premiums have increased 7% in Rand terms, reflecting the continued success of our *Investment Frontiers* product range which dominates the individual single premium market, and attracted inflows of R2,948 million during the period, compared to R2,761 million during the equivalent period in the prior year.

Premiums written by our Group Schemes business have decreased by 8% in Rand terms, mainly due to higher cancellation experience following the increased use of debit orders. We expect this experience to reverse during the third quarter following the re-opening of the South African Government's Persal stop order collection system to new business.

The value added by new business of R210 million is more than double that of R97 million added in the prior year comparative period. This increase has arisen mostly through higher new business margins resulting from the reduction in the cost of financing acquisition expenses achieved in the second half of 2000.

Greenlight, an innovative and competitive range of individual pure insurance products, was launched in May to complement our existing range of investment products (*Investment Frontiers*, *Investment Horizons* and *Essential Savings*) and sales have made a strong start. *Investment Frontiers* launched a new range of offshore products for distribution to South Africans in August, based on the use of an individual's offshore allowance of R750,000. The Group intends to continue to build growth through product innovation, high quality customer and intermediary service levels and distribution through strategic alliance channels.

Group Business

Operating profits before long term investment return from our Group Business, Employee Benefits, of R480 million are in line with last year's strong first half performance of R486 million.

Single premiums of R1,587 million have decreased by 9% from R1,750 million last year. The single premium market consists of large potential clients, so the timing of secured premium flows significantly affects reported new business.

Recurring new business premiums of R41 million were significantly lower than the R214 million last year. The decline in recurring new business premiums reflects a slowdown in the conversion of defined contribution schemes to member-level investment choice with the associated purchase of new investment products, and very aggressive competitor pricing in the Group Assurance markets. We have chosen to maintain the quality of our risk book. Total Group Business margins have remained at 38% of annual premium equivalent.

A new range of structured products has recently been launched to cater for those clients who want guarantees but do not wish to invest in smoothed bonus products. A customised *Platinum Pension* product is being offered to pension funds with very large pensioner liabilities. Our *Orion Umbrella Fund* has been revamped and re-launched, and has started to produce an improvement in sales.

Sales of new administration schemes are now actively being pursued to secure associated investment and risk business, and investment clients from whom we have not being receiving regular premiums have been identified and are being targeted to convert to new products and reactivate premium flow. Aggressive marketing of smoothed bonus products on the back of our competitive June 2001 bonus declaration has recently commenced. The volume of new business secured since 30 June, and the pipeline for the remainder of the year, is encouraging.

Rest of the World

During the period we have made considerable progress in developing our international life assurance businesses. As well as reaching agreement to purchase Fidelity & Guaranty Life, the Group has invested in new operations in the US, the UK and India during the period to provide a platform for future growth. Operating profit strain from international development is expected to increase as new business is written, although results are expected to be positive on an embedded value basis.

Following the acquisition of Unified Life (renamed 'Americom') in the US, the first two branches of Americom have been opened in Seattle and Los Angeles. Americom distributes term and annuity products to brokers and will over time offer universal life products. Americom currently offers life products in 16 states with more than 1,000 agents. A roll-out programme is in place for the remainder of the US.

Our 26% owned Indian joint venture operation, OM Kotak Mahindra, was granted a licence to sell life assurance business following the relaxation of controls in the Indian life market. During May, OM Kotak Mahindra opened two branches in Calcutta and Mumbai and sold its first endowment and single premium products. The encouraging start to sales in these locations has been followed by the opening of an additional three branches, and we now have an agent force exceeding 300.

In Pakistan, we have agreed to acquire (subject to regulatory approval) CGNU's 51% stake in Commercial Union Life Assurance Company (Pakistan) Limited, a company listed on the Karachi Stock Exchange.

FINANCIAL SERVICES

Operating profits for financial services of £90 million have increased 150% from £36 million. These results include a contribution of £64 million from the UAM Group (now collectively referred to as 'Old Mutual (US) Holdings') and a full six month contribution from the Gerrard Group businesses acquired in March 2000.

Market levels at 30 June had recovered from the troughs reached towards the end of the first quarter and funds under management were at similar levels to year end. In the US, we attracted positive net fund inflows from our major asset managers. Gerrard, where changes in funds under management largely reflected market movements, had a difficult half-year affected by low market activity. Integration plans are proceeding in line with expectations.

Asset Management

Old Mutual (US) Holdings

Operating profits from our US-based asset management operations of £64 million compares to the £44 million earned in the last three months of 2000. Fee income dropped some 10% in local currencies, with asset levels in Pilgrim Baxter most affected by markets. Most of the asset decline in the first half was the result of affiliate divestitures, with funds managed by businesses retained at the end of the period of £116 billion up 2% when compared to £113 billion at the beginning of the year.

Old Mutual (US) Holdings as a whole attracted more than $5 billion in new mandates during the first half of 2001 and continues to perform well compared with benchmarks and peers. At the end of June 2001, 28 out of the Group's 60 Morningstar-rated funds held four or five stars, compared to 20 out of 60 funds at the end of 2000.

The diversity of the Group enabled it to benefit from the market shift from growth products towards value products, as net outflows from growth products began to reverse towards the end of the period. Net fund flows for Old Mutual (US) Holdings were flat for the period, however Pilgrim Baxter and the Old Mutual Asset Managers (US) Group of firms recorded positive net inflows of £1.6 billion in total.

Business review *continued*

By the end of June we had completed the planned sales of Investment Research Company, Cooke & Bieler and Sterling Capital Management. The sales of Pell Rudman and Cambiar Investors were completed in early August. Since acquisition we have divested eight affiliates, obtaining after-tax sale proceeds of $255 million to date, which exceeds our expectations at acquisition. We continue to work closely and co-operatively with the remaining affiliates to establish optimal future business models.

In July the Group announced the appointment of Scott Powers as Chief Executive of Old Mutual (US) Holdings as from 1 September. We welcome Scott to Old Mutual and wish him every success in his new role.

Old Mutual Asset Managers (OMAM)

Operating profits from our South and southern African, Bermudan and United Kingdom-based asset management operations of £14 million have decreased 50% from £28 million last year. This was principally due to lower average fund values within this Group, poor unit trust inflows in South Africa and development expenditure incurred on our UK institutional business. We have also experienced lower net fund inflows in South Africa.

Funds under management at the end of the period of £25 billion have increased 5% from £24 billion at the beginning of the year, reflecting increased South African market values over the period. Investment performance remained very good across specialist mandates, with relative peer performances improving in the period.

Old Mutual Asset Managers (UK) successfully launched the Old Mutual UK Select Smaller Companies Fund during the period. This launch proved to be one of the most successful retail fund launches so far this year, and achieved the rare distinction of being awarded the 'AA' rating at launch by independent fund analysts, Standard & Poors Fund Research. The Old Mutual European Fund was relaunched during the period under a new manager, and achieved a rating of 'A' from Standard & Poors Fund Research.

Old Mutual Unit Trust sales in South Africa were below prior period levels, but are in line with South African industry results. We continue to develop our product suite to serve the appetite of affluent South African customers for offshore products, and in June launched a range of international unit trusts, based on using the South African investor's R750,000 allowance. As with the *Investment Frontiers* offshore range of products, we integrated the capabilities of our Old Mutual International business and our strong local brand and distribution teams in the affluent South African market in order to ensure the success of the launch.

Private Client

Gerrard operating profits of £10 million (before integration costs of £6 million) have decreased 17% from £12 million, principally due to lower commission levels, which fell 33% as a result of reduced equity market activity. Market share was maintained however, and fee-based revenues were resilient during the period.

Funds under management of £19 billion have decreased by 8% since the beginning of the year, primarily as a result of adverse market performance. The APCIMS balanced benchmark has fallen by 6%, and the FTSE 100 index has fallen by 9%, over the same period.

The integration of the former Capel Cure Sharp and Greig Middleton businesses is proceeding to plan, with the key implementation of the back office systems currently being successfully undertaken. To date, eight offices have successfully moved to new systems with the remainder transferring in the third quarter. The roll-out of the Gerrard brand for the combined businesses took place in March. Annualised cost savings in the region of £15 million by 2003 continue to be anticipated, following a total planned spend on integration of £25 million during 2000 and 2001. Integration expenditure of £6 million was incurred in the first half of 2001, with the remaining £5 million anticipated later in the year.

Internationally, opportunities to expand our services and products continue to be explored and developed, particularly within the Old Mutual (US) Holdings Group and in South Africa.

Other Financial Services

Operating profits for the Group's specialist financial services businesses of £8 million increased 33% from the £6 million in the prior year, principally as a result of acquisition timing impacts.

Despite generally difficult market conditions, GNI Limited has produced good results of £7 million for the period, more than double the three month contribution in 2000. Results at GNI Fund Management have also improved due mainly to performance fees earned on hedge products. In April, we announced that we would be funding the development of *Market Touch*, a new Electronic Crossing Network, designed specifically for retail client orders. This venture underlines the importance of GNI's technology to the Group's financial services businesses.

Old Mutual Securities has produced satisfactory results given the decrease in market activity this year. Total revenues of £9 million are on par with the equivalent prior year period, which benefited from much higher activity levels. Commission based revenues have been under pressure this year, while customer facilitation and corporate revenues remain robust, and have increased by 15% over the equivalent prior year period. Our market share of the small cap market continues to improve.

Old Mutual Specialised Finance has produced strong results, with performance this year benefiting from the introduction of new products in addition to growth in existing offerings.

BANKING

Banking operating profits of £168 million increased 8% from £156 million. Banking results principally comprise those of Nedcor, our 53% owned South African-based subsidiary, whose contribution to Group's operating profit before minority interests, exceptional items and taxation of £172 million has increased 7% from £161 million in the first half of 2000. Despite volatile market and economic conditions during the current period, strong asset growth and continued tight cost control has enabled Nedcor to report headline earnings of R1,485 million, an increase of 21% from R1,230 million for the equivalent prior year period.

Nedcor also reported an increase in total assets of 31% to R173 billion over the last 12 months, driven by strong organic growth in the core banking business and also by acquisitions, notably FBC Fidelity Bank (now Peoples Bank), Imperial Bank and, in conjunction with Old Mutual, Fleming Offshore Banking. Excluding the effects of acquisitions and non-core items, total asset growth was 15% in Rand terms. Market share has increased to 19%.

During the six month period net interest income grew by 14% to R2,604 million and non-interest revenue grew by 15% to R2,309 million. Nedcor's cost to income ratio for the period of 51.9% compares favourably to that of the prior year equivalent period of 52.1%. During the period expenditure increased by 14% to R2,550 million, significantly influenced by the acquisitions and start-up costs of the retail joint ventures which are expected to deliver future growth opportunities. Excluding these items, expenditure rose by 9%.

The diminution in value of Nedcor's investment in Dimension Data Holdings plc of R3.5 billion before minority shareholders' interests has been treated as an exceptional loss, consistent with the methodology applied to the exceptional gain of R3.6 billion which arose in 2000.

Good progress was made in the period in the integration of the strategic banking alliances with Capital One, Pick 'n Pay, Imperial Group and JD Group. The joint ventures with Old Mutual continue to flourish, with the retail joint venture poised for launch in the third quarter. Other alliances are expected to break even this year and contribute to profits next year. These strategic alliances give Nedcor access to millions of potential new customers without incurring significant capital expenditure.

The effective application of technology by Nedcor continues to be instrumental in driving down Nedcor's cost to income ratio. There are also encouraging early indications that it may be possible to sell this expertise to offshore customers.

GENERAL INSURANCE

Mutual & Federal, our 51% owned South African-based general insurance subsidiary, has contributed £24 million to the Group's operating profits before tax, including long term investment returns. This is a 4% increase over the equivalent prior year period of £23 million.

The Group's underwriting result on a UK GAAP basis for the period was a positive R11 million compared to a deficit of R31 million for the equivalent prior year period, largely as a result of the corrective measures undertaken on the motor account and lower claims incidence. The integration of the recently acquired CGNU business has progressed well and is expected to be complete by the end of the year. Trading conditions reflect the continuing improvement in the underwriting cycle and there has been some evidence of rates continuing to harden in many sectors of the industry.

Net premium income of R2,151 million increased by 55% from R1,387 million in the first half of last year, largely as a result of acquired business. Expense management continues to be a focus of Mutual & Federal, and expense levels have been well contained during the current period. Solvency margins, being the ratio of net assets to net premiums, remained high and were in excess of 85% in Rand terms at the end of the period.

During the period the acquisition of the agricultural insurer, Sentrasure, was finalised and Mutual & Federal now owns 100% of the company. It is expected that this acquisition will enable the combined Group to derive significant synergies and economies of scale to provide future competitive advantage.

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 9 to 28 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 directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which 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 any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. 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 excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom 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 2001.

KPMG Audit Plc

Chartered Accountants

London

4 September 2001

Consolidated profit and loss account

for the six months ended 30 June 2001

Notes		£m 6 months to 30 June 2001	£m 6 months to 30 June 2000	£m Year to 31December 2000	Rm 6 months to 30 June 2001	Rm 6 months to 30 June 2000	Rm Year to 31December 2000
	Operating profit						
5a	Life assurance	**218**	249	478	**2,490**	2,573	5,029
5b	Financial services	**90**	36	124	**1,027**	372	1,305
5c	Banking	**168**	156	327	**1,918**	1,610	3,440
5d	General insurance	**24**	23	44	**274**	238	463
5e	Other shareholders' income / (expenses)	**(45)**	(7)	(62)	**(514)**	(72)	(652)
	Operating profit based on a long term investment return before goodwill amortisation and exceptional items	**455**	457	911	**5,195**	4,721	9,585
10	Goodwill amortisation	**(69)**	(10)	(54)	**(788)**	(103)	(568)
6	Short term fluctuations in investment return	**94**	(282)	(180)	**1,073**	(2,911)	(1,894)
7	Exceptional items	**(304)**	–	356	**(3,467)**	–	3,746
	Profit on ordinary activities before tax	**176**	165	1,033	**2,013**	1,707	10,869
8	Tax on profit on ordinary activities	**(107)**	(84)	(186)	**(1,222)**	(868)	(1,958)
	Profit on ordinary activities after tax	**69**	81	847	**791**	839	8,911
	Minority interests	**68**	(42)	(341)	**777**	(434)	(3,588)
	Profit on ordinary activities after tax and minority interests	**137**	39	506	**1,568**	405	5,323
4	Dividend proposed	**(59)**	(55)	(163)	**(674)**	(569)	(1,714)
	Retained profit / (loss) for the period	**78**	(16)	343	**894**	(164)	3,609

	Earnings per share			p			c
3	Basic earnings per share	**4.0**	1.2	15.0	**45.3**	12.0	157.8
3	Diluted earnings per share	**3.9**	1.2	14.9	**44.5**	11.9	156.6
3	Operating earnings per share (based on a long term investment return before goodwill amortisation and exceptional items)	**7.8**	9.0	17.0	**89.3**	92.4	179.4
4	**Dividend per share**	**1.7**	1.6	4.7	**19.4***	16.9	49.5
	Weighted average number of shares – millions	**3,457**	3,365	3,373	**3,457**	3,365	3,373

*Indicative only - the actual amount of the dividend per share in Rand will be determined by reference to the exchange rate prevailing on 15 October 2001 and announced by the Company on 16 October 2001.

Consolidated statement of total recognised gains and losses

for the six months ended 30 June 2001

	£m			Rm		
	6 months to 30 June 2001	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
Profit for the period	**137**	39	506	**1,568**	405	5,323
Foreign exchange movements	**(8)**	(136)	(415)	**77**	(203)	477
Total recognised gains and losses for the period	**129**	(97)	91	**1,645**	202	5,800

Reconciliation of movement in consolidated equity shareholders' funds

for the six months ended 30 June 2001

		£m			Rm		
Notes		**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
	Total recognised gains / (losses) for the period	**129**	(97)	91	**1,645**	202	5,800
4	Dividend proposed	**(59)**	(55)	(163)	**(674)**	(569)	(1,714)
		70	(152)	(72)	**971**	(367)	4,086
	Issue of new capital in respect of re-equitisation of Pilgrim Baxter & Associates and employee share option schemes	**–**	–	153	**–**	–	1,691
	Proceeds from sale of shares previously held to satisfy claims and errors on demutualisation and issue of new shares	**4**	–	24	**46**	–	253
	Net addition to / (reduction in) equity shareholders' funds	**74**	(152)	105	**1,017**	(367)	6,030
	Equity shareholders' funds at the beginning of the period	**3,618**	3,513	3,513	**40,937**	34,907	34,907
	Equity shareholders' funds at the end of the period	**3,692**	3,361	3,618	**41,954**	34,540	40,937

Consolidated balance sheet

at 30 June 2001

Notes		£m At 30 June 2001	£m At 31 December 2000	£m At 30 June 2000	Rm At 30 June 2001	Rm At 31 December 2000	Rm At 30 June 2000
	Intangible assets						
10	Goodwill	**2,379**	2,279	634	**27,034**	25,786	6,515
	Insurance and other assets						
	Investments	**17,265**	16,004	16,585	**196,189**	181,083	170,440
	Assets held to cover linked liabilities	**5,727**	5,602	5,779	**65,078**	63,386	59,385
	Reinsurers' share of technical provisions	**148**	144	146	**1,682**	1,629	1,497
	Debtors	**9,552**	3,890	3,967	**108,543**	44,014	40,767
	Other assets	**738**	530	972	**8,386**	5,997	9,992
	Cash at bank and in hand	**573**	458	440	**6,511**	5,182	4,524
	Prepayments and accrued income	**184**	232	225	**2,091**	2,625	2,316
	Total insurance and other assets	**34,187**	26,860	28,114	**388,480**	303,916	288,921
	Banking assets						
	Cash and balances at central banks	**1,294**	1,138	398	**14,704**	12,876	4,094
	Treasury bills and other eligible bills	**619**	657	7,385	**7,034**	7,433	75,894
	Loans and advances to banks	**468**	1,218	3,131	**5,318**	13,781	32,180
	Loans and advances to customers	**10,956**	11,404	16,997	**124,497**	129,033	174,676
	Debt securities	**620**	924	748	**7,045**	10,455	7,691
	Equity securities	**317**	624	174	**3,602**	7,061	1,792
	Interest in associated undertakings	**217**	207	219	**2,466**	2,343	2,249
	Other assets	**398**	742	313	**4,523**	8,395	3,217
	Prepayments and accrued income	**417**	373	189	**4,739**	4,220	1,941
	Total banking assets	**15,306**	17,287	29,554	**173,928**	195,597	303,734
	Total assets	**51,872**	46,426	58,302	**589,442**	525,299	599,170

Consolidated balance sheet *continued*

at 30 June 2001

Notes		At 30 June 2001 £m	At 31 December 2000 £m	At 30 June 2000 £m	At 30 June 2001 Rm	At 31 December 2000 Rm	At 30 June 2000 Rm
	Capital and reserves						
	Called up share capital	**355**	355	344	**4,034**	4,017	3,418
	Share premium account	**512**	511	868	**5,818**	5,782	8,625
	Profit and loss account	**2,825**	2,752	2,149	**32,102**	31,138	22,497
	Equity shareholders' funds	**3,692**	3,618	3,361	**41,954**	40,937	34,540
	Minority interests	**904**	1,013	874	**10,273**	11,458	8,984
	Subordinated liabilities	**26**	39	4	**295**	442	41
	Insurance and other liabilities						
	Technical provisions	**14,101**	13,433	14,120	**160,235**	151,992	145,104
	Technical provisions for linked liabilities	**5,727**	5,602	5,779	**65,078**	63,386	59,385
	Provisions for other risks and charges	**268**	220	343	**3,045**	2,490	3,522
	Creditors	**11,703**	5,646	5,464	**132,986**	63,883	56,188
11	Amounts owed to credit institutions (including convertible bond)	**1,189**	1,224	162	**13,512**	13,850	1,665
	Accruals and deferred income	**212**	230	85	**2,409**	2,602	868
	Total insurance and other liabilities	**33,200**	26,355	25,953	**377,265**	298,203	266,732
	Banking liabilities						
	Deposits by banks	**1,708**	1,873	9,271	**19,409**	21,193	95,276
	Customer accounts	**10,110**	10,737	16,487	**114,884**	121,487	169,420
	Debt securities in issue	**1,338**	1,417	1,189	**15,204**	16,033	12,218
	Other liabilities	**637**	1,195	1,046	**7,238**	13,521	10,750
	Provision for liabilities and charges	**122**	114	47	**1,386**	1,290	487
	Subordinated liabilities	**135**	65	70	**1,534**	735	722
	Total banking liabilities	**14,050**	15,401	28,110	**159,655**	174,259	288,873
	Total liabilities	**51,872**	46,426	58,302	**589,442**	525,299	599,170

Consolidated cash flow statement

for the six months ended 30 June 2001

	£m 6 months to 30 June 2001	£m 6 months to 30 June 2000	£m Year to 31 December 2000	Rm 6 months to 30 June 2001	Rm 6 months to 30 June 2000	Rm Year to 31 December 2000
Net cash inflow from operating activities	**759**	205	975	**8,669**	2,113	10,259
Net cash (outflow) / inflow from returns on investments and servicing of finance	**(61)**	8	(72)	**(697)**	84	(753)
Total taxation paid	**(232)**	(42)	(156)	**(2,650)**	(436)	(1,642)
Net cash outflow from capital expenditure and financial investment	**(57)**	(65)	(295)	**(651)**	(674)	(3,104)
Net cash outflow from acquisitions and disposals	**(124)**	(555)	(1,718)	**(1,417)**	(5,727)	(18,076)
Equity dividend paid	**(108)**	(67)	(122)	**(1,233)**	(694)	(1,284)
Net cash inflow from financing activities	**42**	83	1,027	**480**	856	10,801
Net cash inflow / (outflow) of the Group excluding long term business	**219**	(433)	(361)	**2,501**	(4,478)	(3,799)
Cash flows relating to insurance activities were invested as follows:						
Increase in cash holdings	**38**	64	142	**434**	660	1,494
Increase / (decrease) in net portfolio investments	**21**	(162)	(1,008)	**240**	(1,674)	(10,605)
	59	(98)	(866)	**674**	(1,014)	(9,111)
Cash flows relating to banking activities were invested as follows:						
Increase / (decrease) in cash and balances at central banks	**160**	(335)	505	**1,827**	(3,464)	5,312
Net cash inflow / (outflow) of the Group excluding long term business	**219**	(433)	(361)	**2,501**	(4,478)	(3,799)
Reconciliation of operating profit to operating cash flow						
Profit from insurance and other activities	**318**	9	374	**3,630**	97	3,936
Profit from banking activities	**162**	156	303	**1,850**	1,610	3,187
Profit on ordinary activities before tax	**480**	165	677	**5,480**	1,707	7,123
Unrealised investment losses	**129**	197	184	**1,473**	2,040	1,936
Insurance and other activities non cash flow items	**44**	108	(430)	**503**	1,104	(4,526)
Net cash inflow / (outflow) from banking activities	**106**	(265)	544	**1,213**	(2,738)	5,726
Net cash flow from operating activities	**759**	205	975	**8,669**	2,113	10,259

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

Notes to the financial statements
for the six months ended 30 June 2001

1 Basis of preparation

The results for the six months to 30 June 2001 and the position at that date have been prepared using accounting policies consistent with those used in the Group 2000 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 2001 and 2000 are unaudited, but have been reviewed by the auditors whose report is presented on page 8. The auditors have reported on the statutory accounts for the year ended 31 December 2000 and the accounts have been delivered to the Registrar of Companies. The auditors' report in respect of the year ended 31 December 2000 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 to the UK Companies Act 1985 and to provide the users of the accounts in South Africa with illustrative information.

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

	R			$		
	6 months to 30 June 2001	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
Profit and loss account (average rate)	**11.4211**	10.3330	10.5213	**1.4405**	1.5693	1.5159
Balance sheet (closing rate)	**11.3634**	10.2767	11.3148	**1.4116**	1.5159	1.4937

Notes to the financial statements *continued*

for the six months ended 30 June 2001

3 Earnings and earnings per share

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

The directors view operating earnings per share, derived from operating profit based on a long term investment return and before goodwill amortisation, exceptional items relating to Dimension Data Holdings plc, taxation and minority interests, as providing a better indication of the underlying performance of the Group. A table reconciling profit on ordinary activities after tax and minority interests to operating profit after tax is included below.

	£m			Rm		
	6 months to 30 June 2001	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
Profit on ordinary activities after tax and minority interests	**137**	39	506	**1,568**	405	5,323
Goodwill amortisation net of minority interests	**65**	10	42	**746**	103	442
Short term fluctuations in investment return net of minority interests	**(87)**	252	205	**(997)**	2,602	2,158
Exceptional items net of minority interests	**155**	–	(178)	**1,765**	–	(1,873)
Operating profit after tax based on a long term investment return before goodwill amortisation and exceptional items	**270**	301	575	**3,082**	3,110	6,050

	p			c		
Basic earnings per share	**4.0**	1.2	15.0	**45.3**	12.0	157.8
Goodwill amortisation net of minority interests	**1.9**	0.3	1.2	**21.6**	3.1	13.1
Short term fluctuations in investment return net of minority interests	**(2.5)**	7.5	6.1	**(28.8)**	77.3	64.0
Exceptional items net of minority interests	**4.4**	–	(5.3)	**51.2**	–	(55.5)
Operating earnings per share	**7.8**	9.0	17.0	**89.3**	92.4	179.4

	At 30 June 2001	At 31 December 2000	At 30 June 2000
Shares in issue – millions	**3,552**	3,551	3,444

Basic earnings per share are calculated by reference to the profit on ordinary activities after tax and minorities of £137 million (R1,568 million) for the six months ended 30 June 2001 (June 2000: £39 million (R405 million); December 2000: £506 million (R5,323 million)) and a weighted average number of shares in issue of 3,457 million (June 2000: 3,365 million; December 2000: 3,373 million). This is calculated after taking into account purchases of shares during the year by Employee Share Ownership Plans (ESOPs), which have waived their rights to dividends.

The diluted earnings per share calculation reflects the impact of shares in ESOP Trusts, which on vesting will have an anticipated dilutive effect of 27 million shares (June 2000: 22 million; December 2000: 26 million), and the US$ Guaranteed Convertible Bond, which was not dilutive in the reported period.

4 Dividend

	£m			Rm		
	6 months to 30 June 2001	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
Interim dividend proposed / paid:						
1.7p per 10p share (2000: 1.6p)	**59**	55	55	**674**	569	579
Final dividend paid:						
n/a (June 2000: n/a; December 2000: 3.1p)	**–**	–	108	**–**	–	1,135
	59	55	163	**674**	569	1,714

Provision has been made in the Group financial statements for an interim dividend of 1.7p per share calculated using the number of shares in issue at 30 June 2001 of 3,552 million less 99 million shares in Employee Share Ownership Plans, which have waived their rights to dividends.

As a consequence of the exchange control arrangements in place in South Africa and other relevant African territories, dividends to shareholders on the branch registers in those countries (or in the case of Namibia, the Namibian section of the principal register) are settled through Dividend Access Trusts established for that purpose.

Notes to the financial statements *continued*

for the six months ended 30 June 2001

5 Segmental analysis

5(a) Life assurance

	£m South Africa	£m Rest of World	£m Total	Rm South Africa	Rm Rest of World	Rm Total
(i) Gross premiums written						
6 months to 30 June 2001						
Single	661	66	**727**	7,549	754	**8,303**
Recurring	550	66	**616**	6,282	754	**7,036**
	1,211	132	**1,343**	13,831	1,508	**15,339**
6 months to 30 June 2000						
Single	702	101	**803**	7,255	1,044	**8,299**
Recurring	619	78	**697**	6,398	807	**7,205**
	1,321	179	**1,500**	13,653	1,851	**15,504**
Year to 31 December 2000						
Single	1,393	219	**1,612**	14,656	2,304	**16,960**
Recurring	1,187	166	**1,353**	12,489	1,747	**14,236**
	2,580	385	**2,965**	27,145	4,051	**31,196**
(ii) New business premiums						
6 months to 30 June 2001						
New business premiums on a statutory basis						
Single	661	66	**727**	7,549	754	**8,303**
Recurring	82	8	**90**	937	91	**1,028**
	743	74	**817**	8,486	845	**9,331**
Annual premium equivalent	148	15	**163**	1,692	166	**1,858**
6 months to 30 June 2000						
New business premiums on a statutory basis						
Single	702	101	**803**	7,255	1,044	**8,299**
Recurring	109	11	**120**	1,125	113	**1,238**
	811	112	**923**	8,380	1,157	**9,537**
Annual premium equivalent	180	21	**201**	1,852	218	**2,070**
Year to 31 December 2000						
New business premiums on a statutory basis						
Single	1,393	219	**1,612**	14,656	2,304	**16,960**
Recurring	227	21	**248**	2,388	221	**2,609**
	1,620	240	**1,860**	17,044	2,525	**19,569**
Annual premium equivalent	366	43	**409**	3,854	451	**4,305**

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

5 Segmental analysis (continued)

5(a) Life assurance (continued)

	£m			Rm		
	South Africa	Rest of World	Total	South Africa	Rest of World	Total
(iii) Analysis of life operating profit						
6 months to 30 June 2001						
Individual business	95	(2)	**93**	1,085	(23)	**1,062**
Group business	42	1	**43**	480	11	**491**
Life assurance technical result	137	(1)	**136**	1,565	(12)	**1,553**
Long term investment return	78	4	**82**	891	46	**937**
Life assurance operating profit	215	3	**218**	2,456	34	**2,490**
6 months to 30 June 2000						
Individual business	88	(1)	**87**	909	(10)	**899**
Group business	47	1	**48**	486	10	**496**
Life assurance technical result	135	–	**135**	1,395	–	**1,395**
Long term investment return	110	4	**114**	1,137	41	**1,178**
Life assurance operating profit	245	4	**249**	2,532	41	**2,573**
Year to 31 December 2000						
Individual business	165	4	**169**	1,736	42	**1,778**
Group business	85	3	**88**	894	32	**926**
Life assurance technical result	250	7	**257**	2,630	74	**2,704**
Long term investment return	215	6	**221**	2,262	63	**2,325**
Life assurance operating profit	465	13	**478**	4,892	137	**5,029**

For the year ended 31 December 2000, the Life assurance operating result of £478 million (R5,029 million) presented above and Other shareholders' income / (expenses) of £62 million (R652 million) presented in note 5(e) are disclosed gross of intragroup interest of £6 million (R63 million). The results for the six months ended 30 June 2001 are presented after intragroup interest eliminations.

5 Segmental analysis (continued)
5(b) Financial services

	£m South Africa	£m Rest of World	£m Total	Rm South Africa	Rm Rest of World	Rm Total
(i) Analysis of revenue and operating profit						
6 months to 30 June 2001						
Gross fees and commissions	32	382	**414**	365	4,363	**4,728**
Asset management worldwide*	13	65	**78**	149	742	**891**
Private client UK – gross profit	–	10	**10**	–	114	**114**
– integration costs	–	(6)	**(6)**	–	(69)	**(69)**
Other financial services	5	3	**8**	57	34	**91**
Financial services operating profit before goodwill amortisation	18	72	**90**	206	821	**1,027**
6 months to 30 June 2000						
Gross fees and commissions	46	121	**167**	475	1,250	**1,725**
Asset management worldwide*	20	8	**28**	206	83	**289**
Private client UK	–	2	**2**	–	21	**21**
Other financial services	3	3	**6**	31	31	**62**
Financial services operating profit before goodwill amortisation	23	13	**36**	237	135	**372**
Year to 31 December 2000						
Gross fees and commissions	100	396	**496**	1,053	4,166	**5,219**
Asset management worldwide*	39	58	**97**	410	610	**1,020**
Private client UK – gross profit	–	26	**26**	–	274	**274**
– integration costs	–	(14)	**(14)**	–	(147)	**(147)**
Other financial services	7	8	**15**	74	84	**158**
Financial services operating profit before goodwill amortisation	46	78	**124**	484	821	**1,305**

* includes the results of Old Mutual (US) Holdings which are further analysed in note 5(b)(ii).

Notes to the financial statements *continued*

for the six months ended 30 June 2001

5 Segmental analysis (continued)

5(b) Financial services (continued)

	£m				Rm			
	OMAM (US)	Pilgrim Baxter	Other UAM	**Total**	OMAM (US)	Pilgrim Baxter	Other UAM	**Total**
(ii) Old Mutual (US) Holdings								
6 months to 30 June 2001								
Revenue	76	48	114	**238**	868	548	1,302	**2,718**
Expenses	(54)	(28)	(92)	**(174)**	(617)	(320)	(1,051)	**(1,988)**
Operating profit before goodwill amortisation	22	20	22	**64**	251	228	251	**730**
12 months to 31 December 2000*								
Revenue	41	29	58	**128**	431	305	610	**1,346**
Expenses	(26)	(18)	(40)	**(84)**	(274)	(189)	(421)	**(884)**
Operating profit before goodwill amortisation	15	11	18	**44**	157	116	189	**462**

*The results of Old Mutual (US) Holdings are included in the Group's Asset management worldwide result, from the date of acquisition, for the last three months of 2000.

Notes to the financial statements *continued*
for the six months ended 30 June 2001

5 Segmental analysis (continued)
5(c) Banking operating profit

	£m			Rm		
	South Africa	Rest of World	Total	South Africa	Rest of World	Total
6 months to 30 June 2001						
Net interest income	240	(10)	**230**	2,741	(114)	**2,627**
Non-interest revenue	181	22	**203**	2,067	251	**2,318**
Total operating income	421	12	**433**	4,808	137	**4,945**
Specific and general provisions	(43)	–	**(43)**	(491)	–	**(491)**
Net income	378	12	**390**	4,317	137	**4,454**
Operating expenses	(220)	(11)	**(231)**	(2,513)	(126)	**(2,639)**
Operating profit before goodwill amortisation, exceptional items and share of associated undertakings' profit	158	1	**159**	1,804	11	**1,815**
Share of associated undertakings' profit	5	4	**9**	57	46	**103**
Banking operating profit before goodwill amortisation and exceptional items	163	5	**168**	1,861	57	**1,918**
6 months to 30 June 2000						
Net interest income	207	20	**227**	2,139	205	**2,344**
Non-interest income	182	12	**194**	1,881	123	**2,004**
Total operating income	389	32	**421**	4,020	328	**4,348**
Specific and general provisions	(50)	(1)	**(51)**	(517)	(10)	**(527)**
Net income	339	31	**370**	3,503	318	**3,821**
Operating expenses	(213)	(10)	**(223)**	(2,201)	(103)	**(2,304)**
Operating profit before goodwill amortisation, exceptional items and share of associated undertakings' profit	126	21	**147**	1,302	215	**1,517**
Share of associated undertakings' profit	9	–	**9**	93	–	**93**
Banking operating profit before goodwill amortisation and exceptional items	135	21	**156**	1,395	215	**1,610**
Year to 31 December 2000						
Net interest income	421	43	**464**	4,430	452	**4,882**
Non-interest income	382	25	**407**	4,019	263	**4,282**
Total operating income	803	68	**871**	8,449	715	**9,164**
Specific and general provisions	(90)	(4)	**(94)**	(947)	(42)	**(989)**
Net income	713	64	**777**	7,502	673	**8,175**
Operating expenses	(452)	(22)	**(474)**	(4,757)	(231)	**(4,988)**
Operating profit before goodwill amortisation, exceptional items and share of associated undertakings' profit	261	42	**303**	2,745	442	**3,187**
Share of associated undertakings' profit	8	16	**24**	84	169	**253**
Banking operating profit before goodwill amortisation and exceptional items	269	58	**327**	2,829	611	**3,440**

Notes to the financial statements *continued*

for the six months ended 30 June 2001

5 Segmental analysis (continued)

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

	£m			Rm		
	Premiums written net of reinsurance	Claims incurred net of reinsurance	Operating result	Premiums written net of reinsurance	Claims incurred net of reinsurance	Operating result
6 months to 30 June 2001						
Motor	86	73	(4)	986	834	(46)
Fire	32	18	2	365	206	23
Accident	66	46	2	754	525	23
Other	4	3	1	46	34	11
	188	140	1	2,151	1,599	11
Long term investment return	–	–	23	–	–	263
Total	188	140	24	2,151	1,599	274
6 months to 30 June 2000						
Motor	60	51	(3)	628	527	(27)
Fire	59	41	(3)	609	424	(28)
Accident	9	7	3	89	72	28
Other	6	5	–	61	52	(4)
	134	104	(3)	1,387	1,075	(31)
Long term investment return	–	–	26	–	–	269
Total	134	104	23	1,387	1,075	238
Year to 31 December 2000						
Motor	141	113	(3)	1,484	1,189	(32)
Fire	131	96	–	1,378	1,010	–
Accident	11	5	2	116	53	21
Other	22	12	1	231	126	11
	305	226	–	3,209	2,378	–
Long term investment return	–	–	44	–	–	463
Total	305	226	44	3,209	2,378	463

5 Segmental analysis (continued)

5(e) Other shareholders' income / (expenses)

	£m			Rm		
	6 months to 30 June 2001	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
Long term investment return credited to operating result	**9**	9	17	**103**	93	179
Interest payable to external sources of finance	**(35)**	(3)	(28)	**(400)**	(31)	(295)
Other shareholders' income / (expenses)	**(19)**	(13)	(51)	**(217)**	(134)	(536)
	(45)	(7)	(62)	**(514)**	(72)	(652)

5(f) Funds under management

	£m			Rm		
	South Africa	Rest of World	**Total**	South Africa	Rest of World	**Total**
At 30 June 2001						
Investments including assets held to cover linked liabilities	15,763	7,229	**22,992**	179,121	82,146	**261,267**
Unit Trusts						
Asset management worldwide						
Old Mutual Asset Managers	1,237	646	**1,883**	14,057	7,341	**21,398**
Private client UK	–	1,174	**1,174**	–	13,341	**13,341**
Other financial services	–	182	**182**	–	2,068	**2,068**
	1,237	2,002	**3,239**	14,057	22,750	**36,807**
Third party						
Asset management worldwide						
Old Mutual Asset Managers	4,470	469	**4,939**	50,794	5,329	**56,123**
OMAM (US)	–	53,091	**53,091**	–	603,294	**603,294**
Pilgrim Baxter	–	10,684	**10,684**	–	121,407	**121,407**
Other UAM	–	52,136	**52,136**	–	592,442	**592,442**
	4,470	116,380	**120,850**	50,794	1,322,472	**1,373,266**
Private client UK	–	18,104	**18,104**	–	205,723	**205,723**
Other financial services	10	401	**411**	114	4,557	**4,671**
	4,480	134,885	**139,365**	50,908	1,532,752	**1,583,660**
Total funds under management	21,480	144,116	**165,596**	244,086	1,637,648	**1,881,734**

Notes to the financial statements *continued*

for the six months ended 30 June 2001

5 Segmental analysis (continued)

5(f) Funds under management (continued)

	£m			Rm		
	South Africa	Rest of World	Total	South Africa	Rest of World	Total
At 31 December 2000						
Investments including assets held to cover linked liabilities	14,913	6,693	**21,606**	168,739	75,730	**244,469**
Unit Trusts						
Asset management worldwide						
Old Mutual Asset Managers	1,266	779	**2,045**	14,325	8,814	**23,139**
Private client UK	–	1,252	**1,252**	–	14,166	**14,166**
Other financial services	–	200	**200**	–	2,263	**2,263**
	1,266	2,231	**3,497**	14,325	25,243	**39,568**
Third party						
Asset management worldwide						
Old Mutual Asset Managers	4,101	379	**4,480**	46,402	4,288	**50,690**
OMAM (US)	–	50,153	**50,153**	–	567,471	**567,471**
Pilgrim Baxter	–	11,735	**11,735**	–	132,779	**132,779**
Other UAM	–	57,223	**57,223**	–	647,465	**647,465**
	4,101	119,490	**123,591**	46,402	1,352,003	**1,398,405**
Private client UK	–	19,619	**19,619**	–	221,985	**221,985**
Other financial services	15	420	**435**	170	4,752	**4,922**
	4,116	139,529	**143,645**	46,572	1,578,740	**1,625,312**
Total funds under management	20,295	148,453	**168,748**	229,636	1,679,713	**1,909,349**
At 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						
Old Mutual Asset Managers	2,053	588	**2,641**	21,098	6,043	**27,141**
Private client UK	–	1,221	**1,221**	–	12,548	**12,548**
Other financial services	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						
Old Mutual Asset Managers	4,444	379	**4,823**	45,670	3,895	**49,565**
Private client UK	–	20,384	**20,384**	–	209,481	**209,481**
Nedcor Investment Bank 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**

Notes to the financial statements *continued*

for the six months ended 30 June 2001

6 Insurance long term investment return

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

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

The long term investment rate of return used in South Africa is 14 per cent. (2000: 14 per cent.). The directors are of the opinion that this rate of return is appropriate 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 short term fluctuations in investment returns

			£m			Rm
	6 months to 30 June 2001	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
Life assurance						
Actual investment return attributable to shareholders	**114**	(129)	31	**1,302**	(1,331)	326
Long term investment return credited to operating result	**82**	114	215	**937**	1,178	2,262
	32	(243)	(184)	**365**	(2,509)	(1,936)
General insurance						
Actual investment return attributable to shareholders	**49**	(1)	55	**560**	(9)	579
Long term investment return credited to operating result	**23**	26	44	**263**	269	463
	26	(27)	11	**297**	(278)	116
Other shareholder's income / (expenses)						
Actual investment return attributable to shareholders	**45**	(3)	10	**514**	(31)	105
Long term investment return credited to operating result	**9**	9	17	**103**	93	179
	36	(12)	(7)	**411**	(124)	(74)
Short term fluctuations in investment return	**94**	(282)	(180)	**1,073**	(2,911)	(1,894)

7 Exceptional items

Profit attributable to shareholders is stated after crediting / (charging) the following exceptional items.

			£m			Rm
	6 months to 30 June 2001	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
(Loss) / gain on holding in / restructuring of Dimension Data Holdings plc and other interests before taxation and minority interests	**(304)**	–	356	**(3,467)**	–	3,746
Taxation	**–**	–	(5)	**–**	–	(52)
(Loss) / gain on holding in / restructuring of Dimension Data Holdings plc and other interests before minority interests	**(304)**	–	351	**(3,467)**	–	3,694
Minority interests	**149**	–	(173)	**1,702**	–	(1,821)
(Loss) / gain on holding in / restructuring of Dimension Data Holdings plc and other interests after taxation and minority interests	**(155)**	–	178	**(1,765)**	–	1,873

Notes to the financial statements *continued*

for the six months ended 30 June 2001

7 Exceptional items (continued)

In the second half of 2000, an exceptional gain was recognised following the exchange of Nedcor Limited's 25.1% interest in Dimension Data International Limited for the current holding of 8.2% of Dimension Data Holdings plc. In light of market movements in the first half of 2001, an exceptional diminution in the carrying value of the Group's investment in Dimension Data Holding plc has been recognised, reflecting a market value of R15.50 per share as at 23 July 2001. Although both events are exceptional in the context of their significance to the Group, the current year loss will form part of banking operating profit in the statutory financial statements, while the prior year gain was classified as non-operating in accordance with Financial Reporting Standard 3.

8 Tax on profit on ordinary activities

	£m			Rm		
	6 months to 30 June 2001	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
United Kingdom taxation						
UK corporation tax	**3**	11	123	**34**	114	1,294
Double taxation relief	**–**	–	(104)	**–**	–	(1,094)
	3	11	19	**34**	114	200
South African tax	**43**	50	171	**491**	516	1,799
Rest of world tax	**12**	2	9	**137**	21	95
Secondary taxation on companies (STC)	**18**	3	32	**206**	31	338
Deferred taxation	**31**	18	(76)	**354**	186	(800)
Prior period adjustment	**–**	–	31	**–**	–	326
Tax for the year	**107**	84	186	**1,222**	868	1,958
Reconciliation of tax charge						
Tax at UK rate of 30.0 per cent. (2000: 30.0 per cent.) on profit on ordinary activities before tax	**53**	50	310	**604**	512	3,262
Untaxed income (including tax exempt investment return)	**(65)**	37	(204)	**(742)**	382	(2,146)
Disallowable expenditure	**115**	5	16	**1,313**	52	166
STC	**18**	3	32	**206**	31	338
Other	**(14)**	(11)	32	**(159)**	(109)	338
Reported tax charge	**107**	84	186	**1,222**	868	1,958

9 Acquisitions

Americom

In March 2001, the Group acquired Unified Life Insurance Company, a life assurance company licensed to do business in 43 states of the USA, for $25m. This operation commenced business in May 2001 and now operates under the name of Americom Life and Annuity Insurance Company. The results of the company are brought to account in the life assurance technical result.

Fidelity & Guaranty Life

In April 2001, the Group announced that it had entered into an agreement to acquire Fidelity & Guaranty Life Insurance Company, a US based, fixed annuity and life assurance specialist, for $635 million (£445 million) in cash and ordinary shares. The acquisition is subject to receipt of regulatory approvals.

Imperial Bank and Fleming Offshore Banking

During the period, the Group's listed banking subsidiary, Nedcor Limited, acquired significant interests in the following:

- 50.1 per cent. of Imperial Bank with effect from 1 January 2001;
- 100 per cent. of Fleming Offshore Banking for R588 million (£52 million), with effect from 1 June 2001.

It is expected that Old Mutual will acquire a 26 per cent. holding in Fleming Offshore Banking in the second half of the year in return for the transfer of Fairbairn Trust Company Limited, and that Fleming Offshore Banking will be renamed Gerrard Private Bank.

US affiliate disposals

In addition to the disposals of Murray Johnstone, Hellman Jordan and Chicago Asset Management Company during 2000, the Group has made further US affiliate disposals in the current period, namely, Investment Research Company, Sterling Capital Management Inc. and Cooke & Bieler Inc. These have generated after tax proceeds of $14.5 million (£10.1 million). With the exception of Cooke & Bieler Inc., these affiliates were classified as assets held for resale.

10 Goodwill

	£m			Rm		
	At 30 June 2001	At 31 December 2000	At 30 June 2000	**At 30 June 2001**	At 31 December 2000	At 30 June 2000
At the beginning of the period	**2,279**	164	164	**25,786**	1,629	1,629
Adjustment in respect of prior year acquisitions	**12**	–	(3)	**137**	–	(31)
Additions arising on acquisitions during the period	**50**	2,162	485	**571**	22,747	5,031
Disposals	**(4)**	–	–	**(46)**	–	–
Amortisation for the period	**(63)**	(33)	(10)	**(720)**	(347)	(103)
Foreign exchange and other movements	**105**	(14)	(2)	**1,306**	1,757	(11)
At the end of the period	**2,379**	2,279	634	**27,034**	25,786	6,515

The goodwill amortisation charge for the period of £69 million (R788 million) (June 2000: £10 million (R103 million); December 2000: £54 million (R568 million)) comprises £63 million (R720 million) (June 2000: £10 million (R103 million); December 2000: £33 million (R347 million)) disclosed in note 10 above, and £6 million (R68 million) (June 2000: £ nil (R nil); December 2000: £21 million (R221 million)) included in interests in associated undertakings.

In accordance with Financial Reporting Standard 7, adjustments have been made to the goodwill of £1,795 million (R19,147 million) that arose on the acquisition in September 2000 of Old Mutual (US) Holdings. The increase of £12 million (R137 million) reflects the latest estimate of the consideration paid in respect of the purchase of revenue shares of certain affiliates combined with the effect of disposing of affiliates held for resale at values in excess of the original estimated carrying amount. The ultimate costs of purchasing these revenue shares will remain uncertain as they are dependent upon future events and hence are subject to adjustment in future years.

Notes to the financial statements *continued*

for the six months ended 30 June 2001

11 Amounts owed to credit institutions (including convertible bond)

	£m			Rm		
	At 30 June 2001	At 31 December 2000	At 30 June 2000	**At 30 June 2001**	At 31 December 2000	At 30 June 2000
Bank overdrafts	**3**	22	–	**34**	249	–
Bank loans	**659**	544	55	**7,489**	6,156	565
Other loans	**527**	658	107	**5,989**	7,445	1,100
	1,189	1,224	162	**13,512**	13,850	1,665
Repayable						
Within one year	**67**	398	107	**762**	4,090	1,100
Greater than one year	**1,122**	826	55	**12,750**	9,760	565
	1,189	1,224	162	**13,512**	13,850	1,665

Of the £527 million of other loans, £448 million relates to US$650 million 3.625 per cent. Convertible Bonds 2005 issued by Old Mutual Finance (Cayman Islands) Limited on 2 May 2001 guaranteed by and convertible into the ordinary shares of Old Mutual plc, at a conversion price of 190p. The proceeds of the issue were used to repay senior debt which had previously financed the acquisition of Old Mutual (US) Holdings.

Embedded value information

1 Embedded value

The embedded value of Old Mutual plc at 30 June 2001 is set out below, together with the corresponding positions at 31 December 2000 and 30 June 2000.

	£m			Rm		
	At 30 June 2001	At 31 December 2000	At 30 June 2000	**At 30 June 2001**	At 31 December 2000	At 30 June 2000
Adjusted net worth	**4,815**	4,730	4,450	**54,723**	53,517	45,737
Equity shareholders' funds	**3,692**	3,618	3,361	**41,954**	40,937	34,540
Excess of market value of listed subsidiaries over their net asset value	**1,143**	1,132	1,108	**12,994**	12,805	11,388
Adjustment to include OMI life subsidiaries on a statutory solvency basis	**(20)**	(20)	(19)	**(225)**	(225)	(191)
Value of in-force business	**880**	823	764	**9,999**	9,314	7,846
Value of in-force business before cost of solvency capital	**968**	886	840	**10,998**	10,028	8,628
Cost of solvency capital	**(88)**	(63)	(76)	**(999)**	(714)	(782)
Embedded value	**5,695**	5,553	5,214	**64,722**	62,831	53,583

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

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

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

The economic basis and assumptions have been revised as shown in section 4 below. The embedded value at 30 June 2001 also allows fully for the capital gains tax due to be introduced in South Africa with effect from 1 October 2001. The impact of the revised economic assumptions and allowance for capital gains tax is set out in section 2 below. The embedded values at 31 December 2000 and 30 June 2000 have not been restated.

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

The table below sets out a geographical analysis of the value of in-force business at 30 June 2001, 31 December 2000 and 30 June 2000.

	£m			Rm		
	At 30 June 2001	At 31 December 2000	At 30 June 2000	**At 30 June 2001**	At 31 December 2000	At 30 June 2000
South Africa	**769**	706	650	**8,735**	7,988	6,686
Individual business	**512**	451	424	**5,814**	5,098	4,362
Group business	**257**	255	226	**2,921**	2,890	2,324
Rest of World	**111**	117	114	**1,264**	1,326	1,160
Value of in-force business	**880**	823	764	**9,999**	9,314	7,846

Embedded value information *continued*

2 Embedded value profits

Embedded value profits represent the change in embedded value over the period, adjusted for any capital raised and dividends proposed. The after-tax embedded value profits for the six months to 30 June 2001 are set out below, together with the corresponding figures for the six months to 30 June 2000 and the year to 31 December 2000.

	£m			Rm		
	6 months to 30 June 2001	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
Embedded value at end of period	**5,695**	5,214	5,553	**64,722**	53,583	62,831
Embedded value at beginning of period	**5,553**	5,414	5,414	**62,831**	53,794	53,794
Increase/(decrease) in embedded value	**142**	(200)	139	**1,891**	(211)	9,037
Less capital raised	**(4)**	–	(177)	**(46)**	–	(1,956)
Issue of new capital in respect of re-equitisation of Pilgrim Baxter & Associates and employee share option schemes	**–**	–	(153)	**–**	–	(1,691)
Proceeds from sale of shares previously held to satisfy claims and errors on demutualisation and issue of new shares	**(4)**	–	(24)	**(46)**	–	(265)
Plus dividends proposed	**59**	55	163	**674**	569	1,714
Embedded value profits	**197**	(145)	125	**2,519**	358	8,795

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

	£m			Rm		
	6 months to 30 June 2001	6 months to 30 June 2000	Year to 31 December 2000	**6 months to 30 June 2001**	6 months to 30 June 2000	Year to 31 December 2000
Profits from new business	**27**	26	74	**310**	272	782
Point of sale	**26**	25	68	**300**	259	718
Expected return to end of period	**1**	1	6	**10**	13	64
Expected return	**69**	70	144	**791**	728	1,514
Experience variances	**17**	27	28	**198**	280	289
Experience assumption changes	**–**		72	**–**		757
Profits before investment and exceptional items	**113**	123	318	**1,299**	1,280	3,342
Investment variances	**13**	(22)	(14)	**146**	(228)	(143)
Economic assumption changes	**109**		10	**1,244**		101
Impact of capital gains tax	**(52)**	–	–	**(592)**	–	–
Development costs	**(9)**	–	–	**(103)**	–	–
Investment return on adjusted net worth	**51**	(38)	484	**585**	(388)	5,092
Exchange rate movements	**(28)**	(208)	(673)	**(60)**	(306)	403
Embedded value profits	**197**	(145)	125	**2,519**	358	8,795

The 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. The profits from new life assurance business for the six months to 30 June 2001 are based on the revised economic assumptions, and allow fully for the impact of capital gains tax in South Africa (figures for prior periods have not been restated).

The profits from existing life assurance business consist of the expected return on the in-force business, experience variances and changes in experience assumptions. The expected return is determined by applying the discount rate to the value of in-force business at the beginning of the period and adding back the expected cost of solvency capital over the period. The experience variances are caused by differences between the actual experience in the period and the assumptions used to calculate the value at the start of the period.

The 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. The economic assumption changes for June 2001 represent the combined impact of declining interest rates in South Africa and the changes to the differentials between the various economic assumptions and the risk discount rate shown in section 4.

The impact of capital gains tax relates to capital gains tax to be introduced in South Africa in October 2001. Development costs reflect the costs incurred in developing the Group's new businesses in the US (Americom) and UK (due to launch later this year).

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

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 value is determined initially at the point of sale and then accumulated to the end of the period as described in section 2 above.

The tables below set out a geographical analysis of the value of new business for the six months to 30 June 2001, six months to 30 June 2000 and year to 31 December 2000. New business profitability (as measured by the ratio of the value of new business to the Annual Premium Equivalent) is also shown. Annual Premium Equivalent (APE) is calculated as recurring premiums (RP) plus 10% of single premiums (SP).

	6 months to 30 June 2001 £m					6 months to 30 June 2001 Rm			
	RP	SP	APE	VNB	Margin	RP	SP	APE	VNB
South Africa	62	521	114	25	22%	704	5,954	1,300	287
Individual business	58	382	96	18	19%	663	4,367	1,100	210
Group business	4	139	18	7	38%	41	1,587	200	77
Rest of World	8	62	14	2	15%	87	712	158	23
Total	70	583	128	27*	21%	791	6,666	1,458	310*

* Value of new business net of cost of solvency capital of £2 million (R24 million). The increase in the value of new business arising from the net impact of the revised economic assumptions and the allowance for future capital gains tax in South Africa amounted to £3 million (R35 million).

	6 months to 30 June 2000 £m					6 months to 30 June 2000 Rm			
	RP	SP	APE	VNB	Margin	RP	SP	APE	VNB
South Africa	86	564	142	24	17%	884	5,825	1,467	247
Individual business	65	395	104	9	9%	670	4,075	1,078	97
Group business	21	169	38	15	39%	214	1,750	389	150
Rest of World	11	98	21	2	12%	113	1,014	214	25
Total	97	662	163	26*	16%	997	6,839	1,681	272*

* Value of new business net of cost of solvency capital of £2 million (R23 million).

Embedded value information *continued*

3. Value of new business continued

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

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

The value of new group business for the year to 31 December 2000 includes an amount of £2 million (R18 million) in respect of the proceeds of free shares issued to retirement funds at demutualisation, and re-invested with Old Mutual. The results for the prior periods have not been restated to reflect the new economic assumptions and the impact of capital gains tax.

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 shown in the notes to the financial statements to those shown above is set out below.

	£m		Rm	
	Recurring premiums	Single premiums	Recurring premiums	Single premiums
New business premiums in the notes to the financial statements	90	727	1,028	8,303
Less:				
– Group market-linked business not valued	–	(165)	–	(1,877)
– Unit trust business not valued	–	(34)	–	(388)
– New business premiums arising from indexation	(20)	–	(237)	–
Plus transfer of maturing policies to *Investment Frontiers*	–	55	–	628
New Business premiums as per embedded value report	70	583	**791**	**6,666**

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

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 economic assumptions used for South African business were as follows:

South Africa	30 June 2001	31 December 2000	30 June 2000
Fixed Interest Return	11.0%	13.0%	14.5%
Equity Return	13.0%	16.0%	17.5%
Property Return	12.0%	16.0%	17.5%
Inflation	7.0%	9.0%	10.5%
Risk Discount Rate	13.5%	17.0%	18.5%

For the non-South African operations, appropriate 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 economic assumptions.
- For the in-force business, projected company taxation is based on the current tax basis that applies to the life companies, and includes full allowance for Secondary Tax on Companies that may be payable in South Africa. Full account has been taken of the impact of capital gains tax to be introduced in South Africa with effect from 1 October 2001. For the purpose of determining the capital gains tax impact, it has been assumed that 10% of the equity portfolio is traded each year.
- The assumed future mortality, morbidity and voluntary discontinuance rates have been based as far as possible on analyses of recent operating experience. Allowance has been made where appropriate for the effect of expected AIDS-related claims.
- The management expenses attributable to life assurance business have been analysed between expenses relating to the acquisition of new business and the maintenance of business in force. All acquisition expenses have been allowed for in the calculation of the value of new business. Assumed future expenses were based on levels experienced up to 31 December 2000, and increased with assumed inflation to 30 June 2001. The future expenses attributable to life assurance business do not include Group holding company expenses.
- Future investment expenses were based on the current scales of fees payable by the life 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 2001, 31 December 2000 and 30 June 2000 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 exchange rates:

Exchange rates	Rand to Sterling
At 30 June 2001	11.3634
At 30 June 2000	10.2767
At 31 December 2000	11.3148
6 months to 30 June 2001 (average)	11.4211
6 months to 30 June 2000 (average)	10.3330
Year to 31 December 2000 (average)	10.5213

Embedded value information *continued*

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 2001 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	4,815	4,815	4,815	54,723	54,723	54,723
Value of in-force business	1,002	880	769	11,382	9,999	8,737
Value before cost of capital	1,024	968	916	11,634	10,998	10,404
Cost of solvency capital	(22)	(88)	(147)	(252)	(999)	(1,667)
Embedded value	5,817	5,695	5,584	66,105	64,722	63,460

The table below sets out the value of new life assurance business for the 6 months to 30 June 2001 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	31	29	28	359	334	315
Cost of solvency capital	(1)	(2)	(4)	(6)	(24)	(40)
Value of new business	30	27	24	353	310	275

6. External review

These results have been reviewed by Tillinghast-Towers Perrin, who have confirmed to the Directors that the methodology and assumptions used to determine the embedded value are reasonable and that the embedded value profits are reasonable in the context of the operating performance and experience of the life assurance business during the six months to 30 June 2001.

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