

HIGHLIGHTS

- Group operating profit* up 8% in Rand to R11,431 million, but down 15% in Sterling to £724 million
- Operating earnings per share*, at 11.3p, 7% lower than in 2001 in Sterling, up 20% to 179 cents in Rand terms
- Record life sales of £557 million on an Annual Premium Equivalent basis
- Record value of life assurance new business at £130 million (after tax)
- Asset management results resilient in difficult market conditions, with net positive cash inflows of over \$5 billion (including \$3.3 billion from our US life operations) in the USA
- Return on equity 16%
- Final dividend unchanged at 3.1p**

“ 2002 was another challenging year in world stock markets, and the strength of the diversity of our businesses has been demonstrated in these results. We have been focused on driving performance from our major acquisitions and realising synergies around the Group. The economics of the long term savings industry remain compelling, and we are well positioned to take advantage of opportunities as they arise.”

Jim Sutcliffe, Chief Executive, 24 February 2003

* Operating profit is based on a long term investment return, before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and non-operating items. Operating earnings per share are stated on the same basis, but after tax and minority interests.

** The dividend recommended (final 3.1p per share, making 4.8p 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 3 April 2003.

Old Mutual plc

Results for the year ended 31 December 2002 (continued)

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. Alternatively they are available for download from the Company's website at www.oldmutual.com

24 February 2003

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Chief Executive's Statement

2002 was a year of bedding down for Old Mutual on its path to internationalisation. Each of our recent acquisitions in the USA and UK made progress towards its long term goals. Our acquisition of BoE made us the largest bank in South Africa by some measures, and our core South African life assurance business had a solid year in tough conditions.

Our results showed the benefits of the diversity that our recent acquisitions have provided. We struggled with poor equity markets and volatile currencies, but advanced strongly where the environment was favourable, as in the US fixed income market. We now have a mix of equity and fixed interest-based businesses, with a good spread of both retail and institutional clients. With some 60% of our business in South Africa, 30% in the USA and 10% in the UK, we were able to produce a resilient set of results.

Group operating profit¹ for 2002 totalled £724m, whilst operating earnings per share¹ (EPS) were 11.3p (2001: £856m and 12.1p (both restated) respectively). A significant increase in US life profit and 10% increase in South African life profit in Rand offset the impact of poor equity markets, the dramatic fall in the Rand in late 2001, and currency translation losses at Nedcor. Results in Rand were better – operating profit increased 8% and EPS 20%. Return on equity remained very satisfactory at 16%. Our embedded value (adjusted for market value uplift of listed subsidiaries) increased by 12% to £3.9bn, as the Rand strengthened during 2002, but reduced in Rand to R54.3bn for the same reason.

We had record life sales of £557m (on an Annual Premium Equivalent basis) and record value of life new business of £130m (after tax). We had particularly strong results in the USA (included for a full year for the first time), where our fixed interest-based annuity business was well positioned. Customers became more conservative in the face of a downturn in the equity markets and low bank CD rates, and consequently our product offerings were well received. Sales in the USA were three times as high as for the year prior to our ownership. The USA contributed 54% of our total life sales. Our South African sales force (PFA) produced increased sales, particularly of recurring premium products; and we were successful with some large sales of high margin group with-profit annuity (Platinum) business.

Returns to customers have declined sharply in absolute terms, as investment markets have declined. We are conscious of the implications, but we remain convinced that the long term savings industry continues to have an attractive future.

Our asset management businesses showed good relative investment performance for their clients – over 80% of our US institutional clients had returns exceeding their benchmarks for 3 year periods. OMAM(SA) was placed second in the AF Large Manager Watch survey for the year. In the UK, OMAM(UK)'s fund performance continued to improve, with top quartile performance being achieved over the year for all recently launched retail funds.

Group assets under management for our retained businesses declined 14% to £123.6bn. Net cash inflow of \$5.1bn in the USA, our emphasis on value investing, and the considerable fixed interest component produced this creditable result, which compared favourably with declines of 22% in the S&P 500 Index, 32% in the NASDAQ Composite Index, and 24% in the FTSE 100 Index.

We made a small profit at Gerrard in very tough conditions as a result of sharp cuts in expenses. Mutual & Federal delivered its customary tidy profit.

¹ Operating profit is based on a long term investment return, before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and non-operating items. Operating earnings per share are stated on the same basis, but after tax and minority interests.

Chief Executive's Statement (continued)

As mentioned above, we expanded our South African footprint by acquiring BoE, the sixth largest bank in South Africa. This was in line with our stated strategy of participating in the consolidation in the industry. We plan to deliver some R900m per annum of synergies in 2006. BoE was under stress when it was purchased. It has returned results in line with expectations in the first six months and deposits have been strong, showing that customer confidence has been restored.

During the year we made substantial progress in increasing the strategic focus of the Group. In the UK, we sold GNI, Old Mutual Securities and King & Shaxson Bond Brokers, as they did not fit within our asset management and asset gathering strategy, and thereby considerably reduced our risk profile. In the USA we sold NWQ, where we had the opportunity to enter into a distribution arrangement with the purchaser, Nuveen, and where we had an attractive alternative as a core holding in Thompson, Siegel & Walmsley. We have sold a further six smaller US affiliates since the beginning of 2002. Our planned disposal programme and the consolidation of our 2000 and 2001 acquisitions are now largely complete.

Our capital position was strengthened during the year by a successful Eurobond placing, and by an innovative preference share issue at Nedcor. Capital adequacy remains healthy in all of our businesses that have formal capital adequacy requirements. Our US life business required \$313m of additional capital to support its growth, and we constrained its marketing efforts in the fourth quarter to limit its capital usage.

Our UK businesses are now under the leadership of Hasan Askari. He has been on the board of these operations for several years and has long experience in the financial services industry. Hasan also looks after our Indian interests. Management has been further strengthened by Bob Head, who has joined us as International Development Director. He was previously Chief Executive of Smile, the internet bank, and Finance Director of egg plc before that. Bob brings a wealth of international insurance and banking experience and we expect him to play an important role in our future growth.

Your Board was sufficiently encouraged by the outturn for 2002 to recommend an unchanged final dividend of 3.1p per share. This will be converted into Rand for payment to South African shareholders at the rate ruling on 3 April 2003.

Last year saw some particularly harsh conditions in equity markets around the world. The diversity we have so far established stood us in good stead in 2002 and we are now considering the next leg of our internationalisation. A bigger third leg to our portfolio will, we believe, provide further valuable stability. Returns to shareholders remain our key guide and we will not be rushed.

Outlook

Each of our businesses faces 2003 with some confidence, and each draws support from the whole. We still have a great deal to do to deliver a good return on equity from some businesses, but our operating management teams are bedded down and focused on bringing about the best possible results in their markets. We may be buffeted by markets and currencies, but the diverse nature of our business allows us to be resilient in a wide variety of circumstances.

Jim Sutcliffe

Chief Executive

24 February 2003

Operating and Financial Review

BUSINESS REVIEW

SOUTH AFRICA

Smoothed operating profit for the South African businesses in 2002 of R9,016 million decreased by 5% from R9,536 million in 2001. Translated into Sterling, the 2002 result of £571 million was down 26% from £770 million in 2001. The contribution to smoothed operating profit in 2002 from Old Mutual South Africa (OMSA), Nedcor and Mutual & Federal was R5,855 million, R2,605 million and R556 million respectively.

OMSA has successfully grown and continues to develop its distribution capability and to strengthen its broker relationships, resulting in improved productivity and distribution. Customer service has also improved, with the delivery of a one-stop client service function and the introduction of new product ranges in both retail and institutional sectors.

The most significant events of the year for Nedcor were its acquisition of BoE Limited (BoE) and the consequent restructuring of its banking divisions. The challenge for 2003 and beyond is to implement the merger and integration plans successfully and to realise the anticipated benefits of the merger synergies.

Mutual & Federal has steadily improved its underlying underwriting profitability through stringent risk selection and withdrawal from unprofitable business.

The success of bancassurance initiatives in the Group's South African businesses is integral to their organic growth and maintaining their position as a leading financial services group in South Africa.

Black Economic Empowerment (BEE) is a key focus in South Africa and the issues of ownership and partnership and their financing are being considered. The financial services industry has been proactive in initiating discussions on a BEE charter for the industry. The South African companies are actively involved in this process, and have been finalising their BEE strategies and programmes.

LIFE ASSURANCE

Summary financial performance

The South African life assurance business delivered good results in difficult market conditions, with the FTSE/JSE Africa ALSI falling 11% during the year. Operating profit, before long term investment return, was R3,283 million, an increase of 6% from R3,085 million in 2001. A satisfactory return on internal capital allocated of 22% was achieved, compared to 24% in 2001, after Capital Gains Tax was included for a full year for the first time.

The value of life new business after tax was R1,124 million, 34% higher than the R840 million achieved in 2001, with Annual Premium Equivalent (APE) of R3,705 million, up 18% on the R3,142 million in 2001. The increase in the value of new business was due to significantly higher Group Business, up from R334 million to R600 million. This was mainly due to an 80% increase in single premium new business arising from a few large Group with-profit annuity cases. Individual new business, at R524 million, was 4% higher than the R506 million reported in 2001, with strong growth in recurring premium business. The average margin on new business of 30% of APE increased from the prior year average margin of 27%, but remained stable over the year at the product level.

Operating and Financial Review (continued)

The margin improvement reflects a change in the mix of products, mainly as a result of high Group Business single premium volumes.

The value of in-force business of R9,419 million at 31 December 2002 increased by 3% from R9,176 million at 31 December 2001.

The life business cash outflow was disappointing at R4.4 billion in 2002 and substantially worse than the R2.0 billion in 2001. This result reflects lower Individual Business single premiums and the impact of blocks of life-wrapped institutional investment business moving to other managers as part of the ongoing diversification of investment responsibility by pension fund trustees.

Outlook

While the South African life assurance business is positioned for growth, recovery in the markets will impact its success. Although new business volumes have been high during 2002, the business expects a decline in Group Business sales in 2003 as a consequence of the contracting with-profit annuity market.

Individual Business

Financial performance

Operating profit, before long term investment return, for Individual Business of R2,352 million was up 9% from R2,152 million in 2001. This increase was largely the result of an increase in the average level of policyholders' funds in 2002 compared with 2001, and the net positive effect of assumption changes, based on positive experience variances.

The value of new business after tax of R524 million increased by 4% from R506 million in 2001. The new business APE of R2,670 million was 8% higher than that achieved in 2001. Single premiums are strongly correlated to the investment markets and were some 12% lower than in 2001, or 5% after taking account of investment in the Old Mutual International offshore product range. The volatility of the Rand and uncertainty in global investment markets adversely impacted the growth in single premiums.

Following its launch in 2001, the *Greenlight* flexible range of insurance protection products attracted good inflows over the year. Recurring premium business was up 22%, driven by sales of *Greenlight*, *Investment Horizons* and the re-priced funeral product range within Group Schemes.

Business development

The customer segmentation strategy launched in 2001 has brought increased focus and improved customer service. The reorganisation of the Private Wealth segment businesses culminated in the re-branding of Mint, which targets affluent clients, as Private Wealth Management, and the launch of Fairbairn Capital in July. Dollar and Sterling-denominated life, endowment and investment products were launched early in 2002 to satisfy the demands for products using investors' R750,000 offshore investment allowance through the Group's Guernsey operation. Fairbairn Capital grew its client base during the year by 14%.

Individual Business continued to focus on building its distribution capability during 2002, particularly in Gauteng province, with a focus on quality of recruitment and managing under-performers. Improvements in Personal Finance Advice (PFA) productivity were achieved and resulted in increased distribution efficiency and have positioned the business favourably to move forward.

Operating and Financial Review (continued)

Bancassurance initiatives and joint ventures with Nedcor now span all major customer segments, following the acquisition of BoE by Nedcor and the reorganisation of their collective businesses. New joint ventures between OMSA and Nedcor, which target high net worth (HNW) customers and which offer credit protection to Nedcor's customers, have been initiated. The joint venture in the HNW area completes the range of offerings in the Private Wealth Management segment, as it now offers fiduciary and discretionary portfolio management services. The integration of Old Mutual Bank and Permanent Bank was successfully concluded, with the retention of clients exceeding expectations. Re-branding of Permanent Bank branches as Old Mutual Bank is underway and the combined operation is well positioned for the year ahead. Advisor sales of life products in Nedbank (upper income) and Peoples Bank (lower income) are progressing well, as are sales in bank branches by bank staff. Total life bancassurance APE was up by 14% on the previous year.

Outlook

Individual Business is continuing to look at opportunities to develop its product range in innovative ways. In the Personal Finance middle income segment, growth in distribution capability, particularly in Gauteng province, productivity improvements and strengthening broker relationships position the business for growth. The Private Wealth segment is also now able to offer a competitive and broad range of investment, fiduciary and advisory solutions as well as services to meet the needs of affluent and HNW customers.

Bancassurance remains a key channel and OMSA is focused on optimising the success of its joint ventures with Nedcor.

Group Business

Financial performance

Operating profit, before long term investment return, was R931 million compared with R933 million in 2001. Notwithstanding higher average asset levels, the 2002 result was impacted by investment in the healthcare business on the development of the new healthcare product, *Oxygen*, and in Employee Benefits where there was significant expenditure on its new administration system (Compass).

The value of new business after tax of R600 million increased by 80% from R334 million in 2001. New business APE increased by 53%, with sales of single premium business of R7,385 million in 2002, 71% higher than the R4,331 million in 2001, as a result of several large blocks of with-profit annuity business. New recurring premium sales were 22% higher than the previous year. The new business margin of 58% was higher than the 49% margin achieved in the prior year as a result of an increased proportion of single premium with-profit annuity business.

Business development

The new retail healthcare product, *Oxygen*, was launched in the second half of the year and was favourably received by the market.

Investment in new technology administration systems continued throughout 2002, with significant progress being made in the development of a new retirement fund administration platform using the Compass system. The first large client migrated to the new platform towards the end of 2002 and the focus in 2003 will be to move remaining clients on to the new platform. This enables improved customer service and choice, and places Employee Benefits in a strong competitive position.

Operating and Financial Review (continued)

Following Nedcor's acquisition of BoE, the *Symmetry* multi-manager offering has been extended after the inclusion of NIB Investments and Edge Investments. New structured and preferred risk products have been launched.

Outlook

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

ASSET MANAGEMENT

Fund management

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

Financial performance

Operating profit of R441 million decreased by 4% from R458 million in 2001, mainly as a result of lower trading profit at OMUT. Contributing positively to this result was OMAM(SA)'s effective cost management and shift towards higher margin products. OMSFIN significantly expanded its corporate lending activities, strong origination and underwriting deal flow and continued to grow its structured and trading revenues within a conservative credit and market risk management philosophy. OMP made good progress developing third party revenues.

Business development

OMAM(SA)'s ongoing strategy of broadening its investment capabilities has been successful, especially in the areas of alternative asset classes and specialist conventional asset capabilities. Its absolute return fund products have performed well and have been popular with clients and intermediaries, as have local and international hedge funds. The company is well placed to meet continued demand for these products.

OMAM(SA) is the largest manager of infrastructural assets for institutions in South Africa and manages, directly and indirectly, a total of R1.9 billion in this asset class.

BEE joint ventures with Setsing and Umbono Fund Managers have continued to develop and OMAM(SA) remains committed to its role in this regard. Following the acquisition of BoE by Nedcor, a controlling stake in BoE Asset Management was sold to AKA Capital as part of a major BEE deal, with Old Mutual and Nedcor taking minority stakes.

OMAM(SA)'s investment performance relative to its peers and to index-related benchmarks showed considerable improvement over the year. Retirement funds managed by OMAM(SA) finished the year in second position out of the ten largest asset managers covered in the Alexander Forbes Large Manager Watch Survey (South African retirement funds including international assets). OMAM(SA) was also placed second over five years. OMAM(SA)'s range of *Profile Funds* (pooled retirement funds) continued to perform strongly over the year as well as continuing to deliver consistent and superior (mostly upper quartile) returns over the longer term. Eight out of ten of its unit trust equity funds achieved either top quartile or first positions in their peer groups.

Operating and Financial Review (continued)

Outlook

The weakness in the South African and global equity markets negatively affected absolute return levels in 2002. Whilst the valuation of the South African equity market is supported by sound economic fundamentals, the country's close links to the global economy make forecasting difficult in the current uncertain environment.

BANKING

Summary financial performance

Operating profit from the Group's worldwide banking operations of R3,489 million decreased by 24% from R4,572 million in 2001. Translated into Sterling, the 2002 result of £221 million was down 40% from £369 million in 2001. Following the merger of Old Mutual Bank with Permanent Bank's deposit-taking activities and infrastructure with effect from 1 January 2003, the Nedcor group now represents the Group's only banking interests. Old Mutual Bank's results were previously included in OMSA's results, whilst Permanent Bank was part of the Nedcor group.

NEDCOR

Financial performance

2002 has been a challenging and eventful year for Nedcor and for the South African banking industry. The merger with BoE during the year created the opportunity for a major restructuring and re-alignment of the Nedcor Group. This culminated in the merger of four banks to form the new Nedbank Limited (Nedbank) on 1 January 2003.

Operating profit of R3,489 million is stated before goodwill amortisation (R502 million), write-down of the investment in Dimension Data Holdings plc (R1,080 million) and restructuring and integration costs (R227 million).

Loans and advances of R195 billion in 2002 increased by 33% from R147 billion in 2001, despite a reduction of R9.8 billion in Rand-translated offshore advances. However, net interest income grew by only 20% (12% excluding BoE) to R6,363 million from R5,316 million in 2001. This was a result of pressure on margins from the liquidity squeeze in a year of market turbulence, as well as lower endowment income due to cash injections into BoE and other strategic activities.

Non-interest revenue of R6,931 million increased by 20% from R5,799 million in 2001.

During 2002, the specific and general provisions charged to the profit and loss account decreased by 5% to R1,390 million, including BoE, from R1,462 million in 2001. The provisions charged in 2002 include the release of the R400 million general risk provision prudently raised at 31 December 2001. Excluding this provision raised in 2001 and released in 2002, the provisions charged to the profit and loss account of R1,790 million in 2002 increased by 69% from R1,062 million in 2001. This increase relates to additional provisions for the ring-fenced Business Banking small and medium enterprises book and the micro-loan sector. Following the acquisition of BoE, Nedcor's exposure to micro-lending, and to retailers active in micro-lending, increased to R972 million from R377 million in 2001. Nedcor's total unsecured exposures to the micro-loan industry represent only 0.5% of total advances.

Operating and Financial Review (continued)

Operating expenses of R8,573 million, including translation losses of R1,011 million, increased by 63% in 2002 from R5,267 million in 2001. Excluding translation losses, expenses would have increased by 44%. The efficiency ratio calculated by Nedcor declined to 55.4% in 2002 from 52.5% on a comparable basis in 2001, but remained constant at 52.5% excluding BoE.

In 2002, one-off merger and restructuring costs of R204 million after tax have been charged to the profit and loss account. This figure includes R86 million for Nedcor's restructuring and integration costs and R118 million for the closure and restructuring costs of Permanent Bank's deposit-taking activities and infrastructure, which are being merged with Old Mutual Bank.

The market value of Nedcor's investment in 103 million shares in Dimension Data Holdings plc has declined further and has been marked to market at its 31 December 2002 price of R4.02 per share, down from R14.50 at 31 December 2001.

Total statutory capital of R27.7 billion (2001: R19.5 billion) represents an overall capital adequacy of 11.0% (2001: 11.4%), above the statutory requirement of 10%. Included in statutory capital is new preference share capital of R2 billion, which is disclosed as non-equity minority interests in the Old Mutual Group accounts.

Business development

The acquisition of BoE and the consequent restructuring of the Group were the most significant events for Nedcor during the year and fully align with Nedcor's growth strategy. The challenge for 2003 and beyond is to implement the merger and integration plans and realise anticipated synergy benefits.

Nedcor has begun to exploit its core processing competence in the international arena to create a recurring, external income stream. This has progressed well, with the Swisscard outsourcing contract successfully meeting key milestones during the year.

Restructuring and integration

The acquisition of BoE was the catalyst for an overall Nedcor Group reorganisation, which integrated BoE, Nedcor Investment Bank (NIB), Cape of Good Hope Bank and parts of Peoples Bank with Nedbank with effect from 1 January 2003. Nedcor also acquired the 11.6% of the share capital of NIB which the Group did not previously own, for R685 million net of costs, with effect from 1 October 2002.

The integration is proceeding well. Senior staff losses have been minimal, asset growth has been robust, deposit return flows have been strong and liquidity has been optimised. Recurring synergies net of integration costs, and including funding and capital efficiencies, are expected to grow from R110 million before tax in 2003 to R905 million before tax from 2006 onwards.

NIB acquired the remaining 50% of Franklin Templeton Nedcor Investment Bank Asset Management Limited from Franklin Templeton, with effect from 1 October 2002, for a consideration of R180 million as part of the rationalisation of the wealth management activities of Nedbank, NIB and BoE. The wealth management activities were then classified into private client and institutional asset management. The private client activities, both domestically and internationally, will continue as a Nedcor business operating under the BoE brand. Institutional asset management was sold with effect from 1 January 2003 to empowerment partners, spearheaded by AKA Capital and partnered by OMSA and Peoples Bank.

Operating and Financial Review (continued)

The merged entity between certain Permanent Bank operations and Old Mutual Bank will operate under the Old Mutual Bank brand as a division of Nedbank with effect from 1 January 2003. Its primary focus will be to deliver banking products to South African life clients.

Outlook

The solid performance of Nedcor's core businesses in 2002 positions it well for the future, with an improving South African banking environment and the turnaround in declining interest margins. Following increased technology investment, the merger with BoE provides the enlarged Nedcor group with opportunities to leverage advantages of scale and thus increase efficiencies and reduce cost-to-income ratios.

Nedcor's multi-brand strategy and strategic alliances have led to increased market share in recent years. This will be augmented by the addition of BoE products and brands with its new operational structure enabling focus on outstanding client service.

Nedcor's strategy offers low-risk growth opportunities and focuses on markets and initiatives that lie within its core competencies. Given continued growth in its core businesses and alliances, stable credit and interest rate conditions and a successful integration with BoE, Nedcor anticipates positive results in 2003.

GENERAL INSURANCE

MUTUAL & FEDERAL

Financial performance

Operating profit of R556 million, including long term investment return, from the Group's 51% owned South African general insurance operation, Mutual & Federal, represented a decrease of 2% from R570 million last year. This decline is primarily due to a lower investment return following the payment of a special dividend of 350 cents per share in December 2001.

Mutual & Federal returned an underwriting surplus of R2 million for the year, compared to R62 million in 2001, reflecting primarily the creation of additional provisions and the difficult trading environment.

Gross premium income of R5,603 million was 15% higher than last year as a result of organic growth in its portfolios. However, net premiums increased only 11% from 2001, due primarily to increased reinsurance costs. Net claims escalated by approximately 12%, which reflects the impact of inflation, certain marine and fire claims, and weather-related losses in the third quarter. The underwriting ratio, before transfers to statutory provisions, nevertheless improved to 2.4% from 2.0% in 2001, and this is expected to be some 25% better than the overall industry average.

The solvency margin, being the ratio of net assets to net premiums, remained high and was in excess of 60%, well above the minimum required to support current operations.

Business development

During 2003, Mutual & Federal intends to continue to exploit current distribution channels and develop further opportunities, including those in the agricultural sector. In addition, the company will seek to identify additional cost saving opportunities with a view to improving the long term profitability of the organisation.

Operating and Financial Review (continued)

Outlook

Mutual & Federal expects the improvements experienced during 2002 to continue during 2003. It is anticipated that the premium rate increases implemented will continue to yield positive results despite a continued escalation in claims costs. There are signs that the contraction in the industry during the last four years has stabilised and there has been a return to more rigorous underwriting standards.

UNITED STATES

Operating profit from the Group's US asset management and life assurance operations of \$266 million increased by 43% from \$186 million in 2001, with a full year of Fidelity & Guaranty Life included for the first time. Translated into Sterling, the 2002 result of £178 million increased by 38% from £129 million in 2001. These positive results reflect the resilience to difficult equity market conditions and underline the benefits to the Group of the diversity of its US businesses, particularly their diverse range of asset classes and investment styles. The contribution to operating profit in 2002 from US asset management and US life was \$142 million and \$124 million respectively.

Rationalisation of the US asset management group is substantially complete. The business is focused on attracting new funds through superior fund performance and through leveraging the strength of its diverse asset mix and distribution capabilities. In 2002, the US asset management group developed a comprehensive managed account (wrap) strategy under Old Mutual Investment Partners, developed its relationship with other Old Mutual Group businesses and continued to target distribution synergies among the firms, as evidenced by introducing five new funds sub-advised by Old Mutual affiliates to Pilgrim Baxter's PBHG mutual fund platform.

The record sales of \$4.0 billion achieved by the Group's US life business in 2002 were, to a large extent, attributable to its competitive positioning, the delivery of new products to the market, its wide distribution network and strong relationships with key distributors. The Group is committed to supporting the US life business through the provision of capital to fund growth. The US life business took advantage of synergies within the Group and awarded a hedging mandate to, and instituted a bond lending programme with, two US asset management firms, during 2002.

ASSET MANAGEMENT

Financial performance

Operating profit of \$142 million from the Group's US asset management business decreased by 15% from \$167 million in 2001. However, comparing the 2001 results on a like-for-like basis after adjusting for the impact of disposals, operating profit declined 5% from \$150 million. This was achieved despite challenging equity markets in which the S&P 500 Index decreased by 22% and the Russell 1000 Growth Index decreased by 29%. Conversely, fixed income markets contributed favourably to these results as indicated by the Lehman Brothers Aggregate Bond Index, which increased by 10%. Overall, these positive results were attributable to the diversity of the asset management styles, the strength in value-focused styles, positive fixed income markets, positive net fund flows and significant reductions in head office costs.

Funds under management, including \$10.1 billion managed for the Group's US life business, declined by 15% to \$127 billion at the end of 2002 compared to \$150 billion at the beginning of the year. However, \$15 billion of this reduction was due to divestitures of certain affiliates. The group gathered

Operating and Financial Review (continued)

significant net fund inflows of \$5.1 billion, (including \$3.3 billion from US life), which were more than offset by market-related declines of \$13 billion. Funds under management declined by 6% on a comparable basis.

Overall, the US investment business continued to produce superior relative performance for its clients. Assets managed for institutional clients represented approximately 89% of funds under management at the end of 2002. Of these separate account strategies, the majority outperformed their benchmarks, with more than 80% of assets outperforming their respective benchmarks for three and five-year periods on an asset-weighted basis.

Mutual fund assets, excluding sub-advised funds, represented approximately 11% of funds under management. On an asset-weighted basis, the four and five star-rated funds managed by the Group's US asset management firms represented 58% of their total mutual fund assets rated by Morningstar.

Business development

The senior management team in Boston works closely with the firms on distribution initiatives, leveraging best practices and various value-added programmes for clients. Successful initiatives completed in 2002 included the expansion of the PBHG mutual fund platform, development of a comprehensive managed account strategy under the umbrella of Old Mutual Investment Partners, branding initiatives to better leverage the Old Mutual name in the USA, as well as growth in relationships with the Group's US life business.

Outlook

The diverse capabilities and product offerings of the Group's US asset management business place it in a strong position to benefit in most market conditions and dampen the impact of market downturns.

The suite of investment products will continue to build on the strength of US asset management institutional capabilities, as well as selective retail growth opportunities. Enhancing distribution capabilities, together with superior investment performance relative to peer and benchmark, are the key elements of the Group's US asset management strategy for 2003.

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

Financial and fund performance

Operating profit from the affiliates within OMAM(US) was \$47 million in 2002 compared to \$55 million in 2001. Although OMAM(US) benefited from a market preference for fixed income products and value-style equity investments, the gains made by these products were more than offset by adverse market movements as well as the sale of NWQ.

Funds under management at OMAM(US) were \$70.9 billion at the end of 2002, a decrease of 8% from \$76.7 billion at the end of 2001, which was mainly due to the sale of NWQ. OMAM(US) gathered significant net fund inflows of \$7.6 billion during 2002, led by Dwight Asset Management and Clay Finlay, compared to net fund inflows of \$6.9 billion in 2001, a year on year increase of 10%. Inflows were offset by negative market movements of \$6.5 billion, or 9% of funds under management at the beginning of the year. These funds include \$10.1 billion managed on behalf of the Group's US life business.

As part of its strategy to expand distribution capabilities, OMAM(US) sold NWQ, a value-oriented equity fund manager with \$6.9 billion of funds under management, to The John Nuveen Company

Operating and Financial Review (continued)

(Nuveen) for \$120 million. As part of this transaction, a strategic alliance was formed to sub-advise future investment products sponsored and distributed by Nuveen, which should lead to additional revenues of \$20 million.

Business development

OMAM(US)'s multi-style, multi-product offerings have potential attractions for other financial services organisations that have broad distribution, but need to supplement their existing product lines. To leverage its asset management capabilities, OMAM(US) has established a centralised marketing and service entity focused on managed or wrap accounts for external financial services firms. In addition, the Director of Sales, Marketing and Product Development works closely with affiliates to increase institutional distribution by focusing on the consultant community.

Pilgrim Baxter & Associates

Financial and fund performance

Operating profit of \$26 million from Pilgrim Baxter decreased by 38% from \$42 million in 2001, primarily due to market-driven declines in growth-oriented investment products.

Funds under management of \$6.8 billion at the end of 2002 decreased 46% from \$12.6 billion at the beginning of the year. Market declines reduced funds under management by \$3.9 billion, or 31% of funds under management at the beginning of the year. The firm also experienced net fund outflows of \$1.9 billion, or 15% of funds under management at the start of the year.

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

Business development

In 2002, Pilgrim Baxter opened up its PBHG platform to include products offered by other affiliates of Old Mutual in order to create a best of class mutual fund platform. Pilgrim Baxter attracted total assets of \$1.4 billion for these portfolios during 2002, gathered primarily in the *PBHG IRA Capital Preservation Fund* and the *PBHG Clipper Focus Fund*.

Old Mutual Affiliates

Financial and fund performance

Operating profit from the firms that comprise Old Mutual Affiliates amounted to \$69 million for 2002, compared to \$70 million in 2001. After normalising the 2001 results for the impact of disposals in 2001, operating profit in 2002 has improved on 2001 by some 20%.

Funds under management declined by 18% to \$49.4 billion at the end of 2002, from \$60.6 billion at the end of 2001. Divestitures of four affiliates accounted for \$7.5 billion of this decline. Market-related declines reduced funds by \$2.9 billion, with the remaining decline resulting from net fund outflows of \$0.6 billion and the transfer of \$0.2 billion of funds from US asset management to other areas of the Group.

Operating and Financial Review (continued)

Business development

Throughout 2002, the senior management team in Boston worked with many of the Old Mutual Affiliates to restructure economic agreements in order better to align shareholder and management interests. Transactions with the firms that were targeted for disposal have either been completed, or are expected to be substantially complete by 31 March 2003. The resulting organisation will be better positioned to increase market share by leveraging the strength of its diverse asset mix, whilst benefiting from the power of the focused manufacturing capabilities of the affiliates. This sharpening of focus and aligning of interests are key to the future success of the Group's US asset management business.

US LIFE ASSURANCE

Financial performance

Operating profit in 2002 of \$124 million includes a full year contribution from Fidelity & Guaranty Life and compares favourably with \$32 million (which excludes \$13 million of transitional items related to the purchase of Fidelity & Guaranty Life) for the six months for which its results were consolidated in 2001.

The Group's US life business saw unprecedented sales in 2002, totalling \$4.0 billion (APE: \$451 million). These levels reflected strong industry-wide sales of fixed annuities and also demonstrated US life's improved competitiveness. Taking advantage of US life's competitive positioning, the Group injected \$313 million of capital to support the influx of profitable new business. This financial support enabled US life to expand profitably and preserve its relative rating position. At the end of 2002, A.M. Best confirmed its financial strength rating of "A" for Fidelity & Guaranty Life.

Value of new business after tax was \$84 million, at a margin of 19%. The capital constraints impacting the industry, together with active management by Dwight Asset Management (Dwight), enabled US life to sell products at a return of capital of 12%. The increase in the margin reflects the lower discount rate used as a consequence of the fall in interest rates.

The value of in-force business of \$549 million in 2002 increased by 39% from \$394 million in 2001.

During the year, \$3.3 billion of net policy cash inflows were invested with Dwight. Taking advantage of the synergies within the Group, a dynamic hedging mandate was awarded to another US asset management firm, Analytic Investors, and a bond lending programme was instituted with eSecLending. Funds under management now total \$10.5 billion, an increase of 61% over last year.

As part of the improved positioning of US life, Old Mutual is able to bring a more active investment management approach to the bond portfolio through Dwight's active investment process. Whilst, in common with other US life companies, various bond impairments and write-offs were suffered in 2002, US life was able to work closely with Dwight to manage these risks. Over 2002, net realised gains amounted to \$44 million without impact on margins. Under US statutory accounting, not all these gains are eligible to be treated as capital and the impact of defaults and impairments on capital was \$48 million.

During 2002, an additional \$30 million net of tax was recorded against goodwill arising on the acquisition of Fidelity & Guaranty Life. This adjustment reflects the revised estimate of costs involved in exiting an onerous contract, the liability for which was underprovided at the date of acquisition.

Operating and Financial Review (continued)

Business development

Record sales in 2002 can be attributed to the competitive positioning of the business, the speed with which new products were delivered to the market, and the breadth of the distribution network through multiple channels, together with strong relationships with key distributors. The provision of capital by the Group to US life enabled it to thrive in a year that saw the position of some of its key competitors eroded due to capital constraints.

Changes to support both agent and policyholder services took place during the year. An additional sales support centre was created in Lincoln, Nebraska, whilst life underwriting capacity was enhanced through the creation of a new underwriting facility. These steps form part of a transition that will be beneficial to US life's agents and to overall profitability.

Outlook

At the close of 2002, US interest rates fell to historically low levels and the yield curve flattened. These factors are expected to have a negative effect on the fixed annuity sector. This, along with the number of new competitors entering this sector from the ailing variable annuity sector, means that 2003 will be a challenging environment for selling US life's core products. In response to these challenges, US life has recently launched a new range of equity-linked annuity products that are designed to offer customers an attractive median between fixed and equity investments. Despite the broader product range, a lower level of sales is anticipated in 2003.

UNITED KINGDOM & REST OF WORLD

Operating losses, before long term investment return, from the Group's UK and Rest of World asset management and life assurance businesses were £1 million in 2002, compared to losses of £5 million in 2001.

The Group's UK business has experienced significant change in 2002, with the continued re-engineering of Gerrard and the sale of three non-core businesses, GNI, Old Mutual Securities and King & Shaxson Bond Brokers.

ASSET MANAGEMENT

Private Client UK

Financial and fund performance

Gerrard's operating profit of £4 million in 2002 compares with a loss of £10 million in 2001, the latter including integration costs of £12 million. This was a positive result in the face of fierce bear market pressures. Significant cost savings more than offset the 18% reduction in revenue year on year compared to a fall in the FTSE 100 Index of 24% over the same period. The 2002 result includes one-off profits of £6 million following the sale of current investments, the proceeds of which have been used, in part, to fund restructuring costs of £5 million resulting from planned redundancies and branch closures.

Fee revenues of £43 million reduced by 28% as a result of the market downturn and the transfer of some assets to Old Mutual Asset Managers (UK) (OMAM(UK)), and commission and other income of £70 million reduced by 10%. Adverse markets and the exit of unprofitable client relationships were largely responsible for the reduction in closing funds under management from £17.4 billion at 31

Operating and Financial Review (continued)

December 2001 to £12.0 billion at 31 December 2002. Included in this reduction is £1.1 billion of funds transferred from Gerrard Investment Funds (GIF) to OMAM(UK) at the beginning of 2002.

Business development

Gerrard has undergone considerable structural change in 2002. Cost savings anticipated from integration have been realised, with back office operations restructured and positioned in low cost locations. The business has also undergone a branch rationalisation programme, which has reduced the number of offices from thirty-one to twenty. Employment-related costs have reduced by 20%, with headcount approaching 1,200 compared with 1,400 at the beginning of 2002.

Outlook

Gerrard will continue with its wealth management strategy by improving the investment choices and stockbroking services available to clients, and developing distribution through complementary financial planning and private banking offerings.

Fund Management

Financial and fund performance

Operating losses from the Group's UK and Rest of World fund management businesses of £2 million compared to an operating profit of £6 million in 2001. Included in these results are OMAM(UK), Old Mutual Asset Managers (Bermuda) and GNI Fund Management (GNI FM). The decrease in operating profit contribution arose primarily from market-related declines in funds under management, and one-off costs of integrating the GIF business into OMAM(UK).

OMAM(UK) - business development

OMAM(UK) continued to make good progress during the year, particularly in the difficult market environment, and achieved net fund inflows of £82 million from external clients. OMAM(UK) launched the *UK Select Mid Cap* and *Large Cap Funds* in 2002, following the success of its *Smaller Companies Fund* launched in 2001. Between them, these three raised £156 million of new funds in 2002. OMAM(UK) also had considerable success with its *Corporate Bond Fund*, which raised £100 million of new funds during the year and has been top in its sector since its launch in 2000. Performance in the three equity funds mentioned above exceeded their respective index benchmarks, resulting in top decile performance relative to their peer group.

During 2002, OMAM(UK) successfully integrated the retail fund business of GIF under its management and is currently in the process of rationalising the combined fund ranges of the two businesses. OMAM(UK) has significantly reduced its cost base and has shifted its sales focus away from advertising, brand building and promotion, and closer to the point of sale.

GNI FM – business development

Following the sale of GNI, GNI FM has restructured its business, including the purchase of a new risk management system, and now has a solid platform from which to build funds under management. Fund performance in 2002 was strong, with all products showing positive returns.

Operating and Financial Review (continued)

Other Financial Services

Financial performance

As part of the Group's strategic focus on asset gathering and asset management operations, the UK broking businesses of GNI, Old Mutual Securities (OMS) and King & Shaxson Bond Brokers were all sold in the second half of the year, for a total consideration of up to £114 million. The loss on these disposals totalled £61 million. These businesses contributed £2 million of operating profit in 2002, compared to £7 million in 2001.

LIFE ASSURANCE

Financial performance

Operating losses in 2002, before long term investment return, from the Group's UK and Rest of World life businesses of £7 million was the same as in 2001.

United Kingdom

Selestia has made a positive impact on the market in its first year since launch and obtained a life company licence in May 2002. In November 2002, the company was awarded the Best Online Investment Provider award at the 2002 Incisive Media Online Finance Awards, which will further establish it as a leading IFA business solutions provider. Selestia achieved its plan to expand its IFA network in 2002 and will focus its efforts on generating substantial business volumes from those accounts in 2003.

Rest of Africa

Operating profit, before long term investment return, from the Group's Rest of Africa operations was £5 million in 2002, compared with £6 million in 2001.

India

The Group's 26% owned joint venture life assurance company in India, OM Kotak Mahindra, has continued to make satisfactory progress in 2002. OM Kotak Mahindra increased its agency force to approximately 3,500 agents in 2002 from 1,000 in 2001, expanded its product range and now operates a total of twenty-seven offices.

Operating and Financial Review (continued)

GROUP FINANCIAL REVIEW

Operating profit and earnings per share

The Group delivered solid results in 2002, despite turbulence in the equity markets and currency volatility. Significant movements in both the average and year end exchange rates impacted operating earnings and embedded value per share. Operating profit on ordinary activities before tax of £431 million in 2002, increased significantly from £81 million in 2001, the latter including goodwill impairment of £500 million. Basic earnings per share were 4.3p in 2002 compared with a loss per share of 7.4p in 2001. Operating profit¹ of £724 million decreased by 15% from £856 million in 2001. Operating earnings per share¹ were 11.3p compared with 12.1p (restated to reflect Financial Reporting Standard 19) in 2001. The weakening of the average Rand: Sterling exchange rate from R12.39 in 2001 to R15.79 in 2002 is the principal factor that adversely affected the Group's results, reducing operating earnings per share by 3.4p. The impact of the strong year end rate for the Rand benefited Sterling achieved profits shareholders' funds, although it has also generated translation losses in the Group's banking subsidiary, Nedcor.

Achieved profits

The Association of British Insurers (ABI) issued guidance for achieved profits reporting in December 2001. The Group has adopted achieved profits for supplementary reporting in these results, replacing the embedded value information provided in previous years. The basis of preparation and reporting within the primary financial statements, and the actuarial assumptions within the supplementary reporting for prior periods, are unchanged.

The Group's achieved profits before tax and minority interests of £862 million decreased by 18% from the £1,048 million in 2001. Achieved profits per share of 14.1p declined from 15.4p. The achieved profits shareholders' funds of £3,426 million at 31 December 2002 increased by 12% during the year from £3,067 million at 31 December 2001. Embedded value (adjusted for market value uplift of listed subsidiaries) of £3,928 million at 31 December 2002 also increased by 12% from £3,522 million at 31 December 2001.

The achieved profits for 2002 are presented in these results as supplementary information, commencing on page 45.

Acquisitions

Nedcor acquired BoE with effect from 2 July 2002. The total consideration of £485 million (R7.7 billion) was financed with cash of £391 million (R6.2 billion) and equity of £84 million (R1.3 billion), with additional costs directly associated with the acquisition of £10 million (R0.2 billion). After fair value and accounting policy alignment adjustments, goodwill arising on the acquisition of BoE was £214 million (R3.4 billion), giving a price to book ratio of approximately 1.8. Pre-tax integration costs of £14 million (R227 million) have been accounted for in the Group's profit and loss account for the year ended 31 December 2002.

Disposals

In the USA, the Group sold NWQ for cash proceeds of £77 million (\$120 million) on 1 August 2002 and, in accordance with its planned disposal programme, a further four small US affiliates were

¹ Operating profit is based on a long term investment return, before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and non-operating items. Operating earnings per share are stated on the same basis, but after tax and minority interests.

Operating and Financial Review (continued)

disposed of during 2002. The total consideration received was £125 million (\$197 million), resulting in an after-tax loss on disposal of £3 million (\$5 million). The disposal of a further two affiliates in 2003 has been announced. Although these sales were earnings dilutive, they strengthened the Group's capital position, allowing it to focus on core businesses.

The Group also disposed of its non-core UK businesses of GNI, Old Mutual Securities and King & Shaxson Bond Brokers for a total cash consideration of £106 million. The consideration for the sale of Old Mutual Securities excludes a deferred amount of up to £8 million to be determined on an earn-out basis over three years. The loss on sale of these businesses totalled £61 million.

In January 2002, the Group disposed of Old Mutual International (Isle of Man) Limited, an offshore life assurance business, for a cash consideration of £36 million, resulting in a profit on disposal of £20 million.

Capital

Shareholders' capital has been affected during the year by a number of factors. In May 2002, capital of £39 million was raised through an issue of new shares made at the same time as the St Paul group placed its shares in Old Mutual, acquired as part of the purchase of Fidelity & Guaranty Life. Secondly, shareholders' capital benefited by £457 million from a strengthening, from R17.43 to R13.81 between 31 December 2001 and 31 December 2002, in the Rand: Sterling exchange rate.

The Group continues to manage its capital position prudently, ensuring that capital allocated to subsidiaries is strictly monitored. The Group has accessed debt and credit markets to secure an attractive funding structure with gearing (debt² over debt² plus equity shareholders' funds) at year end of 30%, an improvement over the 2001 year end level of 35%.

The solvency ratios of the Group's key businesses are as follows: excess assets equivalent to 2.3 and 2.5 times statutory capital at its South African and US life businesses respectively; a capital adequacy ratio of 11.0% at Nedcor and a solvency margin in excess of 60% at Mutual & Federal. In all cases, these are comfortably above the minimum statutory requirements.

At the end of 2002 a review was undertaken of the carrying value of the UK and US asset management businesses that were purchased in 2000. Despite the reduction in the levels of equity markets worldwide, the directors were satisfied that no further write-down of these assets was required.

Debt and debt facilities

During 2002, the Group continued to diversify its sources of funding and successfully launched its first Eurobond issue, raising €400 million. Its Euro commercial paper programme, rated P1 and F1 by Moody's Investor Service and Fitch Ratings respectively, was increased in size from £300 million to £600 million. In addition, the Group negotiated new committed syndicated and bilateral bank facilities totalling \$660 million.

These actions, together with existing internal resources, provided the Group with improved financial flexibility.

² Debt from the Group's insurance and asset management activities, net of cash and short term investments which are immediately available to repay debt.

Operating and Financial Review (continued)

Foreign exchange

Substantial proportions of the Group's operations are conducted in currencies other than Sterling. Where possible, the Group seeks to reduce its balance sheet exposure by borrowing in appropriate currencies directly or through currency hedging transactions. This was the case with the Group's €400 million Eurobond issue, which was immediately swapped into a \$349 million fixed rate debt liability. In total, 90% of the Group's debt is US Dollar denominated, which helps to hedge the Group's US Dollar assets.

Taxation

The Group's effective tax rate (based on the tax charge as a proportion of smoothed operating profit) of 26.9% represents a decrease from 29.2% (restated for the adoption of FRS 19) in 2001. The rate is 3% lower than the standard tax rate in the Group's primary business regions of 30%, mainly due to the continuing positive effect of low taxed income earned by the Group's businesses in South Africa. The rate also benefited from a reduction in Secondary Tax on Companies in South Africa. The Group expects the rate to trend upwards in the coming year, reflecting the impact of high US tax rates, additional South African Secondary Tax on Companies, and a reduction in Nedcor's proportion of low taxed income.

Long term investment return

In accordance with the UK ABI Statement of Recommended Practice and, 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 life and general insurance businesses for 2002 is unchanged at 14%. The return earned by assets, mainly bonds, backing the Group's US life business's liabilities has been smoothed with reference to the actual yield earned by the portfolio, which indicates a long term rate of return of 6.5%.

Dividend

The Board recommends a final dividend of 3.1p per share, which will bring the total dividend per share for the year to 4.8p. The proposed dividend is covered 2.4 times by operating earnings per share (2001: 2.5 times), reflecting the fall in operating earnings compared to the prior year.

The dividend, which is subject to shareholder approval at the Annual General Meeting on 16 May 2003, will be paid on 30 May 2003 to shareholders on the register at the close of business on 22 April 2003 (the record date) for all the exchanges where Old Mutual plc's shares are listed. The local currency equivalents of the proposed dividend for shareholders on the South African, Malawi and Zimbabwe branch registers and the Namibian section of the principal register will be determined using exchange rates on 3 April 2003 and will be announced by the Company on 4 April 2003. The Company's shares will trade ex dividend on the African exchanges from the opening of business on 14 April 2003 and on the London Stock Exchange from the opening of business on 16 April 2003.

Julian Roberts

Group Finance Director

24 February 2003

The financial information in this document does not constitute the Company's statutory accounts for the year ended 31 December 2002 but is derived from those accounts. Statutory accounts for 2001 have been delivered to the Registrar of Companies, and those for 2002 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 for the year ended 31 December 2002

The following table summarises the Group's results reported in the profit and loss accounts. This summary does not form part of the statutory financial statements. The directors' view is that operating earnings per share derived from operating profit or loss based on a long term investment return and before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc and Nedcor restructuring and integration costs, provides a better indication of the underlying performance of the Group.

	Notes	£m		Rm	
		Year to 31 Dec 2002	Year to 31 Dec 2001 (Restated)	Year to 31 Dec 2002	Year to 31 Dec 2001 (Restated)
South Africa					
Technical result		208	249	3,283	3,085
Long term investment return		135	148	2,131	1,830
Life assurance	3(b)(iii)	343	397	5,414	4,915
Asset management	3(c)(i)	28	37	441	458
Banking	3(d)(i)				
Acquired		32	-	503	-
Continuing		133	290	2,102	3,593
General insurance	3(e)(i)	35	46	556	570
		571	770	9,016	9,536
United States					
Life assurance	3(b)(iii)	83	13	1,310	161
Asset management	3(c)(i)	95	116	1,500	1,437
		178	129	2,810	1,598
United Kingdom and Rest of World					
Life assurance	3(b)(iii)	(3)	(2)	(47)	(25)
Asset management	3(c)(i)	2	(3)	31	(38)
Banking	3(d)(i)	56	79	884	979
		55	74	868	916
		804	973	12,694	12,050
Other shareholders' income / (expenses)	3(f)	(22)	(29)	(347)	(359)
Debt service costs		(58)	(67)	(916)	(830)
Write-down of strategic investments		-	(21)	-	(260)
Operating profit based on a long term investment return before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc and Nedcor restructuring and integration costs		724	856	11,431	10,601
Goodwill amortisation and impairment		(120)	(632)	(1,895)	(7,832)
Write-down of investment in Dimension Data Holdings plc	4	(68)	(269)	(1,080)	(3,334)
Nedcor restructuring and integration costs	3(d)(ii)	(14)	-	(227)	-
Short term fluctuations in investment return		(91)	126	(1,439)	1,561
Operating profit on ordinary activities before tax		431	81	6,790	996
Non-operating items	6(b)	(6)	-	(88)	-
Profit on ordinary activities before tax		425	81	6,702	996
Tax on profit on ordinary activities	5(a)	(224)	(319)	(3,535)	(3,948)
Profit / (loss) on ordinary activities after tax		201	(238)	3,167	(2,952)
Minority interests		(44)	(26)	(695)	(322)
Profit / (loss) for the financial year		157	(264)	2,472	(3,274)
Dividends paid and proposed		(176)	(172)	(2,556)	(2,606)
Retained loss for the financial year		(19)	(436)	(84)	(5,880)
Earnings per share			p		c
Operating earnings per share after tax and minority interests based on a long term investment return before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc and Nedcor restructuring and integration costs	2	11.3	12.1	179.0	149.1
Basic earnings / (loss) per share	2	4.3	(7.4)	67.4	(92.2)
Diluted earnings / (loss) per share	2	4.3	(7.4)	67.4	(92.2)
Dividend per share (Rand dividend per share indicative only for 2002)		4.8	4.8	69.6	72.3
Weighted average number of shares – millions		3,670	3,550	3,670	3,550

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 December 2002

	£m		Rm	
	Year to 31 Dec 2002	Year to 31 Dec 2001 (Restated)	Year to 31 Dec 2002	Year to 31 Dec 2001 (Restated)
Profit / (loss) for the financial year	157	(264)	2,472	(3,274)
Foreign exchange movements	295	(964)	(5,110)	4,697
Total recognised gains and losses for the year	452	(1,228)	(2,638)	1,423
Prior period adjustment	(41)		(503)	
Total recognised gains and losses recognised since last annual report	411		(3,141)	

Reconciliation of Movements in Consolidated Equity Shareholders' Funds for the year ended 31 December 2002

	£m		Rm	
	Year to 31 Dec 2002	Year to 31 Dec 2001 (Restated)	Year to 31 Dec 2002	Year to 31 Dec 2001 (Restated)
Total recognised gains and losses for the year	452	(1,228)	(2,638)	1,423
Dividends paid and proposed	(176)	(172)	(2,556)	(2,606)
	276	(1,400)	(5,194)	(1,183)
Issue of new capital	39	-	619	-
Issue of new capital in connection with the acquisition of Fidelity & Guaranty Life	-	203	-	2,690
Shares issued under option schemes	1	5	16	61
Proceeds from sale of shares previously held to satisfy claims and errors on demutualisation	-	3	-	37
Net increase / (decrease) in equity shareholders' funds	316	(1,189)	(4,559)	1,605
Equity shareholders' funds at the beginning of the year	2,470	3,618	43,045	40,937
Change to shareholders' funds resulting from change in accounting policy	-	41	-	503
Equity shareholders' funds at the end of the year	2,786	2,470	38,486	43,045

Consolidated Balance Sheet

at 31 December 2002

	Notes	£m		Rm	
		At 31 Dec 2002	At 31 Dec 2001	At 31 Dec 2002	At 31 Dec 2001
Intangible assets					
Goodwill	7	1,598	1,580	22,075	27,537
Insurance and other assets					
Investments					
Land and buildings		600	586	8,288	10,213
Other financial investments		18,902	16,714	261,114	291,301
		19,502	17,300	269,402	301,514
Assets held to cover linked liabilities					
	3(h)	4,317	4,415	59,635	76,947
		23,819	21,715	329,037	378,461
Reinsurers' share of technical provisions					
Provision for unearned premiums					
		21	9	290	157
Long term business provision					
		305	421	4,213	7,337
Claims outstanding					
		44	33	608	575
		370	463	5,111	8,069
Debtors					
Debtors arising from direct insurance operations					
		179	147	2,472	2,562
Debtors arising from reinsurance operations					
		12	6	166	105
Other debtors					
		238	8,024	3,287	139,847
		429	8,177	5,925	142,514
Other assets					
Tangible fixed assets					
		97	102	1,340	1,778
Cash at bank and in hand					
		565	475	7,805	8,279
Investment in own shares					
		115	85	1,589	1,481
Present value of acquired in-force business					
		255	325	3,523	5,664
Other assets					
		378	308	5,222	5,368
		1,410	1,295	19,479	22,570
Prepayments and accrued income					
Accrued interest and rent					
		128	99	1,768	1,725
Deferred acquisition costs					
		284	66	3,924	1,150
Other prepayments and accrued income					
		153	100	2,114	1,743
		565	265	7,806	4,618
Total insurance and other assets					
		26,593	31,915	367,358	556,232
Banking assets					
Cash and balances at central banks					
		1,202	630	16,607	10,980
Treasury bills and other eligible bills					
		1,085	653	14,987	11,372
Loans and advances to banks					
		1,228	649	16,963	11,313
Loans and advances to customers					
		12,854	7,797	177,566	135,884
Debt securities					
		1,061	725	14,647	12,648
Equity securities					
		965	225	13,331	3,921
Interest in associated undertakings					
		124	118	1,713	2,057
Tangible fixed assets					
		158	111	2,182	1,935
Land and buildings					
		131	80	1,806	1,392
Other assets					
		2,095	62	28,941	1,080
Prepayments and accrued income					
		474	259	6,548	4,517
Total banking assets					
		21,377	11,309	295,291	197,099
Total assets					
		49,568	44,804	684,724	780,868

Consolidated Balance Sheet

at 31 December 2002 (continued)

	£m		Rm	
	At 31 Dec 2002	At 31 Dec 2001	At 31 Dec 2002	At 31 Dec 2001
Capital and reserves				
Called up share capital	378	374	5,222	6,517
Share premium account	552	516	7,625	8,993
Merger reserve	184	184	2,542	3,205
Profit and loss account	1,672	1,396	23,097	24,330
Equity shareholders' funds	2,786	2,470	38,486	43,045
Minority interests				
Equity	783	565	10,816	9,847
Non-equity	144	-	1,992	-
	927	565	12,808	9,847
Subordinated liabilities	18	22	249	383
Insurance and other liabilities				
Technical provisions				
Provision for unearned premiums	79	54	1,091	941
Long term business provision	17,241	14,154	238,169	246,684
Claims outstanding	335	272	4,628	4,741
	17,655	14,480	243,888	252,366
Technical provisions for linked liabilities	4,317	4,415	59,635	76,947
Provisions for other risks and charges	486	341	6,714	5,944
Creditors				
Creditors arising from direct insurance operations	326	401	4,503	6,989
Creditors arising from reinsurance operations	7	7	97	122
Other creditors including tax and social security	1,456	10,078	20,110	175,646
Amounts owed to credit institutions	767	897	10,596	15,633
Convertible loan stock	404	439	5,581	7,651
	2,960	11,822	40,887	206,041
Accruals and deferred income	184	234	2,542	4,079
Total insurance and other liabilities	25,602	31,292	353,666	545,377
Banking liabilities				
Deposits by banks	2,110	1,862	29,148	32,454
Customer accounts	12,070	6,802	166,735	118,550
Debt securities in issue	2,266	986	31,303	17,183
Other liabilities	3,149	501	43,487	8,729
Provisions for liabilities and charges	105	84	1,450	1,471
Subordinated liabilities	521	220	7,197	3,829
Convertible loan stock	14	-	195	-
	20,235	10,455	279,515	182,216
Total banking liabilities	20,235	10,455	279,515	182,216
Total liabilities	49,568	44,804	684,724	780,868
Memorandum items				
Commitments	754	431	10,415	7,514
Contingent liabilities	1,382	798	19,091	13,908

Consolidated Cash Flow Statement

for the year ended 31 December 2002

	£m		Rm	
	Year to 31 Dec 2002	Year to 31 Dec 2001	Year to 31 Dec 2002	Year to 31 Dec 2001
Operating activities				
Net cash inflow from insurance and other operating activities	858	851	13,537	10,545
Net cash inflow from banking operating activities	349	13	5,510	163
Net cash inflow from operating activities	1,207	864	19,047	10,708
Net cash outflow from returns on investments and servicing of finance	(93)	(183)	(1,468)	(2,268)
Total tax paid	(132)	(269)	(2,084)	(3,334)
Net cash outflow from capital expenditure and financial investment	(26)	(152)	(411)	(1,884)
Net cash outflow from acquisitions and disposals	(160)	(316)	(2,526)	(3,916)
Equity dividends paid	(175)	(167)	(2,763)	(2,070)
Net cash inflow / (outflow) before financing activities	621	(223)	9,795	(2,764)
Net cash inflow from financing activities	260	676	4,108	8,377
Net cash inflow of the Group excluding long term business	881	453	13,903	5,613
Cash flows relating to insurance and other activities were invested as follows:				
Increase in cash holdings	41	63	647	781
Increase in net portfolio investments	483	543	7,631	6,729
	524	606	8,278	7,510
Cash flows relating to banking activities were invested as follows:				
Increase / (decrease) in cash and balances at central banks	357	(153)	5,625	(1,897)
Net cash inflow of the Group excluding long term business	881	453	13,903	5,613

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

Notes to the Financial Statements

for the year ended 31 December 2002

1 FOREIGN CURRENCIES

The information contained in these financial statements is expressed in both Sterling and South African Rand. This is in order both to meet the legal requirements of the UK Companies Act 1985 and to provide the users of the accounts in South Africa with illustrative information.

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

	Rand		US\$	
	Year to 31 Dec 2002	Year to 31 Dec 2001	Year to 31 Dec 2002	Year to 31 Dec 2001
Profit and loss account (average rate)	15.7878	12.3923	1.5030	1.4405
Balance sheet (closing rate)	13.8141	17.4286	1.6105	1.4542

Foreign currency revenue transactions are translated at average exchange rates for the year. Foreign currency assets and liabilities are translated at year end exchange rates. Exchange differences arising from the translation of net investments in foreign subsidiary undertakings are taken to the consolidated statement of total recognised gains and losses. Exchange differences arising on the translation of foreign integrated operations are taken through the non-technical account. Other exchange differences are included in the profit and loss account.

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

2 EARNINGS AND EARNINGS PER SHARE

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

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

	Notes	£m		Rm	
		Year to 31 Dec 2002	Year to 31 Dec 2001 (Restated)	Year to 31 Dec 2002	Year to 31 Dec 2001 (Restated)
Profit / (loss) on ordinary activities after tax and minority interests		157	(264)	2,472	(3,274)
Goodwill amortisation net of minority interests		104	120	1,646	1,487
Goodwill impairment		-	500	-	6,196
Write-down of investment in Dimension Data Holdings plc net of tax and minority interests	4	29	144	467	1,788
Nedcor restructuring and integration costs net of tax and minority interests	3(d)(ii)	7	-	104	-
Short term fluctuations in investment returns net of tax and minority interests		75	(73)	1,192	(905)
Non-operating items net of tax	6(b)	44	-	688	-
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 Nedcor restructuring and integration costs		416	427	6,569	5,292
			P		c
Basic earnings / (loss) per share		4.3	(7.4)	67.4	(92.2)
Goodwill amortisation net of minority interests		2.8	3.4	44.9	41.9
Goodwill impairment		-	14.1	-	174.5
Write-down of investment in Dimension Data Holdings plc net of tax and minority interests		0.8	4.1	12.7	50.3
Nedcor restructuring and integration costs net of tax and minority interests		0.2	-	2.8	-
Short term fluctuations in investment returns net of tax and minority interests		2.0	(2.1)	32.5	(25.4)
Non-operating items net of tax		1.2	-	18.7	-
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 Nedcor restructuring and integration costs		11.3	12.1	179.0	149.1

Basic earnings per share is calculated by reference to the profit / (loss) on ordinary activities after tax and minority interests of £157 million (R2,472 million) for the year ended 31 December 2002 (2001: loss £264 million (R3,274 million)) and a weighted average number of shares in issue of 3,670 million (2001: 3,550 million). This is calculated after taking into account shares held by Employee Share Ownership Plans (ESOPs), which have waived their rights to dividends.

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

316 million (2001: 316 million) Old Mutual plc shares held by policyholders' funds are included in the weighted average number of shares used in the earnings per share calculation, reflecting the policyholders' economic interest in these shares.

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

3 SEGMENTAL ANALYSIS

		£m				Rm			
3(a) Summary of operating profit on ordinary activities before tax		South Africa	United States	UK & Rest of World	Total	South Africa	United States	UK & Rest of World	Total
Notes									
Year to 31 December 2002									
Life assurance	3(b)(iii)	343	83	(3)	423	5,414	1,310	(47)	6,677
Asset management	3(c)(i)	28	95	2	125	441	1,500	31	1,972
Banking	3(d)(i)	165	-	56	221	2,605	-	884	3,489
General insurance business	3(e)(i)	35	-	-	35	556	-	-	556
Other shareholders' income / (expenses)	3(f)	-	-	(22)	(22)	-	-	(347)	(347)
Debt service costs		-	-	(58)	(58)	-	-	(916)	(916)
Operating result based on a long term investment return		571	178	(25)	724	9,016	2,810	(395)	11,431
Goodwill amortisation		(31)	(70)	(19)	(120)	(490)	(1,105)	(300)	(1,895)
Write-down of investment in Dimension Data Holdings plc	4	(68)	-	-	(68)	(1,080)	-	-	(1,080)
Nedcor restructuring and integration costs	3(d)(ii)	(14)	-	-	(14)	(227)	-	-	(227)
Short term fluctuations in investment return		(292)	181	20	(91)	(4,613)	2,858	316	(1,439)
Operating profit on ordinary activities before tax		166	289	(24)	431	2,606	4,563	(379)	6,790
Analysed as:									
Life assurance		93	258	(17)	334	1,464	4,073	(268)	5,269
Asset management		28	31	(13)	46	441	490	(206)	725
Banking		53	-	52	105	824	-	821	1,645
General insurance business		(8)	-	-	(8)	(123)	-	-	(123)
Other shareholders' income / (expenses)		-	-	12	12	-	-	190	190
Debt service costs		-	-	(58)	(58)	-	-	(916)	(916)
Operating profit on ordinary activities before tax		166	289	(24)	431	2,606	4,563	(379)	6,790
Year to 31 December 2001									
Life assurance	3(b)(iii)	397	13	(2)	408	4,915	161	(25)	5,051
Asset management	3(c)(i)	37	116	(3)	150	458	1,437	(38)	1,857
Banking	3(d)(i)	290	-	79	369	3,593	-	979	4,572
General insurance business	3(e)(i)	46	-	-	46	570	-	-	570
Other shareholders' income / (expenses)	3(f)	12	-	(41)	(29)	149	-	(508)	(359)
Debt service costs		-	(3)	(64)	(67)	-	(37)	(793)	(830)
Write-down of strategic investments	3(f)	-	-	(21)	(21)	-	-	(260)	(260)
Operating result based on a long term investment return		782	126	(52)	856	9,685	1,561	(645)	10,601
Goodwill amortisation		(27)	(78)	(27)	(132)	(334)	(966)	(336)	(1,636)
Goodwill impairment		-	(335)	(165)	(500)	-	(4,151)	(2,045)	(6,196)
Write-down of investment in Dimension Data Holdings plc	4	(269)	-	-	(269)	(3,334)	-	-	(3,334)
Short term fluctuations in investment return		77	31	18	126	954	384	223	1,561
Operating profit on ordinary activities before tax		563	(256)	(226)	81	6,971	(3,172)	(2,803)	996
Analysed as:									
Life assurance		464	42	4	510	5,745	520	49	6,314
Asset management		37	(295)	(193)	(451)	458	(3,655)	(2,393)	(5,590)
Banking		(4)	-	77	73	(50)	-	953	903
General insurance business		88	-	-	88	1,090	-	-	1,090
Other shareholders' income / (expenses)		(22)	-	(29)	(51)	(272)	-	(359)	(631)
Debt service costs		-	(3)	(64)	(67)	-	(37)	(793)	(830)
Write-down of strategic investments		-	-	(21)	(21)	-	-	(260)	(260)
Operating profit on ordinary activities before tax		563	(256)	(226)	81	6,971	(3,172)	(2,803)	996

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

3 SEGMENTAL ANALYSIS CONTINUED

	£m				Rm			
	South Africa	United States	UK & Rest of World	Total	South Africa	United States	UK & Rest of World	Total
3(b) Life assurance								
(i) Gross premiums written								
Year to 31 December 2002								
Individual business								
Single	610	2,633	104	3,347	9,631	41,562	1,637	52,830
Recurring	612	146	49	807	9,662	2,312	779	12,753
	1,222	2,779	153	4,154	19,293	43,874	2,416	65,583
Group business								
Single	647	-	9	656	10,215	-	142	10,357
Recurring	241	-	9	250	3,805	-	142	3,947
	888	-	18	906	14,020	-	284	14,304
Total gross premiums	2,110	2,779	171	5,060	33,313	43,874	2,700	79,887
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

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

(ii) Gross new business premiums written

Year to 31 December 2002

Individual business								
Single	610	2,633	104	3,347	9,631	41,562	1,637	52,830
Recurring	115	73	11	199	1,808	1,154	175	3,137
	725	2,706	115	3,546	11,439	42,716	1,812	55,967
Group business								
Single	647	-	9	656	10,215	-	142	10,357
Recurring	19	-	1	20	296	-	11	307
	666	-	10	676	10,511	-	153	10,664
Total gross new business premiums written	1,391	2,706	125	4,222	21,950	42,716	1,965	66,631
Annual premium equivalent	260	336	23	619	4,089	5,310	364	9,763

Year to 31 December 2001

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 gross new business premiums written	1,631	604	122	2,357	20,212	7,485	1,511	29,208
Annual premium equivalent	324	84	23	431	4,017	1,038	284	5,339

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

Notes to the Financial Statements
for the year ended 31 December 2002 (continued)

3 SEGMENTAL ANALYSIS CONTINUED

	£m				Rm			
	South Africa	United States	UK & Rest of World	Total	South Africa	United States	UK & Rest of World	Total
3(b) Life assurance continued								
(iii) Life assurance operating result								
Year to 31 December 2002								
Individual business	149	83	(8)	224	2,352	1,310	(126)	3,536
Group business	59	-	1	60	931	-	16	947
Life assurance technical result	208	83	(7)	284	3,283	1,310	(110)	4,483
Long term investment return	135	-	4	139	2,131	-	63	2,194
Life assurance operating result before short term fluctuations in investment return	343	83	(3)	423	5,414	1,310	(47)	6,677
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 result before short term fluctuations in investment return	397	13	(2)	408	4,915	161	(25)	5,051

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

3 SEGMENTAL ANALYSIS CONTINUED

	Notes	£m		Rm	
		Year to 31 Dec 2002	Year to 31 Dec 2001	Year to 31 Dec 2002	Year to 31 Dec 2001
3(c) Asset management					
(i) Analysis of operating result					
Fund management worldwide					
South Africa					
Old Mutual Asset Managers		13	16	205	198
Old Mutual Unit Trusts		3	11	47	136
Other		3	1	47	12
		19	28	299	346
United States					
Old Mutual Asset Managers	3(c)(ii)	31	38	490	471
Pilgrim Baxter	3(c)(ii)	18	29	284	359
Other Old Mutual US affiliates	3(c)(ii)	46	49	726	607
		95	116	1,500	1,437
United Kingdom and Rest of World					
		(2)	6	(32)	74
		112	150	1,767	1,857
Private client UK – Gerrard					
Gross profit		3	2	47	25
Profit on disposal of current investments		6	-	95	-
Integration costs		(5)	(12)	(79)	(149)
		4	(10)	63	(124)
Other financial services					
South Africa					
United Kingdom and Rest of World		9	9	142	112
		-	1	-	12
		9	10	142	124
Asset management operating result before goodwill amortisation and impairment					
		125	150	1,972	1,857
Analysed as:					
South Africa					
United States		28	37	441	458
United Kingdom and Rest of World		95	116	1,500	1,437
		2	(3)	31	(38)
Asset management operating result before goodwill amortisation and impairment					
		125	150	1,972	1,857

	£m				Rm			
	OMAM (US)	Pilgrim Baxter	Other Affiliates	Total	OMAM (US)	Pilgrim Baxter	Other Affiliates	Total
(ii) Old Mutual (US) Holdings								
Year to 31 December 2002								
Revenue	123	50	200	373	1,942	789	3,158	5,889
Expenses	(92)	(32)	(154)	(278)	(1,452)	(505)	(2,432)	(4,389)
Asset management operating result before goodwill amortisation	31	18	46	95	490	284	726	1,500
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 result before goodwill amortisation and impairment	38	29	49	116	471	359	607	1,437

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

3 SEGMENTAL ANALYSIS CONTINUED

3(d) Banking	£m			Rm		
	South Africa	UK & Rest of World	Total	South Africa	UK & Rest of World	Total
(i) Banking operating result						
Year to 31 December 2002						
Interest receivable	1,372	142	1,514	21,661	2,242	23,903
Interest payable	(1,003)	(108)	(1,111)	(15,835)	(1,705)	(17,540)
Net interest income	369	34	403	5,826	537	6,363
Dividend income	11	-	11	174	-	174
Fees and commissions receivable	261	45	306	4,121	710	4,831
Fees and commissions payable	(9)	(2)	(11)	(142)	(32)	(174)
Other operating income	112	21	133	1,768	332	2,100
Total operating income	744	98	842	11,747	1,547	13,294
Specific and general provisions charge	(87)	(1)	(88)	(1,374)	(16)	(1,390)
Net income	657	97	754	10,373	1,531	11,904
Operating expenses	(497)	(46)	(543)	(7,847)	(726)	(8,573)
Banking operating result before goodwill amortisation, share of associated undertakings' profit, write-down of investment in Dimension Data Holdings plc and Nedcor restructuring and integration costs	160	51	211	2,526	805	3,331
Share of associated undertakings' profit	5	5	10	79	79	158
Banking operating result before goodwill amortisation, write-down of investment in Dimension Data Holdings plc and Nedcor restructuring and integration costs	165	56	221	2,605	884	3,489
Year to 31 December 2001						
Net interest income	386	43	429	4,783	533	5,316
Non-interest revenue	413	55	468	5,118	681	5,799
Total operating income	799	98	897	9,901	1,214	11,115
Specific and general provisions charge	(118)	-	(118)	(1,462)	-	(1,462)
Net income	681	98	779	8,439	1,214	9,653
Operating expenses	(399)	(26)	(425)	(4,945)	(322)	(5,267)
Banking operating result before goodwill amortisation, share of associated undertakings' profit and write-down of investment in Dimension Data Holdings plc	282	72	354	3,494	892	4,386
Share of associated undertakings' profit	8	7	15	99	87	186
Banking operating result before goodwill amortisation and write-down of investment in Dimension Data Holdings plc	290	79	369	3,593	979	4,572

Operating expenses includes translation losses of £64 million (R1,011 million). Non-interest revenue in 2001 includes exceptional revenue of £36 million (R441 million).

Specific and general provisions charge for the year includes the release of an exceptional provision of £25 million (R400 million). The exceptional provision included in the specific and general provisions charge for 2001 was £32 million (R400 million).

There are no banking operations in the United States.

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

3 SEGMENTAL ANALYSIS CONTINUED

	£m	Rm
	Year to 31 Dec 2002	Year to 31 Dec 2002
3(d) Banking continued		
(ii) Nedcor restructuring and integration costs		
Costs before tax and minority interests	14	227
Tax	(1)	(23)
Costs after tax and before minority interests	13	204
Minority interests	(6)	(100)
Costs after tax and minority interests	7	104

In 2002, one-off merger and restructuring costs of £13 million (R204 million) after tax have been charged to the profit and loss account. This figure includes £5 million (R86 million) for Nedcor's restructuring and integration costs in connection with the acquisition of BoE and £8 million (R118 million) for the closure and restructuring costs of Permanent Bank's deposit-taking activities and infrastructure, which are being merged with Old Mutual Bank.

Although these costs are considered significant to the operating results of the Group, they do not fall under the definition of exceptional items as described in Financial Reporting Standard 3 and as such are classified as operating activities for statutory reporting.

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

3 SEGMENTAL ANALYSIS CONTINUED

	£m		Rm	
	Year to 31 Dec 2002	Year to 31 Dec 2001	Year to 31 Dec 2002	Year to 31 Dec 2001
3(e) Other technical income, net of reinsurance				
(i) General insurance technical account				
Earned premiums, net of reinsurance				
Premiums written, net of reinsurance				
Gross premiums written	355	394	5,603	4,882
Outward reinsurance premiums	(45)	(43)	(717)	(533)
	310	351	4,886	4,349
Change in the provision for unearned premiums, net of reinsurance				
Gross amount	(13)	(2)	(212)	(25)
Reinsurers' share	8	1	132	12
	(5)	(1)	(80)	(13)
	305	350	4,806	4,336
Allocated investment return transferred from the non-technical account	35	41	554	508
Claims incurred, net of reinsurance				
Claims paid				
Gross amount	(234)	(290)	(3,682)	(3,594)
Reinsurers' share	18	33	275	409
	(216)	(257)	(3,407)	(3,185)
Change in the provision for claims, net of reinsurance				
Gross amount	(20)	(4)	(312)	(50)
Reinsurers' share	7	1	112	12
	(13)	(3)	(200)	(38)
	(229)	(260)	(3,607)	(3,223)
Net operating expenses	(76)	(85)	(1,197)	(1,051)
General insurance operating result before short term fluctuations in investment returns	35	46	556	570

	£m			Rm		
	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Operating result based on a long term investment return	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Operating result based on a long term investment return
(ii) General insurance result by class of business						
Year to 31 December 2002						
Commercial	125	89	3	1,968	1,400	40
Corporate	15	11	(2)	234	180	(28)
Personal lines	145	111	(1)	2,284	1,747	(8)
Risk financing	20	18	-	320	280	(2)
	305	229	-	4,806	3,607	2
Long term investment return			35			554
			35			556
Year to 31 December 2001						
Commercial	134	98	1	1,659	1,212	8
Corporate	17	14	-	210	167	-
Personal lines	177	130	4	2,196	1,615	54
Risk financing	22	18	-	271	229	-
	350	260	5	4,336	3,223	62
Long term investment return			41			508
			46			570

(iii) Other technical income

Other technical income principally consists of fees earned in respect of South African policyholders' funds and fees earned for healthcare administration.

Notes to the Financial Statements
for the year ended 31 December 2002 (continued)

3 SEGMENTAL ANALYSIS CONTINUED

3(f) Other shareholders' income / (expenses) and write-down of strategic investments	£m		Rm	
	Year to 31 Dec 2002	Year to 31 Dec 2001	Year to 31 Dec 2002	Year to 31 Dec 2001
Long term investment return credited to operating result	-	12	-	149
Other income	13	-	205	-
Net corporate expenses	(35)	(41)	(552)	(508)
Other shareholders' income / (expenses)	(22)	(29)	(347)	(359)
Write-down of strategic investments	-	(21)	-	(260)

3(g) Net assets	£m				Rm			
	South Africa	United States	UK & Rest of World	Total	South Africa	United States	UK & Rest of World	Total
At 31 December 2002								
Life assurance	1,095	851	71	2,017	15,126	11,756	981	27,863
Asset management	100	1,005	322	1,427	1,381	13,883	4,449	19,713
Banking	541	-	89	630	7,473	-	1,230	8,703
General insurance	78	-	-	78	1,077	-	-	1,077
Other	(19)	-	(158)	(177)	(261)	-	(2,183)	(2,444)
	1,795	1,856	324	3,975	24,796	25,639	4,477	54,912
Debt				(1,189)				(16,426)
Net assets				2,786				38,486
At 31 December 2001								
Life assurance	802	588	28	1,418	13,978	10,248	488	24,714
Asset management	60	1,252	469	1,781	1,046	21,821	8,173	31,040
Banking	341	-	147	488	5,943	-	2,562	8,505
General insurance	69	-	3	72	1,203	-	52	1,255
Other	75	-	(6)	69	1,307	-	(109)	1,198
	1,347	1,840	641	3,828	23,477	32,069	11,166	66,712
Debt				(1,358)				(23,667)
Net assets				2,470				43,045

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

3 SEGMENTAL ANALYSIS CONTINUED

3(h) Funds under management	£m				Rm			
	South Africa	United States	UK & Rest of World	Total	South Africa	United States	UK & Rest of World	Total
At 31 December 2002								
Investments including assets held to cover linked liabilities	13,968	6,793	3,058	23,819	192,955	93,839	42,243	329,037
Unit trusts								
Old Mutual Asset Managers	773	-	1,376	2,149	10,678	-	19,008	29,686
Nedcor unit trusts	633	-	712	1,345	8,744	-	9,836	18,580
Other asset management	-	-	11	11	-	-	152	152
	1,406	-	2,099	3,505	19,422	-	28,996	48,418
Third party								
Old Mutual Asset Managers	3,833	-	105	3,938	52,949	-	1,450	54,399
Old Mutual Asset Managers (US)	-	37,457	-	37,457	-	517,435	-	517,435
Pilgrim Baxter	-	4,207	-	4,207	-	58,116	-	58,116
Old Mutual Affiliates	-	24,781	5,875	30,656	-	342,327	81,158	423,485
	3,833	66,445	5,980	76,258	52,949	917,878	82,608	1,053,435
Private client UK	-	-	12,030	12,030	-	-	166,184	166,184
Nedcor portfolio management	3,845	310	3,501	7,656	53,115	4,282	48,363	105,760
Other financial services	18	-	310	328	249	-	4,282	4,531
	7,696	66,755	21,821	96,272	106,313	922,160	301,437	1,329,910
Total funds under management	23,070	73,548	26,978	123,596	318,690	1,015,999	372,676	1,707,365
At 31 December 2001								
Investments including assets held to cover linked liabilities	11,519	4,497	5,699	21,715	200,760	78,376	99,325	378,461
Unit trusts								
Old Mutual Asset Managers	670	-	360	1,030	11,677	-	6,274	17,951
Private client UK	-	-	1,051	1,051	-	-	18,317	18,317
Other asset management	-	-	159	159	-	-	2,771	2,771
	670	-	1,570	2,240	11,677	-	27,362	39,039
Third party								
Old Mutual Asset Managers	2,783	-	401	3,184	48,504	-	6,989	55,493
Old Mutual Asset Managers (US)	-	48,884	-	48,884	-	851,979	-	851,979
Pilgrim Baxter	-	8,675	-	8,675	-	151,193	-	151,193
Old Mutual Affiliates	-	33,595	8,081	41,676	-	585,514	140,840	726,354
	2,783	91,154	8,482	102,419	48,504	1,588,686	147,829	1,785,019
Private client UK	-	-	16,347	16,347	-	-	284,905	284,905
Other financial services	12	-	363	375	209	-	6,327	6,536
	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

Nedcor managed funds have been included in 2002 as a result of growth in this business.

Unit Trust private client UK business was transferred to Old Mutual Asset Managers in January 2002.

Notes to the Financial Statements
for the year ended 31 December 2002 (continued)

4 INVESTMENT IN DIMENSION DATA HOLDINGS PLC

	£m		Rm	
	Year to 31 Dec 2002	Year to 31 Dec 2001	Year to 31 Dec 2002	Year to 31 Dec 2001
Write-down of investment in Dimension Data Holdings plc before tax and minority interests	68	269	1,080	3,334
Tax	(11)	14	(171)	171
Write-down of investment in Dimension Data Holdings plc before minority interests	57	283	909	3,505
Minority interests	(28)	(139)	(442)	(1,717)
Write-down of investment in Dimension Data Holdings plc after tax and minority interests	29	144	467	1,788

During 2001, an impairment in the carrying value of the Group's investment in Dimension Data Holdings plc was recognised, reflecting a market value of R14.50 per share at 31 December 2001. A further impairment has been recognised for the year ended 31 December 2002 based on a closing market value of R4.02 per share. Although these events are exceptional in the context of their significance to the Group, the losses form part of banking operating profit in the statutory financial statements.

Notes to the Financial Statements
for the year ended 31 December 2002 (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	£m		Rm	
	Year to 31 Dec 2002	Year to 31 Dec 2001 (Restated)	Year to 31 Dec 2002	Year to 31 Dec 2001 (Restated)
5(a) Analysis of tax charge				
United Kingdom tax				
UK corporation tax	40	64	632	793
Double tax relief	(20)	(49)	(316)	(607)
	20	15	316	186
Overseas tax				
South Africa	51	48	805	594
United States	8	31	126	384
Rest of World	(1)	4	(16)	50
Secondary tax on companies (STC)	3	23	47	285
	61	106	962	1,313
Adjustment in respect of prior periods	(1)	(7)	(16)	(87)
Current tax for the year	80	114	1,262	1,412
Current tax attributable to shareholders' profits on long term business	38	40	596	497
Total current tax on ordinary activities	118	154	1,858	1,909
Deferred tax – non-technical account	17	88	272	1,087
Deferred tax attributable to shareholders' profits on long term business	89	36	1,405	445
Adjustment for adoption of FRS19	-	41	-	507
Total tax on profit on ordinary activities	224	319	3,535	3,948
The tax charge is analysed as follows:				
Operating profit	195	250	3,082	3,094
Short term fluctuations	3	55	47	683
Investment in Dimension Data Holdings plc	(11)	14	(171)	171
Nedcor restructuring and integration costs	(1)	-	(23)	-
Non-operating losses on disposal of businesses	38	-	600	-
	224	319	3,535	3,948
5(b) Reconciliation of tax charge				
Tax at UK rate of 30.0 per cent. (2001: 30.0 per cent.) on profit on ordinary activities before tax	128	24	2,011	299
Untaxed and low taxed income (including tax exempt investment return)	(64)	(118)	(1,010)	(1,462)
Disallowable expenditure	128	418	2,021	5,175
STC	3	23	47	285
Movement in deferred tax	(106)	(165)	(1,674)	(2,045)
Other	29	(28)	463	(343)
Current tax charge	118	154	1,858	1,909

Comparative amounts have been restated to reflect the adoption of Financial Reporting Standard 19 "Deferred tax".

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

6 ACQUISITIONS AND DISPOSALS / NON-OPERATING ITEMS

6(a) Acquisitions

(i) BoE Limited (BoE)

On 2 July 2002, the Group's banking subsidiary, Nedcor Limited, acquired 100% of the net assets of BoE, a South African banking business, for a total consideration of £485 million (R7,697 million). This consideration comprised 10.4 million Nedcor Limited ordinary shares valued at £84 million (R1,339 million), cash payments of £391 million (R6,199 million) and additional costs directly associated with the acquisition of £10 million (R159 million). The table below shows the fair value of the banking assets and liabilities acquired.

	£m				Rm
	Book value on acquisition	Provisional fair value adjustments	Accounting policy alignments	Provisional fair value to Group	Provisional fair value to Group
Goodwill	55	(55)	-	-	-
Cash and balances at central banks	114	-	1	115	1,833
Treasury bills and other eligible bills	199	(2)	-	197	3,114
Loans and advances to banks	109	-	-	109	1,723
Loans and advances to customers	2,326	(24)	(21)	2,281	36,162
Other investment securities	715	(2)	1	714	11,323
All other assets	393	-	12	405	6,414
Deposits by banks	(580)	-	-	(580)	(9,195)
Customer accounts	(1,937)	-	(4)	(1,941)	(30,761)
All other liabilities	(1,017)	(6)	(6)	(1,029)	(16,285)
Net assets acquired	377	(89)	(17)	271	4,328
Consideration satisfied by:					
Cash				391	6,199
Ordinary shares				84	1,339
Acquisition costs				10	159
				<u>485</u>	<u>7,697</u>
Goodwill arising on acquisition				<u>214</u>	<u>3,369</u>

Provisional fair value adjustments

The fair value adjustments relate to the revaluation of BoE assets and liabilities at the date of acquisition and accounting policy alignments between BoE and Nedcor Ltd. Adjustments in respect of treasury bills and other eligible bills includes impairment of banking bonds; loans and advances to customers have been adjusted to reflect additional provisions against specific banking book assets; other liabilities include a provision against an onerous lease.

Pre-acquisition performance

The following shows the profit and loss accounts of BoE from the beginning of its financial year, 1 October 2001, to the date of acquisition, and for the previous financial year ended 30 September 2001.

	£m		Rm	
	1 Oct 2001 to 1 July 2002	1 Oct 2000 to 30 Sep 2001	1 Oct 2001 to 1 July 2002	1 Oct 2000 to 30 Sep 2001
Total operating income	199	329	3,148	4,033
(Loss) / profit on ordinary activities before tax	(57)	36	(897)	443
Tax	(5)	(13)	(81)	(160)
(Loss) / profit on ordinary activities after tax	(62)	23	(978)	283

Post-acquisition performance

From the date of acquisition to 31 December 2002, BoE contributed £114 million (R1,797 million) to banking operating income, £23 million (R359 million) to operating profit before tax and minority interests.

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

6 ACQUISITIONS AND DISPOSALS / NON-OPERATING ITEMS CONTINUED

6(a) Acquisitions continued

(ii) Nedcor Investment Bank Holdings Limited (NIB)

In October 2002, Nedcor Limited, a banking subsidiary of the Group, acquired the 11.6% of the share capital of Nedcor Investment Bank Holdings Limited that the Group did not already own. The consideration paid, net of costs, was £43 million (R685 million) and the goodwill arising was £17 million (R274 million).

(iii) Franklin Templeton Nedcor Investment Bank Asset Management Limited

With effect from 1 October 2002, Nedcor Investment Bank Holdings Limited acquired the remaining 50% of Franklin Templeton Nedcor Investment Bank Asset Management Limited. The consideration paid was £11 million (R180 million) and the goodwill arising was £9 million (R150 million).

(iv) Other

Other acquisitions made by the US asset management business during the year gave rise to additional goodwill of £5 million (R79 million).

6(b) Disposals / Non-operating items

(i) Summary

The following gains and losses on the disposal of business operations have been disclosed as non-operating. There were no non-operating items during 2001.

		£m	Rm
		Year to 31 Dec 2002	Year to 31 Dec 2002
	Notes		
United States – asset management affiliates	6(b)(ii)	35	558
United Kingdom – asset management subsidiaries	6(b)(iii)	(61)	(963)
Rest of World – Old Mutual International (Isle of Man) Limited	6(b)(iv)	20	317
Loss on disposal before tax		(6)	(88)
Tax – United States asset management affiliates		(38)	(600)
Loss on disposal after tax		(44)	(688)

(ii) United States – asset management affiliates

Following the acquisition of United Asset Management in September 2000, the Group has rationalised the affiliates held. Disposals during the year were NWQ Investment Management Company Inc., C.S. McKee & Company Inc., Suffolk Capital Management, J.R. Senecal & Associates Investment Counsel and Fiduciary Management Associates. The total consideration received was £125 million (R1,724 million). The total profit before tax on disposal was £35 million (R553 million) after charging goodwill attributable to the businesses of £71 million (R981 million) and the associated tax charge was £38 million (R600 million).

(iii) United Kingdom – asset management subsidiaries

The Group disposed of GNI Holdings Limited in November 2002 and Old Mutual Securities Limited and King & Shaxson Bond Brokers Limited in December 2002 for total cash consideration of £106 million (R1,674 million). Provisions have been established in relation to the businesses sold of £28 million (R387 million). A loss on disposal of £61 million (R963 million) has been incurred after charging goodwill attributable to the businesses of £54 million (R746 million). In respect of Old Mutual Securities Limited, deferred consideration is to be determined on an earn-out basis over three years. In determining the loss on disposal, no amount has been included for deferred consideration.

(iv) Rest of World – Old Mutual International (Isle of Man) Limited

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

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

7 GOODWILL

	Notes	£m		Rm	
		At 31 Dec 2002	At 31 Dec 2001	At 31 Dec 2002	At 31 Dec 2001
At beginning of year		1,580	2,279	27,537	25,786
Additions arising on acquisitions in the period	6(a)	245	174	3,872	2,122
Adjustments in respect of prior year acquisitions		5	2	79	25
Disposals	6(b)	(125)	(10)	(1,727)	(174)
Impairment loss		-	(500)	-	(6,196)
Pilgrim Baxter & Associates revenue share adjustments		101	(241)	1,604	(4,200)
Amortisation for the year		(107)	(113)	(1,689)	(1,400)
Foreign exchange and other movements		(101)	(11)	(7,601)	11,574
At end of year		1,598	1,580	22,075	27,537
Analysed between:					
Life assurance		84	76	1,160	1,325
Asset management		1,187	1,412	16,397	24,609
General insurance		12	10	166	174
Banking		315	82	4,352	1,429
		1,598	1,580	22,075	27,537

Adjustments in respect of prior year acquisitions

Adjustments have been made to goodwill of £67 million (R785 million) that arose on the acquisition in July 2001 of Fidelity & Guaranty Life Insurance Company. The addition to goodwill of £21 million (R332 million), net of tax, reflects a revision to the original estimate of the costs involved in exiting an onerous contract.

In addition, the adjustments in respect of prior year acquisitions includes a credit of £16 million (R253 million) which reflects the latest estimate of the deferred consideration payable for the purchase of revenue shares of certain affiliates combined with the effect of disposing of affiliates held for resale at values in excess of the original estimated carrying amount. The ultimate costs of purchasing these revenue shares will remain uncertain as they are dependent upon future events and hence are subject to adjustment in future years.

Impairment loss

The impairment loss in the prior year arose from a review of the carrying value of the Group's UK private client and US asset management businesses. As a result of this exercise, the Group reduced the carrying value of its unamortised goodwill by £500 million (R6,196 million), reflecting the impact of declining equity markets. A further review was undertaken as at 31 December 2002 which supports the existing carrying value of the goodwill.

Pilgrim Baxter & Associates revenue share adjustments

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

Amortisation for the year

The goodwill amortisation charge for the period of £120 million (R1,895 million) (2001: £132 million (R1,636 million)) comprises £107 million (R1,689 million) (2001: £113 million (R1,400 million)) disclosed above and £13 million (R206 million) (2001: £19 million (R236 million)) shown within investments in associated undertakings.

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

8 AMOUNTS OWED TO CREDIT INSTITUTIONS

	£m	Rm
At 31 December 2002		
Bank overdrafts repayable on demand	<u>2</u>	<u>28</u>
Bank and other loans:		
Repayable within one year:		
Floating rate notes	45	622
Commercial paper	330	4,559
Term loan	<u>30</u>	<u>414</u>
	<u>405</u>	<u>5,595</u>
Repayable between one and two years:		
Floating rate notes	<u>12</u>	<u>166</u>
Repayable between two and five years:		
Syndicated revolving credit facilities	78	1,077
Euro notes	217	2,998
Floating rate notes	7	97
Other	<u>41</u>	<u>566</u>
	<u>343</u>	<u>4,738</u>
Repayable after five years:		
Other	<u>5</u>	<u>69</u>
	<u>767</u>	<u>10,596</u>
At 31 December 2001		
Bank overdrafts repayable on demand	<u>1</u>	<u>17</u>
Bank and other loans:		
Repayable within one year:		
Syndicated revolving credit facilities	294	5,124
Floating rate notes	74	1,289
Commercial paper	112	1,952
Other	<u>4</u>	<u>70</u>
	<u>484</u>	<u>8,435</u>
Repayable between one and two years:		
Term loan	<u>30</u>	<u>523</u>
Repayable between two and five years:		
Syndicated revolving credit facilities	376	6,553
Term loan	<u>6</u>	<u>105</u>
	<u>382</u>	<u>6,658</u>
	<u>897</u>	<u>15,633</u>

Notes to the Financial Statements

for the year ended 31 December 2002 (continued)

8 AMOUNTS OWED TO CREDIT INSTITUTIONS CONTINUED

The multi-currency Revolving Credit Facility of £900 million (amount drawn down at 31 December 2002: £78 million (R1,077 million)) is repayable on 13 July 2006.

Commercial paper is used under a £600 million Euro Commercial Paper ("ECP") programme for periods of up to 12 months. Commercial papers are issued in various currencies, the proceeds of which are generally swapped into US dollars at the date of issuance.

During the year the company entered into \$600 million and \$60 million multi-currency revolving credit facilities as back stop for the £600 million multi-currency ECP programme. Both facilities are 364 day facilities, although the company has term out options of 18 and 12 months respectively. At 31 December 2002 neither facility was drawn.

The Floating Rate Notes consist of a £45 million note repayable on 31 December 2010 with the holders having the option to elect for early redemption every six months, a \$20 million note repayable by 17 September 2004 and a \$10.5 million note repayable on 18 January 2005.

The term loan of £30 million (R414 million) is repayable on 30 April 2003.

Amounts owed to credit institutions bear interest at variable rates except for a €400 million note. The Old Mutual plc €400 million Euro Notes due 2007 were issued on 10 April 2002. The capital and interest on the notes were immediately swapped into US Dollars and used to repay existing debt.

8(a) Convertible loan stock

(i) Insurance and other assets

On 2 May 2001, Old Mutual Finance (Cayman Islands) Limited, a 100 per cent. owned subsidiary of the Group, issued US\$650 million 3.625 per cent. Convertible Bonds, which are guaranteed by and convertible into the ordinary shares of Old Mutual plc at a conversion price of 190p per share at an exchange rate of one US dollar to 69.52p sterling. The bonds are repayable on 2 May 2005 with the bond holders having the option to elect for redemption on 2 May 2003.

(ii) Banking

The banking unsecured loan stock was acquired with BoE. It is denominated in South African Rand, has an interest rate of 18.1 per cent. and is repayable at the discretion of the borrower.

9 POST BALANCE SHEET EVENTS

There have been no significant events between the balance sheet date and 24 February 2003.

Achieved Profits Basis Supplementary Information

for the year ended 31 December 2002

1 CONSOLIDATED PROFIT AND LOSS ACCOUNT ON AN ACHIEVED PROFITS BASIS FOR THE YEAR ENDED 31 DECEMBER 2002

	£m		Rm	
	Year to 31 Dec 2002	Year to 31 Dec 2001	Year to 31 Dec 2002	Year to 31 Dec 2001
South Africa				
Life assurance	418	588	6,605	7,297
Asset management	28	37	441	458
Banking	165	290	2,605	3,593
General insurance	35	46	556	570
	646	961	10,207	11,918
United States				
Life assurance	138	17	2,182	220
Asset management	95	116	1,500	1,437
	233	133	3,682	1,657
United Kingdom and Rest of World				
Life assurance	5	(5)	73	(51)
Asset management	2	(3)	31	(38)
Banking	56	79	884	979
	63	71	988	890
	942	1,165	14,877	14,465
Other shareholders' income / (expenses)	(22)	(29)	(347)	(359)
Debt service costs	(58)	(67)	(916)	(830)
Write-down of strategic investments	-	(21)	-	(260)
Operating profit based on a long term investment return before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc and Nedcor restructuring and integration costs	862	1,048	13,614	13,016
Goodwill amortisation and impairment	(120)	(632)	(1,895)	(7,832)
Write-down of investment in Dimension Data Holdings plc	(68)	(269)	(1,080)	(3,334)
Nedcor restructuring and integration costs	(14)		(227)	
Short term fluctuations in investment return (including economic assumption changes)				
Life assurance	(338)	178	(5,340)	2,205
Other	(9)	22	(128)	272
Impact of Capital Gains Tax (CGT)	-	(78)	-	(969)
Operating profit on ordinary activities before tax	313	269	4,944	3,358
Non-operating items	(26)	-	(409)	-
Profit on ordinary activities before tax	287	269	4,535	3,358
Tax on profit on ordinary activities	(190)	(371)	(2,998)	(4,600)
Profit / (loss) on ordinary activities after tax	97	(102)	1,537	(1,242)
Minority interests	(44)	(26)	(695)	(322)
Profit / (loss) for the financial year	53	(128)	842	(1,564)
Dividends paid and proposed	(176)	(172)	(2,556)	(2,606)
Retained loss for the financial year	(123)	(300)	(1,714)	(4,170)
Earnings per share – achieved profits basis		p		c
Operating earnings per share	14.1	15.4	222.8	190.8
Basic earnings / (loss) per share	1.4	(3.6)	22.9	(44.1)
Weighted average number of shares – millions	3,670	3,550	3,670	3,550

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

2 CONSOLIDATED BALANCE SHEET ON AN ACHIEVED PROFITS BASIS AS AT 31 DECEMBER 2002

	£m		Rm	
	At 31 Dec 2002	At 31 Dec 2001	At 31 Dec 2002	At 31 Dec 2001
Assets:				
Intangible assets (goodwill)	1,598	1,580	22,075	27,537
Insurance and other assets	26,593	31,915	367,358	556,232
Banking assets	21,377	11,309	295,291	197,099
Total long term in-force business asset	640	597	8,843	10,397
Total assets	50,208	45,401	693,567	791,265
Liabilities:				
Achieved profits equity shareholders' funds	3,426	3,067	47,329	53,442
Minority interests	927	565	12,808	9,847
Subordinated liabilities	18	22	249	383
Insurance and other liabilities	25,602	31,292	353,666	545,377
Banking liabilities	20,235	10,455	279,515	182,216
Total liabilities	50,208	45,401	693,567	791,265
Reconciliation of total long term in-force business asset:				
Value of in-force business	1,089	881	15,045	15,350
Adjustment for discounting CGT	-	17	(6)	298
OMI life subsidiaries statutory solvency adjustment	(18)	(17)	(242)	(303)
OMUSL statutory solvency adjustment	(431)	(284)	(5,954)	(4,948)
Total long term in-force business asset	640	597	8,843	10,397

3 CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES ON AN ACHIEVED PROFITS BASIS FOR THE YEAR ENDED 31 DECEMBER 2002

	£m		Rm	
	Year to 31 Dec 2002	Year to 31 Dec 2001	Year to 31 Dec 2002	Year to 31 Dec 2001
Profit / (loss) for the financial year	53	(128)	842	(1,564)
Foreign exchange movements	442	(1,277)	(5,034)	4,622
Total recognised gains and losses for the year	495	(1,405)	(4,192)	3,058

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

4 RECONCILIATION OF MOVEMENTS IN THE CONSOLIDATED ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2002

	£m		Rm	
	Year to 31 Dec 2002	Year to 31 Dec 2001	Year to 31 Dec 2002	Year to 31 Dec 2001
Total recognised gains and losses for the year	495	(1,405)	(4,192)	3,058
Dividends paid and proposed	(176)	(172)	(2,556)	(2,606)
	319	(1,577)	(6,748)	452
Issue of new capital	39	-	619	-
Issue of new capital in connection with the acquisition of Fidelity & Guaranty Life	-	203	-	2,690
Shares issued under option schemes	1	5	16	61
Proceeds from sale of shares previously held to satisfy claims and errors on demutualisation	-	3	-	37
Net increase / (decrease) in achieved profits equity shareholders' funds	359	(1,366)	(6,113)	3,240
Achieved profits equity shareholders' funds at the beginning of the year	3,067	4,433	53,442	50,202
Achieved profits equity shareholders' funds at the end of the year	3,426	3,067	47,329	53,442

5 BASIS OF PREPARATION

These supplementary financial statements have been prepared in accordance with the methodology for supplementary reporting for long term insurance business (the achieved profits method) issued in December 2001 by the Association of British Insurers.

These supplementary financial statements have been audited by KPMG Audit Plc and prepared in conjunction with our consulting actuaries Tillinghast-Towers Perrin.

The objective of the achieved profits method is to recognise profit as it is earned arising from contracts of long term insurance business. The methodology is based on an attribution of the assets of a life insurance company between those backing long term insurance contracts (backing assets) and the residual assets representing unencumbered capital.

The backing assets cover :

- (i) the long term liabilities calculated in accordance with local supervisory requirements; and
- (ii) the solvency capital requirements in each country (or equivalent where there is no local requirement).

Under the achieved profits method the profits of the long term insurance business comprise:

- (i) the cash transfers to the residual assets from the backing assets as determined following the statutory valuation;
- (ii) the movement over the accounting period in the present value of the expected future cash flows to the residual assets from contracts in-force at the balance sheet date and their backing assets; and
- (iii) the return on the residual assets.

Shareholder profit arises fundamentally from:

- (i) the difference between (a) the amounts charged to policyholders for guarantees, expenses and insurance and (b) the actual experience in respect of these items; and
- (ii) the investment return earned on capital.

In addition for the United States business, the guarantees for interest credited to policyholder funds are reset periodically. The assumed future credited interest rates are consistent with investment earnings made and in line with recent company policy. The United States business is included from the effective acquisition date of 1 July 2001.

The treatment within these supplementary statements of all businesses other than life assurance is unchanged from the primary financial statements. The requirements of FRS19, Deferred Tax, have been complied with for both 2001 and 2002.

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

6 COMPONENTS OF ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS

	£m		Rm	
	At 31 Dec 2002	At 31 Dec 2001	At 31 Dec 2002	At 31 Dec 2001
Shareholders' adjusted net worth	2,337	2,186	32,284	38,092
Equity shareholders' funds	2,786	2,470	38,486	43,045
Adjustment to include OMI life subsidiaries on a statutory solvency basis	(18)	(17)	(242)	(303)
Adjustment to include OMUSL on a statutory solvency basis	(431)	(284)	(5,954)	(4,948)
Adjustment for discounting CGT	-	17	(6)	298
Value of in-force business	1,089	881	15,045	15,350
Value of in-force business before cost of solvency capital	1,195	964	16,506	16,803
Cost of solvency capital	(106)	(83)	(1,461)	(1,453)
Achieved profits equity shareholders' funds	3,426	3,067	47,329	53,442
Pro-forma adjustment to bring listed subsidiaries to market value				
Achieved profits equity shareholders' funds	3,426	3,067	47,329	53,442
Adjustment to bring listed subsidiaries to market value	502	455	6,938	7,922
Adjusted embedded value	3,928	3,522	54,267	61,364

The achieved profits equity shareholders' funds are the sum of the shareholders' adjusted net worth and the value of in-force business. Old Mutual plc's adjusted net worth comprises the assets backing the solvency capital, the residual assets in the life insurance companies and the other net assets of the Group. The value of in-force is the present value of the expected future cash flows to the residual assets from contracts in-force at the balance sheet date and their backing assets less the amount of the solvency capital.

The shareholders' adjusted net worth is equal to the consolidated equity shareholders' funds adjusted to reflect:

- the Old Mutual International (OMI) and Old Mutual US life assurance (OMUSL) subsidiaries on a statutory solvency basis. The adjusted net worth also includes goodwill relating to OMUSL of £74 million (R1,022 million) at 31 December 2002 and £65 million (R1,133 million) at 31 December 2001;
- the difference between the face value and discounted value of accrued Capital Gains Tax on South African shareholders' funds. The value of in-force has been restated as this adjustment was previously included in the value of in-force.

All non-life subsidiaries are included at net asset value plus goodwill (as reflected in the primary financial statements) in the achieved profits shareholders' funds. A pro forma adjustment to include listed subsidiaries at market value has been provided separately.

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

	£m		Rm	
	At 31 Dec 2002	At 31 Dec 2001	At 31 Dec 2002	At 31 Dec 2001
South Africa	682	527	9,419	9,176
Individual business	417	325	5,751	5,653
Group business	265	202	3,668	3,523
United States	341	271	4,712	4,722
United Kingdom and Rest of World	66	83	914	1,452
Value of in-force business	1,089	881	15,045	15,350

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

6 COMPONENTS OF ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS CONTINUED

The encumbered and unencumbered capital as at 31 December 2002 and 31 December 2001 is shown in the table below.

	£m		Rm	
	At 31 Dec 2002	At 31 Dec 2001	At 31 Dec 2002	At 31 Dec 2001
South Africa	1,139	1,000	15,739	17,414
Encumbered capital	1,008	729	13,925	12,697
Unencumbered capital	131	271	1,814	4,717
United States	355	206	4,904	3,591
Encumbered capital	155	92	2,144	1,605
Unencumbered capital	200	114	2,760	1,986

For South Africa the average unencumbered capital applicable for the year ended 31 December 2002 and the year ended December 2001 was £160 million (R2,524 million) and £139 million (R1,722 million) respectively. These average figures were used to determine the expected return on the unencumbered capital.

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

7 SEGMENTAL ANALYSIS OF RESULTS

	£m				Rm			
	South Africa	United States	UK & Rest of World	Total	South Africa	United States	UK & Rest of World	Total
Year to 31 December 2002								
New business contribution	114	80	3	197	1,806	1,261	42	3,109
Profits from existing business								
Expected return on in-force business	150	35	6	191	2,367	561	100	3,028
Expected return on encumbered capital	113	6	4	123	1,778	98	63	1,939
Experience variances	36	-	(10)	26	569	(3)	(160)	406
Operating assumption changes	(17)	(9)	2	(24)	(268)	(141)	28	(381)
Risk margin changes	-	18	-	18	-	284	-	284
Expected return on unencumbered capital	22	8	-	30	353	122	-	475
Life assurance operating profit before tax	418	138	5	561	6,605	2,182	73	8,860
Investment return variances								
On value of in-force	(87)	(25)	(2)	(114)	(1,381)	(396)	(23)	(1,800)
On capital	(250)	(4)	(14)	(268)	(3,950)	(60)	(221)	(4,231)
Effect of economic assumption changes	24	19	1	44	371	303	17	691
Life assurance achieved profits before tax	105	128	(10)	223	1,645	2,029	(154)	3,520
Attributed tax	(68)	(32)	-	(100)	(1,067)	(508)	-	(1,575)
Life assurance achieved profits after tax	37	96	(10)	123	578	1,521	(154)	1,945
Year to 31 December 2001								
New business contribution	109	19	3	131	1,350	244	42	1,636
Profits from existing business								
Expected return on in-force business	191	20	13	224	2,369	250	160	2,779
Expected return on encumbered capital	147	3	5	155	1,820	35	62	1,917
Experience variances	42	(15)	2	29	525	(189)	26	362
Operating assumption changes	3	-	(9)	(6)	39	-	(110)	(71)
Risk margin changes	77	-	-	77	953	-	-	953
Development costs	-	(13)	(19)	(32)	-	(161)	(231)	(392)
Expected return on unencumbered capital	19	3	-	22	241	41	-	282
Life assurance operating profit before tax	588	17	(5)	600	7,297	220	(51)	7,466
Investment return variances								
On value of in-force	50	8	(3)	55	617	100	(34)	683
On capital	40	(13)	15	42	492	(172)	186	506
Effect of economic assumption changes	64	11	6	81	799	139	78	1,016
Impact of Capital Gains Tax	(78)	-	-	(78)	(969)	-	-	(969)
Life assurance achieved profits before tax	664	23	13	700	8,236	287	179	8,702
Attributed tax	(211)	(6)	(11)	(228)	(2,626)	(71)	(136)	(2,833)
Life assurance achieved profits after tax	453	17	2	472	5,610	216	43	5,869

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

7 SEGMENTAL ANALYSIS OF RESULTS CONTINUED

The new business contribution is 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 expected return on the in-force business 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 expected return on encumbered capital is determined by applying the equity return assumption at the previous year end to the opening solvency capital.

The experience variances arise in the period due to differences between the actual experience and the assumptions used to calculate the value at the start of the period. The amount under operating assumption changes reflects revised expectations of future experience. The risk margin change for December 2001 reflects a 0.5% reduction in the South African risk margin. The risk margin change for December 2002 reflects a 0.5% reduction in the United States risk margin. The United States risk margin was reviewed in line with the United States market practice. The investment assumptions are shown in section 9.

Expected return on the unencumbered capital for South Africa is 14% of the unencumbered capital and 7% for the United States. The unencumbered capital is the life capital in excess of the solvency capital referred to previously. For South Africa, the life capital is an average value of investible shareholders' assets, excluding subsidiaries eliminated on consolidation, adjusted for net fund flow. Investment return variances consist of two components: investment variances on the value in-force which represent the differences between the actual returns in the period and the assumptions used to calculate the value at the start of the period; and short term fluctuations of investment return on the life capital.

Effect of economic assumption changes represents the impact of interest rate changes. The impact of changes to the differentials between the various investment and economic assumptions are also included. However, the risk margin changes for December 2001 and December 2002, referred to previously, are included under profits from existing business (risk margins changes). The investment assumptions are shown in section 9.

The impact of CGT relates to the change in the cost of capital as at 31 December 2001 as a result of the introduction of capital gains tax in South Africa in October 2001. This is a one-off item as going forward the impact of capital gains tax is allowed for in the calculation of the value of in-force business. The segmental results for the United States include the operating profits generated by Old Mutual Reassurance in Ireland, a subsidiary of Old Mutual plc, which provides reinsurance to the United States life companies.

The difference between the total tax charge shown in the above segmental analysis, and the total tax charge shown in the profit and loss account in section 1, represents the tax charge on the non-life assurance businesses as shown in the primary financial statements.

	£m	Rm
Year to 31 December 2002		
Tax on life assurance achieved profits		
South Africa – value of in-force	80	1,264
– capital	(12)	(197)
United States	32	508
United Kingdom and Rest of World	-	-
	<u>100</u>	<u>1,575</u>
Tax on non-life assurance businesses	<u>90</u>	<u>1,423</u>
Tax on profit of ordinary activities	<u>190</u>	<u>2,998</u>
Year to 31 December 2001		
Tax on life assurance achieved profits		
South Africa – value of in-force	200	2,490
– capital	11	136
United States	6	71
United Kingdom and Rest of World	11	136
	<u>228</u>	<u>2,833</u>
Tax on other businesses	<u>143</u>	<u>1,767</u>
Tax on profit of ordinary activities	<u>371</u>	<u>4,600</u>

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

8 VALUE OF NEW BUSINESS

The tables below set out a geographical analysis of the value of new business (VNB) for the year to 31 December 2002 and the year to 31 December 2001. United States new business numbers for 2001 are in respect of second six months only. New business profitability (as measured by the ratio of the value of new business to the Annual Premium Equivalent) is also shown. Annual Premium Equivalent (APE) is calculated as recurring premiums (RP) plus 10% of single premiums (SP).

The value of new business is grossed up to the pre-tax level. The assumptions and tax rates used to calculate the value of new business are set out in section 9.

	For the year to 31 December 2002				Margin	For the year to 31 December 2002			
	RP £m	SP £m	APE £m	VNB £m		RP Rm	SP Rm	APE Rm	VNB Rm
South Africa	134	1,014	235	114	49%	2,104	16,009	3,705	1,806
Individual business	115	546	170	53	31%	1,808	8,624	2,670	841
Group business	19	468	65	61	93%	296	7,385	1,035	965
United States	37	2,629	300	80	27%	586	41,500	4,736	1,261
UK & Rest of World	12	104	22	3	12%	186	1,641	350	42
Total	183	3,747	557	197	36%	2,876	59,150	8,791	3,109
	For the year to 31 December 2001				Margin	For the year to 31 December 2001			
	RP £m	SP £m	APE £m	VNB £m		RP Rm	SP Rm	APE Rm	VNB Rm
South Africa	140	1,142	254	109	43%	1,728	14,143	3,142	1,350
Individual business	120	792	199	66	33%	1,486	9,812	2,467	813
Group business	20	350	55	43	80%	242	4,331	675	537
United States*	26	578	84	19	22%	349	7,719	1,121	244
UK & Rest of World	12	106	23	3	15%	151	1,323	283	42
Total	178	1,826	361	131	36%	2,228	23,185	4,547	1,636

* United States new business for 6 months only

The value of new business after tax is shown in the tables below.

	For the year to 31 December 2002				Margin	For the year to 31 December 2002			
	RP £m	SP £m	APE £m	VNB £m		RP Rm	SP Rm	APE Rm	VNB Rm
South Africa	134	1,014	235	71	30%	2,104	16,009	3,705	1,124
Individual business	115	546	170	33	20%	1,808	8,624	2,670	524
Group business	19	468	65	38	58%	296	7,385	1,035	600
United States	37	2,629	300	56	19%	586	41,500	4,736	883
UK & Rest of World	12	104	22	3	12%	186	1,641	350	42
Total	183	3,747	557	130	23%	2,876	59,150	8,791	2,049

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

8 VALUE OF NEW BUSINESS CONTINUED

	For the year to 31 December 2001				Margin	For the year to 31 December 2001			
	RP £m	SP £m	APE £m	VNB £m		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
UK & 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

* United States new business for 6 months only

The value of new individual unit trust and some group market-linked business written by the life companies is excluded, as the profits on this business arise in the asset management subsidiaries. It also excludes premium increases arising from indexation arrangements in respect of existing business, as these are already included in the value of in-force business. The premiums shown for the United States exclude reinsurance ceded externally.

The increase in the margin for South Africa occurred because a higher proportion of Group Business with-profit annuities was sold.

A reconciliation of the new business premiums shown in the notes to the financial statements to those shown above, for the year ended 31 December 2002, is set out below.

Year to 31 December 2002	£m		Rm	
	Recurring premiums	Single premiums	Recurring premiums	Single premiums
New business premiums in the notes to the financial statements	219	4,003	3,444	63,187
Less:				
United States reinsurance ceded externally	(36)	(4)	(568)	(62)
Group market-linked business not valued	-	(185)	-	(2,921)
Unit trust business not valued	-	(64)	-	(1,007)
Selestia business not valued	-	(3)	-	(47)
New business premiums as per achieved profits supplementary statements	183	3,747	2,876	59,150

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

9 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 2002	31 Dec 2001
Fixed interest return	11.0%	12.0%
Equity return	13.0%	14.0%
Property return	12.0%	13.0%
Inflation	7.0%	8.0%
Risk discount rate	13.5%	14.5%

United States	31 Dec 2002	31 Dec 2001
Treasury yield	4.0%	5.0%
Inflation	3.0%	3.0%
New money yield assumed	6.0%	6.6%
Net portfolio earned rate	7.2%	7.3%
Risk discount rate	8.0%	9.5%

- For the other operations, appropriate investment and economic assumptions were chosen on bases consistent with those adopted in South Africa.
 - (i) Where applicable, rates of future bonuses have been set at levels consistent with the investment return assumptions.
 - (ii) 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 CGT 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. For the United States business full allowance has been made for existing tax attributes of the companies, including the use of existing carry forwards and preferred tax credit investments. Achieved profits results are initially calculated on an after tax basis and are then grossed up to the pre-tax level for presentation in the profit and loss account and the segmental analysis of results. The tax rates used were the effective corporation tax rates of 37.8% for South African business (December 2001: 37.8%), 30% for United States business (December 2001: 30%) and 0% for United Kingdom and Rest of World (December 2001: 0%) except for the investment return on capital for which the attributed tax was derived from the primary accounts.
- 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 2002. The future expenses attributable to life assurance business do not include Group holding company expenses.
- Material development costs are disclosed separately in 2001. No allowance has been made for future development costs.
- Future investment expenses were based on the current scales of fees payable by the life assurance 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.

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

9 ASSUMPTIONS CONTINUED

- The effect of increases in premiums over the period for policies in-force at 31 December 2002 and at 31 December 2001 has been included in the value of in-force business only where such increases are associated with indexation arrangements. Other increases in premiums of existing policies are included in the value of new business.
- New schemes written on which recurring single premiums are expected to be received on a regular basis are treated as new business. The annualised premium is recognised as recurring premium new business at inception of the scheme and is determined by annualising the actual premiums received during the year in question. Subsequent recurring single premiums received in future years are not treated as new business, as these have already been provided for in calculating the value of in-force business.
- The value of in-force and value of new business is sensitive to changes in various economic and non-economic assumptions. The sensitivities of the value of in-force and value of new business to changes in key assumptions are set out in section 9.

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 2002	13.8141	1.6105	8.5775
At 31 December 2001	17.4286	1.4542	11.9850
Year to 31 December 2002 (average)	15.7878	1.5030	10.5042
Year to 31 December 2001 (average)	12.3923	1.4405	9.2670

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

10 ALTERNATIVE ASSUMPTIONS

The tables below for South Africa and the United States show the sensitivity of the value of in-force at 31 December 2002 and the value of new business for the year ended 31 December 2002 to changes in key assumptions. For each sensitivity illustrated, all other assumptions have been left unchanged.

The sensitivity of the adjustment for discounting CGT, which is included in the shareholders' adjusted net worth, to changes in the central discount rate is not material and is not included in the table below.

	£m		Rm	
	Value of in-force business at 31 Dec 2002	Value of new life business at 31 Dec 2002	Value of in-force business at 31 Dec 2002	Value of new life business at 31 Dec 2002
South Africa				
Central assumptions	682	114	9,419	1,806
Value before cost of solvency capital	763	123	10,545	1,950
Cost of solvency capital	(81)	(9)	(1,126)	(144)
Effect of:				
Central discount rate +1%	586	100	8,090	1,582
Value before cost of solvency capital	722	115	9,971	1,821
Cost of solvency capital	(136)	(15)	(1,881)	(239)
Central discount rate -1%	790	130	10,920	2,056
Value before cost of solvency capital	809	132	11,187	2,093
Cost of solvency capital	(19)	(2)	(267)	(37)
Decreasing the pre-tax investment return assumptions by 1% with bonus rates changing commensurately	592	103	8,184	1,626
Value before cost of solvency capital	734	118	10,150	1,868
Cost of solvency capital	(142)	(15)	(1,966)	(241)
Voluntary discontinuance rates increasing by 25%	651	100	8,989	1,584
Maintenance expense levels increasing by 20% with no corresponding increase in policy charges	613	105	8,464	1,653
Increasing the inflation assumption by 1%	672	112	9,278	1,769

Achieved Profits Basis Supplementary Information for the year ended 31 December 2002 (continued)

10 ALTERNATIVE ASSUMPTIONS CONTINUED

	£m		Rm	
	Value of in-force business at 31 Dec 2002	Value of new life business at 31 Dec 2002	Value of in-force business at 31 Dec 2002	Value of new life business at 31 Dec 2002
United States				
Central assumptions	341	80	4,712	1,261
Value before cost of solvency capital	364	94	5,029	1,490
Cost of solvency capital	(23)	(14)	(317)	(229)
Effect of:				
Central discount rate +1%	317	72	4,374	1,135
Value before cost of solvency capital	344	89	4,753	1,408
Cost of solvency capital	(27)	(17)	(379)	(273)
Central discount rate -1%	368	89	5,084	1,401
Value before cost of solvency capital	386	100	5,332	1,579
Cost of solvency capital	(18)	(11)	(248)	(178)
Decreasing the pre-tax investment return assumptions by 1% with credited rates changing commensurately	345	81	4,765	1,281
Value before cost of solvency capital	367	95	5,074	1,504
Cost of solvency capital	(22)	(14)	(309)	(223)
Voluntary discontinuance rates increasing by 25%	316	74	4,362	1,166
Maintenance expense levels increasing by 20% with no corresponding increase in policy charges	331	77	4,566	1,219
Increasing the inflation assumption by 1%	341	80	4,705	1,260
Increasing Risk Based Capital to 200%, with 1% reduction in central discount rate	344	78	4,752	1,232
Value before cost of solvency capital	380	100	5,249	1,579
Cost of solvency capital	(36)	(22)	(497)	(347)