Old Mutual plc

Results for the six months ended 30 June 2002

Solid performance in challenging conditions

Highlights

- Operating profit*: £381m (2001: £455m), a decrease of 16% in Sterling
  R6,059m (2001: R5,195m), an increase of 17% in Rand
- Operating earnings per share*: 5.8p (2001: 7.2p**), a decrease of 19% in Sterling
  92.9c (2001: 82.4c**), an increase of 13% in Rand
- Record life premiums of £2.7bn (2001: £1.4bn) and record life sales of £288m annual premium equivalent (2001: £132m)
- Net fund inflows of $1.5bn for our US asset management business
- Value of new life business: £58m (2001: £28m**), an increase of 107% in Sterling
  R927m (2001: R319m**), an increase of 191% in Rand
- Acquisition of BoE Limited by Nedcor Limited successfully completed in July and integration now underway
- Group return on equity of 17%
- Embedded value: £3,775m (31 December 2001: £3,522m), an increase of 7% in Sterling
  R59,814m (31 December 2001: R61,364m), a decrease of 3% in Rand
- Interim dividend of 1.7p (2001: 1.7p) maintained, representing an increase of 21% in Rand***

Jim Sutcliffe, Chief Executive, commented:

"These are solid results, given the depressed state of world stock markets. We are making good progress in our strategy to internationalise the Group. In particular, our US life operations grew quickly and there were overall positive cash flows at our US asset management business.

Our South African life businesses showed good new business growth and, at Nedcor, the acquisition of BoE is expected to bring substantial benefits to shareholders.

We do not expect market conditions to improve in the second half of 2002, but the diversity of our operations provides both a defence against difficult markets and the opportunity to take advantage of growth areas."

12 August 2002

Old Mutual plc

Results for the six months ended 30 June 2002 *continued*

Wherever the items asterisked in the Highlights are used, whether in the Highlights, the Chief Executive's statement or the Business review, the following apply:

** Operating profit is based on a long term investment return before goodwill amortisation, write-down of investment in Dimension Data Holdings plc and short term fluctuations in investment return. Operating profit for the six month period ended 30 June 2002 includes the release of a £25m (R400m) exceptional general risk provision at Nedcor. Operating earnings per share are similarly based, but are also after tax and minority interests.*

*** Operating earnings per share for the first half of 2001 have been restated (from 7.8p and 89.3c respectively) to incorporate a revised policy for the recognition of deferred tax in accordance with Financial Reporting Standard (FRS) 19. The value of new life business in the first half of 2001 has been restated (from £27m and R310m respectively) in respect of transfers from the Guaranteed Capital Fund that were not previously categorised as new business premiums.*

**** Indicative only, based on 26.9c, being the Rand equivalent of 1.7p converted at the exchange rate prevailing on 30 June 2002. The actual amount to be paid by way of interim dividend to holders of shares on the South African branch register will be by reference to the exchange rate prevailing at the close on 3 October 2002, as determined by the Company, and will be announced on 4 October 2002.*

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Old Mutual plc

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Chief Executive's statement

Old Mutual delivered solid results in the first half of 2002, despite the impact of volatile equity markets. Our increased internationalisation is proving its worth, as our US businesses in particular performed well, with our US life business expanding rapidly and our US asset management earnings being maintained despite the difficult market.

Operating earnings per share were down 19% at 5.8p (2001: 7.2p) compared to the same period last year, after a 28% decline in the average R/£ exchange rate when reported in Sterling. In Rand, they were up 13% to 92.9c (2001: 82.4c). Assets under management fell only 7% from 31 December 2001 to £133bn – a satisfactory result in difficult markets, particularly in the USA, where 65% of our managed assets are located. Operating return on shareholders' equity was a very creditable 17% during the period.

Our embedded value improved to 100p per share at 30 June 2002. Value of new business reached £58m (R927m), an increase of over 100% compared to the equivalent period in 2001. 60% of gross life premiums written came from our US life business, which delivered an excellent result as the market turned in its favour. Before debt, our embedded value was divided 53% South Africa, 35% USA and 12% UK and Rest of World.

Our 53% owned banking subsidiary, Nedcor, successfully completed the acquisition of BoE Limited in South Africa in July – part of our strategy of participation in consolidation of the South African financial services sector. We sold NWQ in the USA, the sale being completed on 1 August 2002, as well as two other US asset management affiliates, as we continued to tidy up our US asset management holdings.

SOUTH AFRICA

Sales at Old Mutual South Africa were up 21% over the equivalent period in 2001, and were in line with the level seen in the second half of last year. In particular, we had much improved regular premium Employee Benefit sales, as more rational pricing returned to the market. The productivity of Personal Financial Advisers (our agency force) improved sharply, although the number of our agents grew more slowly than we had hoped. Bancassurance annual premium equivalent sales increased 35%, and we continue to expect more growth from this source. Value of new business was R403m, a gain of 36% on the first half of last year. New business margins increased to 25%, but were down 2% from the year ended 31 December 2001. We continue to offer our customers very competitive returns on the back of consistent performance from our South African asset management subsidiary.

Operating profit was in line with that for the equivalent period last year in Rand terms. Investment losses, particularly those caused by higher interest rates, together with higher costs for US$-based computer software both reduced profits. The underlying return on equity was within our target range, at 21%.

Nedcor produced good underlying growth in its asset base and profit. Its operating profit was impacted by translation losses on its integrated assets outside South Africa caused by the strengthening of the Rand during the six months, but these were partially offset by the release of a R400m exceptional general risk provision established by Nedcor at 31 December 2001 in anticipation of currency exchange-related bad debts which did not materialise. Nedcor’s return on equity met our target at 21%. We have written down Nedcor’s holding in Dimension Data Holdings plc further to reflect its market value at 30 June 2002. Nedcor signed its contract with Swisscard for the provision of credit card servicing, and this is expected to begin to generate income in the second half.

Our 51% owned general insurance subsidiary, Mutual & Federal Insurance Company Limited, produced another good set of results with an underwriting profit of R32m, despite higher reinsurance costs and claims inflation.

USA

Our US asset management results demonstrated the value of our diversified portfolio of fund managers and our orientation towards value-style investment management. Assets under management at our retained operations declined by only 3.2%, despite the S&P 500 Index falling by 14% and the Nasdaq Composite Index by 25%. Net client inflows were $1.5bn. Investment performance exceeded the benchmark for 85% of our clients over 3 years. Particularly good results were achieved at Dwight, our fixed income manager, Barrow, Hanley, Mewhinney & Strauss, our Dallas based firm which sub-advises a key Vanguard fund, and Pacific Financial Research, our Los Angeles based deep value manager. Pilgrim Baxter’s growth-oriented funds struggled, but its marketing efforts for funds sub-advised by some of our other firms were successful, adding $1.3bn to funds under management at 30 June 2002. Return on investment remains at about 7%.

Our US life insurance business had a highly successful first half. Single premium sales for the period topped $2.2bn and annual premium equivalent sales were $251m, more than triple the volumes at time of purchase and accounting for 60% of the Group’s worldwide life sales. Customer conservatism favoured our bond-based product range over equity mutual funds, and low short term interest rates favoured our 5-10 year bond based products over bank CDs. Margins expanded a little, as the growth in volumes spread the fixed expenses of the business over a bigger base. Further margin improvement through expense cutting measures was delayed to cope with the high volume of business. Default experience in the business’s bond portfolio remained within the parameters built in at the time of purchase, and was offset in part by trading gains. Smoothed operating profit jumped from $19m in the second half of last year (after meeting $13m of transition costs) to $48m, with the underlying increase being 50%. Most of the assets of Fidelity & Guaranty Life are now managed by Dwight, and improved yields were achieved on the portfolio, while maintaining an “A” average credit quality. Return on equity was 9%.

Chief Executive's statement *continued*

UK AND REST OF WORLD

Trading conditions in the UK have been difficult, with the FTSE 100 Index falling by 11% over the period. Nevertheless, Gerrard made a small profit and started to implement a profit improvement plan under its new management team. There was a small outflow of client funds at Gerrard, with expenses running at an annual rate some £10m less than last year. Old Mutual Asset Managers (UK) was one of the few firms in the market to attract net new funds, and we continue to invest in its development. Volumes of business at GNI benefited from volatility in the market in the second quarter.

FINANCE

Our gearing ratio, at 33%, improved from the 2001 year end level of 35%. We successfully issued a €400m bond in April, and renewed an enlarged $600m revolving credit facility in July. As a result our cash position remains strong. At the end of May we successfully placed the shares in Old Mutual held by the St Paul group as part of the purchase of Fidelity & Guaranty Life, and raised a small amount of capital at the same time. This removed a potential overhang from the market.

The solvency ratios of our key businesses are robust, with excess assets equivalent to 2.6 times statutory capital at our South African life business, a capital adequacy ratio of 11.2% at Nedcor, and a solvency ratio in excess of 70% at Mutual & Federal.

We have also been able to provide the capital required to support the exceptional growth of our US life business from the proceeds of the share issue mentioned above and from the sale of NWQ.

DIVIDEND

We have shown our confidence in the Group's prospects by maintaining the interim dividend at 1.7p per share. The indicative Rand equivalent is 26.9c, based on the exchange rate at 30 June 2002, but the actual Rand and other overseas currency equivalents will be determined by the Company by reference to the exchange rates prevailing on 3 October 2002 and announced to the markets on 4 October 2002. The dividend will be paid on 29 November 2002 to shareholders on the register at the close of business on 18 October 2002. Further details of the interim dividend are contained in the Business review attached.

Chief Executive's statement *continued*

OUTLOOK

Having endured negative equity markets and adverse currency movements in the last twelve months, the solid results produced so far in 2002 show the inherent strength of the Group and the benefit of its international strategy as it faces the future. The bedding down of recent acquisitions is well under way. We do not expect any significant improvement in conditions in the second half of 2002, but the diversity of our operations makes us well placed for difficult markets, and allows us to take advantage of growth opportunities where they occur. We continue to reduce expenses to help offset the effects of declining markets, and our South African businesses remain a powerful base for our strategy of internationalisation.

Jim Sutcliffe
Chief Executive

12 August 2002

Business review

GROUP SUMMARY FINANCIAL PERFORMANCE

The Group's results in Sterling have been impacted by the weakening of the average Rand:Sterling exchange rate from R11.42 in the first half of last year to R15.88 in the current reporting period. This has had the effect of reducing operating profit (after tax and minority interests) for the period ended 30 June 2002 by £71 million. Operating earnings per share of 5.8p decreased by 19% from 7.2p in 2001.

Group value of new business of £58 million increased from £28 million in the equivalent period in 2001, primarily due to a contribution of £31 million from our US life business in the first six months of 2002.

The Group's embedded value in Sterling has, however, benefited from a strengthening in the Rand:Sterling exchange rate from R17.43:£1 at 31 December 2001 to R15.85:£1 at 30 June 2002. As a result, embedded value increased from £3,522 million at the beginning of the year to £3,775 million (or 100p per share) at 30 June 2002.

Equity markets throughout the world declined significantly in July 2002, particularly the FTSE / JSE AFRICA ALSI, which decreased 13% during the month. This has not affected Group capital, but has decreased our embedded value by 5% to approximately £3.6 billion, or 95p per share.

TAXATION

The Group's effective tax rate (based on the tax charge as a proportion of smoothed operating profit) reduced marginally to 27.8% from 28.1%, restated to incorporate revised deferred tax provisions in accordance with FRS 19. The rate benefited from a reduction in Secondary Tax on Companies in South Africa, offset in part by the greater profit contribution from our US businesses.

DIVIDEND

The Board has declared an interim dividend of 1.7p per share, which will be paid on 29 November 2002 to shareholders on the register at the close of business on 18 October 2002. The equivalent of this dividend in the local currencies of South Africa, Malawi, Namibia and Zimbabwe will be determined by the Company on 3 October 2002 and will be announced to the markets on 4 October 2002. Our shares will trade ex dividend from the opening of business on 14 October 2002 on the JSE Securities Exchange South Africa and the Malawi, Namibian and Zimbabwe Stock Exchanges and from the opening of business on 16 October 2002 on the London Stock Exchange. No dematerialisation or rematerialisation of shares within the South African STRATE system may take place between 14 October 2002 and 18 October 2002 (both dates inclusive).

INTERIM REVIEW REPORT BY KPMG AUDIT PLC

The original version of the review report on the interim results signed by our auditors, KPMG Audit Plc, is available for inspection at our registered office at 3rd Floor, Lansdowne House, 57 Berkeley Square, London W1J 6ER.

SOUTH AFRICA

LIFE ASSURANCE

Summary financial performance

The total annual premium equivalent (APE) for the period was R1,624 million, 21% ahead of the corresponding period last year, while the value of new business at R403 million was 36% higher. The average margin on new business increased from 22% to 25% of APE although it has reduced 2% from 31 December 2001.

Our South African life business operating profit, before long term investment return, of R1,541 million, was 2% down on the R1,565 million recorded in the same period last year.

The value of in-force life business of R9.2 billion has reduced by 3% from R9.5 billion at the beginning of the year. This is primarily attributable to negative net cash flows of R2.3 billion during the period.

The life company's capital has decreased marginally to R34 billion at 30 June 2002, mainly due to small negative returns earned on shareholders' funds. This capital is sufficient to provide cover of 2.6 times the statutory capital adequacy requirement of R13.2 billion.

Individual Business

Financial performance

New business volumes for Individual Business have been strong in the first half of 2002, consistent with those in the second half of 2001. The new business APE of R1,270 million was 11% above the R1,140 million reported in the first half of 2001. Recurring premium business was up a pleasing 23%, driven primarily by the sale of Investment Horizons and Greenlight products, launched in November 2000 and May 2001 respectively, and the re-pricing of the Group Schemes business funeral product range in the second half of 2001. Single premium business was down 5% (but including South African investment into the Old Mutual International offshore product range using the R750,000 individual offshore investment allowance, it was down only 2%). The volatility of the Rand and uncertainty in global investment markets adversely impacted the growth in single premiums.

The value of new business was up 19% from R219 million to R261 million as a result of higher new business volumes.

Operating profit, before long term investment return, of R1,096 million was 1% up on the same period last year. Operating profit for the period was adversely affected by less favourable investment performance than in the first half of the prior year.

Business development

The customer segmentation strategy launched in 2001 has brought increased focus and improved customer service. Significant progress has been made in the product offerings to the mass affluent market during the first half of the year, with the reorganisation of the Private Wealth management business and the launch of Fairbairn Capital in July 2002. Dollar and Sterling denominated life, endowment and investment contracts were launched to satisfy the demand from Private Wealth clients using their R750,000 offshore investment allowance, through our Guernsey operation.

Distribution capability has continued to grow across all income segments, with the total sales force up by 10% from the first half of 2001. Productivity has also improved in the first half of the year, which has resulted in increased distribution efficiency and has positioned the business favourably to move forward.

Further progress has been made in bancassurance initiatives with Nedcor. A Nedbank branded life-wrapped savings product was successfully developed and launched, and sales in bank branches by bank staff are progressing well, as are the advisor sales in Nedbank and Peoples Bank. Total bancassurance APE was up 35% on the same period last year.

Outlook

Individual Business is leading the way in product development, and additional product launches are expected to take place during the second half of the year. Broker sales relationships are expected to continue to develop and the agency sales force to increase, with a strong focus on productivity and growing the business in South Africa.

Group Business

Financial performance

The new business APE of R354 million for Group Business was up 77% from R200 million in the first half of 2001, driven by substantially higher recurring premiums, and with single premiums up 19%. The value of new business at R142 million was 84% up on the R77 million reported in the same period last year. The average margin of 40% is slightly above the 39% for the equivalent period last year.

Operating profit, before long term investment return, at R445 million was 7% down on the first half of 2001, mainly due to the additional costs of implementing a new administration platform and due to lower investment returns on the portfolio backing the risk business.

Business development

During the first half of the year good progress has been made towards securing a number of significant pensioner liability outsourcing arrangements. Investment in new information technology systems has continued during 2002 and, with the implementation of the new administration system, Group Business is in an excellent position to capture new business and retain existing business. Development work to date has created the opportunity to move several significant existing clients on to new platforms offering additional functionality and product features, and two major full-service clients are currently being migrated.

Outlook

The systems and product development of the last two years have created an environment where unit cost reduction can be delivered together with increased product functionality and revenue opportunities. These, together with the strong capital position of the life company, should enable Group Business to continue to target new clients, as well as leveraging its existing client base.

ASSET MANAGEMENT

Fund management

Fund management operations in South Africa include Old Mutual Asset Managers (South Africa) (OMAM(SA)), Old Mutual Unit Trusts (OMUT), Old Mutual Properties, Galaxy Portfolio Services and Old Mutual Specialised Finance.

Summary financial performance

Our South African asset management operating profit was R207 million, compared to R206 million in the same period last year. The negative impact of changes to industry guidelines and practice in relation to trading activities in the unit trust industry has been offset by higher asset levels.

Total funds managed in South Africa grew by 2% from R261 billion to R266 billion over the six months.

Business volumes through our web-based unit trust dealing system, Fundsnet, were disappointing, and the decision to close this operation took effect in the first half of this year.

Investment performance

OMAM(SA)'s investment performance relative to its peers and to index-related benchmarks showed considerable improvement during the first half. OMAM(SA) was placed second out of the ten major asset management firms in the Alexander Forbes Large Managers' Watch survey for its returns on third party discretionary balanced-fund clients. Performance for the general life funds for the year to date remains above benchmark and ahead of peers.

Outlook

Recent weakness in the global and South African equity markets has directly affected absolute return levels. The institutional asset management industry remains competitive, but despite this OMAM(SA) has seen increased activity in new business.

BANKING

Financial performance

Operating profit from our banking operations of R2,035 million increased by 6% from R1,918 million in the first half of 2001. Nedcor's contribution to these results was R2,080 million (2001: R1,970 million), offset by a R45 million (2001: R52 million) loss from Old Mutual Banking Services.

Following a turbulent and unsettled period in the earlier part of 2002, the South African banking industry has recently shown a return to stability. Nedcor made a significant contribution towards this by successfully concluding a merger with BoE Limited with effect from 2 July 2002. In these difficult market circumstances Nedcor performed well at core level, while the development of key alliances continued. Core earnings, excluding all translation gains and losses and exceptional general risk provision movements, grew by 18% to R1,560 million (2001: R1,317 million), comprising a solid 21% growth in South African operations and 8% growth in international operations.

Nedcor's headline earnings were again significantly influenced by the volatility in the Rand exchange rate, with the large translation gains of last year becoming translation losses this year. Notwithstanding this, headline earnings grew by 3% to R1,524 million (2001: R1,485 million), including translation losses of R436 million (2001: translation profits of R168 million), but offset by the release of the R400 million exceptional general risk provision prudently raised at 31 December 2001.

Total advances grew by 14%, despite a reduction of R7 billion in Rand-translated offshore advances. Net interest income grew by a more muted 10%. Non-interest revenue, excluding translation gains and exceptional items, grew strongly by 26% to R2,690 million (2001: R2,141 million). The foundation for this increase was pleasing volume-driven growth of 16% in commission and fees, which rose to R1,761 million (2001: R1,520 million).

The credit climate held steady during 2002, despite increased interest rates, and the arrears trend has again shown an improvement. At 31 December 2001, as a consequence of the substantial depreciation in the value of the Rand and the then prevailing uncertain business environment, the general risk provision was prudently supplemented by R400 million to cover unidentified but inherent risks that may have resulted from these exceptional events. This provision has been reversed in full at 30 June 2002, given that the Rand has strengthened and economic conditions have stablilised.

The market value of Nedcor's investment in 103 million shares in Dimension Data Holdings plc, listed on the London Stock Exchange, has declined further and has been marked to market at its 30 June 2002 price of R6.45 per share, down from R14.50 at 31 December 2001. The net write-down of R690 million after taxation includes related translation losses and the release of a deferred tax credit of R140 million provided last year against corresponding translation gains.

Business development

In addition to the merger with BoE, Nedcor continues to develop and invest in its key growth strategies. Good progress continues to be made with the integration of its banking alliances. These include the partnerships with Capital One, Imperial Bank, JD Group, Old Mutual, Pick 'n Pay and the empowerment groupings in Peoples Bank. Over the past five years its strategy has enabled it to increase its domestic market share in total banking assets from 15.7% to 18.3% prior to the merger with BoE, and to 23.3% including BoE.

Another strategic objective is to leverage Nedcor's core processing competence in the international arena and so create a recurring low-risk external income stream. Good progress has been made and the Swisscard outsourcing contract is expected to begin generating income in the second half.

BoE

The merger with BoE has been the most significant recent event at Nedcor. All requirements and conditions precedent relating to the merger were successfully met, and BoE Limited became a wholly owned subsidiary of Nedcor with effect from 2 July 2002. This followed unanimous BoE management and board support, and 98% shareholder support, for Nedcor's R7.5 billion offer, which was partly funded from the raising in July of South Africa's largest private sector bond issue of R4 billion. The merger with BoE fits ideally into Nedcor's growth strategy and most of BoE's business units align well with those of Nedcor. In addition, Nedcor's scalable technology platforms will benefit from the volume increases introduced by BoE, and there is potential for significant cost synergies from the merging of duplicated services.

The merger with BoE is also the catalyst for achieving a Nedcor groupwide restructuring and realignment. Management is highly cognisant of the integration risks flowing from the merger and has reorganised responsibilities and resources to ensure that some are dedicated solely to the merger process, while most continue to devote their full attention to ongoing operations. Integration milestones are being set and will be announced to the market in the near future.

Outlook

The solid performance of Nedcor's core business positions it well for the future, given an improving South African environment and the long awaited arrest in the decline in interest margins of the last few years. The BoE merger is being structured to enhance these prospects. Following many years of significant technology investment, the merger with BoE provides the enlarged Nedcor Group with even better opportunities for leveraging advantages of scale to increase efficiencies and reduce costs. Furthermore, offshore processing is poised to build its contribution of recurring income to meaningful levels over the medium to long term. Nedcor's strategy and alliances have assisted it in gaining market share in recent years. This will now be augmented by the addition of BoE products. Given continued growth in its core business and alliances, stable credit and interest rate conditions and a successful integration with BoE, Nedcor anticipates positive results for the remainder of 2002 and beyond.

GENERAL INSURANCE

Mutual & Federal

Financial performance

Operating profit, including long term investment return, from our 51% owned South African general insurance operation, Mutual & Federal Insurance Company Limited (Mutual & Federal), of R308 million, represented an increase of 12% from R274 million in the first half of 2001.

Mutual & Federal returned an underwriting result of R32 million under UK GAAP for the period, compared to R11 million for the equivalent prior year period. This was an excellent result in a difficult trading environment, and reflects the improvement in the operating ratio from 98.7% to 97.7%. Gross premium income of R2.6 billion was 11% higher than in the first half of last year, while net premiums earned increased 9% from the equivalent period in 2001, reflecting higher levels of reinsurance and increased reinsurance costs.

Underwriting profitability was improved through stringent risk selection and withdrawal from unprofitable business. As a result premium growth has been modest, although positively affected by the consolidation of the premium book following the CGU acquisition in 2000. Management focus on control over claims and expenditure has also contributed to the improved result. The solvency margin, being the ratio of net assets to net premiums, remained high and was in excess of 70% in Rand terms at 30 June 2002.

Business development

The full integration of the CGU business with that of Mutual & Federal was completed successfully by December 2001, and the synergy benefits and savings from increased staff productivity are currently being realised. Integration and conversion work in respect of the acquired Sentrasure and FGI Namibia operations are progressing positively and these businesses are expected to be substantially integrated by the end of the year.

Outlook

Looking ahead Mutual & Federal is cautiously optimistic about the prospects for the balance of the year. Although certain portfolios remain underrated further corrective action is planned and, together with other improved underwriting measures, are expected to yield a profitable result. Effective control of expenses and improved productivity following the integration of CGU continued to benefit the organisation and will be a positive factor in the period ahead.

UNITED STATES

ASSET MANAGEMENT

Financial performance

Operating profit of $88 million from our US asset management business decreased by 5% from $92 million for the equivalent period in 2001. A strong focus on head office costs, overall robust fund performance and positive net fund flows were offset by negative market performance in the period under review. The securities markets remained challenging, with a 14% decline in the S&P 500 Index and a 25% decrease in the Nasdaq Composite Index during the first six months of 2002.

Funds under management, including funds managed for Old Mutual's US life business, were $141 billion at the end of the period, compared to $150 billion at the beginning of the year. During the six months, although net fund inflows of $1.5 billion were received, this was offset by the divestiture and transfer of funds of $5.4 billion and market-related declines of $4.8 billion. The resilience to difficult equity market conditions reflected in these results underline the benefits to the Group of the diversity of its US asset management operations, as well as the contribution of value-oriented funds and fixed-income products.

Superior relative fund performance continued to be a hallmark of our US investment management business, with a majority of products outperforming their benchmarks over one- and three-year periods. At 30 June 2002, eighteen of the group's forty-four mutual fund portfolios rated by Morningstar carried four- and five-star ratings. On an asset-weighted basis, the four- and five-star funds managed by our US firms represented more than 65% of their total mutual fund assets rated by Morningstar at the close of the period.

Business development

The senior management team was significantly strengthened in April with the addition of a Chief Operating Officer and a Head of Sales, Marketing and Product Development. Both are experienced and well-respected industry professionals who aim to build on the Group's broad investment capabilities to increase market share. Branding initiatives involving website improvements and mutual fund administration were also successfully completed in the first half of the year.

Outlook

The US asset management firms offer an exceptional breadth of high quality investment products to a diverse client base. Their strategy for the remainder of the year is to continue to reduce overhead expenses and reallocate resources to support planned marketing and distribution synergies. These include sub-advisory relationships using the Pilgrim Baxter retail platform, the new centralised wrap entity and managing assets for our life assurance business. Financial results in the second half of the year will continue to be affected by trends in the equity and fixed income markets.

Old Mutual Asset Managers (US) (OMAM(US))

Financial and fund performance

Operating profit from the seven affiliates within OMAM(US) of $31 million compared to $32 million for the equivalent period in 2001. Overall, these firms benefited from a market preference for fixed income products and value-style equity investments, offset by adverse market movements.

Funds under management of $78.1 billion at the end of the period have increased by 2% from $76.7 billion at the beginning of the year. These funds include those managed by Dwight Asset Management on behalf of the Group's US life business. Fund performance during the period was impacted by negative market movements of $1.7 billion, or 2% of opening funds under management. OMAM(US) recorded net fund inflows of $3.1 billion.

Outlook

As part of its strategy to expand distribution capabilities, on 1 August 2002 OMAM(US) transferred ownership of NWQ, a value-oriented equity fund manager with $7.4 billion of funds under management, to The John Nuveen Company (Nuveen) for $120 million and entered into a strategic alliance to sub-advise future investment products sponsored and distributed by Nuveen. NWQ contributed $6.5 million to operating profit and $1.1 billion in net fund inflows during the six months ended 30 June 2002.

OMAM(US)'s multi-style, multi-product offerings have potential attractions for other financial services organisations that have broad distribution but need to supplement their existing product lines. To leverage its asset management capabilities, OMAM(US) has established a centralised marketing and service entity focused on "wrap accounts" for external financial services firms. Led by the Head of

Sales, Marketing and Product Development, the team is working closely with the OMAM(US) firms to generate new business.

Pilgrim Baxter & Associates

Financial and fund performance

Operating profit from Pilgrim Baxter of $16 million decreased by 45% from $29 million in the equivalent period in 2001, primarily due to market-driven declines in growth-oriented investment products.

Funds under management of $8.9 billion at the end of the period decreased 29% from $12.6 billion at the beginning of the year. The firm recorded net fund outflows of $1.2 billion, or 10% of opening funds under management during the period, and market declines further reduced funds under management by $2.5 billion.

Business development

Pilgrim Baxter is the primary distribution platform for the Group's mutual fund business in the USA, including recently established funds sub-advised by other firms within the asset management group. Pilgrim Baxter attracted assets of $1.3 billion for these portfolios during the first six months of 2002.

In March 2002, we negotiated terms to acquire the residual 20% revenue-share interest of Pilgrim Baxter through the payment of $175 million plus an earn-out over five years if profit growth exceeds 7.5% per annum. The restructuring strengthens our position in the sizeable US retail asset management market and further aligns our interests with Pilgrim Baxter's principals in maximising future growth and profits.

Old Mutual Strategic Affiliates

Financial and fund performance

Operating profit from the eleven firms that comprise Old Mutual Strategic Affiliates amounted to $25 million for the first half of 2002, compared to $14 million in the same period last year. Transaction fees on property-related deals boosted revenues by $7 million during the period. Highly rated funds managed by Pacific Financial Research (PFR), a well-regarded value manager, contributed significantly to these positive results recording positive net fund inflows of more than $2.5 billion for the period. Funds under management for this group as a whole of $36.6 billion at the end of the period decreased by 2%, compared to $37.5 billion at the beginning of the year.

Business development

The Old Mutual Strategic Affiliates firms provide high quality breadth and depth to product offerings, and economic agreements with many of the affiliates are being restructured in order better to align mutual interests. For these firms, the advantages of working with Pilgrim Baxter and OMAM(US) are significant.

Old Mutual Financial Affiliates

Financial and fund performance

Operating profit of $17 million in the first half of 2002 compared to $18 million in the equivalent period in 2001.

Funds under management of $17.6 billion at the end of the period declined 24% from $23.1 billion at the beginning of the year. The opening balance included $5.3 billion of funds managed by Suffolk Capital Management and CS McKee & Company, both of which were divested at the beginning of the year. Market performance during the period reduced funds by $0.7 billion, which was offset by net fund inflows of $0.5 billion.

Business development

The firms in Old Mutual Financial Affiliates are held as financial investments with operational and investment autonomy. These affiliates have a range of options, including remaining indefinitely within the group or aligning with an external organisation. The process of working with the affiliates is collaborative, keeping in mind the needs and interests of each firm's clients, principals and employees.

LIFE ASSURANCE

Financial performance

Our US life group's new business APE of $251 million was up by 107% from $121 million in the second half of 2001, driven by significantly higher fixed annuity sales. On a gross basis, sales increased to $2.2 billion in the period from $871 million in the previous six months.

Operating profit at $48 million was 50% up on the second half of 2001 ($32 million before transition items related to the purchase of Fidelity & Guaranty Life (F&G)). The business written was profitable, with the value of new business at $45 million compared to $19 million in the second half of 2001. US life has contributed 53% to the Group's total value of new business in the first half of 2002. New business margins increased from 15% in the second half of 2001 to 18% in this period. The value of in-force life business of $432 million increased by 10% from $394 million at the beginning of the year.

On a funds flow basis, our US life business attracted $1.9 billion in net policyholder cash inflows in the first half of 2002, up 166% from the preceding six months. Total invested assets increased from $6.4 billion at 31 December 2001 to $8.3 billion at 30 June 2002.

The US life investment portfolio has suffered, along with other bond investors, due to write-offs and impairments. Write-offs totalled $29.2 million in the period. US life is working closely with our OMAM(US) asset manager, Dwight Asset Management Company, to manage these risks. Our US life business makes allowance for anticipated bond defaults in pricing its products.

The US life group has benefited from our ownership, which is perceived in the market as giving it a secure future. The key insurance rating agency, AM Best, has this year reaffirmed F&G's 'A' credit rating, and removed it from review status.

Business development

First half sales reached record levels. A portion of the increase reflects a general market shift in consumer preference to fixed annuity products and an increase in life assurance sales. Additional success can be attributed to confidence in F&G's competitive positioning and secure future, leading to an increase in market share. F&G has deepened its relationships with many agencies and recruited a record number of new agents during the period.

Sales volume was also enhanced through multiple distribution channels. The relatively new channel of bank-distributed products sold $675 million, while F&G's core brokerage channel sold $1.3 billion in the period. Our Americom Life brand continues to progress and recruit new agents.

The first half of the year saw our US life business' operations and servicing teams expand to include new partners to assist our agents. This included the creation of an additional sales support centre located in Lincoln, Nebraska. Underwriting capacity was also enhanced through a new underwriting facility to support increased life volumes. In June 2002, F&G saw the successful launch of its first product under Old Mutual's new outsourced administration environment.

Outlook

Our US life business aims to continue to capitalise on current economic conditions and consumer attitudes toward conservative investing that lean towards fixed interest products and life assurance. As stock market volatility continues, fixed interest products will remain a strong component in the US life product portfolio. US life will continue to design and sell products that allow competitive positioning as the US economy changes. To that end, the Group has committed additional capital for US life to take advantage of current favourable conditions. In the first six months of the year, it injected $65 million to support increased sales.

The latter part of the year will see all distribution channels able to offer the products of both F&G and Americom Life. This will allow agents to select from the full range of US life's product portfolio.

UNITED KINGDOM AND REST OF WORLD

ASSET MANAGEMENT

Private Client UK

Financial and fund performance

The integration benefit of operating from a single operating platform from January 2002, together with renewed management focus on expense savings, has reversed the losses incurred by our UK private client business, Gerrard, in the second half of 2001. Gerrard's operating profit of £3 million represents a solid performance against a background of lower commission levels and lower fee-based revenues.

The average number of daily bargains was 6% lower in the first half of 2002 than in the same period of 2001. This, coupled with a slight decrease in the average commission per bargain, has resulted in a 9% decrease in commission revenues compared to the first half of 2001.

During the period, the management of the £1.1 billion Gerrard Investment Funds portfolio was transferred to Old Mutual Asset Managers (UK) Limited (OMAM(UK)). Total funds under management reduced to £14.6 billion, after reflecting this transfer of funds and also market-related movements.

Fee-based revenues, which are primarily driven by the value of funds under management, have decreased by 11% when compared to the equivalent period of 2001, after adjusting 2001 revenues for fees earned on the funds now transferred to OMAM(UK). This compares favourably to the decline of 17% in the average FTSE 100 Index between the first half of 2001 and the first half of 2002.

Business development

Following the successful integration of the UK private client business in the latter half of 2001 and the appointment of a new executive team, Gerrard is focused on positioning the business as the leading UK wealth manager, particularly in the affluent and high net worth segments.

Fund management

Financial and fund performance

Operating profit from our UK and Rest of World fund management businesses was £3 million, compared to £1 million in the same period last year. OMAM(UK) has benefited from managing the additional Gerrard Investment Funds since the beginning of 2002, but the decline in equity markets has also affected financial performance.

Business development

Following the successful launch of the UK Select Smaller Companies Fund in 2001, OMAM(UK) launched the UK Select Mid Cap Fund and UK Select Large Cap Fund in the first half of this year. Both launches were successful in achieving significant fund inflows despite difficult market conditions, and have contributed a total of £35 million of net new funds in the period. OMAM(UK)'s main area of focus for the remainder of the year is on the retail market, predominantly through the UK intermediary channel, and the hedge fund arena through increased products and capabilities, while maintaining its superior performance philosophy.

Management is also carrying out integration programmes to consolidate both the funds range and funds administration following the transfer of Gerrard Investment Funds. The fund administration programme is expected to be completed by the end of 2002 and fund rationalisation by mid 2003.

Other financial services

Financial performance

The Group's UK and Rest of World specialist financial services businesses incurred an operating loss of £1 million, compared to a £3 million operating profit in the first half of 2001. Included in these results are GNI, GNI Fund Management, Old Mutual Securities and the central management and service costs associated with the UK businesses.

GNI has benefited from a strong performance in its contracts for differences (CfDs) and structured equities, which has been partly offset by lack of volatility in the mature foreign exchange and financial futures markets. Its operating profit of £5 million was in line with the equivalent period in 2001.

Business development

At GNI, good progress was made in developing growth opportunities in margined equities businesses with the introduction of European CfD market products during the period. Overall there has been an increase in the size and profitability of its CfD business. Management is focused on developing GNI's structured equity product range, while also implementing a number of cost saving measures and process efficiencies.

Discussions regarding the possible sale of Old Mutual Securities to Beeson Gregory plc were terminated during April 2002, following the latter's receipt of a takeover approach. We remain committed to finding the appropriate means to secure Old Mutual Securities' continued development, whether that is within Old Mutual or as part of another group.

LIFE ASSURANCE

Financial performance

Operating losses, before long term investment, return from our UK and Rest of World life businesses were £5 million compared to a loss of £1 million in the first half of 2001. Excluding start-up costs of £6 million associated with the new life business, Selestia, the operating profit from these businesses was £1 million.

Business development

Selestia offers multi-manager retail investment solutions to the UK market using sophisticated investment tools based on a client's individual attitude to risk. Selestia's fully online business operation represents a prime example of a straight through processing operation, benefiting from the IT skills and resources originally developed in our South African life company.

The business development of Selestia continues, following the successful launch of ISA, PEP and unit trust products in November 2001. While market conditions are difficult for the launch of a new business and the sales environment remains challenging, the Selestia proposition has been well received within the market. In the period, Selestia received FSA approval for its life assurance subsidiary, launched a UK life bond and commenced the distribution of an offshore life bond underwritten by Old Mutual International (Guernsey).

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 23 to 52 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 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 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 2002.

KPMG Audit Plc

Chartered Accountants
London
12 August 2002

Consolidated profit and loss account

for the six months ended 30 June 2002

	Notes	£m 6 months to 30 June 2002	£m 6 months to 30 June 2001 (restated)	£m Year to 31 December 2001 (restated)	Rm 6 months to 30 June 2002	Rm 6 months to 30 June 2001 (restated)	Rm Year to 31 December 2001 (restated)
South Africa							
Technical result		**97**	137	249	**1,541**	1,565	3,085
Long term investment return		**63**	78	148	**1,000**	891	1,830
Life assurance	5(b)(iii)	**160**	215	397	**2,541**	2,456	4,915
Asset management	5(c)	**13**	18	37	**207**	206	458
Banking	5(d)	**99**	135	290	**1,579**	1,525	3,593
General insurance	5(e)	**19**	24	46	**308**	274	570
		291	392	770	**4,635**	4,461	9,536
United States							
Life assurance	5(b)(iii)	**33**	-	13	**524**	-	161
Asset management	5(c)	**60**	64	116	**951**	730	1,437
		93	64	129	**1,475**	730	1,598
United Kingdom and Rest of World							
Life assurance	5(b)(iii)	**(3)**	3	(2)	**(47)**	34	(25)
Asset management	5(c)	**5**	8	(3)	**80**	91	(38)
Banking	5(d)	**29**	33	79	**456**	393	979
		31	44	74	**489**	518	916
		415	500	973	**6,599**	5,709	12,050
Other shareholders' income / (expenses)	5(f)	**(9)**	(10)	(29)	**(143)**	(114)	(359)
Debt service costs		**(25)**	(35)	(67)	**(397)**	(400)	(830)
Write-down of strategic investments	5(f)	**-**	-	(21)	**-**	-	(260)
Operating profit based on a long term investment return before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc and short term fluctuations in investment return	5(a)	**381**	455	856	**6,059**	5,195	10,601
Goodwill amortisation	10	**(55)**	(69)	(132)	**(873)**	(788)	(1,636)
Goodwill impairment	10	**-**	-	(500)	**-**	-	(6,196)
Write-down of investment in Dimension Data Holdings plc	7	**(52)**	(304)	(269)	**(830)**	(3,467)	(3,334)
Short term fluctuations in investment return	6	**(62)**	94	126	**(980)**	1,073	1,561
Operating profit on ordinary activities before tax		**212**	176	81	**3,376**	2,013	996
Non-operating items	9	**38**	-	-	**603**	-	-
Profit on ordinary activities before tax		**250**	176	81	**3,979**	2,013	996
Tax on profit on ordinary activities	8	**(97)**	(128)	(319)	**(1,540)**	(1,462)	(3,948)
Profit / (loss) on ordinary activities after tax		**153**	48	(238)	**2,439**	551	(2,952)
Minority interests		**(32)**	68	(26)	**(508)**	777	(322)
Profit / (loss) for the financial period		**121**	116	(264)	**1,931**	1,328	(3,274)
Dividends paid and proposed	4	**(63)**	(59)	(172)	**(998)**	(674)	(2,606)
Retained profit / (loss) for the financial period		**58**	57	(436)	**933**	654	(5,880)
Earnings per share				p			c
Operating earnings per share after tax and minority interests based on a long term investment return before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc and short term fluctuations in investment return	3	**5.8**	7.2	12.1	**92.9**	82.4	149.1
Basic earnings per share	3	**3.3**	3.4	(7.4)	**52.9**	38.4	(92.2)
Diluted earnings per share	3	**3.2**	3.3	(7.4)	**51.0**	37.6	(92.2)
Dividend per share	4	**1.7**	1.7	4.8	**26.9***	22.2	72.3
Weighted average number of shares - millions		**3,652**	3,457	3,550	**3,652**	3,457	3,550

** Indicative only - the actual amount of the dividend per share in Rand will be determined by reference to the exchange rate prevailing on 3 October 2002 and announced by the Company on 4 October 2002.*

Consolidated statement of total recognised gains and losses

for the six months ended 30 June 2002

	£m			Rm		
	6 months to 30 June 2002	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)	**6 months to 30 June 2002**	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)
Profit / (loss) for the financial period	**121**	116	(264)	**1,931**	1,328	(3,274)
Foreign exchange movements	**117**	(5)	(964)	**(2,069)**	77	4,697
Total recognised gains / (losses) relating to the period	**238**	111	(1,228)	**(138)**	1,405	1,423

Reconciliation of movements in consolidated equity shareholders' funds

for the six months ending 30 June 2002

		£m			Rm		
	Notes	**6 months to 30 June 2002**	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)	**6 months to 30 June 2002**	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)
Total recognised gains and losses for the period		**238**	111	(1,228)	**(138)**	1,405	1,423
Dividends paid and proposed	4	**(63)**	(59)	(172)	**(998)**	(674)	(2,606)
		175	52	(1,400)	**(1,136)**	731	(1,183)
Issue of new capital		**39**	-	-	**619**	-	-
Issue of new capital in connection with the acquisition of Fidelity & Guaranty Life		**-**	-	203	**-**	-	2,690
Shares issued under option schemes		**-**	-	5	**-**	-	61
Proceeds from sale of shares previously held to satisfy claims and errors on demutualisation and issue of new shares		**-**	4	3	**-**	46	37
Net addition to / (reduction in) equity shareholders' funds		**214**	56	(1,189)	**(517)**	777	1,605
Equity shareholders' funds at the beginning of the period		**2,470**	3,659	3,659	**43,045**	41,440	41,440
Equity shareholders' funds at the end of the period		**2,684**	3,715	2,470	**42,528**	42,217	43,045

Consolidated balance sheet

at 30 June 2002

	Notes	£m At 30 June 2002	£m At 31 December 2001	£m At 30 June 2001 (restated)	Rm At 30 June 2002	Rm At 31 December 2001	Rm At 30 June 2001 (restated)
Intangible assets							
Goodwill	10	**1,561**	1,580	2,379	**24,734**	27,537	27,034
Insurance and other assets							
Investments		**17,729**	17,300	17,265	**280,918**	301,514	196,189
Assets held to cover linked liabilities		**4,337**	4,415	5,727	**68,720**	76,947	65,078
Reinsurers' share of technical provisions		**351**	463	148	**5,562**	8,069	1,682
Debtors		**9,186**	8,177	9,552	**145,553**	142,514	108,543
Other assets		**1,011**	820	761	**16,019**	14,291	8,649
Cash at bank and in hand		**635**	475	573	**10,062**	8,279	6,511
Prepayments and accrued income		**226**	265	184	**3,581**	4,618	2,091
Total insurance and other assets		**33,475**	31,915	34,210	**530,415**	556,232	388,743
Banking assets							
Cash and balances at central banks		**961**	630	1,294	**15,227**	10,980	14,704
Treasury bills and other eligible bills		**581**	653	619	**9,210**	11,372	7,034
Loans and advances to banks		**468**	649	468	**7,416**	11,313	5,318
Loans and advances to customers		**8,920**	7,797	10,956	**141,338**	135,884	124,497
Debt securities		**724**	725	620	**11,472**	12,648	7,045
Equity securities		**209**	225	317	**3,312**	3,921	3,602
Interest in associated undertakings		**122**	118	217	**1,933**	2,057	2,466
Other assets		**299**	253	398	**4,734**	4,407	4,523
Prepayments and accrued income		**341**	259	417	**5,403**	4,517	4,739
Total banking assets		**12,625**	11,309	15,306	**200,045**	197,099	173,928
Total assets		**47,661**	44,804	51,895	**755,194**	780,868	589,705

Consolidated balance sheet *continued*

at 30 June 2002

	Notes	£m At 30 June 2002	£m At 31 December 2001	£m At 30 June 2001 (restated)	Rm At 30 June 2002	Rm At 31 December 2001	Rm At 30 June 2001 (restated)
Capital and reserves							
Called up share capital		**378**	374	355	**5,989**	6,517	4,034
Share premium account		**551**	516	512	**8,731**	8,993	5,818
Merger reserve		**184**	184	-	**2,915**	3,205	-
Profit and loss account		**1,571**	1,396	2,848	**24,893**	24,330	32,365
Equity shareholders' funds		**2,684**	2,470	3,715	**42,528**	43,045	42,217
Minority interests		**617**	565	904	**9,776**	9,847	10,273
Subordinated liabilities		**21**	22	26	**333**	383	295
Insurance and other liabilities							
Technical provisions		**16,023**	14,480	14,101	**253,886**	252,366	160,235
Technical provisions for linked liabilities		**4,337**	4,415	5,727	**68,720**	76,947	65,078
Provisions for other risks and charges		**428**	341	268	**6,782**	5,944	3,045
Creditors		**10,456**	10,486	11,703	**165,676**	182,757	132,986
Amounts owed to credit institutions	11	**857**	897	741	**13,580**	15,633	8,421
Convertible loan stock	11(a)	**420**	439	448	**6,655**	7,651	5,091
Accruals and deferred income		**170**	234	212	**2,694**	4,079	2,409
Total insurance and other liabilities		**32,691**	31,292	33,200	**517,993**	545,377	377,265
Banking liabilities							
Deposits by banks		**1,144**	1,862	1,708	**18,133**	32,454	19,409
Customer accounts		**8,668**	6,802	10,110	**137,345**	118,550	114,884
Debt securities in issue		**1,060**	986	1,338	**16,790**	17,183	15,204
Other liabilities		**476**	501	637	**7,548**	8,729	7,238
Provision for liabilities and charges		**104**	84	122	**1,648**	1,471	1,386
Subordinated liabilities		**196**	220	135	**3,100**	3,829	1,534
Total banking liabilities		**11,648**	10,455	14,050	**184,564**	182,216	159,655
Total liabilities		**47,661**	44,804	51,895	**755,194**	780,868	589,705

Consolidated cash flow statement

for the six months ended 30 June 2002

	£m			Rm		
	6 months to 30 June 2002	6 months to 30 June 2001	Year to 31 December 2001	**6 months to 30 June 2002**	6 months to 30 June 2001	Year to 31 December 2001
Net cash inflow from operating activities	**608**	759	864	**9,664**	8,669	10,708
Net cash outflow from returns on investments and servicing of finance (including dividends paid to minority interests)	**(41)**	(61)	(183)	**(651)**	(697)	(2,268)
Total tax paid	**(129)**	(232)	(269)	**(2,049)**	(2,650)	(3,334)
Net cash outflow from capital expenditure and financial investment	**(39)**	(57)	(152)	**(619)**	(651)	(1,884)
Net cash inflow / (outflow) from acquisitions and disposals	**80**	(124)	(316)	**1,270**	(1,417)	(3,916)
Equity dividend paid	**(110)**	(108)	(167)	**(1,747)**	(1,233)	(2,070)
Net cash inflow from financing activities	**5**	42	676	**79**	480	8,377
Net cash inflow of the Group excluding long term business	**374**	219	453	**5,947**	2,501	5,613
Cash flows relating to insurance activities were invested as follows:						
Increase in cash holdings	**106**	38	63	**1,677**	434	781
Increase in net portfolio investments	**1**	21	543	**23**	240	6,729
	107	59	606	**1,700**	674	7,510
Cash flows relating to banking activities were invested as follows:						
Increase / (decrease) in cash and balances at central banks	**267**	160	(153)	**4,247**	1,827	(1,897)
Net cash inflow of the Group excluding long term business	**374**	219	453	**5,947**	2,501	5,613
Reconciliation of operating profit to operating cash flow						
Profit from insurance and other activities	**181**	14	7	**2,879**	163	80
Profit from banking activities	**69**	162	74	**1,100**	1,850	916
Profit on ordinary activities before tax	**250**	176	81	**3,979**	2,013	996
Write-down of investment in Dimension Data Holdings plc	**52**	304	269	**830**	3,467	3,334
Unrealised investment losses / (gains)	**35**	129	(103)	**552**	1,473	(1,276)
Insurance and other activities non-cash flow items	**82**	44	947	**1,302**	503	11,741
Banking non-cash flow items	**189**	106	(330)	**3,001**	1,213	(4,087)
Net cash inflow from operating activities	**608**	759	864	**9,664**	8,669	10,708

The cash flows presented in this statement exclude all cash flows relating to policyholder funds for the long term business.

Notes to the financial statements

for the six months ended 30 June 2002

1 BASIS OF PREPARATION AND EFFECT OF RESTATEMENT

The results for the six months to 30 June 2002 and the position at that date have been prepared using accounting policies consistent with those used in the Group 2001 Annual Report, except for the adoption of Financial Reporting Standard 19 "Deferred Tax", the effects of which are described below. 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").

Comparative figures have been restated to reflect the adoption of Financial Reporting Standard 19 "Deferred Tax". This requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax. Previously deferred tax was recognised on a partial provision approach. In addition to restating the comparative figures, the cumulative cost of the deferred tax relating to previous years has been recognised as a prior year adjustment.

The change in accounting policy has had no effect on the operating profit after tax or shareholders' funds for the current period. The effect for the year ended 31 December 2001 is an increase in the tax charge of £41 million (R503 million) and no change in shareholders' funds. The effect for the six months ended 30 June 2001 is an increase in the tax charge of £21 million (R240 million) and increase in shareholders' funds of £23 million (R263 million).

The results for the six months ended 30 June 2002 and 2001 are unaudited, but have been reviewed by the auditors whose report is presented on page 22. The auditors have reported on the statutory accounts for the year ended 31 December 2001 and the accounts have been delivered to the Registrar of Companies. The auditors' report in respect of the year ended 31 December 2001 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.

Notes to the financial statements *continued*

for the six months ended 30 June 2002

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.

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

	Rand			US$		
	6 months to 30 June 2002	6 months to 30 June 2001	Year to 31 December 2001	**6 months to 30 June 2002**	6 months to 30 June 2001	Year to 31 December 2001
Profit and loss account (average rate)	**15.8800**	11.4211	12.3923	**1.4445**	1.4405	1.4405
Balance sheet (closing rate)	**15.8451**	11.3634	17.4286	**1.5279**	1.4116	1.4542

3 EARNINGS AND EARNINGS PER SHARE

Basic earnings per share is calculated based upon the profit or loss attributable to equity shareholders after the amortisation and impairment of goodwill arising on acquisitions, write-down of investment in Dimension Data Holdings plc and short term fluctuations in investment return.

The directors' view is that operating earnings per share derived from operating profit or loss based on a long term investment return and before the amortisation and impairment of goodwill, the write-down of investment in Dimension Data Holdings plc and short term fluctuations in investment return provides a better indication of the underlying performance of the Group. A table reconciling operating profit on ordinary activities after tax and minority interests to this underlying measure of earnings is included below.

			£m			Rm
	6 months to 30 June 2002	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)	**6 months to 30 June 2002**	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)
Profit / (loss) on ordinary activities after tax and minority interests	**121**	116	(264)	**1,931**	1,328	(3,274)
Goodwill amortisation net of minority interests	**51**	65	120	**810**	746	1,487
Goodwill impairment	**-**	-	500	**-**	-	6,196
Short term fluctuations in investment return net of tax and minority interests	**39**	(87)	(73)	**619**	(997)	(905)
Non-operating items net of tax	**(20)**	-	-	**(318)**	-	-
Write-down of investment in Dimension Data Holdings plc net of tax and minority interests	**22**	155	144	**350**	1,765	1,788
Operating earnings after tax and minority interests based on a long term investment return before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc and short term fluctuations in investment return	**213**	249	427	**3,392**	2,842	5,292
			p			c
Basic earnings per share	**3.3**	3.4	(7.4)	**52.9**	38.4	(92.2)
Goodwill amortisation net of minority interests	**1.3**	1.9	3.4	**22.2**	21.6	41.9
Goodwill impairment	**-**	-	14.1	**-**	-	174.5
Short term fluctuations in investment return net of tax and minority interests	**1.1**	(2.5)	(2.1)	**16.9**	(28.8)	(25.4)
Non-operating items net of tax	**(0.5)**	-	-	**(8.7)**	-	-
Write down of investment in Dimension Data Holdings plc net of tax and minority interests	**0.6**	4.4	4.1	**9.6**	51.2	50.3
Operating earnings per share after tax and minority interests based on a long term investment return before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc and short term fluctuations in investment return	**5.8**	7.2	12.1	**92.9**	82.4	149.1

3 EARNINGS AND EARNINGS PER SHARE *continued*

Basic earnings per share is calculated by reference to the profit on ordinary activities after tax and minorities of £121 million (R1,931 million) for the six months ended 30 June 2002 (June 2001: £116 million (R1,328 million); December 2001: loss £264 million (R3,274 million)) and a weighted average number of shares in issue of 3,652 million (June 2001: 3,457 million; December 2001: 3,550 million). This is calculated after taking into account shares held by Employee Share Ownership Plans (ESOPs), which have waived their rights to dividends.

The diluted earnings per share calculation reflects the impact of the shares in the ESOP Trusts, the US Dollar Guaranteed Convertible Bond, and potential issue of shares to satisfy the purchase of the Pilgrim Baxter revenue share.

Notes to the financial statements *continued*

for the six months ended 30 June 2002

4 DIVIDEND

			£m			Rm
	6 months to 30 June 2002	6 months to 30 June 2001	Year to 31 December 2001	**6 months to 30 June 2002**	6 months to 30 June 2001	Year to 31 December 2001
2002 interim dividend proposed: 1.7p (26.9c*)	**63**	-	-	**998**	-	-
2001 final dividend paid: 3.1p (50.1c)	**-**	-	113	**-**	-	1,839
2001 interim dividend paid: 1.7p (22.2c)	**-**	59	59	**-**	674	767
	63	59	172	**998**	674	2,606

Provision has been made in the Group financial statements for an interim dividend of 1.7p (26.9c*) per share calculated using the number shares in issue at 30 June 2002 of 3,782 million less 96 million shares in Employee Share Ownership Plans, which have waived their rights to dividends. The dividend will be paid on 29 November 2002 to all shareholders on the register at the close of business on 18 October 2002, being the record date for the dividend.

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.

** Indicative only - the actual amount of the dividend per share in Rand will be determined by reference to the exchange rate prevailing on 3 October 2002 and announced by the Company on 4 October 2002.*

5 SEGMENTAL ANALYSIS

5(a) Summary of operating profit

	Notes	£m South Africa	£m United States	£m UK & Rest of World	£m Total	Rm South Africa	Rm United States	Rm UK & Rest of World	Rm Total
6 months to 30 June 2002									
Life assurance	5(b)(iii)	**160**	**33**	**(3)**	**190**	**2,541**	**524**	**(47)**	**3,018**
Asset management	5(c)(i)	**13**	**60**	**5**	**78**	**207**	**951**	**80**	**1,238**
Banking	5(d)	**99**	**-**	**29**	**128**	**1,579**	**-**	**456**	**2,035**
General insurance business	5(e)	**19**	**-**	**-**	**19**	**308**	**-**	**-**	**308**
Other shareholders' income / (expenses)	5(f)	**1**	**-**	**(10)**	**(9)**	**16**	**-**	**(159)**	**(143)**
Debt service costs		**-**	**-**	**(25)**	**(25)**	**-**	**-**	**(397)**	**(397)**
Smoothed operating profit based on a long term investment return		**292**	**93**	**(4)**	**381**	**4,651**	**1,475**	**(67)**	**6,059**
Goodwill amortisation					**(55)**				**(873)**
Write-down of investment in Dimension Data Holdings plc					**(52)**				**(830)**
Short term fluctuations in investment return					**(62)**				**(980)**
Operating profit on ordinary activities before tax					**212**				**3,376**
6 months to 30 June 2001 (restated)									
Life assurance	5(b)(iii)	215	-	3	218	2,456	-	34	2,490
Asset management	5(c)(i)	18	64	8	90	206	730	91	1,027
Banking	5(d)	135	-	33	168	1,525	-	393	1,918
General insurance business	5(e)	24	-	-	24	274	-	-	274
Other shareholders' income / (expenses)	5(f)	9	-	(19)	(10)	103	-	(217)	(114)
Debt service costs		-	-	(35)	(35)	-	-	(400)	(400)
Smoothed operating profit based on a long term investment return		401	64	(10)	455	4,564	730	(99)	5,195
Goodwill amortisation					(69)				(788)
Write-down of investment in Dimension Data Holdings plc					(304)				(3,467)
Short term fluctuations in investment return					94				1,073
Operating profit on ordinary activities before tax					176				2,013
Year to 31 December 2001									
Life assurance	5(b)(iii)	397	13	(2)	408	4,915	161	(25)	5,051
Asset management	5(c)(i)	37	116	(3)	150	458	1,437	(38)	1,857
Banking	5(d)	290	-	79	369	3,593	-	979	4,572
General insurance business	5(e)	46	-	-	46	570	-	-	570
Other shareholders' income / (expenses)	5(f)	12	-	(41)	(29)	149	-	(508)	(359)
Debt service costs		-	(3)	(64)	(67)	-	(37)	(793)	(830)
Write-down of strategic investments	5(f)	-	-	(21)	(21)	-	-	(260)	(260)
Smoothed operating profit based on a long term investment return		782	126	(52)	856	9,685	1,561	(645)	10,601
Goodwill amortisation					(132)				(1,636)
Goodwill impairment					(500)				(6,196)
Write-down of investment in Dimension Data Holdings plc					(269)				(3,334)
Short term fluctuations in investment return					126				1,561
Operating profit on ordinary activities before tax					81				996

United States life assurance activities were acquired with effect from 1 July 2001.

Notes to the financial statements *continued*

for the six months ended 30 June 2002

5 SEGMENTAL ANALYSIS *continued*

5(b) Life assurance

	South Africa £m	United States £m	UK & Rest of World £m	Total £m	South Africa Rm	United States Rm	UK & Rest of World Rm	Total Rm
(i) Gross premiums written								
6 months to 30 June 2002								
Individual business								
Single	**316**	**1,534**	**76**	**1,926**	**5,018**	**24,360**	**1,207**	**30,585**
Recurring	**301**	**74**	**23**	**398**	**4,780**	**1,175**	**365**	**6,320**
	617	**1,608**	**99**	**2,324**	**9,798**	**25,535**	**1,572**	**36,905**
Group business								
Single	**232**	**-**	**6**	**238**	**3,684**	**-**	**95**	**3,779**
Recurring	**116**	**-**	**8**	**124**	**1,842**	**-**	**127**	**1,969**
	348	**-**	**14**	**362**	**5,526**	**-**	**222**	**5,748**
	965	**1,608**	**113**	**2,686**	**15,324**	**25,535**	**1,794**	**42,653**
6 months to 30 June 2001								
Individual business								
Single (restated)	451	-	58	509	5,150	-	663	5,813
Recurring	409	-	47	456	4,672	-	537	5,209
	860	-	105	965	9,822	-	1,200	11,022
Group business								
Single	300	-	8	308	3,426	-	91	3,517
Recurring	141	-	19	160	1,610	-	217	1,827
	441	-	27	468	5,036	-	308	5,344
	1,301	-	132	1,433	14,858	-	1,508	16,366
Year to 31 December 2001								
Individual business								
Single	854	578	97	1,529	10,583	7,163	1,202	18,948
Recurring	757	78	87	922	9,381	967	1,078	11,426
	1,611	656	184	2,451	19,964	8,130	2,280	30,374
Group business								
Single	598	-	13	611	7,411	-	161	7,572
Recurring	280	-	29	309	3,470	-	359	3,829
	878	-	42	920	10,881	-	520	11,401
	2,489	656	226	3,371	30,845	8,130	2,800	41,775

South African individual gross single premiums include flexi and conventional maturity transfers of £52 million (R827 million) (June 2001: £55 million (R628 million); December 2001: £155 million (R1,923 million)) and guaranteed capital fund transfers of £23 million (R361 million) (June 2001: £35 million (R399 million); December 2001: £61 million (R761 million) to Investment Frontiers not previously reported in gross premiums written in June 2001.

Business transacted with SA residents in terms of their personal offshore allowances is conducted by the Group's offshore companies and is therefore disclosed under the Rest of World segment.

Notes to the financial statements *continued*

for the six months ended 30 June 2002

5 SEGMENTAL ANALYSIS *continued*

5(b) Life assurance *continued*

	£m				Rm			
	South Africa	United States	UK & Rest of World	Total	South Africa	United States	UK & Rest of World	Total
(ii) New business premiums								
6 months to 30 June 2002								
Individual business								
Single	**316**	**1,534**	**76**	**1,926**	**5,018**	**24,360**	**1,207**	**30,585**
Recurring	**67**	**21**	**5**	**93**	**1,064**	**333**	**79**	**1,476**
	383	**1,555**	**81**	**2,019**	**6,082**	**24,693**	**1,286**	**32,061**
Group business								
Single	**232**	**-**	**6**	**238**	**3,684**	**-**	**95**	**3,779**
Recurring	**10**	**-**	**1**	**11**	**159**	**-**	**16**	**175**
	242	**-**	**7**	**249**	**3,843**	**-**	**111**	**3,954**
	625	**1,555**	**88**	**2,268**	**9,925**	**24,693**	**1,397**	**36,015**
Annual premium equivalent	**132**	**174**	**14**	**320**	**2,093**	**2,769**	**225**	**5,087**
6 months to 30 June 2001								
New business premiums on a statutory basis								
Individual business								
Single (restated)	451	-	58	509	5,150	-	663	5,813
Recurring	78	-	8	86	891	-	91	982
	529	-	66	595	6,041	-	754	6,795
Group business								
Single	300	-	8	308	3,426	-	91	3,517
Recurring	4	-	-	4	46	-	-	46
	304	-	8	312	3,472	-	91	3,563
	833	-	74	907	9,513	-	845	10,358
Annual premium equivalent	157	-	15	172	1,795	-	166	1,961

Notes to the financial statements *continued*

for the six months ended 30 June 2002

5 SEGMENTAL ANALYSIS *continued*

5(b) Life assurance *continued*	£m South Africa	£m United States	£m UK & Rest of World	£m Total	Rm South Africa	Rm United States	Rm UK & Rest of World	Rm Total
(ii) New business premiums *continued*								
Year to 31 December 2001								
New business premiums on a statutory basis								
Individual business								
Single	854	578	97	1,529	10,583	7,163	1,202	18,948
Recurring	159	26	11	196	1,970	322	136	2,428
	1,013	604	108	1,725	12,553	7,485	1,338	21,376
Group business								
Single	598	-	13	611	7,411	-	161	7,572
Recurring	20	-	1	21	248	-	12	260
	618	-	14	632	7,659	-	173	7,832
	1,631	604	122	2,357	20,212	7,485	1,511	29,208
Annual premium equivalent	324	84	23	431	4,017	1,038	284	5,339

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

South African individual new business premiums include flexi and conventional maturity transfers of £52 million (R827 million) (June 2001: £55 million (R628 million); December 2001: £155 million (R1,923 million)) and guaranteed capital fund transfers of £23 million (R361 million) (June 2001: £35 million (R399 million); December 2001: £61 million (R761 million)) to Investment Frontiers not previously reported in new business premiums in June 2001.

5 SEGMENTAL ANALYSIS *continued*

5(b) Life assurance *continued*

	South Africa £m	United States £m	UK & Rest of World £m	Total £m	South Africa Rm	United States Rm	UK & Rest of World Rm	Total Rm
(iii) Life assurance operating profit								
6 months to 30 June 2002								
Individual business	**69**	**33**	**(5)**	**97**	**1,096**	**524**	**(79)**	**1,541**
Group business	**28**	**-**	**-**	**28**	**445**	**-**	**-**	**445**
Life assurance technical result	**97**	**33**	**(5)**	**125**	**1,541**	**524**	**(79)**	**1,986**
Long term investment return	**63**	**-**	**2**	**65**	**1,000**	**-**	**32**	**1,032**
Life assurance operating profit before short term fluctuations in investment return	**160**	**33**	**(3)**	**190**	**2,541**	**524**	**(47)**	**3,018**
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 before short term fluctuations in investment return	215	-	3	218	2,456	-	34	2,490
Year to 31 December 2001								
Individual business	174	13	(8)	179	2,152	161	(99)	2,214
Group business	75	-	1	76	933	-	12	945
Life assurance technical result	249	13	(7)	255	3,085	161	(87)	3,159
Long term investment return	148	-	5	153	1,830	-	62	1,892
Life assurance operating profit before short term fluctuations in investment return	397	13	(2)	408	4,915	161	(25)	5,051

The United States operations, Fidelity & Guaranty Life and Americom, were both acquired during 2001. The results of Fidelity & Guaranty Life are included in the profit and loss account from 1 July 2001, and are disclosed net of restructuring costs of £9 million (R113 million) incurred in 2001. The operating profit of the US life business includes the investment return earned by the whole of the portfolio on a smoothed basis.

Start-up costs of £6 million (R95 million) (June 2001: £9 million (R103 million); December 2001: £19 million (R231 million)) associated with the Group's new UK life assurance business, Selestia, were included in the life assurance technical result. Excluding these costs, the UK and Rest of World life assurance operating profit would have been positive £1 million (R16 million) (June 2001: £12 million (R137 million); December 2001: £17 million (R206 million)).

Notes to the financial statements *continued*

for the six months ended 30 June 2002

5 SEGMENTAL ANALYSIS *continued*

5(c) Asset management

	£m			Rm		
	6 months to 30 June 2002	6 months to 30 June 2001	Year to 31 December 2001	**6 months to 30 June 2002**	6 months to 30 June 2001	Year to 31 December 2001
(i) Analysis of operating profit						
Fund management worldwide						
South Africa						
Old Mutual Asset Managers	**7**	11	16	**111**	126	198
Old Mutual Unit Trusts	**-**	3	11	**-**	34	136
Other	**2**	(1)	1	**32**	(11)	12
	9	13	28	**143**	149	346
United States						
Old Mutual Asset Managers	**21**	22	38	**333**	251	471
Pilgrim Baxter	**11**	20	29	**174**	228	359
Old Mutual Strategic Affiliates	**17**	10	22	**269**	114	272
Old Mutual Financial Affiliates	**11**	12	27	**175**	137	335
	60	64	116	**951**	730	1,437
UK & Rest of World	**3**	1	6	**48**	12	74
	72	78	150	**1,142**	891	1,857
Private client UK – Gerrard						
Gross profit	**3**	10	2	**48**	114	25
Integration costs	**-**	(6)	(12)	**-**	(69)	(149)
	3	4	(10)	**48**	45	(124)
Other financial services						
South Africa	**4**	5	9	**64**	57	112
UK & Rest of World	**(1)**	3	1	**(16)**	34	12
	3	8	10	**48**	91	124
Asset management operating profit before goodwill amortisation and impairment	**78**	90	150	**1,238**	1,027	1,857
Analysed as						
South Africa	**13**	18	37	**207**	206	458
United States	**60**	64	116	**951**	730	1,437
UK & Rest of World	**5**	8	(3)	**80**	91	(38)
Asset management operating profit before goodwill amortisation and impairment	**78**	90	150	**1,238**	1,027	1,857

5 SEGMENTAL ANALYSIS *continued*

5(c) Asset management	OMAM(US) £m	Pilgrim Baxter £m	Other Old Mutual (US) Affiliates £m	Total £m	OMAM(US) Rm	Pilgrim Baxter Rm	Other Old Mutual (US) Affiliates Rm	Total Rm
(ii) Old Mutual (US) Holdings								
6 months to 30 June 2002								
Revenue	**72**	**30**	**106**	**208**	**1,143**	**476**	**1,683**	**3,302**
Expenses	**(51)**	**(19)**	**(78)**	**(148)**	**(810)**	**(302)**	**(1,239)**	**(2,351)**
Operating profit before goodwill amortisation	**21**	**11**	**28**	**60**	**333**	**174**	**444**	**951**
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
Year to December 2001								
Revenue	147	85	219	451	1,822	1,053	2,713	5,588
Expenses	(109)	(56)	(170)	(335)	(1,351)	(694)	(2,106)	(4,151)
Operating profit before goodwill amortisation and impairment	38	29	49	116	471	359	607	1,437

Notes to the financial statements *continued*

for the six months ended 30 June 2002

5 SEGMENTAL ANALYSIS *continued*

5(d) Banking operating profit

	£m			Rm		
	South Africa	UK & Rest of World	**Total**	South Africa	UK & Rest of World	**Total**
6 months to 30 June 2002						
Net interest income	**164**	**17**	**181**	**2,597**	**283**	**2,880**
Non-interest revenue	**115**	**26**	**141**	**1,833**	**411**	**2,244**
Total operating income	**279**	**43**	**322**	**4,430**	**694**	**5,124**
Specific and general provisions charge (including release of exceptional provision of £25 million (R400 million))	**(10)**	**-**	**(10)**	**(160)**	**(4)**	**(164)**
Net income	**269**	**43**	**312**	**4,270**	**690**	**4,960**
Operating expenses	**(173)**	**(17)**	**(190)**	**(2,741)**	**(276)**	**(3,017)**
Banking operating profit before goodwill amortisation, share of associated undertakings' profit and write-down of investment in Dimension Data Holdings plc	**96**	**26**	**122**	**1,529**	**414**	**1,943**
Share of associated undertakings' profit	**3**	**3**	**6**	**50**	**42**	**92**
Banking operating profit before goodwill amortisation and write-down of investment in Dimension Data Holdings plc	**99**	**29**	**128**	**1,579**	**456**	**2,035**
6 months to 30 June 2001 (restated)						
Net interest income	212	18	230	2,417	210	2,627
Non-interest revenue	161	22	183	1,827	263	2,090
Total operating income	373	40	413	4,244	473	4,717
Specific and general provisions	(43)	-	(43)	(491)	-	(491)
Net income	330	40	370	3,753	473	4,226
Operating expenses	(200)	(11)	(211)	(2,285)	(126)	(2,411)
Banking operating profit before goodwill amortisation, share of associated undertakings' profit and write-down of investment in Dimension Data Holdings plc	130	29	159	1,468	347	1,815
Share of associated undertakings' profit	5	4	9	57	46	103
Banking operating profit before goodwill amortisation and write-down of investment in Dimension Data Holdings plc	135	33	168	1,525	393	1,918
Year to December 2001						
Net interest income	386	43	429	4,783	533	5,316
Non-interest revenue (including exceptional revenue of £36 million (R441 million))	413	55	468	5,118	681	5,799
Total operating income	799	98	897	9,901	1,214	11,115
Specific and general provisions charge (including exceptional provision of £32 million (R400 million))	(118)	-	(118)	(1,462)	-	(1,462)
Net income	681	98	779	8,439	1,214	9,653
Operating expenses	(399)	(26)	(425)	(4,945)	(322)	(5,267)
Banking operating profit before goodwill amortisation, share of associated undertakings' profit and write-down of investment in Dimension Data Holdings plc	282	72	354	3,494	892	4,386
Share of associated undertakings' profit	8	7	15	99	87	186
Banking operating profit before goodwill amortisation and write-down of investment in Dimension Data Holdings plc	290	79	369	3,593	979	4,572

Following the refocus of the Group’s performance onto a geographic rather than line of business basis with effect from the 2001 year end, the June 2001 segmentation of Nedcor has been restated on a consistent basis. There are no banking operations in the United States.

Notes to the financial statements *continued*

for the six months ended 30 June 2002

5 SEGMENTAL ANALYSIS *continued*

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

	£m			Rm		
	Premiums written net of reinsurance	Claims incurred net of reinsurance	Smoothed operating result based on a long term investment return	Premiums written net of reinsurance	Claims incurred net of reinsurance	Smoothed operating result based on a long term investment return
6 months to 30 June 2002						
Motor	**68**	**51**	**-**	**1,079**	**813**	**7**
Fire	**27**	**15**	**1**	**436**	**246**	**9**
Accident	**50**	**34**	**1**	**796**	**538**	**23**
Other	**2**	**2**	**-**	**27**	**34**	**(7)**
	147	**102**	**2**	**2,338**	**1,631**	**32**
Long term investment return			**17**			**276**
			19			**308**
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
			24			274
Year to December 2001						
Motor	164	131	-	2,032	1,623	2
Fire	56	36	-	694	446	1
Accident	126	88	2	1,561	1,091	24
Other	5	2	3	62	25	35
	351	257	5	4,349	3,185	62
Long term investment return			41			508
			46			570

5(f) Other shareholders' income / (expenses) and write-down of strategic investments

	£m			Rm		
	6 months to 30 June 2002	6 months to 30 June 2001	Year to 31 December 2001	**6 months to 30 June 2002**	6 months to 30 June 2001	Year to 31 December 2001
Long term investment return credited to operating result	**1**	9	12	**16**	103	149
Net corporate expenses	**(10)**	(19)	(41)	**(159)**	(217)	(508)
Other shareholders' income / (expenses)	**(9)**	(10)	(29)	**(143)**	(114)	(359)
Write-down of strategic investments	**-**	-	(21)	**-**	-	(260)

The write-down of £21 million (R260 million) shown above was made following a review of the Group's portfolio of strategic investments in 2001. Included within net corporate expenses for the current year are exchange gains realised on Rand deposits that were held at the start of the year.

Notes to the financial statements *continued*

for the six months ended 30 June 2002

5 SEGMENTAL ANALYSIS *continued*

5(g) Funds under management

	South Africa £m	United States £m	UK & Rest of World £m	Total £m	South Africa Rm	United States Rm	UK & Rest of World Rm	Total Rm
At 30 June 2002								
Investments including assets held to cover linked liabilities	12,483	6,058	3,525	22,066	197,794	95,990	55,854	349,638
Unit trusts								
Old Mutual Asset Managers	701	-	1,566	2,267	11,107	-	24,813	35,920
Nedcor Unit Trusts	124	-	575	699	1,965	-	9,111	11,076
Other financial services	-	-	172	172	-	-	2,725	2,725
	825	-	2,313	3,138	13,072	-	36,649	49,721
Third party								
Old Mutual Asset Managers	3,608	-	110	3,718	57,169	-	1,743	58,912
Old Mutual Asset Managers (US)	-	46,169	-	46,169	-	731,552	-	731,552
Pilgrim Baxter	-	5,826	-	5,826	-	92,314	-	92,314
Old Mutual Strategic Affiliates	-	19,118	4,860	23,978	-	302,927	77,007	379,934
	3,608	71,113	4,970	79,691	57,169	1,126,793	78,750	1,262,712
Private client UK	-	-	14,583	14,583	-	-	231,069	231,069
Nedcor portfolio management	840	254	549	1,643	13,310	4,025	8,699	26,034
Other financial services	14	-	331	345	222	-	5,245	5,467
	4,462	71,367	20,433	96,262	70,701	1,130,818	323,763	1,525,282
Fund management worldwide								
Old Mutual Financial Affiliates	-	9,298	2,213	11,511	-	147,328	35,065	182,393
	4,462	80,665	22,646	107,773	70,701	1,278,146	358,828	1,707,675
Total funds under management	17,770	86,723	28,484	132,977	281,567	1,374,136	451,331	2,107,034

Nedcor managed funds have now been included as a result of recent growth in this business.

Unit trust private client UK business was transferred to Old Mutual Asset Managers in January 2001.

5 SEGMENTAL ANALYSIS *continued*

5(g) Funds under management *continued*

	£m				Rm			
	South Africa	United States	UK & Rest of World	Total	South Africa	United States	UK & Rest of World	Total
At 31 December 2001								
Investments including assets held to cover linked liabilities	11,519	4,497	5,699	21,715	200,760	78,376	99,325	378,461
Unit trusts								
Old Mutual Asset Managers	670	-	360	1,030	11,677	-	6,274	17,951
Private client UK	-	-	1,051	1,051	-	-	18,317	18,317
Other financial services	-	-	159	159	-	-	2,771	2,771
	670	-	1,570	2,240	11,677	-	27,362	39,039
Third party								
Old Mutual Asset Managers	2,783	-	401	3,184	48,504	-	6,989	55,493
Old Mutual Asset Managers (US)	-	48,884	-	48,884	-	851,979	-	851,979
Pilgrim Baxter	-	8,675	-	8,675	-	151,193	-	151,193
Old Mutual Strategic Affiliates	-	20,110	5,336	25,446	-	350,489	92,999	443,488
	2,783	77,669	5,737	86,189	48,504	1,353,661	99,988	1,502,153
Private client UK	-	-	16,347	16,347	-	-	284,905	284,905
Other financial services	12	-	363	375	209	-	6,327	6,536
	2,795	77,669	22,447	102,911	48,713	1,353,661	391,220	1,793,594
Fund management worldwide								
Old Mutual Financial Affiliates	-	13,485	2,745	16,230	-	235,025	47,841	282,866
	2,795	91,154	25,192	119,141	48,713	1,588,686	439,061	2,076,460
Total funds under management	14,984	95,651	32,461	143,096	261,150	1,667,062	565,748	2,493,960

5 SEGMENTAL ANALYSIS *continued*

5(g) Funds under management *continued*

	£m				Rm			
	South Africa	United States	UK & Rest of World	**Total**	South Africa	United States	UK & 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								
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								
Old Mutual Asset Managers	4,470	-	469	4,939	50,794	-	5,329	56,123
Old Mutual Asset Managers (US)	-	53,091	-	53,091	-	603,294	-	603,294
Pilgrim Baxter	-	10,684	-	10,684	-	121,407	-	121,407
Old Mutual Strategic Affiliates	-	19,766	6,481	26,247	-	224,609	73,646	298,255
	4,470	83,541	6,950	94,961	50,794	949,310	78,975	1,079,079
Private client UK	-	-	18,104	18,104	-	-	205,723	205,723
Other financial services	10	-	401	411	114	-	4,557	4,671
	4,480	83,541	25,455	113,476	50,908	949,310	289,255	1,289,473
Fund management worldwide								
Old Mutual Financial Affiliates	-	23,072	2,817	25,889	-	262,177	32,010	294,187
	4,480	106,613	28,272	139,365	50,908	1,211,487	321,265	1,583,660
Total funds under management	21,480	106,613	37,503	165,596	244,086	1,211,487	426,161	1,881,734

6 INSURANCE LONG TERM INVESTMENT RETURN

As permitted by the ABI SORP, balances on the long term business and general business technical accounts are stated after allocating an investment return earned by the insurance businesses, based on a long term investment return, to / from the non-technical account.

For the South African and Namibian life assurance businesses, 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.

For the US long term business, the return earned by assets, mainly bonds, has been smoothed with reference to the actual yield earned by the portfolio.

The long term rates of investment return for equities and other investible assets are as follows:

	6 months to 30 June 2002	6 months to 30 June 2001	Year to 31 December 2001
South Africa and Namibia	**14.0%**	14.0%	14.0%
United States	**6.79%**	N/a	7.04%

The long term rates of return are based on achieved real rates of return adjusted for current inflation expectations and consensus economic investment forecasts, and are reviewed annually for appropriateness. The directors are of the opinion that these rates of return are appropriate and have been selected with a view to ensuring that returns credited to operating earnings are not inconsistent with the actual returns expected to be earned over the long term.

Notes to the financial statements *continued*

for the six months ended 30 June 2002

6 INSURANCE LONG TERM INVESTMENT RETURN *continued*

Analysis of short term fluctuations in investment return

			£m			Rm
	6 months to 30 June 2002	6 months to 30 June 2001	Year to 31 December 2001	**6 months to 30 June 2002**	6 months to 30 June 2001	Year to 31 December 2001
Life assurance						
Actual investment return attributable to shareholders	**3**	114	257	**52**	1,302	3,181
Long term investment return credited to operating result	**65**	82	153	**1,032**	937	1,892
	(62)	32	104	**(980)**	365	1,289
General insurance						
Actual investment return attributable to shareholders	**4**	49	85	**64**	560	1,053
Long term investment return credited to operating result	**17**	23	41	**270**	263	508
	(13)	26	44	**(206)**	297	545
Other shareholders' income / (expenses)						
Actual investment return attributable to shareholders	**14**	45	(10)	**222**	514	(124)
Long term investment return credited to operating result	**1**	9	12	**16**	103	149
	13	36	(22)	**206**	411	(273)
Short term fluctuations in investment return	**(62)**	94	126	**(980)**	1,073	1,561

7 INVESTMENT IN DIMENSION DATA HOLDINGS PLC

Profit attributable to shareholders is stated after charging the following:

	£m			Rm		
	6 months to 30 June 2002	6 months to 30 June 2001	Year to 31 December 2001	**6 months to 30 June 2002**	6 months to 30 June 2001	Year to 31 December 2001
Loss on holding in Dimension Data Holdings plc before tax and minority interests	**(52)**	(304)	(269)	**(830)**	(3,467)	(3,334)
Tax	**9**	-	(14)	**140**	-	(171)
Loss on holding in Dimension Data Holdings plc before minority interests	**(43)**	(304)	(283)	**(690)**	(3,467)	(3,505)
Minority interests	**21**	149	139	**340**	1,702	1,717
Loss on holding in Dimension Data Holdings plc after tax and minority interests	**(22)**	(155)	(144)	**(350)**	(1,765)	(1,788)

In light of market movements during 2001, an impairment in the carrying value of the Group's investment in Dimension Data Holdings plc was recognised, reflecting a market value of R14.50 per share at 31 December 2001. A further impairment has been recognised for the six months to 30 June 2002, reflecting a market value of R6.45 per share at 30 June 2002. Although this event is exceptional in the context of its significance to the Group, this loss will form part of banking operating profit in the statutory financial statements for the year ending 31 December 2002 in accordance with Financial Reporting Standard 3.

Notes to the financial statements *continued*

for the six months ended 30 June 2002

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

			£m			Rm
	6 months to 30 June 2002	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)	**6 months to 30 June 2002**	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)
United Kingdom tax						
UK corporation tax	**22**	3	64	**349**	34	793
Double tax relief	**(10)**	-	(49)	**(159)**	-	(607)
	12	3	15	**190**	34	186
Overseas tax						
South African tax	**35**	43	124	**556**	491	1,536
United States tax	**38**	-	31	**603**	-	384
Rest of World tax	**(2)**	12	4	**(32)**	137	50
Secondary taxation on companies (STC)	**3**	18	23	**48**	206	285
	74	73	182	**1,175**	834	2,255
Deferred tax	**4**	31	88	**64**	354	1,091
Adjustment for adoption of FRS19	**-**	21	41	**-**	240	503
Prior period adjustment	**7**	-	(7)	**111**	-	(87)
Reported tax charge	**97**	128	319	**1,540**	1,462	3,948
The tax charge is analysed as follows:						
Operating profit	**106**	128	250	**1,683**	1,462	3,094
Short term fluctuations	**(18)**	-	55	**(289)**	-	683
Investment in Dimension Data Holdings plc	**(9)**	-	14	**(140)**	-	171
Non-operating items	**18**	-	-	**286**	-	-
Reported tax charge	**97**	128	319	**1,540**	1,462	3,948

8(a) Reconciliation of tax charge

			£m			Rm
	6 months to 30 June 2002	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)	**6 months to 30 June 2002**	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)
Tax at UK rate of 30.0 per cent. (2001: 30.0 per cent.) on profit on ordinary activities before tax	**75**	53	24	**1,194**	604	299
Untaxed and low taxed income (including tax exempt investment return)	**(9)**	(65)	(118)	**(143)**	(742)	(1,462)
Disallowable expenditure	**33**	136	418	**524**	1,553	5,175
STC	**3**	18	23	**48**	206	285
Other	**(5)**	(14)	(28)	**(83)**	(159)	(349)
Reported tax charge	**97**	128	319	**1,540**	1,462	3,948

9 DISPOSALS

In accordance with the requirements of Financial Reporting Standard 3, these gains have been disclosed as non-operating.

Old Mutual International (Isle of Man) Limited

On 14 January 2002, Old Mutual International (Isle of Man) Limited, an offshore life assurance business and a 100% subsidiary of the Group, was sold for a cash consideration of £36 million (R574 million). The profit realised on disposal was £20 million (R317 million) and no tax was payable.

US affiliates

During the period the Group completed the sales of C.S. McKee & Company Inc and Suffolk Capital Management for consideration of £6 million (R95 million) and £46 million (R730 million) respectively. The total profit before tax on disposal was £18 million (R286 million) and the associated tax charge was £18 million (R286 million).

10 GOODWILL

	£m			Rm		
	At 30 June 2002	At 31 December 2001	At 30 June 2001	**At 30 June 2002**	At 31 December 2001	At 30 June 2001
At beginning of period	**1,580**	2,279	2,279	**27,537**	25,786	25,786
Additions arising on acquisitions in period	**2**	174	50	**32**	2,122	571
Adjustment in respect of prior year acquisitions	**-**	2	12	**-**	25	137
Disposals	**(18)**	(10)	(4)	**(286)**	(174)	(46)
Impairment loss	**-**	(500)	-	**-**	(6,196)	-
Pilgrim Baxter and Associates revenue share adjustment	**101**	(241)	-	**1,604**	(4,200)	-
Amortisation for period	**(50)**	(113)	(63)	**(794)**	(1,400)	(720)
Foreign exchange and other movements	**(54)**	(11)	105	**(3,359)**	11,574	1,306
At end of period	**1,561**	1,580	2,379	**24,734**	27,537	27,034

Adjustments in respect of prior year acquisitions reflect the latest estimates of the consideration paid for 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.

The impairment loss arose from a review, in accordance with Financial Reporting Standard 11, of the carrying value of the Group's recently acquired UK private client and US asset management businesses. As a result of this exercise, the carrying value of unamortised goodwill as at 31 December 2001 was reduced by £500 million (R6,196 million).

During 2001, a reduction to goodwill of £241 million (R4,200 million), net of tax, reflected the expiry on 31 December 2001 of the Group's option to purchase the remaining revenue share from Pilgrim Baxter. On 14 March 2002, the Group renegotiated terms for the purchase of the remaining revenue share which comprised a combination of fixed instalments and a variable earn-out depending upon profit growth. In accordance with Financial Reporting Standard 7, adjustments have been made to goodwill of £101 million (R1,604) million, which represents the best estimate of the total obligation.

The goodwill amortisation charge for the period of £55m (R873 million) (June 2001: £69 million (R788 million); December 2001: £132 million (R1,636 million)) comprises £50 million (R794 million) (June 2001: £63 million (R720 million); December 2001: £113 million (R1,400 million)) disclosed in note 10 above, and £5 million (R79 million) (June 2001: £6 million (R68 million); December 2001: £19 million (R236 million)) disclosed under interests in associated undertakings.

Notes to the financial statements *continued*

for the six months ended 30 June 2002

11 AMOUNTS OWED TO CREDIT INSTITUTIONS

			£m			Rm
	At 30 June 2002	At 31 December 2001	At 30 June 2001	**At 30 June 2002**	At 31 December 2001	At 30 June 2001
Bank overdrafts repayable on demand	**-**	1	3	**-**	17	34
Bank and other loans						
Repayable within one year						
Syndicated revolving credit facility	**164**	294	268	**2,599**	5,124	3,045
Floating rate notes	**62**	74	79	**982**	1,289	899
Commercial paper	**193**	112	-	**3,058**	1,952	-
Term loans	**30**	-	-	**475**	-	-
Other	**3**	4	1	**48**	70	11
	452	484	348	**7,162**	8,435	3,955
Repayable between one and two years						
Term loans	**-**	30	30	**-**	523	341
Repayable between two and five years						
Syndicated revolving credit facility	**162**	376	354	**2,567**	6,553	4,023
Euro note	**228**	-	-	**3,613**	-	-
Term loans	**6**	6	6	**95**	105	68
Other	**9**	-	-	**143**	-	-
	405	382	360	**6,418**	6,658	4,091
	857	897	741	**13,580**	15,633	8,421

All amounts owed to credit institutions bear interest at variable rates determined in accordance with prevailing market rates at the time of drawing or rollover, except for a €400 million note, which is described below.

The Revolving Credit Facility of £300 million (amount drawn down at 30 June 2002: £164 million) was repaid on 15 July 2002. The Revolving Credit Facility of £900 million (amount drawn down at 30 June 2002: £162 million) is repayable on 13 July 2006.

The floating rate notes consist of a $20 million note repayable on 18 September 2002, and a £49 million note repayable on 31 December 2010 with the holders having the option to elect for early redemption every six months.

The term loans of £30 million and £6 million are repayable on 30 April 2003 and 30 May 2005 respectively.

Commercial paper is issued under a £300 million commercial paper programme for periods of up to 12 months.

11 AMOUNTS OWED TO CREDIT INSTITUTIONS *continued*

Old Mutual plc €400 million 6% Notes due 2007 were issued on 10 April 2002. The interest payable on these bonds is fixed at 6% per annum.

11(a) Convertible loan stock

On 2 May 2001 Old Mutual Finance (Cayman Islands) Limited, a 100% owned subsidiary of the Group, issued US$650 million 3.625 per cent. Convertible Bonds, which are guaranteed by and convertible into the ordinary shares of Old Mutual plc at a conversion price of 190p per share at an exchange rate of one US dollar to 69.52p sterling. The bonds are repayable on 2 May 2005 with the bond holders having the option to elect for redemption on 2 May 2003. The amount payable includes £5 million (R79 million) (December 2001: £8 million (R139 million); June 2001 £12 million (R136 million)) of unamortised issue costs.

12 POST BALANCE SHEET EVENTS

Acquisition of BoE Limited

On 2 July 2002, Nedcor Limited, the Group's 53% owned banking subsidiary, received approval for the acquisition of the entire issued share capital of BoE Limited, a South African bank. The estimated total consideration was £472 million (R7,500 million), consisting of cash of £390 million (R6,186 million) and 10 million Nedcor shares.

Sale of NWQ Investment Management Company, Inc.

The sale of NWQ Investment Management Company Inc., a US asset management affiliate, was completed on 1 August 2002 for an estimated consideration of $120 million.

Embedded value information

1 EMBEDDED VALUE

The embedded value of Old Mutual plc at 30 June 2002 is set out below, together with the corresponding positions at 31 December 2001 and 30 June 2001.

	£m			Rm		
	30 June 2002	31 December 2001	30 June 2001 (restated)	**30 June 2002**	31 December 2001	30 June 2001 (restated)
Adjusted net worth	**2,850**	2,624	4,838	**45,163**	45,716	54,986
Equity shareholders' funds	**2,684**	2,470	3,715	**42,528**	43,045	42,217
Excess of market value of listed subsidiaries over their net asset value	**473**	455	1,143	**7,496**	7,922	12,994
Adjustment to include OMI life subsidiaries on a statutory solvency basis	**(18)**	(17)	(20)	**(287)**	(303)	(225)
Adjustment to include OMUSL on a statutory solvency basis	**(289)**	(284)	-	**(4,574)**	(4,948)	-
Value of in-force business	**925**	898	866	**14,651**	15,648	9, 837
Value of in-force business before cost of solvency capital	**1,019**	981	954	**16,135**	17,101	10,836
Cost of solvency capital	**(94)**	(83)	(88)	**(1,484)**	(1,453)	(999)
Embedded value	**3,775**	3,522	5,704	**59,814**	61,364	64,823

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 local statutory capital requirement in each country (or equivalent where there is no local requirement).

The adjusted net worth is equal to the consolidated equity shareholders' funds adjusted to reflect the Group's listed subsidiaries at market value, plus Old Mutual International (OMI) and Old Mutual US life assurance (OMUSL) subsidiaries on a statutory solvency basis. The adjusted net worth also includes goodwill relating to OMUSL of £61 million (R967 million) as at 30 June 2002 and £65 million (R1,133 million) as at 31 December 2001.

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, except to the extent of any goodwill included in the consolidated equity shareholders' funds. The assumptions used to calculate the embedded value are set out in section 4.

Embedded value information *continued*

Where indicated, comparative figures have been restated to reflect the adoption of Financial Reporting Standard 19 “Deferred Tax”. Refer to the notes to the financial statements for further details. The change in accounting policy has had no impact on the current period’s results. The adjusted net worth has been increased by £44 million (R503 million) as at 31 December 2000 and by £23 million (R263 million) as at 30 June 2001. The value of in-force business had originally placed some value on this tax asset, and this value has consequently now been removed. The value of in-force business has been reduced by £29 million (R327 million) as at 31 December 2000 and by £14 million (R162 million) as at 30 June 2001. These changes have increased embedded value by £15 million (R176 million) as at 31 December 2000 and by £9 million (R101 million) as at 30 June 2001.

The table below sets out a geographical analysis of the value of in-force business.

			£m			Rm
	30 June 2002	31 December 2001	30 June 2001 (restated)	**30 June 2002**	31 December 2001	30 June 2001 (restated)
South Africa	**579**	544	755	**9,176**	9,474	8,573
Individual business	**354**	342	502	**5,608**	5,951	5,698
Group business	**225**	202	253	**3,568**	3,523	2,875
United States	**283**	271	-	**4,484**	4,722	-
Rest of the World	**63**	83	111	**991**	1,452	1,264
Value of in-force business	**925**	898	866	**14,651**	15,648	9,837

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 2002 are set out below, together with the corresponding figures for the six months to 30 June 2001 and the twelve months to 31 December 2001.

			£m			Rm
	6 months to 30 June 2002	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)	**6 months to 30 June 2002**	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)
Embedded value at end of period	**3,775**	5,704	3,522	**59,814**	64,823	61,364
Embedded value at beginning of period	**3,522**	5,568	5,568	**61,364**	63,007	63,007
Increase in embedded value	**253**	136	(2,046)	**(1,550)**	1,816	(1,643)
Less capital raised	**(39)**	(4)	(211)	**(619)**	(46)	(2,788)
New capital raised	**(39)**	-	(208)	**(619)**	-	(2,751)
Proceeds from sale of shares previously held to satisfy claims and errors on demutualisation	**-**	(4)	(3)	**-**	(46)	(37)
Plus dividends proposed	**63**	59	172	**998**	674	2,606
Embedded value profits	**277**	191	(2,085)	**(1,171)**	2,444	(1,825)

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

			£m			Rm
	6 months to 30 June 2002	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)	**6 months to 30 June 2002**	6 months to 30 June 2001 (restated)	Year to 31 December 2001 (restated)
Profits from new business	**58**	28	84	**927**	319	1,053
Point of sale	**56**	27	79	**899**	309	990
Expected return to end of period	**2**	1	5	**28**	10	63
Expected return	**65**	69	144	**1,031**	791	1,809
Experience variances	**16**	16	5	**254**	189	54
Experience assumption changes	**4**	-	(7)	**55**	-	(86)
Profits before investment and exceptional items	**143**	113	226	**2,267**	1,299	2,830
Investment variances	**(43)**	13	33	**(682)**	146	420
Investment and economic assumption changes	**(9)**	109	101	**(148)**	1,244	1,265
Impact of capital gains tax	**-**	(52)	(49)	**-**	(592)	(603)
Development costs	**(6)**	(9)	(28)	**(95)**	(103)	(344)
Goodwill impairment	**-**	-	(500)	**-**	-	(6,196)
Return on adjusted net worth	**(20)**	51	(294)	**(289)**	585	(3,693)
Exchange rate movements	**212**	(28)	(1,560)	**(2,224)**	(60)	4,672
Restatement for adoption of FRS19 Deferred Tax	**-**	(6)	(14)	**-**	(75)	(176)
Embedded value profits	**277**	191	(2,085)	**(1,171)**	2,444	(1,825)

Embedded value information *continued*

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 new business profits for the six months to 30 June 2002 are based on the revised investment and economic assumptions.

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 amount under assumption changes reflects revised expectations of future experience.

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 investment assumptions are shown in section 4.

The impact of capital gains tax relates to capital gains tax introduced in South Africa in October 2001.

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.

Development costs for the six months to 30 June 2002 consist of £6 million (R95 million) start-up costs for Selestia.

Comparative figures have been restated to reflect the adoption of FRS 19 "Deferred Tax". Refer to section 1. The June 2001 figures have also been restated to allow for Guaranteed Capital Fund transfers in respect of South African Individual business. Refer to section 3.

Embedded value information *continued*

The table below sets out a segmental analysis of embedded value profits for the six months to 30 June 2002.

£m 6 months to 30 June 2002	Adjusted net worth	Value of in-force business			Total embedded value
		South Africa	United States	Rest of World	
Value at end of period	2,850	579	283	63	**3,775**
Value at beginning of period	2,624	544	271	83	**3,522**
Increase in value	226	35	12	(20)	**253**
Less capital raised	(39)	-	-	-	**(39)**
Plus dividends proposed	63	-	-	-	**63**
Effect of the sale of Old Mutual International (Isle of Man) Limited	(20)	-	-	20	**-**
Life assurance operating profit after tax on statutory solvency basis	(58)	60	4	(6)	**-**
Embedded value profits	**172**	**95**	**16**	**(6)**	**277**
Profits from new business	-	25	31	2	**58**
Expected return	-	46	15	4	**65**
Experience variances	-	16	(2)	2	**16**
Experience assumption changes	-	-	5	(1)	**4**
Profits before investment and exceptional items	-	87	49	7	**143**
Investment variances	-	(24)	(19)	-	**(43)**
Investment and economic assumption changes	-	(8)	-	(1)	**(9)**
Developments costs	-	-	-	(6)	**(6)**
Return on adjusted net worth	(5)	(15)*	-	-	**(20)**
Exchange rate movements	177	55	(14)	(6)	**212**
Embedded value profits	**172**	**95**	**16**	**(6)**	**277**

** Change in the difference between face value and discounted value of accrued Capital Gains Tax on South African shareholders' funds.*

Embedded value information *continued*

Rm **6 months to 30 June 2002**	**Adjusted net worth**	**Value of in-force business** South Africa	United States	Rest of World	**Total embedded value**
Value at end of period	45,163	9,176	4,484	991	**59,814**
Value at beginning of period	45,716	9,474	4,722	1,452	**61,364**
Increase in value	(553)	(298)	(238)	(461)	**(1,550)**
Less capital raised	(619)	-	-	-	**(619)**
Plus dividends proposed	998	-	-	-	**998**
Effect of the sale of Old Mutual International (Isle of Man) Limited	(317)	-	-	317	**-**
Life assurance operating profit after tax on statutory solvency basis	(916)	946	65	(95)	**-**
Embedded value profits	**(1,407)**	**648**	**(173)**	**(239)**	**(1,171)**
Profits from new business	-	403	498	26	**927**
Expected return	-	731	244	56	**1,031**
Experience variances	-	257	(35)	32	**254**
Experience assumption changes	-	-	74	(19)	**55**
Profits before investment and exceptional items	-	1,391	781	95	**2,267**
Investment variances	-	(374)	(302)	(6)	**(682)**
Investment and economic assumption changes	-	(135)	-	(13)	**(148)**
Developments costs	-	-	-	(95)	**(95)**
Return on adjusted net worth	(55)	(234)*	-	-	**(289)**
Exchange rate movements	(1,352)	-	(652)	(220)	**(2,224)**
Embedded value profits	**(1,407)**	**648**	**(173)**	**(239)**	**(1,171)**

** Change in the difference between face value and discounted value of accrued Capital Gains Tax on South African shareholders' funds.*

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 2002, six months to 30 June 2001, and the twelve months to 31 December 2001. United States new business numbers for 2001 are in respect of second six months only. 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 2002					6 months to 30 June 2002			
	RP £m	SP £m	APE £m	VNB £m	Margin	RP Rm	SP Rm	APE Rm	VNB Rm
South Africa	**62**	**404**	**102**	**25**	**25%**	**982**	**6,420**	**1,624**	**403**
Individual business	**52**	**285**	**80**	**16**	**21%**	**817**	**4,529**	**1,270**	**261**
Group business	**10**	**119**	**22**	**9**	**40%**	**165**	**1,891**	**354**	**142**
United States	**21**	**1,535**	**175**	**31**	**18%**	**326**	**24,368**	**2,763**	**498**
Rest of the World	**5**	**60**	**11**	**2**	**14%**	**89**	**949**	**184**	**26**
Total	**88**	**1,999**	**288**	**58***	**20%**	**1,397**	**31,737**	**4,571**	**927***

** Value of new business net of cost of solvency capital of £12 million (R190 million).*

	6 months to 30 June 2001					6 months to 30 June 2001			
	RP £m	SP £m	APE £m	VNB £m	Margin	RP Rm	SP Rm	APE Rm	VNB Rm
South Africa	62	556	118	26	22%	704	6,353	1,340	296
Individual business	58	417	100	19	19%	663	4,766	1,140	219
Group business	4	139	18	7	39%	41	1,587	200	77
United States	-	-	-	-	-	-	-	-	-
Rest of the World	8	62	14	2	14%	87	712	158	23
Total	70	618	132	28*	21%	791	7,065	1,498	319*

** Value of new business net of cost of solvency capital of £2 million (R24 million).*

Embedded value information *continued*

South African Individual business single premiums include £35 million (R399 million) in respect of transfers from the Guaranteed Capital Fund (a vehicle for extending policies at maturity) to purchase new products, that were not previously categorised as new business premiums. The embedded value of the new business associated with this was £0.8 million (R9 million). The above figures for the six months ended 30 June 2001 have been restated to reflect the transfers from the Guaranteed Capital Fund.

	12 months to 31 December 2001					12 months to 31 December 2001			
	RP £m	SP £m	APE £m	VNB £m	Margin	RP Rm	SP Rm	APE Rm	VNB Rm
South Africa	140	1,142	254	68	27%	1,728	14,143	3,142	840
Individual business	120	792	199	41	21%	1,486	9,812	2,467	506
Group business	20	350	55	27	49%	242	4,331	675	334
United States**	26	578	84	13	15%	349	7,719	1,121	171
Rest of the World	12	106	23	3	15%	151	1,323	283	42
Total	178	1,826	361	84*	23%	2,228	23,185	4,546	1,053*

** Value of new business net of cost of solvency capital of £9million (R114 million).*

*** United States new business for 6 months only.*

South African Individual business single premiums include £61 million (R761 million) in respect of transfers from the Guaranteed Capital Fund (a vehicle for extending policies at maturity) to purchase new products, that were not previously categorised as new business premiums. The embedded value of the new business associated with this was £1 million (R15 million). The above figures for the twelve months ended 31 December 2001 are as reported.

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.

Embedded value information *continued*

A reconciliation of the new business premiums shown in the notes to the financial statements to those shown above, for the six months ended 30 June 2002, is set out below.

6 months to June 2002	£m Recurring premiums	£m Single premiums	Rm Recurring premiums	Rm Single premiums
New business premiums in the notes to the financial statements	104	2,164	1,651	34,364
Less:				
Group market-linked business not valued	-	(91)	-	(1,460)
Group business premiums held temporarily on deposit	-	(21)	-	(331)
Unit trust business not valued	-	(31)	-	(487)
New business premiums arising from indexation	(16)	-	(254)	-
Selestia business not valued	-	(22)	-	(349)
New business premiums as per embedded value report	**88**	**1,999**	**1,397**	**31,737**

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

Embedded value information *continued*

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 assmptions used for South African and United States businesses were as follows:

South Africa	**30 June 2002**	31 Dec 2001	30 June 2001
Fixed interest return	**12.5%**	12.0%	11.0%
Equity return	**14.5%**	14.0%	13.0%
Property return	**13.5%**	13.0%	12.0%
Inflation	**8.5%**	8.0%	7.0%
Risk discount rate	**15.0%**	14.5%	13.5%

United States	**30 June 2002**	31 Dec 2001	30 June 2001
Treasury yield	**5.0%**	5.0%	5.5%
Inflation	**3.0%**	3.0%	3.0%
New money yield assumed	**6.7%**	6.6%	6.8%
Net portfolio earned rate	**7.1%**	7.3%	7.4%
Risk discount rate	**9.5%**	9.5%	10.0%

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

- Where applicable, rates of future bonuses have been set at levels consistent with the investment return assumptions.

- Projected company taxation is based on the current tax basis that applies in each country.

  For the South African business full allowance has been made for secondary tax on companies that may be payable in South Africa. Full account has been taken of the impact of capital gains tax introduced in South Africa with effect from 1 October 2001. It has been assumed that 10% of the equity portfolio (excluding group subsidiaries) will be traded each year. No allowance has been made for capital gains tax on the shareholder investments in Nedcor and Mutual & Federal.

  For the US business full allowance has been made for existing tax attributes of the companies, including the use of existing carry forwards and preferred tax credit investments.

- 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.

Embedded value information *continued*

- The management expenses attributable to life assurance business have been analysed between expenses relating to the acquisition of new business and the maintenance of business in force. Assumed future expenses were based on levels experienced up to 31 December 2001 and increased with inflation up to 30 June 2002. The future expenses attributable to life insurance 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 2002, 31 December 2001 and 30 June 2001 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, US Dollar and Sterling were carried out at the following exchange rates:

	Rand per Sterling	US$ per Sterling	Rand per US$
At 30 June 2002	15.8451	1.5279	10.3702
At 31 December 2001	17.4286	1.4542	11.9850
At 30 June 2001	11.3634	1.4116	8.0500
6 months to 30 June 2002 (average)	15.8800	1.4445	10.9926
6 months to 31 December 2001 (average)	13.3482	1.4404	9.2670
12 months to 31 December 2001 (average)	12.3923		
6 months to 30 June 2001 (average)	11.4211		

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 2002 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	2,850	2,850	2,850	45,163	45,163	45,163
Value of in-force business	1,030	925	823	16,324	14,651	13,033
Value before cost of capital	1,070	1,019	965	16,949	16,135	15,288
Cost of solvency capital	(40)	(94)	(142)	(625)	(1,484)	(2,255)
Embedded value	**3,880**	**3,775**	**3,673**	**61,487**	**59,814**	**58,196**

The table below sets out the value of the new life assurance business (VNB) for the 6 months to 30 June 2002 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%
VNB before cost of capital	74	70	66	1,172	1,117	1,054
Cost of solvency capital	(9)	(12)	(14)	(145)	(190)	(232)
Value of new business	**65**	**58**	**52**	**1,027**	**927**	**822**

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 2002.