OLD MUTUAL plc
Results for the year ended 31 December 2001

HIGHLIGHTS

- Group smoothed operating profit* increased 11% in Rand to R10,601 million, but decreased 6% in Sterling to £856 million
- Operating earnings per share*, at 13.2p, were 22% lower than in 2000
- South African life business operating profit, before long term investment return, up 17% to R3,085 million
- Value of life assurance new business £84 million
- Nedcor headline earnings up 26% at R3,794 million
- Best net cash inflows in US asset management since 1993
- Fidelity & Guaranty Life performance ahead of expectations
- Gerrard integration complete
- Final dividend unchanged at 3.1p (up over 40%** in Rand)

"Our South African team continued to achieve world class standards and our new US life business exceeded our expectations. We were able to deliver a big recovery in cashflow from our US asset management affiliates and we completed the integration of our UK stockbroking businesses. However, our earnings were heavily affected by poor stock markets and exchange rates. We remain well positioned for the future."

Jim Sutcliffe, Group Chief Executive, 25 February 2002

* ***Smoothed operating profit is based on a long term investment return, and is stated before tax, goodwill amortisation and impairment, write-down of the Group's investment in Dimension Data Holdings plc, and short term fluctuations in investment return. Operating earnings per share are stated on the same basis, but after tax and minority interests.***

** ***The dividend recommended (final 3.1 p per share, making 4.8 p per share for the year) will be converted, for payment to shareholders on the branch registers and the Namibian section of the principal register, into local currency at exchange rates ruling on 4 April 2002. References in this announcement to the Rand equivalent of the final dividend have been based on the exchange rate of R16.293:£1 prevailing on Thursday 21 February 2002 and are for indicative purposes only.***

A full copy of these results and the associated presentation to analysts, together with photographs and biographical details of the Executive Directors of Old Mutual plc, are available in electronic format. Please call the numbers below, or alternatively they are available for download from the company website at *www.oldmutual.com*

25 February 2002

Further Enquiries:-

Old Mutual plc, London:	**Tel: +44 (0)20 7569 0100**
Jim Sutcliffe, Group Chief Executive	
Julian Roberts, Group Finance Director	
James Poole, Investor Relations Director	**Tel: +44 (0)7768 991 096**
or South Africa:	
Bruce Allen, Group Media Relations	**Tel: +27 (0)21 509 2446**
Zoleka Mzimba, Group Media Relations	**Tel: +27 (0)82 453 8298**
College Hill:	**Tel: +44 (0)20 7457 2020**
Gareth David	
Tony Friend	
Nicholas Williams	**Tel: +44 (0)7767 242 566**

Chief Executive's statement on the results

As Chief Executive since November 2001, I am pleased to present our results for the year ended 31 December 2001. Group smoothed operating profit[1] increased 11% from R9,585 million in 2000 to R10,601 million in 2001, but declined in Sterling by 6% from £911 million to £856 million.

We saw positive results in 2001 from our most recent acquisition, Fidelity & Guaranty Life, and from the re-engineering of our US asset management businesses. Our South African businesses had a particularly good second half, and we consolidated our dominant position in financial services there.

Despite this, we have seen a reduction in operating earnings per share[1] (at 13.2p) compared with 2000 (17.0p). Lower levels of markets in the UK and the USA, higher taxes and the dramatic depreciation in the Rand all proved heavy burdens.

The Board has shown its confidence in the future by recommending an unchanged final dividend of 3.1p, which will represent a substantial increase for more than half of our shareholders when converted into Rand and other currencies of payment.

Management

In September, we re-organised the focus of our business into three principal geographical regions, South Africa, the USA and the UK, to allow for much clearer management responsibilities, and to recognise the differing requirements of customers in each area. We introduced a powerful new management team focused on these lines. We now have a team the equal of any in the world.

South Africa

The South African life business, led by Roddy Sparks, had a very successful year, delivering operating profit of R3,085 million, representing growth in smoothed earnings of 17%. The value of new business grew by 19% in Rand, with margins increasing significantly to 27% as we introduced more modern products. The Employee Benefits division had a very successful run in the second half, acquiring some large with-profit annuity premiums. As shown at the interim results, long term investment return reduced sharply, following the reallocation of surplus capital to the asset management business for the purchase of United Asset Management Corporation late in 2000.

Our 53% owned banking subsidiary, Nedcor, led by Richard Laubscher, had another outstanding year, producing a 26% increase in headline earnings at R3,794 million. Its underlying earnings rose 18%, with impressive levels of growth being achieved in both its South African and international operations. Importantly, it announced the completion of an arrangement with Swisscard to undertake card-processing in South Africa - turning the weak Rand to advantage.

Our 51% owned general insurance business, Mutual & Federal, returned an underwriting profit of R62 million and its operating ratio improved to 97.9%, an enviable level compared to its peer group. During the year, it paid a further special dividend to its shareholders, reflecting the surplus capital in the group, and it also successfully integrated the CGU business, acquired late in 2000.

[1] see footnote * in Highlights

Nedcor and Old Mutual have also co-operated to develop their burgeoning bancassurance relationship during 2001, as illustrated by the growing sales of Old Mutual life products through Nedcor's branches, the launch of offshore banking through the Gerrard Private Bank joint venture, and the proposed merger of Old Mutual Banking Services with Nedcor's Permanent Bank.

USA

In the USA, Guy Barker and his team continued to develop our life assurance presence by the launch of Americom Life in May 2001 and the acquisition of Fidelity & Guaranty Life ("F&G") with effect from 1 July 2001. We welcome them to the Old Mutual family. They made a promising start, with F&G delivering operating profit of $45 million (before $13 million of restructuring and acquisition costs and $13 million of operating loss at Americom) for the part of 2001 for which their results were consolidated. $121 million of annual premium equivalent new business was achieved by these businesses for the second six months of 2001 (value of new business: $18m). This was ahead of expectations, as F&G benefited from a swing towards its annuity products after September 11. Net cash inflow at F&G reached nearly twice the level of the previous year.

In our US asset management operations, led by Scott Powers, we have finalised our operating structure. We will operate four sets of businesses – Pilgrim Baxter, our thriving mutual fund business, OMAM(US), our seven specialist institutional asset managers with common marketing programmes and incentives, Old Mutual Strategic Affiliates, a group of eleven alternative asset managers, which broaden and deepen our style and distribution reach, and the fourth group – Old Mutual Financial Affiliates – a small group of affiliates which will be held as financial investments with operational autonomy. Since acquisition, we have sold fourteen affiliates for prices in excess of our expectations at the time of acquisition, despite the difficult market conditions.

Reported operating profit for the US asset management businesses, of $167 million, before goodwill amortisation and tax, were creditable in the context of the difficult market conditions which prevailed during the year. Assets under management for businesses owned throughout the year held up very well in poor markets, and fell just $5 billion to $150 billion, reflecting the "value" bias in the firms. Importantly, we were able to report a net cash inflow of $4.4 billion across all our US asset management businesses, including the F&G funds now managed by Dwight Asset Management – a remarkable turnaround compared to prior years.

UK and rest of world

In the UK we appointed Edmond Warner to lead all of our UK businesses.

Business volumes in the private client stockbroking operations of Gerrard were severely depressed in line with the reduced level of retail share trading across the whole UK market, with the decline in the UK equity markets over the year providing an inauspicious backdrop to its activities. It nevertheless achieved a major success in integrating the overlapping regional offices of Greig Middleton and Capel Cure Sharp and their back office functions, which are now combined in Glasgow.

Gerrard's profit of £2 million, before integration costs of £12 million, was disappointing, and a key challenge for the new senior management team under Stephen Clark, announced in January 2002, will be to ensure that it delivers in the future the greater success of which we know it to be capable.

Elsewhere, our 26% owned life assurance joint venture in India, OM Kotak Mahindra, developed successfully during the year and now has offices in nine locations around India.

Overall, our UK and rest of world businesses, which include the results of Nedcor's operations outside South Africa, our other asset management operations around the world, our businesses in the rest of Africa and our other businesses in the UK, produced an operating profit in 2001 of £74 million, compared to £105 million in 2000.

Financial matters

As foreshadowed in our trading statement issued in November, we have carried out a review of the carrying value of the goodwill acquired as part of Gerrard Group plc and UAM, and there has been a resultant write-off of a total of £500 million. This puts us on a firmer footing to move forward in the future.

Outlook

As an organisation that is internationalising, we shall always be affected by changing exchange rates and, indeed, we began 2002 with the Rand at historic lows. As an asset management and asset gathering organisation, we will likewise always be affected by fluctuations in financial markets, but we remain confident that our core businesses have excellent growth prospects.

The Group's operations are well positioned for the future. We have much to do to continue our growth in South Africa, to deliver the value potential of our US businesses and to rebuild our profits in the UK. We are totally focused on these goals.

JIM SUTCLIFFE
Chief Executive
25 February 2002

Operating and Financial Review

South Africa Business Review

Smoothed operating profit for the South African businesses in local currency at R9,536 million, increased 10% from R8,668 million, but translated into Sterling of £770 million, decreased 7% from £824 million in 2000.

During 2001 Old Mutual South Africa (OMSA) reorganised its business to provide a greater emphasis on meeting customers' needs. New product ranges were introduced in both the retail and institutional sectors. Operating profit, before long term investment return, for OMSA's life assurance and asset management operations was R3,543 million, representing an increase of 14% from R3,114 million in 2000.

The Group's banking operations, principally comprising Nedcor, continued to produce strong results. Operating profit from banking, including the contribution from Nedcor's operations located outside South Africa, was R4,572 million, an increase of 33% from R3,440 million in 2000.

Mutual & Federal returned an underwriting result under UK GAAP of R62 million for 2001, a significant improvement on the break-even position achieved in 2000. Its operating ratio improved to 97.9% from 99.9% in 2000.

Life Assurance

Summary financial performance

Good results were achieved by the Group's South African life businesses under difficult market conditions. Once again, they produced an excellent return on internal capital allocated of 24% (2000: 23%). Operating profit, before long term investment return, of R3,085 million increased 17% from R2,630 million in 2000.

The embedded value of new life business grew by 16% to R840 million. The increase in the embedded value of new business was due to improved sales of single premium business, particularly *Investment Frontiers* and Employee Benefits with-profit annuities, in the second half of the year. The average margin on 2001 sales rose by 4% over the prior year, reaching 27%. Embedded value new business Annual Premium Equivalent (APE) of R3,142 million increased 1% from R3,122 million in 2000, with APE in the second half of the year 36% higher than the first half of 2001.

Individual Business

Financial performance

Operating profit, before long term investment return, for Individual Business, principally comprising Individual Life and Group Schemes, of R2,152 million increased 24% from R1,736 million in 2000. This increase was the result of favourable experience profits, improved investment performance and consequent increased asset-based charges due to higher asset levels.

The embedded value of new business of R506 million increased by 27% from R399 million in 2000. This was strongly supported by improved distribution efficiencies and increased volumes of higher margin business, particularly *Investment Frontiers* business, which attracted new business flows of R6,950 million during the year. In total, new single premiums of R9,812 million increased by 16%. Included in 2001 are new single premiums of R761 million in respect of transfers from the Guaranteed Capital Fund into *Investment Frontiers* policies which were not categorised as new business premiums in 2000. Excluding this, the new single premium growth would have been 7%. Individual recurring new business premiums for the year of R1,486 million increased by 7%.

The second half of 2001 showed an improvement in both volumes and persistency that leave this business well positioned for 2002. Individual Business had an extremely good year in the very competitive broker market, where it grew new business by over 20%, and increased the number of its broker consultants by 10%.

The South African government's "Persal" stop order collection system was re-opened to new business in July 2001, nine months later than anticipated, necessitating the increased use of debit order collection on which high cancellation rates were experienced. Despite this, Group Schemes' new business premiums grew by 3%, after allowing for cancellations.

Business development

Changes in the organisational structure of Individual Business to focus on three distinct customer segments are almost complete, and it is well positioned to increase its share of the market in 2002. 2001 also saw the launch of two new distribution channels targeting particular customers, one aimed at the high-income consumer, and another at the emerging middle market.

Further development of the core product platform enabled the successful launch of several market-leading products during the year. *Greenlight*, an innovative individual insurance protection product, was launched in May. In August an international version of *Investment Frontiers* was launched to target South Africans who wish to increase their international savings exposure through the permitted R750,000 per person offshore allowance.

The Personal Financial Advisers (PFA) agency force restructuring, which Old Mutual has been driving over the past three years, was completed during 2001. The restructuring led to significantly improved recruitment, training, processes, structure and front-line management. As a result of this process, the average number of PFA salespeople during 2001 was below that of 2000, which impacted on sales, particularly in the first half of 2001. At year end, the number of sales people was 2,400, an increase of approximately 12% over the year. The business is well positioned for 2002, with the intention of growing the PFA agency force off a sound base.

Bancassurance initiatives progressed well in 2001. OMSA established joint ventures with Nedcor to improve sales of assurance products to Nedbank and Peoples Bank customers. Nedcor's Personal Financial Planners (PFP) advisory sales force has grown significantly, leading to increased sales of Old Mutual product, while more than 100 Group Schemes advisers now operate in Peoples Bank branches. Recurring and single premium sales through Nedcor PFP improved by 153% and 59% respectively in comparison to the previous year.

Moving forward

During the year Individual Business benefited from new generation IT systems, implemented towards the end of 2000, with significant reductions being achieved in the cost per policy for products running on these systems. The next stage of this process will involve the migration of historic business on to the new systems, which is expected to result in a significant further reduction of the average administration cost per policy.

The bancassurance channel is growing rapidly and the Group's objective is to continue to develop this area of business, where it sees significant potential. OMSA and Nedcor agreed during 2001 to merge Nedcor's Permanent Bank with the newly launched Old Mutual Banking Services, subject to regulatory approval. The resulting entity will sell a full range of banking and insurance products through intermediaries and a branch network to Old Mutual's customer base.

Group Business

Financial performance

Group Business, principally comprising Employee Benefits and Old Mutual Healthcare, performed well in a difficult year for the industry. Operating profit, before long term investment return, of R933 million increased by 4% from R894 million in 2000. This increase was achieved despite significant expenditure on new IT systems, and a decline in profits from the healthcare business resulting from reduced membership.

Sales of single premium business of R4,331 million in 2001 represented an increase of 41% over R3,077 million in 2000 after excluding new business that arose from free shares in 2000, driven primarily by strong sales of with-profit annuity business. This shift in the mix of business towards higher margin with-profit annuities drove up new business margins from 38% to 49%.

The value of new business of R334 million increased by 8% from R309 million in 2000, after excluding new business that arose from free shares in 2000. Although new business sales of recurring premium products of R242 million decreased from R502 million in 2000, sales in the second half of 2001 of R201 million increased significantly on those achieved in the first half of the year. The decline in new business year on year was also accentuated by a single large quantum of new risk business written in 2000.

Business development

Significant investment was made during 2001 in new products and administration systems, which will continue in 2002, placing Employee Benefits in an excellent position to capture new business in the future. In 2001 Employee Benefits launched new structured products, which extend the range of products providing capital guarantees beyond the smoothed bonus products. A credit assurance product was launched in the fourth quarter and is expected to create new business opportunities in 2002. The multi-manager administration and management functions were consolidated under the *Symmetry* umbrella.

Moving forward

A number of significant single premium contracts are expected to come up for tender in the year ahead. Group Business is well positioned to capture a share of these new flows in the coming months, thanks to significant enhancements in product capabilities made over the past year, and the strong capital position of Old Mutual.

Asset Management

Financial performance

Operating profit from the South African asset management businesses of R458 million, decreased by 5% from R484 million in 2000, primarily as a result of difficult market conditions affecting Old Mutual Unit Trusts and start-up costs incurred by *Fundsnet*, the on-line unit trust supermarket launched in late 2000.

Over the year, the total funds managed in South Africa grew by 14% from R230 billion to R261 billion. Funds under management were affected by disappointing net cash flows, particularly in the unit trust industry, and by net life fund outflows, albeit at lower levels than in 2000. The net cash outflows were offset by positive market movement, with the JSE all share index increasing 25% over the year.

Business development

OMAM(SA)'s investment performance across its many mandates was mixed. Performance improved during the year on third party institutional mandates, but was variable across the unit trust products, resulting in an average result for the year as a whole. Its investment performance on behalf of the Group's South African policyholders' funds remains good.

OMAM(SA) has been developing its local investment management capabilities in terms of both conventional asset management skills and alternative asset management offerings. This has been in anticipation of the growing demands of the institutional asset management market in South Africa. It has also been working with other asset management subsidiaries in the Group to structure a broader range of international investment capabilities for the South African market.

Banking

Nedcor - financial performance

Nedcor continued its sustained performance of excellent returns, with headline earnings of R3,794 million increasing by 26% from R3,012 million. Return on equity increased to 25.1% (2000: 24.0%) and return on assets to 2.22% (2000: 2.16%). Earnings, excluding all translation gains resulting from the conversion of integrated offshore banking operations, and excluding the write-down in Dimension Data Holdings plc, grew by 18%, comprising 15% growth in its South African operations and 32% growth in its international operations.

Total advances grew by 26%, and contributed to an increase in market share of 0.3% to 17.9% in total assets. The advances growth occurred at an organic, acquisitive and Rand-translated level. Net interest income grew by a more muted 11%. This resulted from the continuing pressure on margins, the negative endowment effect of lower interest rates on capital and reserves, lower global yields earned on externalised capital, and the redeployment of cash to acquire Imperial Bank and Gerrard Private Bank.

Non-interest revenue of R5,709 million, excluding exceptional items, increased by 33% from R4,292 million in 2000. The foundation for this increase was strong growth of 20% in commission and fees to R3,211 million (2000: R2,684 million), boosted by good growth in bancassurance revenues, trading income and investment banking profits.

Expenses increased by 19% due to new acquisitions, the fully expensed start-up development costs of strategic banking alliances, and the costs of offshore operations converted into depreciated Rand. Despite this increase, Nedcor's efficiency ratio of 49.3% (2000: 50.3%) breached the 50% barrier for the first time, and this leads the way in South African banking.

The credit climate in South Africa continued to improve in 2001 and reflected the reduced interest rate environment. Nedcor is cognisant, however, of its high advances growth and continues to adopt a conservative provisioning policy. Consequently, the general risk provision has been prudently supplemented by R400 million to cover unidentified but inherent risks that may result from the further depreciation in the value of the Rand and the current uncertain business environment.

Nedcor's overall capital adequacy ratio of 11.4% (2000: 13.2%) remains comfortably above the statutory requirement of 10%.

Nedcor - business development

Good progress is being made with the integration of Nedcor's strategic banking alliances, comprising the partnerships with Old Mutual, Capital One, Imperial Bank, JD Group and Pick 'n Pay. The proposed merger of Permanent Bank and Old Mutual Banking Services, which is still subject to regulatory approval, is an exciting initiative intended to create a powerful presence in the important middle market. The Peoples Bank empowerment transaction, whereby 30% of Peoples Bank has been sold to empowerment groups for R569 million with effect from 1 January 2002, is set to broaden the sphere of Nedcor's operating activities.

Nedcor is in the process of finalising commercial contract terms for its first European card processing transaction. This exciting new initiative will utilise the low South African cost base, and Nedcor's IT processing skills base, and will bring hard currency earnings into South Africa. Further opportunities in the commercialisation of technology and operations are being pursued, with the aim of leveraging Nedcor's core processing competence in the international arena.

Nedcor's strategic technology investments also provide capacity and skills which support its technology and operations commercialisation strategy.

General Insurance

Mutual & Federal - financial performance

Mutual & Federal returned an underwriting result under UK GAAP of R62 million for 2001. This represents a significant improvement on the break-even position achieved in 2000. The operating ratio improved to 97.9% from 99.9% in 2000. The strong capital position of Mutual & Federal enabled its Board to declare a special dividend of 350 cents per share in November 2001. Despite this dividend, the solvency ratio remains strong and was in excess of 70% at 31 December 2001. Mutual & Federal has now declared special dividends in three consecutive years, returning R1,444 million, R723 million and now R847 million in capital to shareholders. This capital reduction forms part of a continuing critical review of the efficient use of capital by members of the Group.

Each of Mutual & Federal's divisions performed well during the year. The Commercial Division grew substantially with premiums increasing from R1.1 billion to R1.8 billion, now representing over 40% of turnover. Levels of profitability improved following rating adjustments and renewed focus on underwriting margins. The Personal Lines division continued to be the largest in the organisation. During 2001 the majority of portfolios returned to acceptable levels of profitability. The Corporate Business Division also showed improvement, with premiums growing to R650 million, a 35% increase over 2000. The Claims and Services Division continues to provide outstanding levels of support.

Mutual & Federal - business development

Considerable attention was given during the year to the consolidation of CGU, the South African business purchased from CGNU, following its acquisition in late 2000. All CGU policies have now been successfully converted on to the Mutual & Federal systems.

Mutual & Federal - moving forward

During the year a number of rationalisations took place, as Mutual & Federal disposed of its interests in underwriting agencies which did not accord with its overall strategy. These disposals will enable management to focus more closely on the core activities of Mutual & Federal so as to maximise value.

United States Business Review

Operating profit from the Group's US asset management and life assurance operations of £129 million increased from £44 million for that part of 2000 for which their results were consolidated. The increase was attributable to a full year contribution in 2001 from the US asset management group (purchased in October 2000), and the commencement of the Group's US life assurance business in 2001.

The US asset management business made strong progress during 2001. Pilgrim Baxter, Old Mutual Asset Managers (US) and the remaining Old Mutual US asset management affiliates, overall achieved net fund inflows in a challenging market environment. Good progress continued to be made with divestiture activity, and the Group has identified a number of affiliates which it intends to hold as longer-term strategic investments. Old Mutual favours aligning these affiliates more closely with the Group over the long term, whilst the remaining affiliates will be held as financial investments, where their status as stand-alone firms will be maintained.

The Group commenced life assurance business in the US during 2001 through the acquisition of Fidelity & Guaranty Life (F&G), and the start-up operation of Americom Life & Annuity (Americom). Strong new business sales were recorded over the period of 2001 for which these businesses were operational as part of the Group, and Old Mutual is confident that a wider product offering under these brands will be successful.

Asset Management

Financial performance

Operating profit from the US asset management group was $167 million, compared to $67 million for the part year for which its results were consolidated in 2000. During 2001, nearly all categories of US equities declined, particularly growth stocks, which more than offset strength in fixed-income securities. The Standard & Poor's 500 index declined 12% year-on-year, and the Nasdaq composite index declined 21%.

Funds managed by the US asset management group, including F&G funds, were $150 billion at the end of 2001, compared to $178 billion at the beginning of the year. During the year, funds of $23 billion were disposed of through divestiture activity. The decline in equity markets reduced assets by $10 billion, partially offset by net cash inflows of $4 billion from new and existing clients, including the F&G funds, which are now managed by Dwight Asset Management. The net client cash flow was a significant improvement over the prior four years' operating results for these businesses before they joined the Old Mutual Group, and their first overall positive net cash flow since 1993.

Comparative investment performance by the US asset management businesses continued to be strong, with a majority of products outperforming their benchmarks on a one- and three-year basis. At year end, 22 of the US asset management group's 51 mutual fund portfolios rated by Morningstar carried four- or five-star ratings, well ahead of the industry average. Assets managed by firms in the four- and five-star funds represented over 79% of the US asset management group's total mutual fund assets rated by Morningstar at the close of the year.

Pilgrim Baxter & Associates

Business development

Despite challenging market conditions, which caused Pilgrim Baxter's funds under management to decline from $17.5 billion to $12.6 billion over the year, superior investment performance, increasingly diverse product lines, the firm's excellent client relationships and strong brand enabled it to record positive net client cash flow of $0.8 billion in 2001. Equally encouragingly, Pilgrim Baxter made notable progress in key areas of its long-term growth strategy, further broadening its product lines and establishing important new relationships with major distribution partners.

In the product area, the firm has added five new high-quality investment styles and asset classes to its flagship PBHG mutual fund family – real estate, fixed income, quantitative equity, intrinsic value and deep value. All five of the new portfolios are sub-advised by other Old Mutual investment managers. This development reflects the potential synergies inherent in the Group's US asset management franchise, as well as the depth and breadth of its investment talent.

Pilgrim Baxter established substantial sub-advisory relationships to manage portfolios for the mutual fund groups of three large financial services organisations – American Skandia Life Assurance, American Express, and Wachovia Corporation's First Union Securities. The sub-advised portfolios encompass both growth and value investment styles.

Pilgrim Baxter's investment performance, particularly in the value area, continued to achieve top ratings. At the end of the year, over half of the firm's Morningstar-rated portfolios achieved four- or five-star ratings.

Old Mutual Asset Managers (US)

Business development

The seven OMAM(US) firms completed their first full year of operating together. Funds under management, including F&G funds, increased from $74.9 billion to $76.7 billion. Net positive client cash flow of $6.5 billion, offset the negative impact of the fall in market indices, as well as underperformance in growth-style equity funds. Dwight Asset Management, a fixed-income manager specialising in stable value asset portfolios, brought in substantial net new business, including over $5 billion from F&G, which was acquired by Old Mutual during the year. Clay Finlay, which manages a full range of global equity mandates, also had strong new business results, driven by superior long-term performance and client service.

Sub-advisory relationships, particularly for partners with strong distribution capabilities, remain one of the most attractive avenues to leverage OMAM(US)'s investment skills and accelerate asset gathering. Establishing these key sub-advisory relationships will be a significant component of its strategy in 2002.

Old Mutual Affiliates

For financial reporting purposes, the remaining Old Mutual affiliates have been analysed into two further groups. "Old Mutual Strategic Affiliates" are affiliates that have been identified by the Group as being of longer-term strategic interest. "Old Mutual Financial Affiliates" include affiliates that are now held as financial investments and which will maintain operational autonomy, and affiliates which were divested during 2001.

Including affiliates geographically located outside the USA, funds managed by Old Mutual Strategic Affiliates remained constant at $37.5 billion over the year. Overall net negative client cash flow offset total positive market movement of $0.7 billion across these affiliates.

Funds managed by Old Mutual Financial Affiliates of $23.1 billion decreased by 4% over the year when compared on a like-for-like basis, excluding divested funds of $23.0 billion. This group recorded $2.1 billion of net negative cash flow during the year.

Business development

During 2001, eight affiliates were sold, and the principals of two additional affiliates purchased control of their organisations, with Old Mutual retaining an equity interest. Including divestitures already announced in 2002, fourteen affiliates with approximately $36 billion in funds under management have been sold to third parties or management.

US Asset Management

Moving forward

Old Mutual's US asset management group will continue to pursue a three-pronged strategy of organic growth in 2002. First, it intends to strengthen its position and accelerate growth in the core US defined benefit plan, mutual fund and wrap markets. Secondly, it will aim to source new investors in carefully defined areas. Finally, it will look for ways to realise appropriate economies of scale and cost-effectiveness across the organisation. These steps should position the US asset management group to benefit significantly from the long-term growth of the investment management business in North America and selected overseas markets.

Life Assurance

Financial performance

Americom commenced operations in May 2001 and F&G has been consolidated with effect from 1 July 2001. Together these businesses have contributed $19 million to operating profit for that part of 2001 for which their results were consolidated, after incurring $13 million of one-off transition and restructuring expenses.

New business sales for the periods since acquisition have been extremely encouraging at $871 million (Annual Premium Equivalent basis: $121 million). The value of new business of $18 million, at a margin of 15%, has provided 16% of the total value of new business for the Old Mutual Group in 2001. Embedded value profits were $23 million, and the embedded value of the US life businesses was $788 million at the end of the year.

Business development

The focus of 2001 was on the creation of the US life organisation. Americom commenced operations with four regional sales offices and the creation of a broad portfolio of life, fixed annuity and equity-linked annuity products for sale via independent agents.

As part of the F&G ownership change, management of most of its $6 billion portfolio was passed to OMAM(US)'s Dwight Asset Management, enabling the Group to extract synergies from its existing US resources. Dwight Asset Management has undertaken a review of F&G's portfolio and has realigned the portfolio to increase yield within acceptable risk parameters, while also bringing a more active investment process to bear on the assets.

Moving forward

In January 2002 the closure of Americom's Kansas City office and the consolidation of certain head office functions to Baltimore, Maryland were announced. The Group is well positioned to widen the product offerings available under the F&G and Americom brands. With the support of the Group, the US life businesses intend to expand these brands by various marketing initiatives during 2002.

United Kingdom & Rest of World Business Review

Operating profit, before long term investment return, from the Group's UK and Rest of World asset management, life assurance and banking businesses of £74 million has decreased from £105 million in 2000.

Asset Management

Private Client

Financial performance

Gerrard operating profit of £2 million, before integration costs of £12 million, decreased significantly from £26 million in 2000, principally due to declining commission levels and reduced fee income when compared to 2000.

Retail volumes through the London Stock Exchange reduced dramatically during 2001 as retail customers cut back on trading activity and, in line with other private client stockbroking firms, Gerrard's business suffered as a result of this. Consequently, commission income reduced by approximately £34 million, a 30% decrease when compared on a like-for-like basis to 2000.

Funds under management at 31 December 2001 were £17.4 billion, a decrease of 17% from £20.9 billion at 31 December 2000. The FTSE 100 index fell 16% over the same period. Fee-based revenues reduced by approximately £9 million, a 13% decrease when compared on a like-for-like basis to 2000.

The management systems and compliance processes within the Capel Cure Sharp operations have been strengthened, following £0.7 million of regulatory fines incurred during 2001 in connection with bank account reconciliation and pension mis-selling issues from prior years.

Gerrard - business development

A new Chief Executive and a number of other senior appointments have been made to build the expertise and capability of the management team. Gerrard will continue to strive for efficiencies in operations and build revenues, taking advantage of its scalable platform. The integration is complete in all Gerrard offices, enabling it to build on its current position to take advantage of more favourable market conditions ahead. Technology investment, made in 2001, will now be directed toward building on existing client relationships and developing new ones.

Gerrard's core proposition is a personalised investment solution, delivered to the client through a direct relationship with a trusted adviser. Gerrard is the UK's largest private client investment manager and, with a single administrative platform, client managers will now be in a position to focus increasingly on growth opportunities. By augmenting the core proposition with additional, carefully selected and targeted products and services, the business is positioned strongly to take advantage of market opportunities in wealth management in the affluent and high net worth segments.

In conjunction with Nedcor, Fleming Offshore Banking was acquired in 2001 and re-branded Gerrard Private Bank (GPB). Initially operating offshore from the Channel Islands and the Isle of Man, GPB will seek opportunities to extend its offering onshore, giving the Group's UK businesses an opportunity to provide a broader private banking service to their clients.

Fund Management

Financial performance

Operating profit from the Group's UK and Rest of World fund management businesses of £6 million, decreased by 57% from £14 million in 2000. Included in these results are Old Mutual Asset Managers (UK) (OMAM(UK)) and Old Mutual Asset Managers (Bermuda). The Bermudan operation provides investment management services to South African clients investing internationally, where the funds are generally sub-advised by OMAM(UK), and to international clients investing in South African funds.

OMAM(UK) - business development

OMAM(UK) continued to make good progress during the year and achieved net new funds of £92 million in a difficult environment. It has been focused on increasing market share in the UK unit trust sector, which, despite market downturns, maintains underlying growth. The announcement in October 2001 of the merger of the retail fund businesses of OMAM(UK) and Gerrard Investment Funds under the management of OMAM(UK) was an important step in this process. This integration is expected to yield substantial benefits in terms of improved client service, broader product scope, and meaningful savings through the elimination of duplication.

The UK Select Smaller Companies Fund, launched in the first quarter, was one of the industry's most successful fund launches during the year, raising a total of £26 million when launched and reaching £99 million by the end of 2001. The fund obtained a AA rating from Standard & Poor's.

Other Financial Services

Financial performance

Operating profit from the Group's UK and Rest of World other financial services businesses of £1 million decreased from £8 million in 2000. Included in these results are GNI, GNI Fund Management, Old Mutual Securities and the central management and service costs associated with the UK businesses. An operating loss from Old Mutual Securities, UK property provisions, together with central management and service costs, were the main contributors to the decrease in operating profit.

GNI - business development

GNI produced operating profit before tax of £9 million, compared to £7 million in 2000. Whilst all areas of the business, with the exception of foreign exchange, showed strong growth in revenues, financial futures had an exceptional year, buoyed by interest rate volatility. Volumes in margined equity products grew steadily during the year, regardless of general equity market volumes, as GNI's hedge fund client base expanded.

GNI's margined equity products continued to grow in 2001, with expansion driven by the introduction of Contracts for Differences to European and US markets. The transfer of the residual Gerrard & King business into GNI, as well as increased activity in European equity markets, enhanced stock lending and repo income growth at GNI. Foreign exchange experienced reduced market volatility, leading to reduced levels of customer interest. A number of cost saving measures and process efficiencies are being implemented at GNI in 2002.

Old Mutual Securities - business development

Old Mutual Securities (OMS) was adversely affected by the slump in market volumes which was particularly marked in the small cap sector, its area of strength, and which fell 36% in volume terms from 2000. This was partly mitigated by an increase in market share of OMS in the small cap market. Income from corporate financing activities fell 30%, as demand for services fell sharply as a result of declining equity markets and a slowing economy.

OMS was involved in a number of corporate finance transactions during 2001, which raised a total of £208 million of new capital for corporate clients. In addition, it acted as adviser on transactions with a value of £350 million. OMS took on a number of new brokerships during the year, including Business Post, Synstar and Chorion.

Life Assurance

Financial performance

Operating losses, before long term investment return, from the Group's UK and Rest of World life businesses of £7 million compared to an operating profit of £7 million in 2000. Excluding the start-up costs of £19 million in 2001 associated with the new UK life business, Selestia, the operating profit from these businesses was £12 million, an increase of 71% over 2000.

United Kingdom - business development

The Group has continued to extract value from its UK life businesses, as demonstrated by the post-year end disposal of its Isle of Man business for £36 million.

On 1 November 2001 the Group successfully launched Selestia, an IFA distributed retail investment solution which is unique in the UK in bringing the disciplines of institutional investment to the private investor.

Selestia has demonstrated the power of leveraging the Group's South African resources and expertise. Its core system has been taken from OMSA's successful *Investment Frontiers* business in South Africa, and OMSA's South African technology team was largely responsible for the delivery to market on time of the UK enhanced proposition.

Rest of Africa

Included in the Group's results are operating profit, before long term investment return, from its operations in Zimbabwe, Namibia, Malawi, Kenya and Botswana of £6 million, which increased from £2 million in 2000.

India - business development

The Group's 26% owned joint venture life insurance company in India, OM Kotak Mahindra, continued to make satisfactory progress during the year. By the end of the year, OM Kotak Mahindra had an agency force of approximately 1,000 agents, with offices in nine cities. In 2002, it intends to increase its agency force further, open an additional four offices, and substantially diversify its product range.

Banking

Operating profit from the Group's UK and Rest of World banking operations of £79 million have increased by 36% from £58 million in 2000. These results principally reflect the international and offshore banking activities of Nedcor, which include Gerrard Private Bank.

Group Financial Review

Operating profit and earnings per share

The reduction in the average Rand:Sterling exchange rate from R10.52 in 2000 to R12.39 in 2001 has had a significant impact on the strong contribution of the Group's South African businesses. As a result of this factor, the encouraging underlying performance of the Group's South African businesses has not been reflected in the operating results on a Sterling basis. Group smoothed operating profit[1] of £856 million has decreased by 6% from £911 million in 2000.

[1] see footnote* in Highlights

Operating earnings per share[1] of 13.2p decreased 22% from 17.0p per share in 2000, largely due to the reduction in operating earnings and the increase in the effective tax rate.

Goodwill

A review has been carried out of the carrying value of the Group's UK private client and US asset management businesses acquired in 2000 to assess whether there has been an impairment in value. As a result of this exercise, the Group has reduced the carrying value of its unamortised goodwill asset by £500 million, reflecting the impact of declining equity markets. This item has not been presented within smoothed operating profit but, along with goodwill amortisation, forms part of statutory operating profit.

As noted in the trading statement issued by Old Mutual plc on 8 November 2001, the Group has been in negotiation with Pilgrim Baxter's management to buy out the remaining revenue share in this affiliate. Old Mutual had an option to buy out this revenue share for a total of $420 million, which expired, unexercised, on 31 December 2001. Consequently, an adjustment has been made to reduce goodwill to remove the net of tax cost of this option. Any renegotiation of the purchase of the revenue share is likely to result in further goodwill.

Write-down of investment in Dimension Data Holdings plc

In the second half of 2000, an exceptional gain of £356 million was recognised following the exchange of Nedcor Limited's 25.1% interest in Dimension Data International Limited for the current holding in Dimension Data Holdings plc. Following significant market movements during 2001, an exceptional write-down in the carrying value of the Group's investment in Dimension Data Holding plc of £269 million has been recognised, reflecting a market value of R14.50 per share as at 31 December 2001. Although both events are exceptional in the context of their significance to the Group, the current year loss will form part of banking operating profit in the statutory financial statements, while the prior year gain has been classified as non-operating in accordance with Financial Reporting Standard 3.

Acquisitions

With effect from 1 July 2001, the Group completed the acquisition of F&G, a life assurance business based in the USA. The total consideration of $635 million was financed through the issue of new shares to a value of $300 million, and through the utilisation of existing debt facilities for the balance which was paid in cash. £67 million of goodwill resulted from this acquisition. The Group acquired Americom in March 2001 for $23 million, giving rise to goodwill on acquisition of £7 million. The Group also acquired Imperial Bank on 1 January 2001, and Fleming Offshore Banking on 1 June 2001. The total consideration for these acquisitions was £104 million, giving rise to goodwill of £69 million. Fleming Offshore Banking was renamed Gerrard Private Bank during the year.

[1] see footnote* in Highlights

Other shareholders' income/expenses

Other shareholders' income and expenses of £29 million have decreased 15% from £34 million in 2000. Included in this amount is a long term investment return of £12 million (2000: £17 million) earned on shareholders' funds in South Africa, offset by net corporate expenses of £41 million (2000: £51 million). Included in net corporate expenses are foreign exchange losses incurred on the translation of unsold South African Rand dividends received in the final quarter of 2001.

Taxation

The Group's effective tax rate (based on the tax charge as a proportion of smoothed operating profit) of 24.4% (2000: 20.4%) is 5.6% lower than the UK standard tax rate. This is primarily due to the positive effects of tax-exempt and low based income earned by the Group's life assurance and banking businesses in South Africa. The increase in this rate over the prior year reflects a combination of the introduction of Capital Gains Tax in South Africa from 1 October 2001, the reduced impact of brought forward tax losses in the South African life business, and the downturn in performance from the UK businesses.

Dividend

The Board recommends a final dividend of 3.1p per share, which, if approved at the Annual General Meeting, will bring the total dividend per share for the year to 4.8p, an increase of 2% from 4.7p per share paid in relation to the year ended 31 December 2000. Dividend cover is 2.7 times operating earnings per share (2000: 3.6 times).

The dividend, which is subject to shareholder approval at the Annual General Meeting on 17 May 2002, will be paid to shareholders on the register at the close of business on 19 April 2002 for all the exchanges where Old Mutual plc's shares are listed. The shares will trade ex-dividend on the African exchanges from the opening of business on 15 April 2002 and on the London Stock Exchange from the opening of business on 17 April 2002. The local currency equivalents of the proposed dividend for shareholders on the South African, Malawi and Zimbabwe branch registers and Namibian section of the principal register will be determined using exchange rates on 4 April 2002 and be announced by the Company on 5 April 2002.

Capital

Shareholders' capital has been affected during the year by a number of factors. Firstly, capital has been reduced by £500 million as a result of the write-down of our investment in our UK private client and US asset management businesses. Secondly, capital has been increased through the acquisition of F&G, the purchase of which was partially funded through the issue to the vendor of 190 million shares at approximately 107p per share. Thirdly, shareholders' capital has been negatively affected through Rand:Sterling exchange rate translation, as a large proportion of shareholder capital is invested in South African operations. The Rand:Sterling exchange rate at the end of 2001 was R17.43:£1, a decrease of 35% when reported in Sterling, from the 2000 closing rate of R11.31:£1. This, together with changes to the debt structure of the company, has resulted in a gearing ratio (debt over capital plus debt) of 35% (2000: 25%) at 31 December 2001, or 34% (2000: 23%), net of cash and short-term investments, which are immediately available to repay debt.

In November, Mutual & Federal returned R432 million to Old Mutual's shareholders' funds through payment of a special dividend totalling R847 million.

Debt and debt facilities

Old Mutual plc is the principal funding vehicle for the Group. During 2001 it launched a $650 million convertible bond, rated A2 by Moody's Investor Service, syndicated a £900 million five year revolving credit facility and launched a £300 million Euro commercial paper programme, rated P1/F1 by Moody's Investor Service and Fitch Ratings respectively. These facilities, together with existing substantial internal resources, greatly enhanced the Group's financial flexibility.

Foreign exchange

Substantial proportions of the Group's operations are accounted for in currencies other than Sterling. As a result, fluctuations in the relative value of Sterling to those currencies may be significant. Where possible, the Group seeks to reduce its balance sheet translation exposure by borrowing in appropriate currencies. As a result of the lack of liquid markets for the African trading currencies, the Group does not currently hedge its translation risk with respect to its holdings in that region, although it does sometimes hedge specific forecast cashflows, such as the payment of dividends from South Africa. The 35% reduction in the Rand:Sterling exchange rate when reported in Sterling, has therefore had a significant impact on Group equity shareholders' funds which have reduced by 32% over the year, closing at £2,470 million, and on Group embedded value, as discussed below.

Long term investment return

Having considered past experience and future expectations with regard to equity investment performance, the long term investment return rate assumption used in calculating the smoothed earnings of the Group's South African insurance businesses for 2001 has been left unchanged at 14%. The return earned by assets, mainly bonds, backing F&G's liabilities have been smoothed with reference to the actual yield earned by the portfolio, which translates into a long term rate of return of 7.04%.

Embedded value

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

Embedded value of £3,522 million at 31 December 2001 decreased 37% during the year from £5,553 million at 31 December 2000, as positive growth in Rand terms was offset by a 35% depreciation in the Rand when reported in Sterling, a goodwill write-down and a 27%

decline in the Nedcor share price. Embedded value per share of 94p reduced by 40% from 156p in 2000. The value of in-force life assurance business increased 17% in Rand, excluding the US life business acquisitions, due to good investment returns on South African policyholders' funds, a 16% increase in the embedded value of new South African life business and the effect of changes in some of the assumptions used to calculate the embedded value. Actual life profits earned have continued to exceed those implicit in the embedded value assumptions, giving rise to positive experience variances.

The financial information in this document does not constitute the Company's statutory accounts for the year ended 31 December 2001 but is derived from those accounts. Statutory accounts for 2000 have been delivered to the Registrar of Companies, and those for 2001 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.

Summary Consolidated Profit and Loss Account

Notes		£m		Rm	
		Year to 31 Dec 2001	**Year to 31 Dec 2000**	**Year to 31 Dec 2001**	**Year to 31 Dec 2000**
	Operating profit				
	South Africa				
	Operating profit	**249**	250	**3,085**	2,630
	Long term investment return	**148**	215	**1,830**	2,262
	Life business	**397**	465	**4,915**	4,892
	Asset management	**37**	46	**458**	484
	Banking	**290**	269	**3,593**	2,829
	General insurance	**46**	44	**570**	463
		770	824	**9,536**	8,668
	United States				
	Life business – acquired during the year	**13**	-	**161**	-
	Asset management	**116**	44	**1,437**	462
		129	44	**1,598**	462
	United Kingdom and Rest of World				
	Life	**(2)**	13	**(25)**	137
	Asset management	**(3)**	34	**(38)**	359
	Banking	**79**	58	**979**	611
		74	105	**916**	1,107
7	Other shareholders' income / (expenses)	**(29)**	(34)	**(359)**	(357)
	Debt service costs	**(67)**	(28)	**(830)**	(295)
7	Write-down of strategic investments	**(21)**	-	**(260)**	-
2	**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**	**856**	911	**10,601**	9,585
	Goodwill amortisation	**(132)**	(54)	**(1,636)**	(568)
	Goodwill impairment	**(500)**	-	**(6,196)**	-
8	Write-down of investment in Dimension Data Holdings plc	**(269)**	-	**(3,334)**	-
	Short term fluctuations in investment return	**126**	(180)	**1,561**	(1,894)
	Operating profit on ordinary activities before tax and non-operating items	**81**	677	**996**	7,123
8	Non-operating items	**-**	356	**-**	3,746
	Profit on ordinary activities before tax	**81**	1,033	**996**	10,869
10(a)	Tax on profit on ordinary activities	**(278)**	(186)	**(3,445)**	(1,958)
	(Loss) / profit on ordinary activities after tax	**(197)**	847	**(2,449)**	8,911
	Minority interests	**(26)**	(341)	**(322)**	(3,588)
	(Loss) / profit for the financial year	**(223)**	506	**(2,771)**	5,323
	Dividends paid and proposed	**(172)**	(163)	**(2,606)**	(1,714)
	Retained (loss) / profit for the financial year	**(395)**	343	**(5,377)**	3,609

Earnings per share

		p		c	
		Year to 31 Dec 2001	Year to 31 Dec 2000	**Year to 31 Dec 2001**	Year to 31 Dec 2000
1(b)	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	**13.2**	17.0	**163.4**	179.4
1(b)	Basic earnings per share	**(6.3)**	15.0	**(77.9)**	157.8
	Diluted earnings per share	**(6.3)**	14.9	**(77.9)**	156.6
	Dividend per share	**4.8**	4.7	72.7*	49.5

*Indicative only – the actual amount of the dividend per share in Rand will be determined by reference to the exchange rate prevailing on 4 April 2002 and announced by the company on 5 April 2002.

Consolidated Balance Sheet

Analysis of total assets

Notes		£m At 31 Dec 2001	£m At 31 Dec 2000	Rm At 31 Dec 2001	Rm At 31 Dec 2000
	Intangible assets				
12	Goodwill	**1,580**	2,279	**27,537**	25,786
	Insurance and other assets				
	Investments				
	Land and buildings	**586**	831	**10,213**	9,403
	Other financial investments	**16,714**	15,173	**291,301**	171,680
		17,300	16,004	**301,514**	181,083
	Assets held to cover linked liabilities	**4,415**	5,602	**76,947**	63,386
		21,715	21,606	**378,461**	244,469
	Reinsurers' share of technical provisions				
	Long term business provision	**421**	118	**7,337**	1,335
	Claims outstanding	**33**	19	**575**	215
	Provision for unearned premiums	**9**	7	**157**	79
		463	144	**8,069**	1,629
	Debtors				
	Debtors arising from direct insurance operations	**147**	268	**2,562**	3,032
	Debtors arising from reinsurance operations	**6**	6	**105**	68
	Other debtors	**8,024**	3,616	**139,847**	40,914
		8,177	3,890	**142,514**	44,014
	Other assets				
	Tangible fixed assets	**102**	101	**1,778**	1,143
	Cash at bank and in hand	**475**	458	**8,279**	5,182
	Present value of acquired in-force business	**325**	-	**5,664**	-
	Other assets	**393**	429	**6,849**	4,854
		1,295	988	**22,570**	11,179
	Prepayments and accrued income				
	Accrued interest and rent	**99**	193	**1,725**	2,184
	Deferred acquisition costs	**66**	-	**1,150**	-
	Other prepayments and accrued income	**100**	39	**1,743**	441
		265	232	**4,618**	2,625
	Total insurance and other assets	**31,915**	26,860	**556,232**	303,916
	Banking assets				
	Cash and balances at central banks	**630**	1,138	**10,980**	12,876
	Treasury bills and other eligible bills	**653**	657	**11,372**	7,433
	Loans and advances to banks	**649**	1,218	**11,313**	13,781
	Loans and advances to customers	**7,797**	11,404	**135,884**	129,033
	Debt securities	**725**	924	**12,648**	10,455
	Equity securities	**225**	624	**3,921**	7,061
	Interest in associated undertakings	**118**	207	**2,057**	2,343
	Tangible fixed assets	**111**	93	**1,935**	1,052
	Land and buildings	**80**	102	**1,392**	1,154
	Other assets	**62**	547	**1,080**	6,189
	Prepayments and accrued income	**259**	373	**4,517**	4,220
	Total banking assets	**11,309**	17,287	**197,099**	195,597
	Total assets	**44,804**	46,426	**780,868**	525,299

Consolidated Balance Sheet

Analysis of total liabilities

Note		£m At 31 Dec 2001	£m At 31 Dec 2000	Rm At 31 Dec 2001	Rm At 31 Dec 2000
	Capital and reserves				
	Called up share capital	**374**	355	**6,517**	4,017
	Share premium account	**516**	511	**8,993**	5,782
	Merger reserve	**184**	-	**3,205**	-
	Profit and loss account	**1,396**	2,752	**24,330**	31,138
	Equity shareholders' funds	**2,470**	3,618	**43,045**	40,937
	Minority interests	**565**	1,013	**9,847**	11,458
	Subordinated liabilities	**22**	39	**383**	442
	Insurance and other liabilities				
	Technical provisions				
	Long term business provision	**14,154**	13,048	**246,684**	147,636
	Claims outstanding	**272**	323	**4,741**	3,654
	Provision for unearned premiums	**54**	62	**941**	702
		14,480	13,433	**252,366**	151,992
	Technical provisions for linked liabilities	**4,415**	5,602	**76,947**	63,386
	Provisions for other risks and charges	**341**	220	**5,944**	2,490
	Creditors				
	Creditors arising from direct insurance operations	**401**	275	**6,989**	3,112
	Creditors arising from reinsurance operations	**7**	4	**122**	44
	Other creditors including tax and social security	**10,078**	5,367	**175,646**	60,727
		10,486	5,646	**182,757**	63,883
13	**Amounts owed to credit institutions**	**897**	1,224	**15,633**	13,850
14	**Convertible loan stock**	**439**	-	**7,651**	-
	Accruals and deferred income	**234**	230	**4,079**	2,602
	Total insurance and other liabilities	**31,292**	26,355	**545,377**	298,203
	Banking liabilities				
	Deposits by banks	**1,862**	1,873	**32,454**	21,193
	Customer accounts	**6,802**	10,737	**118,550**	121,487
	Debt securities in issue	**986**	1,417	**17,183**	16,033
	Other liabilities	**501**	1,195	**8,729**	13,521
	Provisions for liabilities and charges	**84**	114	**1,471**	1,290
	Subordinated liabilities	**220**	65	**3,829**	735
	Total banking liabilities	**10,455**	15,401	**182,216**	174,259
	Total liabilities	**44,804**	46,426	**780,868**	525,299

Movements in Consolidated Equity Shareholders' Funds

	£m		Rm	
	Year to 31 Dec 2001	Year to 31 Dec 2000	**Year to 31 Dec 2001**	Year to 31 Dec 2000
(Loss) / profit for the financial year	**(223)**	506	**(2,771)**	5,323
Foreign exchange movements	**(964)**	(415)	**4,846**	477
Total recognised (losses) / gains for the year	**(1,187)**	91	**2,075**	5,800
Dividends paid and proposed	**(172)**	(163)	**(2,606)**	(1,714)
Retained (loss) / profit for the financial year	**(1,359)**	(72)	**(531)**	4,086
Issue of new capital in respect of acquisition of Fidelity & Guaranty Life	**206**	-	**2,578**	-
Shares issued under option schemes	**2**	-	**24**	-
Issue of new capital in respect of re-equitisation of Pilgrim Baxter & Associates and Other affiliates	**-**	153	**-**	1,691
Proceeds from sale of shares previously held to satisfy claims and errors on demutualisation	**3**	24	**37**	253
Net (reduction) / addition to equity shareholders' funds	**(1,148)**	105	**2,108**	6,030
Equity shareholders' funds at the beginning of the year	**3,618**	3,513	**40,937**	34,907
Equity shareholders' funds at the end of the year	**2,470**	3,618	**43,045**	40,937

Consolidated Cash Flow Statement

	£m		Rm	
	Year to 31 Dec 2001	Year to 31 Dec 2000	**Year to 31 Dec 2001**	Year to 31 Dec 2000
Net cash inflow from operating activities	**864**	975	**10,708**	10,259
Net cash outflow from returns on investments and servicing of finance	**(183)**	(72)	**(2,268)**	(753)
Total tax paid	**(269)**	(156)	**(3,334)**	(1,642)
Net cash outflow from capital expenditure and financial investment	**(152)**	(295)	**(1,884)**	(3,104)
Net cash outflow from acquisitions and disposals	**(316)**	(1,718)	**(3,916)**	(18,076)
Equity dividends paid	**(167)**	(122)	**(2,070)**	(1,284)
Net cash inflow from financing activities	**676**	1,027	**8,377**	10,801
Net cash inflow / (outflow) of the Group excluding long term business	**453**	(361)	**5,613**	(3,799)
Cash flows relating to insurance activities were invested as follows:				
Increase in cash holdings	**63**	142	**781**	1,494
Increase / (decrease) in net portfolio investments	**543**	(1,008)	**6,729**	(10,605)
	606	(866)	**7,510**	(9,111)
Cash flows relating to banking activities were invested as follows:				
(Decrease) / increase in cash and balances at central banks	**(153)**	505	**(1,897)**	5,312
Net cash inflow / (outflow) of the Group excluding long term business	**453**	(361)	**5,613**	(3,799)
Reconciliation of operating profit to operating cash flow				
Profit from insurance and other activities	**7**	374	**85**	3,936
Profit from banking activities	**74**	303	**918**	3,187
Profit on ordinary activities before tax	**81**	677	**1,003**	7,123
Unrealised investment (gains) / losses	**(103)**	184	**(1,276)**	1,936
Insurance and other non cash flow items	**947**	(430)	**11,735**	(4,526)
Banking non cash flow items	**91**	(140)	**1,128**	(1,473)
Net cash (outflow) / inflow from other banking activities	**(152)**	684	**(1,882)**	7,199
Net cash flow from operating activities	**864**	975	**10,708**	10,259

1(a) Reconciliation of profit on ordinary activities after tax and minority interests to operating earnings

	£m		Rm	
	Year to 31 Dec 2001	Year to 31 Dec 2000	**Year to 31 Dec 2001**	Year to 31 Dec 2000
(Loss) / profit on ordinary activities after tax and minority interests	**(223)**	506	**(2,771)**	5,323
Goodwill amortisation net of minority interests	**120**	42	**1,487**	442
Goodwill impairment	**500**	-	**6,196**	-
Write-down of Dimension Data Holdings plc net of tax and minority interests	**144**	-	**1,788**	-
Short term fluctuations in investment returns net of tax and minority interests	**(73)**	205	**(905)**	2,158
Non-operating items net of tax and minority interests	**-**	(178)	-	(1,873)
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	**468**	575	**5,795**	6,050

1(b) Reconciliation of basic earnings per share to operating earnings per share

	p		c	
	Year to 31 Dec 2001	Year to 31 Dec 2000	**Year to 31 Dec 2001**	Year to 31 Dec 2000
Basic earnings per share	**(6.3)**	15.0	**(77.9)**	157.8
Goodwill amortisation net of minority interests	**3.4**	1.2	**41.9**	13.1
Goodwill impairment	**14.1**	-	**174.5**	-
Write-down of Dimension Data Holdings plc net of tax and minority interests	**4.1**	-	**50.3**	-
Short term fluctuations in investment returns net of tax and minority interests	**(2.1)**	6.1	**(25.4)**	64.0
Non-operating items net of tax and minority interests	**-**	(5.3)	-	(55.5)
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	**13.2**	17.0	**163.4**	179.4
Weighted average number of shares - millions	**3,550**	3,373	**3,550**	3,373

1(c) Exchange rates

	$/£		R/£	
	Year to 31 Dec 2001	Year to 31 Dec 2000	**Year to 31 Dec 2001**	Year to 31 Dec 2000
Profit and loss account (average rate)	**1.4405**	1.5159	**12.3923**	10.5213
Balance sheet (closing rate)	**1.4542**	1.4937	**17.4286**	11.3148

2 Summary of operating profit

	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
Year to 31 December 2001								
Life assurance (3(c))	397	13	(2)	**408**	4,915	161	(25)	**5,051**
Asset management (4(a))	37	116	(3)	**150**	458	1,437	(38)	**1,857**
Banking (5)	290	-	79	**369**	3,593	-	979	**4,572**
General insurance business (6)	46	-	-	**46**	570	-	-	**570**
Other shareholders' income / (expenses) (7)	12	-	(41)	**(29)**	149	-	(508)	**(359)**
Debt service costs	-	(3)	(64)	**(67)**	-	(37)	(793)	**(830)**
Write-down of strategic investments (7)	-	-	(21)	**(21)**	-	-	(260)	**(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	782	126	(52)	**856**	9,685	1,561	(645)	**10,601**
Year to 31 December 2000								
Life assurance	465	-	13	**478**	4,892	-	137	**5,029**
Asset management	46	44	34	**124**	484	462	359	**1,305**
Banking	269	-	58	**327**	2,829	-	611	**3,440**
General insurance business	44	-	-	**44**	463	-	-	**463**
Other shareholders' income / (expenses)	17	-	(51)	**(34)**	179	-	(536)	**(357)**
Debt service costs	-	-	(28)	**(28)**	-	-	(295)	**(295)**
Operating profit based on a long term investment return before goodwill amortisation, non-operating items and short term fluctuations in investment return	841	44	26	**911**	8,847	462	276	**9,585**

All United States life assurance activities were acquired during the year ended 31 December 2001.

3(a) Life assurance: gross premiums written

	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
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**
Total gross premiums	2,489	656	226	**3,371**	30,845	8,130	2,800	**41,775**
Year to 31 December 2000								
Individual business								
Single (restated)	1,053	-	189	**1,242**	11,078	-	1,988	**13,066**
Recurring	893	-	109	**1,002**	9,396	-	1,147	**10,543**
	1,946	-	298	**2,244**	20,474	-	3,135	**23,609**
Group business								
Single	630	-	30	**660**	6,628	-	316	**6,944**
Recurring	294	-	57	**351**	3,093	-	600	**3,693**
	924	-	87	**1,011**	9,721	-	916	**10,637**
Total gross premiums	2,870	-	385	**3,255**	30,195	-	4,051	**34,246**

South African individual new business single premiums include flexi and conventional maturity transfers of £155 million (R1,923 million) (2000: £150 million (R1,577 million)) and guaranteed capital fund transfers of £61 million (R761 million) (2000: £140 million (R1,473 million)) to Investment Frontiers not previously reported in new business premium income.

3(b) Life assurance: new business premiums

	£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
Year to 31 December 2001								
Statutory new business premiums								
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**
Total new business premiums	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**
Year to 31 December 2000								
Statutory new business premiums								
Individual business								
Single (restated)	1,053	-	189	**1,242**	11,078	-	1,988	**13,066**
Recurring	179	-	20	**199**	1,883	-	210	**2,093**
	1,232	-	209	**1,441**	12,961	-	2,198	**15,159**
Group business								
Single	630	-	30	**660**	6,628	-	316	**6,944**
Recurring	48	-	1	**49**	505	-	11	**516**
	678	-	31	**709**	7,133	-	327	**7,460**
Total new business premiums	1,910	-	240	**2,150**	20,094	-	2,525	**22,619**
Annual premium equivalent	395	-	43	**438**	4,159	-	451	**4,610**

Notes

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

(ii) South African individual new business single premiums include flexi and conventional maturity transfers of £155 million (R1,923 million) (2000: £150 million (R1,577 million)) and guaranteed capital fund transfers of £61 million (R761 million) (2000: £140 million (R1,473 million)) to Investment Frontiers not previously reported in new business premium income.

3(c) Analysis of life assurance operating profit

	£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
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 goodwill amortisation	397	13	(2)	**408**	4,915	161	(25)	**5,051**
Year to 31 December 2000								
Individual business	165	-	4	169	1,736	-	42	**1,778**
Group business	85	-	3	88	894	-	32	**926**
Life assurance technical result	250	-	7	257	2,630	-	74	**2,704**
Long term investment return	215	-	6	221	2,262	-	63	**2,325**
Life assurance operating profit before goodwill amortisation	465	-	13	478	4,892	-	137	**5,029**

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).

The start up costs of £19 million (R231 million) associated with the Group's UK life assurance business, Selestia, are included in the life assurance technical result. Excluding these start up costs, the UK and Rest of World life assurance operating profit before goodwill amortisation would have been a positive £17 million (R206 million).

4(a) Analysis of asset management operating profit

	£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
Year to 31 December 2001								
Fund management worldwide	28	116	6	**150**	346	1,437	74	**1,857**
United States	-	116	-	**116**	-	1,437	-	**1,437**
Old Mutual Asset Managers (US)	-	38	-	**38**	-	471	-	**471**
Pilgrim Baxter	-	29	-	**29**	-	359	-	**359**
Other Old Mutual (US) affiliates	-	49	-	**49**	-	607	-	**607**
Rest of the world	28	-	6	**34**	346	-	74	**420**
Old Mutual Asset Managers (South Africa)	16	-	-	**16**	198	-	-	**198**
Old Mutual Asset Managers (except South Africa)	-	-	6	**6**	-	-	74	**74**
Old Mutual Unit Trusts	11	-	-	**11**	136	-	-	**136**
Other	1	-	-	**1**	12	-	-	**12**
Private client UK - gross profit	-	-	2	**2**	-	-	25	**25**
- integration costs	-	-	(12)	**(12)**	-	-	(149)	**(149)**
Other financial services	9	-	1	**10**	112	-	12	**124**
Asset management operating profit before goodwill amortisation and impairment	37	116	(3)	**150**	458	1,437	(38)	**1,857**
Year to 31 December 2000								
Fund management worldwide	39	44	14	**97**	410	462	148	**1,020**
United States	-	44	-	**44**	-	462	-	**462**
Old Mutual Asset Managers (US)	-	15	-	**15**	-	157	-	**157**
Pilgrim Baxter	-	11	-	**11**	-	116	-	**116**
Other Old Mutual (US) affiliates	-	18	-	**18**	-	189	-	**189**
Rest of the world	39	-	14	**53**	410	-	148	**558**
Old Mutual Asset Managers (South Africa)	19	-	-	**19**	199	-	-	**199**
Old Mutual Asset Managers (except South Africa)	-	-	14	**14**	-	-	148	**148**
Old Mutual Unit Trusts	16	-	-	**16**	169	-	-	**169**
Other	4	-	-	**4**	42	-	-	**42**
Private client UK - gross profit	-	-	26	**26**	-	-	274	**274**
- integration costs	-	-	(14)	**(14)**	-	-	(147)	**(147)**
Other financial services	7	-	8	**15**	74	-	84	**158**
Asset management operating profit before goodwill amortisation	46	44	34	**124**	484	462	359	**1,305**

The operating profit of £49 million (R607 million) (2000: £18 million (R189 million)) of Other Old Mutual (US) affiliates comprises £22 million (R273 million) (2000: £8 million (R84 million)) relating to Old Mutual Strategic Affiliates and £27 million (R334 million) (2000: £10 million (R105 million)) relating to Old Mutual Financial Affiliates.

4(b) Analysis of asset management revenue and operating profit

Old Mutual (US) Holdings	£m OMAM (US)	£m Pilgrim Baxter	£m Other Old Mutual (US) Affiliates	£m Total	Rm OMAM (US)	Rm Pilgrim Baxter	Rm Other Old Mutual (US) Affiliates	Rm Total
Year to 31 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)**
Asset management operating profit before goodwill amortisation and impairment	38	29	49	**116**	471	359	607	**1,437**
Year to 31 December 2000								
Revenue	41	29	58	**128**	431	305	610	**1,346**
Expenses	(26)	(18)	(40)	**(84)**	(274)	(189)	(421)	**(884)**
Asset management operating profit before goodwill amortisation	15	11	18	**44**	157	116	189	**462**

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

5 Analysis of banking operating profit

	£m South Africa	£m UK & Rest of World	£m Total	Rm South Africa	Rm UK & Rest of World	Rm Total
Year to 31 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 (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)**
Operating profit before share of associated undertakings' profit, goodwill amortisation 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**
Operating profit before goodwill amortisation and write-down of investment in Dimension Data Holdings plc	290	79	**369**	3,593	979	**4,572**
Year to 31 December 2000						
Net interest income	421	43	**464**	4,430	452	**4,882**
Non-interest revenue	382	25	**407**	4,019	263	**4,282**
Total operating income	803	68	**871**	8,449	715	**9,164**
Specific and general provisions	(90)	(4)	**(94)**	(947)	(42)	**(989)**
Net income	713	64	**777**	7,502	673	**8,175**
Operating expenses	(452)	(22)	**(474)**	(4,757)	(231)	**(4,988)**
Operating profit before goodwill amortisation and share of associated undertakings' profit and non-operating items	261	42	**303**	2,745	442	**3,187**
Share of associated undertakings' profit	8	16	**24**	84	169	**253**
Operating profit before goodwill amortisation and non-operating items	269	58	**327**	2,829	611	**3,440**

6 Analysis of general insurance result by class of business

	£m Premiums written net of reinsurance	£m Claims incurred net of reinsurance	£m Operating result	Rm Premiums written net of reinsurance	Rm Claims incurred net of reinsurance	Rm Operating result
Year to 31 December 2001						
Motor	164	130	-	2,032	1,611	2
Fire	56	36	-	694	446	1
Accident	126	88	2	1,561	1,091	24
Other	5	2	3	62	25	35
	351	256	5	4,349	3,173	62
Long term investment return	-	-	41	-	-	508
	351	**256**	**46**	**4,349**	**3,173**	**570**
Year to 31 December 2000						
Motor	141	113	(3)	1,484	1,189	(32)
Fire	131	96	-	1,378	1,010	-
Accident	11	5	2	116	53	21
Other	22	12	1	231	126	11
	305	226	-	3,209	2,378	-
Long term investment return	-	-	44	-	-	463
	305	**226**	**44**	**3,209**	**2,378**	**463**

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

	£m **Year to 31 Dec 2001**	£m Year to 31 Dec 2000	Rm **Year to 31 Dec 2001**	Rm Year to 31 Dec 2000
Long term investment return credited to operating result	**12**	17	**149**	179
Net corporate expenses	**(41)**	(51)	**(508)**	(536)
Other shareholders' income / (expenses)	**(29)**	(34)	**(359)**	(357)
Write-down of strategic investments	**(21)**	-	**(260)**	-

Following a review of the Group's portfolio of strategic investments during the year, a write-down of £21 million (R260 million) was made.

8 Investment in Dimension Data Holdings plc

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

	£m **Year to 31 Dec 2001**	£m Year to 31 Dec 2000	Rm **Year to 31 Dec 2001**	Rm Year to 31 Dec 2000
Loss on holding in Dimension Data Holdings plc before tax and minority interests	**(269)**	-	**(3,334)**	-
Gain on restructuring of Dimension Data Holdings plc and other interests before tax and minority interests	**-**	356	**-**	3,746
Tax	**(14)**	(5)	**(171)**	(52)
(Loss) / gain on holding in / restructuring of Dimension Data Holdings plc and other interests before minority interests	**(283)**	351	**(3,505)**	3,694
Minority interests	**139**	(173)	**1,717**	(1,821)
(Loss) / gain on holding in / restructuring of Dimension Data Holdings plc and other interests after tax and minority interests	**(144)**	178	**(1,788)**	1,873

During 2000, a non-operating gain was recognised following the exchange of Nedcor Limited's 25.1% interest in Dimension Data International Limited for the current holding of 8.2% in Dimension Data Holdings plc. In light of market movements during 2001, an exceptional impairment in the carrying value of the Group's investment in Dimension Data Holdings plc has been recognised, reflecting a market value of R14.50 per share at 31 December 2001. Although both events are exceptional in the context of their significance to the Group, the current year loss will form part of banking operating profit in the statutory financial statements, while the prior year gain was classified as non-operating in accordance with Financial Reporting Standard 3.

9 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 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								
Fund management worldwide								
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								
Fund management worldwide								
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**
At 31 December 2000								
Investments including assets held to cover linked liabilities	14,913	-	6,693	21,606	168,739	-	75,730	244,469
Unit trusts								
Fund management worldwide								
Old Mutual Asset Managers	1,266	-	779	2,045	14,325	-	8,814	23,139
Private client UK	-	-	1,252	1,252	-	-	14,166	14,166
Other financial services	-	-	200	200	-	-	2,263	2,263
	1,266	-	2,231	3,497	14,325	-	25,243	39,568
Third party								
Fund management worldwide								
Old Mutual Asset Managers	4,101	-	379	4,480	46,402	-	4,288	50,690
Old Mutual Asset Managers (US)	-	50,153	-	50,153	-	567,471	-	567,471
Pilgrim Baxter	-	11,735	-	11,735	-	132,779	-	132,779
Old Mutual Strategic Affiliates	-	18,412	6,179	24,591	-	208,328	69,914	278,242
	4,101	80,300	6,558	90,959	46,402	908,578	74,202	1,029,182
Private client UK	-	-	19,619	19,619	-	-	221,985	221,985
Other financial services	15	-	420	435	170	-	4,752	4,922
	4,116	80,300	26,597	111,013	46,572	908,578	300,939	1,256,089
Fund management worldwide								
Old Mutual Financial Affiliates	-	29,190	3,442	32,632	-	330,278	38,945	369,223
	4,116	109,490	30,039	143,645	46,572	1,238,856	339,884	1,625,312
Total funds under management	20,295	109,490	38,963	168,748	229,636	1,238,856	440,857	1,909,349

10(a) Tax on profit on ordinary activities

	£m		Rm	
	Year to 31 Dec 2001	Year to 31 Dec 2000	**Year to 31 Dec 2001**	Year to 31 Dec 2000
United Kingdom corporation tax	**15**	19	**186**	200
Overseas tax	**125**	180	**1,549**	1,894
Secondary tax on companies	**23**	32	**285**	338
Deferred tax	**112**	(76)	**1,388**	(800)
Prior period adjustment	**3**	31	**37**	326
Tax for the year	**278**	186	**3,445**	1,958
The tax charge is analysed as follows:				
Operating profit	**209**	191	**2,591**	2,010
Short term fluctuations	**55**	-	**683**	-
Investment in Dimension Data Holdings plc	**14**	-	**171**	-
Non-operating gain on restructuring of Dimension Data Holdings plc	**-**	(5)	**-**	(52)
	278	186	**3,445**	1,958

10(b) Reconciliation of tax charge to UK rate

	£m		Rm	
Tax at UK rate of 30.0 per cent. (2000: 30.0 per cent.) on profit on ordinary activities before tax	**24**	310	**299**	3,262
Untaxed and low taxed income (including tax exempt investment return)	**(118)**	(204)	**(1,462)**	(2,146)
Disallowable expenditure	**377**	16	**4,672**	166
Secondary tax on companies	**23**	32	**285**	338
Other	**(28)**	32	**(349)**	338
Reported tax charge	**278**	186	**3,445**	1,958

11 Acquisitions

(i) Fidelity & Guaranty Life

With effect from 1 July 2001, the Group acquired 100% of the net assets of Fidelity & Guaranty Life Insurance Company, a US based, fixed annuity and life assurance specialist. The total consideration of $635 million (£431 million, R5,711 million) was financed through the issue of 190,356,631 new 10p ordinary shares valued at $300 million (£203 million, R2,690 million) and cash of $335 million (£228 million, R3,021 million). Costs directly associated with the acquisition of $28 million (£19 million, R237 million) are included in the cash consideration.

As part of the agreement to acquire Fidelity & Guaranty, the Group has undertaken to pay additional consideration, either by way of cash or by the issue of shares, if the value of the new shares issued is less than $300 million on 28 September 2002. This additional consideration is subject to a maximum of $40 million. If the value of the new shares is greater than $330 million on 28 September 2002 the seller is obliged to repay the difference. No provisions or assets have been recognised in lieu of these potential acquisition costs adjustments. These possible adjustments to consideration would result in an adjustment to goodwill.

In accordance with section 131 of the Companies Act 1985, the premium of £184 million (R3,205 million) arising on the shares issued as consideration has been credited to a merger reserve on consolidation.

Fair value table	Book value on acquisition	Fair value adjustments	£m Fair value to Group	Rm Fair value to Group
Investments	3,954	(8)	3,946	52,285
Deferred acquisition costs	343	(343)	-	-
Present value of acquired in-force business	-	337	337	4,465
Other assets	495	(31)	464	6,148
Technical provisions	(4,074)	(34)	(4,108)	(54,431)
Other liabilities	(279)	4	(275)	(3,644)
Net assets of acquired business	**439**	**(75)**	**364**	**4,823**
Consideration satisfied by:				
Cash			228	3,021
Ordinary shares			203	2,690
Total consideration			**431**	**5,711**
Goodwill arising on acquisition			**67**	**888**

(ii) Americom

In March 2001, the Group acquired 100% of the net assets of Unified Life Assurance Company, a life assurance company licensed to do business in 43 states of the USA, for a final consideration of $23 million (£16 million, R181 million). This operation commenced business in May 2001 and now operates under the name of Americom Life and Annuity Insurance Company.

The fair value of assets acquired was $12 million (£9 million, R102 million), giving rise to goodwill on acquisition of $11 million (£7 million, R79 million).

(iii) Imperial Bank and Gerrard Private Bank

On 1 January 2001 the Group's listed banking subsidiary, Nedcor Limited, acquired 50.1% of the net assets of Imperial Bank, and on 1 June 2001 it acquired 100% of the net assets of Fleming Offshore Banking. During the year Fleming Offshore Banking was renamed Gerrard Private Bank Limited.

The total consideration for these acquisitions was £104 million (R1,182 million).

Fair value table	£m Book and fair value to Group	Rm Book and fair value to Group
Investments	3	34
Other assets	1,002	11,380
Liabilities	(970)	(11,017)
Net assets of acquired businesses	**35**	**397**
Consideration paid	104	1,182
Goodwill arising on the transactions	**69**	**785**

(iv) Other additions

Other acquisitions made by Group companies during the year gave rise to additional goodwill of approximately £31 million (R370 million).

The fair values of all net assets acquired are stated on a provisional basis.

12 Goodwill

	£m		Rm	
	At 31 Dec 2001	At 31 Dec 2000	**At 31 Dec 2001**	At 31 Dec 2000
At beginning of year	**2,279**	164	**25,786**	1,629
Additions arising on acquisitions in the period	**174**	2,162	**2,122**	22,747
Disposals in the period	**(10)**	-	**(174)**	-
Impairment loss	**(500)**	-	**(8,714)**	-
Reversal of Pilgrim Baxter & Associates option cost	**(241)**	-	**(4,200)**	-
Adjustment in respect of prior year acquisitions	**2**	-	**25**	-
Amortisation for the year	**(113)**	(33)	**(1,400)**	(347)
Foreign exchange and other movements	**(11)**	(14)	**14,092**	1,757
At end of year	**1,580**	2,279	**27,537**	25,786
Analysed between:				
Life assurance	**76**	-	**1,325**	-
Asset management	**1,412**	2,215	**24,609**	25,062
Banking	**82**	55	**1,429**	622
General insurance	**10**	9	**174**	102
	1,580	2,279	**27,537**	25,786

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 Group has now reduced the carrying value of its unamortised goodwill by £500 million (R8,714 million) reflecting the impact of declining equity markets.

In accordance with Financial Reporting Standard 7, adjustments have been made to the goodwill of £1,795 million (R19,147 million) that arose on the acquisition in September 2000 of Old Mutual (US) Holdings. The reduction to goodwill of £241 million (R4,200 million), net of tax, reflects the expiry on 31 December 2001 of the Group's option to purchase the remaining revenue share from Pilgrim Baxter.

The increase of £2 million (R25 million) reflects the latest estimate of the consideration paid in respect of the purchase of revenue shares of certain affiliates combined with the effect of disposing of affiliates held for resale at values in excess of the original estimated carrying amount. The ultimate costs of purchasing these revenue shares will remain uncertain as they are dependent upon future events and hence are subject to adjustment in future years.

The goodwill amortisation charge for the period of £132 million (R1,636 million) (2000: £54 million (R568 million)) comprises £113 million (R1,400 million) (2000: £33 million (R347 million)) disclosed above and £19 million (R236 million) (2000: £21 million (R221 million)) included in interests in associated undertakings.

13 Amounts owed to credit institutions

	£m	Rm
At 31 December 2001		
Bank overdrafts repayable on demand	1	17
Bank and other loans:		
Repayable within one year:		
Syndicated revolving credit facilities	294	5,124
Floating rate notes	16	279
Commercial paper	112	1,952
Other	62	1,080
	484	8,435
Repayable between one and two years:		
Term loans	30	523
Repayable between two and five years:		
Syndicated revolving credit facilities	376	6,553
Term loans	6	105
	382	6,658
	897	**15,633**
At 31 December 2000		
Bank overdrafts	22	249
Bank loans	544	6,156
Other loans	658	7,445
	1,224	13,850
Repayable:		
Within one year	332	3,757
Between one and two years	565	6,393
Between two and five years	327	3,700
	1,224	13,850

14 Convertible loan stock

On 2 May 2001 Old Mutual Finance (Cayman Islands) Limited, a 100% owned subsidiary of the Group, issued $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 proceeds of the issue were used to repay senior debt which had previously financed the acquisition of Old Mutual (US) Holdings. The year end balance of £439 million (R7,651 million) includes approximately £8 million (R139 million) of unamortised issue costs.

Embedded Value Information

1. Embedded value

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

	£m		Rm	
	31 Dec 2001	31 Dec 2000	**31 Dec 2001**	31 Dec 2000
Adjusted net worth	**2,624**	4,730	**45,716**	53,517
Equity shareholders' funds	**2,470**	3,618	**43,045**	40,937
Excess of market value of listed subsidiaries over their net asset value	**455**	1,132	**7,922**	12,805
Adjustment to include OMI life subsidiaries on a statutory solvency basis	**(17)**	(20)	**(303)**	(225)
Adjustment to include OMUSL on a statutory solvency basis	**(284)**		**(4,948)**	
Value of in-force business	**898**	823	**15,648**	9,314
Value of in-force business before cost of solvency capital	**981**	886	**17,101**	10,028
Cost of solvency capital	**(83)**	(63)	**(1,453)**	(714)
Embedded value	**3,522**	5,553	**61,364**	62,831

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 (OMUSL) life assurance subsidiaries on a statutory solvency basis. The adjusted net worth also includes goodwill relating to F&G Life of £65 million (R1,133 million).

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

The investment and economic assumptions have been revised (including adjusting the differences between some of the assumptions). In addition to these changes, the embedded value at 31 December 2001 now also fully allows for the capital gains tax introduced in South Africa with effect from 1 October 2001. Details of these changes, as well as their impact, are set out in section 2 (the embedded value at December 2000 has not been restated).

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

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

	£m		Rm	
	31 Dec 2001	31 Dec 2000	**31 Dec 2001**	31 Dec 2000
South Africa	**544**	706	**9,474**	7,988
Individual business	**342**	451	**5,951**	5,098
Group business	**202**	255	**3,523**	2,890
United States	**271**	-	**4,722**	-
Rest of World	**83**	117	**1,452**	1,326
Value of in-force business	**898**	823	**15,648**	9,314

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 twelve months to 31 December 2001 are set out below, together with the corresponding figures for the twelve months to 31 December 2000.

	£m		Rm	
	12 months to 31 Dec 2001	12 months to 31 Dec 2000	**12 months to 31 Dec 2001**	12 months to 31 Dec 2000
Embedded value at end of period	**3,522**	5,553	**61,364**	62,831
Embedded value at beginning of period	**5,553**	5,414	**62,831**	53,794
Increase in embedded value	**(2,031)**	139	**(1,467)**	9,037
Less capital raised	**(211)**	(177)	**(2,639)**	(1,956)
New capital raised	**(208)**	(153)	**(2,602)**	(1,691)
Proceeds from sale of shares previously held to satisfy claims and errors on demutualisation	**(3)**	(24)	**(37)**	(265)
Plus dividends proposed	**172**	163	**2,606**	1,714
Embedded value profits	**(2,070)**	125	**(1,500)**	8,795

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

	£m		Rm	
	12 months to 31 Dec 2001	12 months to 31 Dec 2000	**12 months to 31 Dec 2001**	12 months to 31 Dec 2000
Profits from new business	**84**	74	**1,053**	782
- Point of sale	**79**	68	**990**	718
- Expected return to end of period	**5**	6	**63**	64
Expected return	**144**	144	**1,809**	1,514
Experience variances	**5**	28	**54**	289
Experience assumption changes	**(7)**	72	**(86)**	757
Profits before investment and exceptional items	**226**	318	**2,830**	3,342
Investment variances	**33**	(14)	**420**	(143)
Investment and economic assumption changes	**101**	10	**1,265**	101
Impact of capital gains tax	**(49)**	-	**(603)**	-
Development costs	**(28)**	-	**(344)**	-
Goodwill impairment	**(500)**	-	**(6,196)**	-
Nedcor market value return	**(421)**	439	**(5,220)**	4,618
Other return on adjusted net worth	**127**	45	**1,527**	474
Exchange rate movements	**(1,559)**	(673)	**4,821**	403
Embedded value profits	**(2,070)**	125	**(1,500)**	8,795

The profits from new life assurance business comprise the value of new business written during the period, determined initially at the point of sale and then accumulated to the end of the period by applying the discount rate to the value of new business at the point of sale and adding back the expected cost of solvency capital between the point of sale and the end of the period. The new business profits for the twelve months to 31 December 2001 are based on the revised investment and economic assumptions, and fully allow for the impact of capital gains tax in South Africa (figures for prior periods have not been restated).

The profits from existing life assurance business consist of the expected return on the in-force business, experience variances and changes in experience assumptions. The expected return is determined by applying the discount rate to the value of in-force business at the beginning of the period and adding back the expected cost of solvency capital over the period. The experience variances are caused by differences between the actual experience in the period and the assumptions used to calculate the value at the start of the period. The 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 and economic assumption changes for December 2001 represent the combined impact of declining interest rates and the changes to the differentials between the various investment and economic assumptions and the risk discount rate. 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.

Development costs consist of £9 million (R113 million) F&G Life restructuring costs and £19 million (R231 million) set-up costs for Selestia.

Other return on adjusted net worth represents the investment return earned on the shareholder fund investments (excluding Nedcor, which has been shown separately) and profits arising from other non-life businesses within the Group.

3. Value of new business

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

The tables below set out a geographical analysis of the value of new business for the twelve months to 31 December 2001, and the twelve months to 31 December 2000. United States new business numbers for 2001 are in respect of 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).

	12 months to 31 Dec 2001					12 months to 31 Dec 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 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 £9 million (R114 million).
** United States new business for six 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).

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

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

The value of new group business for the year to 31 December 2000 includes an amount of £2 million (R18 million) in respect of the proceeds of free shares issued to retirement funds at demutualisation, and re-invested with Old Mutual. Note that the results for the prior year have not been restated to reflect the new investment and economic assumptions, nor the impact of capital gains tax.

The value of new business excludes the value of new individual unit trust and some group market-linked business written by the life companies, as the profits on this business arise in the asset management subsidiaries. It also excludes premium increases arising from indexation arrangements in respect of existing business, as these are already included in the value of in-force business. A reconciliation of the new business premiums shown in the notes to the financial statements to those shown above is set out below.

12 months to 31 Dec 2001	£m		Rm	
	Recurring premiums	Single Premiums	Recurring premiums	Single Premiums
New business premiums in the notes to the financial statements	217	2,140	2,688	26,520
Less:				
- Group market-linked business not valued	-	(222)	-	(2,751)
- Group business premiums held temporarily on deposit	-	(30)	-	(372)
- Unit trust business not valued	-	(62)	-	(771)
- New business premiums arising from indexation	(39)	-	(485)	-
Add:				
- Difference in exchange rate for US business*	-	-	25	559
New Business premiums as per embedded value report	178	1,826	2,228	23,185

* This difference is due to the financial statements using a US$ to Rand exchange rate based on the average for the full year, whilst the embedded value numbers are based on an average for the six months ended December 2001.

12 months to 31 Dec 2000	**£m**		**Rm**	
	Recurring premiums	**Single Premiums**	**Recurring premiums**	**Single Premiums**
New business premiums in the notes to the financial statements	248	1,902	2,609	20,010
Less:				
- Group market-linked business not valued	-	(197)	-	(2,072)
- Group business premiums held temporarily on deposit	-	(71)	-	(747)
- Unit trust business not valued	-	(108)	-	(1,142)
- GCF transfers not valued in 2000	-	(140)	-	(1,473)
- New business premiums arising from indexation	(49)	-	(511)	-
New Business premiums as per embedded value report	199	1,386	2,098	14,576

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

4. Assumptions

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

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

South Africa	**31 Dec 2001**	**31 Dec 2000**
Fixed Interest Return	**12.0%**	13.0%
Equity Return	**14.0%**	16.0%
Property Return	**13.0%**	16.0%
Inflation	**8.0%**	9.0%
Risk Discount Rate	**14.5%**	17.0%

United States	**31 Dec 2001**	**30 Jun 2001**
Treasury Yield	**5.0%**	5.5%
New Money Fixed Interest Return	**6.6%**	6.8%
In-force Portfolio Return	**7.3%**	7.4%
Inflation	**3.0%**	3.0%
Risk Discount Rate	**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 U.S. business full allowance is made for existing tax attributes on 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.

- 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. 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 31 December 2001 and 31 December 2000 has been included in the value of in-force business only where such increases are associated with indexation arrangements. Other increases in premiums of existing policies are included in the value of new business.

- Conversions between Rand, US dollar and Sterling were carried out at the following exchange rates:

	Rand per Sterling	**US$ per Sterling**	**Rand per US$**
At 31 December 2001	17.4286	1.4542	11.9850
At 30 June 2001	11.3634	1.4116	8.0500
At 31 December 2000	11.3148		
6 months to 31 December 2001 (average)	13.3482	1.4404	9.2670
12 months to 31 December 2001 (average)	12.3923		
12 months to 31 December 2000 (average)	10.5213		

5. Alternative Assumptions

The discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risks associated with the realisation of the future profits. To illustrate the effect of using different discount rates, the table below shows the embedded value of Old Mutual plc at 31 December 2001 at alternative discount rates. In determining the values at different discount rates, all other assumptions have been left unchanged.

	£m			Rm		
	Value at central discount rate – 1%	**Value at central discount rate**	**Value at central discount rate +1%**	**Value at central discount rate – 1%**	**Value at central discount rate**	**Value at central discount rate + 1%**
Adjusted net worth	2,624	2,624	2,624	45,716	45,716	45,716
Value of in-force business	1,001	898	806	17,454	15,648	14,043
Value before cost of capital	1,035	981	932	18,044	17,101	16,248
Cost of solvency capital	(34)	(83)	(126)	(590)	(1,453)	(2,205)
Embedded value	3,625	3,522	3,430	63,170	61,364	59,759

The table below sets out the value of the new life assurance business for the 12 months to 31 December 2001 at alternative discount rates.

	£m			Rm		
	Value at central discount rate – 1%	**Value at central discount rate**	**Value at central discount rate +1%**	**Value at central discount rate – 1%**	**Value at central discount rate**	**Value at central discount rate + 1%**
Value before cost of capital	100	93	86	1,253	1,167	1,087
Cost of solvency capital	(5)	(9)	(13)	(61)	(114)	(161)
Value of new business	95	84	73	1,192	1,053	926

The table below shows the sensitivity of the value of in-force business at 31 December 2001 and the value of new business for the 12 months to 31 December 2001 to changes in key assumptions. All of the sensitivities have been determined at the central discount rates and for each sensitivity illustrated, all other assumptions have been left unchanged.

	£m		Rm	
	Value of in-force business at 31 Dec 2001	**Value of new life business for year to 31 Dec 2001**	**Value of in-force business at 31 Dec 2001**	**Value of new life business for year to 31 Dec 2001**
Central assumptions	898	84	15,648	1,053
Effect of:				
• Decreasing the pre-tax investment return assumptions by 1% with bonus rates changing commensurately	(90)	(11)	(1,570)	(138)
- Value before cost of capital	(49)	(8)	(848)	(96)
- Cost of solvency capital	(41)	(3)	(722)	(42)
• Voluntary discontinuance rates increasing by 25%	(41)	(14)	(712)	(179)
• Maintenance expense levels increasing by 20% with no corresponding increase in policy charges	(57)	(8)	(988)	(97)
• Increasing the inflation assumption by 1%	(13)	(2)	(229)	(26)

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 twelve months to 31 December 2001.