Old Mutual plc
Results for the year ended 31 December 2003

HIGHLIGHTS

- Adjusted operating profit* £650 million (2002: £724 million), R8,041 million (2002: R11,431 million)
- Operating profit: £475 million (2002: £473 million**), R5,884 million (2002: R7,453 million**)
- Adjusted operating earnings per share* 10.0p (2002: 11.3p), 123.8c (2002: 179.0c)
- Basic operating earnings per share: 8.0p (2002: 5.9p**), 99.1c (2002: 93.5c**)
- Life sales of £529 million on an Annual Premium Equivalent basis
- Value of life assurance new business £105 million (after tax)
- Net positive fund inflows of over $4.7 billion in the USA (including $1.8 billion from our US life operations)
- Adjusted embedded value: £4,124 million (2002: £3,928 million), R49,230 million (2002: R54,267 million)
- Return on equity 13.9%
- Final dividend unchanged at 3.1p***

" Good results were achieved in five of our six businesses in 2003, and important steps were taken towards our strategic goals. Our capital position remains strong and our clients showed their approval of our products and skills by giving us significantly more assets to manage. We have announced our plans to lead Nedcor to recovery."

Jim Sutcliffe, Chief Executive, 23 February 2004

Wherever the items asterisked in the Highlights are used, whether in the Highlights, the Chief Executive's Statement or the Operating and Financial Review, the following apply:

* *Adjusted operating profit represents the directors' view of the underlying performance of the Group. For life assurance and general insurance businesses, adjusted operating profit is based on a long term investment return and includes investment returns on own shares held within the policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and the transitional impact of the change in credit provisioning methodology. For all businesses, adjusted operating profit excludes goodwill amortisation and impairment.*

Adjusted operating earnings per share are similarly based, but are stated after tax and minority interests, with the calculation of the weighted average number of shares including own shares held in policyholders' funds.

** *Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 37 Purchases and sales of own shares.*

*** *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 currencies at exchange rates ruling on 1 April 2004.*

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Notes to Editors

A webcast of the analyst presentation and Q&A will be broadcast live at 09.00 (UK time) on our website at www.oldmutual.com

High resolution images are available for the media to view as a free of charge download from http://media.oldmutual.com/om/media/library

An interview with Jim Sutcliffe, Chief Executive of Old Mutual plc, in video, audio and text will be available from 07.15 (UK time) on Monday, 23 February 2004 on www.oldmutual.com and www.cantos.com. An interview with Tom Boardman, Chief Executive of Nedcor Limited, in video, audio and text will be available from 07.15 (UK time) on Monday, 23 February 2004 on www.nedcor.com and www.cantos.com

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, is available in electronic format. Alternatively they are available for download from the Company's website at www.oldmutual.com

Chief Executive's Statement

Group adjusted operating profit for 2003 was £650 million, equivalent to 10.0p per share (2002: £724 million and 11.3p respectively). Group adjusted operating profit in Rand terms was R8,041 million, equivalent to 123.8c per share (2002: R11,431 million and 179.0c respectively). Solid profits in our core South African life assurance business, good profit growth in our US and UK businesses and excellent results from some of our smaller units were offset by a collapse in earnings at Nedcor. The strong Rand further boosted the Sterling results, but adversely affected the results when expressed in South African currency terms. Return on equity was disappointing at 13.9%. Our embedded value increased by 5% to £4,124 billion at 31 December 2003, equivalent to 107.5p per share.

Life assurance sales were 5% lower than in 2002 and the value of new business (after tax) at £105 million was 19% lower. Low consumer confidence led to a decline in the market for single premiums in South Africa, and the demand for fixed interest-based products returned to more normal levels in the USA. We are confident we retained our market shares in both countries, and our US life sales were still more than double the level Fidelity & Guaranty Life achieved prior to our ownership. Margins at our South African and US life businesses improved strongly in the second half after a difficult first six months.

Net fund inflows were strong. Our US asset management business produced a good result ($4.7 billion net inflow) and our two UK development businesses – Selestia and OMAM(UK) made a significant impact for the first time, with £340 million of net inflow. In South Africa, we were able to reduce the outflow within our Employee Benefits business, and the maturity bubble of the last few years started to reduce. With stronger equity markets and these net inflows, total assets under management, which form the basis for much of our revenue, grew 12%.

Our 51% owned South African general insurance business, Mutual & Federal, had a very good year, assisted by strong underwriting margins and positive claims experience.

Nedcor, our 52% owned South African banking subsidiary, produced very poor results in 2003, heavily impacted by the cost of holding excess US dollars as the Rand strengthened. Margins were affected by fixed rate debt and deposits, which were expensive as interest rates declined. Tom Boardman was installed as Chief Executive in December and we deployed Bob Head, our director of Group Strategy, as acting Chief Financial Officer pending recruitment of a permanent replacement. Seven new Executive Committee members were also appointed. Together with the new management team at Nedcor, we have conducted a thorough review of Nedcor's balance sheet, the results of which have impacted Nedcor's and Old Mutual's profits for the year.

Nedcor's new management has focused its energies on plans to ensure Nedcor returns to producing results commensurate with its status as a premier South African bank. These include achieving world class service and expense benchmarks. To ensure the problems of 2003 are not repeated, plans are being put in place to address all areas of the business.

For Nedcor to trade optimally, it needs capital on a par with its peers, and we have therefore agreed to support its underwritten R5 billion rights issue announced today. That issue will be priced not later than 25 March 2004.

Nedcor is an important part of Old Mutual: decisive action has been taken to address its problems and management will not countenance any shortfall from the highest standards of integrity and transparency. New governance procedures have been introduced to ensure stronger oversight of the bank's affairs and to ensure the coherence of Nedcor with Old Mutual standards and strategy.

Chief Executive's Statement (continued)

In December we presented to London-based investors our view on the South African Financial Sector Charter, which sets out objectives for involving previously disadvantaged individuals in that country in financial services businesses. We see many opportunities for South Africa and for Old Mutual arising from that Charter and will continue to inform the markets on our progress in addressing its objectives during 2004.

We took some important strategic steps during the year. Gerrard, having been put back on the path to profitability, was sold for an attractive price. We acquired Sage Life, a variable annuity provider based in Bermuda, for a nominal amount, and it produced $165 million in sales in eight months. In addition we provided capital to support the organic growth of our US life business, where assets grew by 27%, and our UK development businesses did well. In South Africa, we announced plans to acquire a further 37.5% of Mutual & Federal through a mechanism that includes an offer to all minority shareholders.

During 2003, we discovered the personal involvement of the principals of Pilgrim Baxter in market timing that had been halted in 2001 and they left the business. This matter remains the subject of legal process.

Our capital position at 31 December 2003 was strong. We raised preference capital during the year and this had a positive impact on our gearing, which was 19.4% at year end, well inside our limits. Strong South African equity markets in the second half provided additional capital which has allowed us to support the Nedcor rights issue comfortably.

The Board is recommending an unchanged final dividend of 3.1p per share, making a total of 4.8p for the year.

Outlook

We have much to do to recover from poor 2003 results, but we enter 2004 with renewed determination, and with equity markets around the world at higher levels than last year. We have taken the necessary steps to put Nedcor on the path to recovery.

We will continue to apply top quality investment skills, be they in equity, lending, real estate or elsewhere, to help our clients build and protect their savings and investments. We expect our industry to grow as those savings accumulate and as investments grow to secure retirements, and we intend to provide a correspondingly growing stream of earnings to our shareholders.

Jim Sutcliffe
Chief Executive
23 February 2004

BUSINESS REVIEW

SOUTH AFRICA

LIFE ASSURANCE

Financial performance

Adjusted operating profit, excluding long term investment return, of R3,124 million at the Group's South African life business was 5% down on the R3,283 million achieved in 2002. Individual Business and Group Business contributed R2,260 million (2002: R2,352 million) and R864 million (2002: R931 million) respectively to this result. Reduced capital charges on lower levels of average policyholders' funds and assumption changes adversely impacted adjusted operating profit, but were offset by favourable mortality and retention experience.

Total life sales on an Annual Premium Equivalent (APE) basis for the year were R3,329 million, 10% lower than in 2002, reflecting reduced single premium sales. The overall low savings ratio and stagnant pensions market resulted in low inflows from these sources and competition for fund inflows remained intense. However, APE in the second half of the year improved to R1,753 million, up 11% from the first half. Individual Business recurring premiums (R1,045 million) and Group Business single premiums (R3,197 million) increased 18% and 22% respectively between the first half and the second half.

Poor Individual Business single premiums were offset by recurring premium sales, up 7% from 2002. Sales of the market-leading *Greenlight* risk product were particularly strong and market reaction to re-priced products in Group Schemes was favourable. BoE Life, a joint venture with Nedcor, contributed 2% to new business APE. Bancassurance contributed R662 million of gross sales during 2003, an increase of 15% from 2002 (R575 million).

Group Business APE was down 22% from 2002, when single premiums benefited from one particularly large deal of R2 billion. Good with-profit annuity sales were achieved in the last quarter of 2003.

The value of new business declined by 26% as a consequence of APE being down 10% and the after-tax margin decreasing from 30% to 25%. The lower overall margin was due to a decrease in Group Business margin, as the proportion of with-profit annuity business returned to pre-2002 levels. Group Business's sales mix changed in 2003 from higher margin with-profit annuity business to lower margin, interest-bearing products and lower margin, less capital intensive, multi-manager business. New business margins remained stable at product level.

However, improved margins increased the value of new business after tax from R285 million in the first half to R543 million in the second half of the year. Individual Business's new business volumes increased and Group Business sold more higher margin with-profit annuities in the second half of the year.

The value of in-force business of R9,832 million at 31 December 2003 increased by 4% from R9,419 million at 31 December 2002. The life business cash outflow of R3.8 billion (R4.4 billion outflow during 2002) benefited from reductions in Individual Business maturities and Group Business terminations, but this positive effect was largely negated by the decrease in single premium sales.

Funds under management at the Group's South African life business at 31 December 2003 totalled R244 billion, an increase of 5% from 31 December 2002. The life company remains well capitalised at 2.4 times the required statutory capital. A satisfactory return on internal capital allocated of 22% was achieved and was at the same level as in 2002.

Business development

The *Symmetry* multi-manager offering was extended after the closure of NIB Investments and Edge Investments. New structured and preferred risk products were also launched. Investment in new administration systems continued in 2003, with migration of clients on to the new systems platform progressing in line with expectations.

Outlook

In 2004, management focus is being directed towards maintaining market share while continuing to grow the distribution force and assets under management. Following the customer segmentation initiative, the retail business is being restructured to create a single marketing team, product and service delivery business and product development team. The client-facing structure will enable the business to deliver an improved service to external clients.

In addition to supporting organic growth and generating sustainable and growing profits, the life business is creating the capacity to service administration contracts from selected offshore jurisdictions. The market recovery is expected to provide a better background for the Group's life business in 2004.

ASSET MANAGEMENT

Financial performance

Adjusted operating profit for the South African asset management business increased to R532 million (excluding Nedcor) in 2003, compared to R441 million in 2002. Operating profit was negatively impacted by lower average levels of funds under management, but this was more than offset by a movement to higher margin products and tight expense control.

Funds under management totalled R299 billion at 31 December 2003, which represented an increase of 18% over the position at 31 December 2002.

Total net fund inflows to the asset management businesses (Old Mutual Asset Managers (South Africa) (OMAM(SA)), Old Mutual Unit Trusts and Fairbairn Capital) were R1.7 billion during 2003. Flows were lower than expected, particularly due to the decision of the Mines Pension Fund to redistribute its Fixed Income Fund among a greater number of asset managers, which resulted in an outflow of R1.2 billion. Fund inflows included a R2.1 billion investment from Mutual & Federal Insurance Company Ltd (Mutual & Federal) and a R1.5 billion investment following the acquisition of a share of the Community Growth Fund.

OMAM(SA)'s performance in 2003 sustained the good relative investment results achieved towards the end of 2002. Specialist equity mandates continued to perform well, with the majority being ahead of their respective benchmarks for the year ended 31 December 2003.

Adjusted operating profit of R124 million relating to Nedcor Unit Trusts and Portfolio Management was reclassified from banking to asset management business in 2003.

BANKING

NEDCOR

The results of Nedcor Limited (Nedcor), the Group's 52% owned banking subsidiary, have been incorporated into the Group's accounts in accordance with UK GAAP. Nedcor has adopted a new accounting standard on the recognition and measurement of financial instruments (AC133) for local reporting requirements. The AC133 adjustments have been excluded, except in relation to changes in credit provisioning methodology, which are acceptable under UK GAAP. This has led to a one-off increase of R1.1 billion in specific provisions, resulting from the discounting of future cash flows from advances. This charge been taken to the profit and loss account, but excluded from adjusted operating profit. In addition, the opportunity was taken to strengthen specific provisions, resulting in a R626 million charge to adjusted operating profit. Nedcor's financial results for the years ended 31 December 2002 and 2003 are not directly comparable, as the 2002 results included BoE Limited (BoE) only for six months.

Financial performance

Nedcor's financial performance during 2003 was very disappointing.

The formal consolidation of the banking licences of BoE, Nedcor Investment Bank and Cape of Good Hope Bank into Nedbank and Peoples Bank took place on 1 January 2003. While the merger and restructuring process is progressing to plan, the long term funding raised since the acquisition of BoE had a negative impact on Nedcor's 2003 financial results.

The banking adjusted operating loss of R70 million was a substantially lower outturn than the R3,489 million adjusted operating profit in 2002. The key factors influencing the result were the interest margin squeeze, lower profits from investment banking, expenses (which grew at a higher rate than revenues) and the strengthening of the Rand.

Low asset growth, combined with a squeeze in interest margins caused by the lower interest rate environment, funding issues relating to the acquisition of BoE and more conservative accounting estimates resulted in Nedcor's net interest income of R6,754 million only reflecting a 6% increase over 2002.

Non-interest revenue at R6,917 million was flat compared to 2002 (R6,931 million). This was impacted by a decline in exchange and securities trading revenues and by the reclassification of asset management income.

Operating expenses of R10,976 million, including translation losses of R1,356 million (2002: R1,011 million), were 28% higher than in 2002 (R8,573 million). The strengthening of the Rand:US$ exchange rate from R8.60 to R6.62 during 2003 resulted in the recognition of unrealised translation losses in the profit and loss account. These losses primarily reflected the effect of translating the net assets of Nedcor's integrated foreign operations into Rand on consolidation of its financial investments. A significant amount of this increase was due to the inclusion of BoE for the whole of 2003. As a result of changes to employee incentive schemes during the year, a charge of R165 million was included in operating expenses. Several one-off items, expenses from subsidiaries consolidated for the first time and increased expenses in divisions with high income growth also contributed to higher operating expenses.

The credit climate held steady during the first half of 2003, despite the high interest rate environment, and improved during the second half following decreases in interest rates totalling 550 basis points.

The tax charge was impacted primarily by a provision of R261 million that was raised against specific tax industry issues. In addition, an amount of R583 million was raised for tax contingencies in respect of BoE acquisition items, which resulted in an increase in goodwill of this amount.

A review of the balance sheet, initiated by Old Mutual, also affected both earnings and capital.

Capital

In September 2003, Nedcor raised R500 million in subordinated debt and R500 million in unsecured subordinated callable notes that qualified as Tier 3 and Tier 2 capital respectively. In October, the bank raised a further R825 million of qualifying Tier 1 preference share capital. Following the review of Nedcor's balance sheet, Old Mutual injected R2 billion of additional Tier 2 capital in the form of subordinated debt in December. This brought total statutory capital to R21.6 billion (2002: R27.7 billion) representing an overall capital adequacy ratio of 10.1% (2002: 11.0%), slightly above the statutory requirement of 10.0%.

On 23 February 2004, Nedcor launched a rights issue[1] to raise R5 billion of additional ordinary share capital. Part of the net proceeds will be used to repay the R2 billion advanced by Old Mutual in December and other short term financing of R0.5 billion. This capital raising, together with active balance sheet management, is intended to enable Nedcor to meet the proposed 7.5% regulatory minimum for primary (Tier 1) capital by 31 December 2004.

Merger and restructuring

The process of merging and restructuring Nedcor's various divisions, following its acquisitions in 2002, is proceeding according to plan and many of the targeted synergy benefits are being realised earlier than originally projected. The annual target for these benefits of R700 million is expected to be realised from 2006. Total integration expenditure incurred to the end of 2003 was R868 million.

Business development

After Tom Boardman was appointed Chief Executive designate to Nedcor in October, its board endorsed a recovery programme to restore Nedcor on a sustainable growth path. The key elements included the appointment of a new executive team, a strategic review of the business, the successful implementation of the merger and reorganisation programme, improved transparency and a clear focus on client service.

The relationship between Old Mutual and Nedcor strengthened over the past year, as seen by the Group's support for Nedcor's recovery programme, the provision of the R2 billion of additional capital in December, the secondment of Bob Head as acting Chief Financial Officer, and the support by Old Mutual for Nedcor's rights issue. Old Mutual and Nedcor have also recently entered into a formal relationship agreement for the first time, which sets out various details of the way in which the relationship will be conducted in the future.

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[1] *The securities offered in the rights issue will not be registered under the US Securities Act of 1933, and may not be offered or sold without registration or an applicable exemption from the registration requirements.*

Prices and values of, and income from, Nedcor's shares may go down, as well as up, and an investor may not get back the amount invested. It should be noted that past performance is no guide to future performance. Persons needing advice should consult an independent adviser.

This announcement does not constitute an offering of securities in the United States, Canada, Australia or Japan or otherwise constitute an invitation to any person to acquire securities in any company within the Group.

Outlook

Nedcor’s strategic focus in 2004 will be on the operational performance of its core business. The newly appointed management team is actively addressing the structural and cultural issues and implementing measures to prevent a recurrence of the problems of the past. Nedcor’s management also recognises the imperative to reduce costs, and intends to provide stakeholders with a detailed plan to achieve a significant reduction in expenses when Nedcor announces its 2004 interim results.

The Group is confident that the newly appointed Nedcor executive team has the ability to deliver the desired results from the strategic recovery programme and to complete the merger and restructuring process successfully.

GENERAL INSURANCE

MUTUAL & FEDERAL

Financial performance

Adjusted operating profit of R909 million, including long term investment return, from the Group's 51% owned South African general insurance subsidiary, Mutual & Federal, represented an increase of 63% from R556 million in 2002.

This strong performance was mainly attributable to an improvement in the underwriting surplus to R329 million (2002: R2 million), representing an underwriting ratio of 6% to net earned premiums. The improvement followed corrective action taken on poorly performing portfolios during 2002 and a favourable trading environment in 2003, combined with an absence of severe weather-related claims.

Gross premium income of R6,486 million was 16% higher than in 2002 (R5,603 million). Organic growth in portfolios, primarily as a result of rate increases implemented during 2002 and 2003, contributed to this satisfactory performance.

Net claims rose by 10%, reflecting the impact of inflation. Most portfolios returned satisfactory results, but corrective action on large fire and engineering risks will continue to be needed due to increased reinsurance costs in recent years.

The solvency margin, being the ratio of net assets to net premiums, remained high and was in excess of 61%, well above the minimum required to support current operations.

Outlook

Looking to the year ahead, management of Mutual & Federal is cautiously optimistic, as market conditions remain conducive to achieving underwriting surpluses. The improvements to rating systems are expected to assist Mutual & Federal in continuing to produce a top rated return on equity. An inflationary increase in claims costs requires ongoing focus on responsible underwriting standards.

Mutual & Federal remains committed to conducting business through the intermediary channel.

Old Mutual is looking forward to working more closely with Mutual & Federal subsequent to the Group’s offer to acquire Royal & Sun Alliance’s 37.5% shareholding in Mutual & Federal and believes it will be in the best interests of the business, customers and staff.

UNITED STATES

US LIFE

Financial performance

The macro-economic environment presented a number of challenges to the US life businesses during 2003, with interest rates falling to historic lows. These low interest rates, combined with improving equity return expectations, resulted in some movement of savings from fixed interest to equity-based products. US life had anticipated these challenges by developing a multiple distribution and product strategy aimed at stabilising sales volumes and holding profitability.

The US life business's adjusted operating profit of $143 million was 15% up on the $124 million achieved in 2002. This increase was driven by the impact of profits from the strong sales of fixed annuities in 2002, and by improving spreads and continued growth in life sales in 2003.

Total APE for 2003, at $389 million, was 14% lower than that achieved in 2002 ($451 million). Gross sales of $3.1 billion (2002: $4.0 billion) in 2003 for US life were, however, higher than in any year prior to its acquisition by Old Mutual. The value of new business at $59 million was 30% lower than in 2002 ($84 million). The average margin on new business after tax reduced from 19% in 2002 to 15% of APE in 2003, which excludes the value added from the block of business acquired for a nominal amount when Sage Life (renamed OMNIA Life (Bermuda)) was purchased. While interest rate spread compression negatively impacted the margin, this was partly offset by profitability and sales volumes being stabilised through the establishment of an alternative corporate to corporate channel.
The business continued to grow strongly, as new life assurance products launched during 2003 were positively received by the market and attracted significant premiums. Lower fixed annuity sales were offset by the favourable response to a new range of equity-indexed annuity products. As a result, Fidelity & Guaranty Life maintained its position as one of the top ten providers of fixed and equity-indexed annuity products in the USA. OMNIA Life (Bermuda) is an important new conduit to large international banks, offering US-style products to an international customer base and giving direct exposure to variable annuity products.

The value of in-force business of $701 million at the end of 2003 increased by 28% from $549 million at the beginning of the year. Funds under management totalled $13.3 billion at 31 December 2003, an increase of 27% over the year. $110 million of capital was injected into US life during the year to support new business written, in line with plans.

Business development and outlook

Having successfully stabilised sales volumes and profitability through competitive positioning, US life will continue to build on its strong relationships with key distributors and its multi-distribution channel strategy.

The transition of policy administration to a lower unit cost outsourcer is progressing and is designed to improve customer service levels. By year end, the new third party administrator was issuing 90% of all new policies. Economies of scale and planned process improvements should be evident in the financial results from 2005, after complete conversion of in-force and all new business.

The business's bond portfolio, which is largely managed by fellow asset management subsidiary, Dwight, will continue to be managed actively, with tight controls on matching assets and liabilities, and no more than 10% concentrated in the high-yield corporate bond sector.

US ASSET MANAGEMENT

The Group's US asset management business delivered adjusted operating profit of $134 million in 2003, a decrease of 6% on 2002 ($142 million). However, when comparing the results on a like-for-like basis, after adjusting for the impact of disposed entities, adjusted operating profit increased by 6% from $126 million. The equity market rally in the second half of 2003 and strong net cash inflows were the key factors driving this positive result. Average asset levels for 2003 were $136 billion, compared to $126 billion, adjusted for the disposed entities. The improvement in the equity-related component of total funds under management also had a positive impact on revenue margins.

Funds under management increased during 2003 by 21% from $127 billion to $154 billion. Affiliate divestitures of $3.3 billion were offset by net client inflows of $4.7 billion and positive market movements of $25.7 billion. The net client inflows were spread across the large majority of the affiliates, highlighting the attractiveness and strength of the diverse range of products. These inflows included $1.8 billion from the Group’s US life business, and were achieved despite the loss of $1.7 billion at Pilgrim Baxter & Associates (PBA) in December, following the resignations of the founders of that firm for allegations of improper practice.

Good investment performance was maintained for institutional mandates, which outperformed their respective benchmarks over three and five years by 83% and 94% respectively. Top quartile performance, relative to their peers over the same periods, was achieved by 73% of these funds.

Investment performance by the business’s mutual funds improved during 2003, with 72% delivering top quartile performance over the three-year period. On an asset-weighted basis, four- and five-star funds, as rated by Morningstar Inc., comprised 76% of the mutual fund portfolio at year end.

Business development

A successful year in executing an organic growth strategy was soured by the discovery of the personal involvement of the two founding members in alleged market timing irregularities at PBA during the period from 1999 to 2001. Old Mutual management took decisive steps immediately upon discovery of these matters to ensure that current and future interests of PBA’s clients and shareholders were upheld, including the departure of the founders, and also conducted a review at the other US mutual funds to ensure adherence to best practice governance policies. Succession plans at PBA, which had already been put in place, were accelerated and these have ensured business continuity and the prospect of future growth once all outstanding regulatory and legal matters are resolved.

Outlook

Strengthening the presence in the higher margin retail market remains a key strategic objective for the Group’s US asset management business. The diversity of styles and the strength of the individual firms' branding with third party distributors are being leveraged to provide institutional-quality products to retail investors.

Institutional fund management remains the core business. New investment performance systems, developed in 2003, will allow a broader range of product development opportunities to be pursued and will provide targeted marketing strategies to the sales teams. New opportunities to distribute alternative products and closed-end funds are being pursued, while the focus on sub-advisory investment mandate relationships continues.

Operating and Financial Review (continued)

UK AND REST OF WORLD

Adjusted operating profit from the Group's UK and Rest of World life assurance, asset management and banking businesses was £24 million in 2003, compared to £55 million in 2002. This result includes the adjusted operating profit of the Group's operations in the UK (£15 million loss), offshore operations (£19 million – which include Old Mutual International, Old Mutual Fund Managers and Old Mutual Asset Managers (Bermuda) (OMAM(Bermuda)), southern Africa (excluding South Africa) (£15 million) and Nedcor’s offshore banking and asset management operations (£5 million).

ASSET MANAGEMENT

Adjusted operating losses from the Group's UK and Rest of World asset management businesses of £4 million compared to a profit of £2 million in 2002. These include the results of Gerrard for the ten months to 31 October 2003, as well as full year results for OMAM(UK), Selestia, Palladyne Asset Management BV, OMAM (Bermuda), Bright Capital and Nedcor’s off shore asset management operations.

The Group realised £240 million, including a £30 million release of capital, from the sale of Gerrard, following a successful restructuring of the business.

The Group's remaining UK and Rest of World asset management businesses continued to grow and develop through further penetration of their respective markets. OMAM(UK) delivered excellent investment performance and strong new client fund flows, particularly in hedge fund products. Selestia achieved excellent momentum in attracting fund flows through its online offering during the year, and in November 2003 won the *Best Fund Supermarket* award in the B2B category of the 2003 Online Finance Awards. OMAM(UK) and Selestia generated positive fund flows of £0.4 billion between them, a very solid performance.

LIFE ASSURANCE

The Group’s life assurance operations in southern Africa (excluding South Africa) and Old Mutual International contributed £15 million and £9 million respectively to the UK and Rest of World results in 2003 (2002: £3 million loss). The increase was largely due to the sale of Old Mutual International’s *International Personal Portfolio Bond* book, which released £4 million to profit. Selestia’s adjusted operating losses of £14 million were included in the 2002 result.

Operating and Financial Review (continued)

GROUP FINANCIAL REVIEW

Operating profit and earnings per share (EPS)

Asset growth and net fund inflows contributed to Old Mutual's solid performance during 2003, but there were disappointing results from the Group's 52% owned banking subsidiary, Nedcor. Adjusted operating profit was £650 million, down 10% from 2002 (£724 million). After adjusting for goodwill amortisation and impairment, loss on dispoal of the investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs, the change in credit provisioning methodology, short term fluctuations in investment return and the investment return adjustment for own shares held in policyholders' funds, operating profit on ordinary activities before tax was £475 million compared with £473 million (restated to reflect the adoption of Urgent Issues Taskforce (UITF) Abstract 37 *Purchases and sales of own shares*) in 2002. The goodwill amortisation and impairment includes normal amortisation as well as £49 million relating to goodwill arising on the acquisition of BoE.

Adjusted operating profit in Sterling terms was improved by the stronger Rand:Sterling average exchange rate (12.35 in 2003 compared to 15.79 in 2002), although marginally reduced by the US$:Sterling average exchange rate (1.64 in 2003 compared to 1.50 in 2002).

The Group's results benefited from the market recovery in the second half of the year, particularly in the USA, where the S&P 500 and Nasdaq Composite indices rose 26% and 50% respectively during the year. In the Group's other markets, the FTSE 100 index increased by 14% and the FTSE/ JSE Africa ALSI by 12% during the year, although the South African recovery came too late to boost consumer confidence significantly.

The Group's basic earnings per share (EPS) was 8.0p in 2003 compared with 5.9p (restated to reflect the adoption of UITF Abstract 37) in 2002. Adjusted operating EPS of 10.0p in 2003 declined from 11.3p in 2002. Adjusted operating profit in the second half of the year of £255 million (adjusted operating EPS 4.4p) was down marginally on the same period last year (5.5p) and the first half of 2003 (5.6p). The second half result was adversely affected by Nedcor's poor performance. The Group's remaining businesses produced sound profit growth in 2003. Margins started to recover after a difficult first half, particularly in the Group's US life business, where sales volumes were boosted by expansion of its range of equity-indexed annuity products.

Funds under management and fund flows

Strong net fund inflows, particularly in the USA, and improved equity markets have grown funds under management to £125 billion at 31 December 2003 from £123 billion at 31 December 2002, even though £12 billion was sold with Gerrard.

The US asset management business benefited from the market upturn in the second half of 2003 and generated $4.7 billion of net fund inflows ($1.8 billion from US life) overall during 2003 compared to $1.9 billion in the first half. This was achieved despite outflows of $1.7 billion at Pilgrim Baxter. Net fund inflows were spread across the rest of the other affiliates, reflecting the group's diverse product offerings and strengthened distribution capabilities.

The US life business experienced a successful last quarter in 2003. New products attracted a favourable market response and significant premiums. Total life sales, on an APE basis were $389 million (2002: $451 million).

Operating and Financial Review (continued)

Disappointing sales in the South African life business began to recover in the second half of the year, as local equity markets improved. Net customer fund outflows of R3.8 billion compared favourably to the R4.4 billion outflow during 2002 as a result of increased levels of retention and reinvestment.

Achieved profits

The Group's adjusted operating profit on an achieved profits basis of £707 million decreased by 18% from £862 million in 2002. Adjusted operating EPS on an achieved profits basis of 10.8p declined from 14.1p in 2002. Embedded value (adjusted for the market value uplift of listed subsidiaries and own shares) of £4,124 million at 31 December 2003 improved by 5% from £3,928 million at 31 December 2002. Embedded value per share was 108p at 31 December 2003 compared to 104p at 31 December 2002.

Acquisitions and disposals

On 20 January 2004, the Group announced that it had made an offer to acquire 37.5% of the issued shares of Mutual & Federal, together with an offer for the remaining minority shareholdings. The total consideration payable is R1.9 billion.

The sale of the Group's private client stockbroking business Gerrard, to Barclays plc, was concluded in the fourth quarter for a consideration of £210 million payable in cash, generating a loss on sale of £3 million. At the date of disposal, Gerrard had £12 billion of funds under management.

Capital

The capital position of the Group benefited from the strength of the Rand, the sale proceeds of Gerrard and diversified funding sources. The Group's return on equity of 14% in 2003 compared to 18% in 2002. The lower return on equity reflects the disappointing performance at Nedcor during the year. Nedcor's recovery plan is focused on improving return on its equity to above 20%.

Capital is closely managed in each of the Group's businesses and there is sufficient capital in South Africa to meet local capital and funding requirements associated with the acquisition of the minority interests in Mutual & Federal, as well as the Group's commitment to the rights issue at Nedcor.

The Group's gearing (core debt[2] over core debt[2] plus equity shareholders' funds) was 19% at 31 December 2003, compared with 32% (restated to reflect the adoption of UITF 37) at 31 December 2002. Gearing was improved by the issue of $750 million of Guaranteed Cumulative Perpetual Preferred Securities in May 2003. The securities, which are redeemable at the Group's election from December 2008, provide core long term funding. The positive impact of the securities issue and the strong Rand on the Group's gearing was offset by impairments at Nedcor, a reduction in shareholders' equity as a result of own shares held by the policyholders' fund and a short term timing issue which means the cash proceeds of the Gerrard sale were not deducted from gross debt. The Group's gearing level remains strong, below its maximum level of 35%, with headroom available for potential opportunities in 2004.

The solvency ratios, all of which are above the minimum statutory requirements, of the Group's key businesses at 31 December 2003 were as follows: excess assets equivalent to 2.4 and 2.7 times statutory capital at the South African and US life businesses respectively; a capital adequacy ratio of

[2] *Core debt excludes debt from banking activities and is net of cash and short term investments which are immediately available to repay debt. Cash proceeds of the Gerrard sale were not deducted from gross debt.*

10.1% at Nedcor after a R2 billion injection in December, and a solvency margin in excess of 61% at Mutual & Federal.

$14 million of the Group's $650 million convertible bond issue was redeemed by investors in May 2003. The balance of the issue is expected to remain outstanding until maturity in May 2005.

The Group's Euro Commercial Paper programme has continued to be well supported, while significant committed undrawn bank facilities have been maintained. This ensures that the Group retains a high degree of financial flexibility within an efficient and balanced capital structure. In 2004, the Group's financing activity will be centred around the consolidation of primary bank finance facilities.

On 23 February 2004, Nedcor announced a rights issue to raise R5 billion of additional ordinary share capital to ensure that it has sufficient capital for growth and to meet anticipated minimum capital requirements. Old Mutual has undertaken to take up its rights under the rights issue. The balance of the new shares to be issued has been fully underwritten.

Taxation

The Group's effective tax rate (based on the tax charge as a proportion of adjusted operating profit) of 34.5% in 2003 increased from 26.9% in 2002. The increase in the effective rate is largely attributable to Nedcor, where non tax-deductible expenses were incurred. South African secondary tax on dividends also increased.

Financial/regulatory issues

During 2003, in response to enquiries initiated by the Securities and Exchange Commission (SEC) and the office of the New York Attorney General (NYAG), one of the Group's US asset management affiliates, Pilgrim Baxter & Associates Ltd (PBA), conducted an internal review which identified certain alleged market timing activities that had previously occurred, and which ceased in 2001, in some of the funds managed by PBA. During the course of its review, PBA learned of certain activities, now alleged to be improper, involving the former principals of that firm. PBA promptly notified the SEC and NYAG of its findings. The SEC and the NYAG have filed civil suits against PBA and the two former principals. In addition, there are several related private lawsuits arising from the facts alleged by the SEC and the NYAG.

As discussions with the regulators are still continuing and the related litigation is still at an early stage, it is not currently possible to say whether or not the amount of ultimate liability to be borne by the Group will be material. A provision of £10 million for legal, investigatory and other costs has been made in the financial statements.

The UITF Abstract 37 *Purchases and sales of own shares* requires own shares previously recognised as investment assets to be deducted from shareholders' equity. The effect has been to reduce the number of shares in issue by the 316 million shares owned by southern African policyholders' funds. Basic EPS has also increased by 0.7p due to the reduction in the weighted average number of shares in issue used to calculate EPS, as well as the removal of the investment return earned by policyholders on these shares.

The Group welcomed the publication in October 2003 of the Financial Sector Charter in respect of Black Economic Empowerment (BEE) in South Africa. The South African businesses were actively involved in the establishment of the Charter, which sets out targets for the employment of black people in financial services companies. They have developed a balanced scorecard approach to monitor achievement against BEE targets and the Group foresees significant opportunities to add to the ventures already concluded under this initiative.

Dividend

The Board recommends an unchanged 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 2.1 times by adjusted operating EPS (2002: 2.4 times).

The dividend, which is subject to shareholder approval at the Annual General Meeting on 14 May 2004, will be paid on 28 May 2004 to shareholders on the register at the close of business on 23 April 2004. The equivalent of this dividend in the local currencies of South Africa, Malawi, Namibia and Zimbabwe will be determined by the Company on 1 April 2004 and will be announced to the markets on 2 April 2004. The Company's shares will trade ex dividend from the opening of business on 19 April 2004 on the JSE Securities Exchange South Africa and on the Malawi, Namibian and Zimbabwe Stock Exchanges and from the opening of business on 21 April 2004 on the London Stock Exchange. The last dates to trade cum dividend will therefore be 16 April 2004 in South Africa, Malawi, Namibia and Zimbabwe and 20 April 2004 in the UK.

No dematerialisation or rematerialisation of shares within the South African STRATE system may take place between 19 April 2004 and 23 April 2004 (both dates inclusive), nor may transfers between the South African registers and registers in the other countries take place between those dates.

Outlook

The Group's overall strategy of managing risk through diversity remains unchanged. Capital has been strengthened by the sale of Gerrard, giving the Group the flexibility to pursue opportunities as they become available. In 2004, management will be focused on optimising performance in, as well as realising synergies between, the Group’s businesses.

The Group remains committed to building on its strong base in South Africa to create an international financial services company. It will be actively supporting Nedcor in turning around its business. The Group is well positioned to take advantage of, and benefit from, the market recovery and improved consumer confidence in 2004.

Julian V F Roberts
Group Finance Director
23 February 2004

This preliminary announcement for the year ended 31 December 2003 is unaudited. The financial information in this document does not constitute the Company's statutory accounts for the years ended 31 December 2002 or 2003. The financial information for 2002 is derived from the statutory accounts for 2002, which have been delivered to the Registrar of Companies. The auditors have reported on the 2002 accounts; their report was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985. The statutory accounts for 2003 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's annual general meeting.

Summary Consolidated Profit and Loss Account

for the year ended 31 December 2003

		£m		Rm	
	Notes	**Year to 31 Dec 2003**	Year to 31 Dec 2002 (Restated)***	**Year to 31 Dec 2003**	Year to 31 Dec 2002 (Restated)***
South Africa					
Technical result		**253**	208	**3,124**	3,283
Long term investment return		**178**	135	**2,198**	2,131
Life assurance	3(b)(iii)	**431**	343	**5,322**	5,414
Asset management	3(c)(i)	**53**	28	**656**	441
Banking	3(d)(i)	**(10)**	165	**(118)**	2,605
General insurance	3(e)(i)	**73**	35	**909**	556
		547	571	**6,769**	9,016
United States					
Life assurance	3(b)(iii)	**86**	83	**1,062**	1,310
Asset management	3(c)(i)	**81**	95	**1,000**	1,500
		167	178	**2,062**	2,810
United Kingdom and Rest of World					
Life assurance	3(b)(iii)	**24**	(3)	**297**	(47)
Asset management	3(c)(i)	**(4)**	2	**(48)**	31
Banking	3(d)(i)	**4**	56	**48**	884
		24	55	**297**	868
		738	804	**9,128**	12,694
Other shareholders' income / (expenses)	3(f)	**(40)**	(22)	**(494)**	(347)
Debt service costs		**(48)**	(58)	**(593)**	(916)
Adjusted operating profit*		**650**	724	**8,041**	11,431
Goodwill amortisation and impairment	7	**(206)**	(120)	**(2,544)**	(1,895)
Loss on disposal / write-down of investment in Dimension Data Holdings plc	4	**(5)**	(68)	**(60)**	(1,080)
Nedcor restructuring and integration costs	3(d)(ii)	**(32)**	(14)	**(394)**	(227)
Change in credit provisioning methodology	3(d)(iii)	**(87)**	-	**(1,074)**	-
Short term fluctuations in investment return		**143**	(91)	**1,767**	(1,439)
Investment return adjustment for own shares held in policyholders' funds	3(b)(iv)	**12**	42	**148**	663
Operating profit on ordinary activities before tax		**475**	473	**5,884**	7,453
Non-operating items	6(b)	**(32)**	(6)	**(404)**	(88)
Profit on ordinary activities before tax		**443**	467	**5,480**	7,365
Tax on profit on ordinary activities	5(a)	**(241)**	(224)	**(2,976)**	(3,535)
Profit on ordinary activities after tax		**202**	243	**2,504**	3,830
Minority interests – equity		**117**	(44)	**1,445**	(695)
– non-equity		**(46)**	-	**(568)**	-
Profit for the financial year		**273**	199	**3,381**	3,135
Dividends paid and proposed		**(166)**	(161)	**(2,006)**	(2,319)
Retained profit for the financial year		**107**	38	**1,375**	816

The adjusted operating profit on an after-tax and minority interest basis is determined as follows:

Adjusted operating profit		**650**	724	**8,041**	11,431
Tax on adjusted operating profit	5(a)	**(224)**	(195)	**(2,763)**	(3,082)
		426	529	**5,278**	8,349
Minority interests – equity		**(7)**	(113)	**(96)**	(1,780)
– non-equity		**(46)**	-	**(568)**	-
Adjusted operating profit after tax and minority interests		**373**	416	**4,614**	6,569

Summary Consolidated Profit and Loss Account
for the year ended 31 December 2003 (continued)

Earnings and dividend per share attributable to equity shareholders	Notes	p Year to 31 Dec 2003	p Year to 31 Dec 2002 (Restated)***	c Year to 31 Dec 2003	c Year to 31 Dec 2002 (Restated)***
Earnings per share					
Adjusted operating earnings per share	2	**10.0**	11.3	**123.8**	179.0
Basic earnings per share	2	**8.0**	5.9	**99.1**	93.5
Diluted earnings per share	2	**8.0**	5.9	**99.1**	93.5
Dividend per share (Rand dividend indicative only for 2003)**		**4.8**	4.8	**56.5**	66.0
Adjusted weighted average number of shares – millions	2	**3,727**	3,670	**3,727**	3,670
Weighted average number of shares – millions	2	**3,411**	3,354	**3,411**	3,354

* *Adjusted operating profit represents the directors' view of the underlying performance of the Group. For life assurance and general insurance businesses, adjusted operating profit is based on a long term investment return and includes investment returns on own shares held within the policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and the transitional impact of the change in credit provisioning methodology. For all businesses, adjusted operating profit excludes goodwill amortisation and impairment.*

Adjusted operating earnings per share are similarly based, but are stated after tax and minority interests, with the calculation of the weighted average number of shares including own shares held in policyholders' funds.

** *The actual amount of the final dividend per share in Rand will be determined by reference to the exchange rate prevailing on 1 April 2004 and will be announced by the Company on 2 April 2004.*

*** *Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 37 Purchases and sales of own shares. Details of the change are set out in Note 3(b)(iv).*

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2003

	Note	£m Year to 31 Dec 2003	£m Year to 31 Dec 2002 (Restated)	Rm Year to 31 Dec 2003	Rm Year to 31 Dec 2002 (Restated)
Profit for the financial year		**273**	199	**3,381**	3,135
Foreign exchange movements		**191**	295	**(2,574)**	(7,174)
Total recognised gains / (losses) for the year		**464**	494	**807**	(4,039)
Prior period adjustment	3(b)(iv)	**(139)**		**(1,920)**	
Total recognised gains / (losses) since last annual report		**325**		**(1,113)**	

Reconciliation of Movements in Consolidated Equity Shareholders' Funds
for the year ended 31 December 2003

	£m Year to 31 Dec 2003	£m Year to 31 Dec 2002 (Restated)	Rm Year to 31 Dec 2003	Rm Year to 31 Dec 2002 (Restated)
Total recognised gains / (losses) for the year	**464**	494	**807**	(4,039)
Dividends paid and proposed	**(166)**	(161)	**(2,006)**	(2,319)
	298	333	**(1,199)**	(6,358)
Issue of new capital	**37**	39	**457**	619
Shares issued under option schemes	**4**	1	**49**	16
Net increase / (decrease) in equity shareholders' funds	**339**	373	**(693)**	(5,723)
Equity shareholders' funds at the beginning of the year (originally £2,786 million (R38,486 million) before prior year adjustment of £262 million (R3,618 million))	**2,524**	2,151	**34,868**	40,591
Equity shareholders' funds at the end of the year	**2,863**	2,524	**34,175**	34,868

Consolidated Balance Sheet
at 31 December 2003

	Notes	£m At 31 Dec 2003	£m At 31 Dec 2002 (Restated)	Rm At 31 Dec 2003	Rm At 31 Dec 2002 (Restated)
Intangible assets					
Goodwill	7	**1,264**	1,598	**15,088**	22,075
Insurance and other assets					
Investments					
Land and buildings		**677**	600	**8,081**	8,288
Other financial investments		**22,756**	18,640	**271,631**	257,496
		23,433	19,240	**279,712**	265,784
Assets held to cover linked liabilities		**5,860**	4,317	**69,949**	59,635
	3(g)	**29,293**	23,557	**349,661**	325,419
Reinsurers' share of technical provisions					
Provision for unearned premiums		**19**	21	**227**	290
Long term business provision		**301**	305	**3,593**	4,213
Claims outstanding		**54**	44	**645**	608
		374	370	**4,465**	5,111
Debtors					
Debtors arising from direct insurance operations		**225**	179	**2,686**	2,472
Debtors arising from reinsurance operations		**7**	12	**84**	166
Other debtors		**470**	238	**5,610**	3,287
		702	429	**8,380**	5,925
Other assets					
Tangible fixed assets		**81**	97	**966**	1,340
Cash at bank and in hand		**695**	565	**8,296**	7,805
Investment in own shares by ESOP Trusts		**109**	115	**1,301**	1,589
Present value of acquired in-force business		**194**	255	**2,315**	3,523
Other assets		**332**	378	**3,963**	5,222
		1,411	1,410	**16,841**	19,479
Prepayments and accrued income					
Accrued interest and rent		**184**	128	**2,196**	1,768
Deferred acquisition costs		**427**	284	**5,097**	3,924
Other prepayments and accrued income		**127**	153	**1,516**	2,114
		738	565	**8,809**	7,806
Total insurance and other assets		**32,518**	26,331	**388,156**	363,740
Banking assets					
Cash and balances at central banks		**1,025**	1,202	**12,235**	16,607
Treasury bills and other eligible bills		**888**	1,085	**10,600**	14,987
Loans and advances to banks		**2,092**	1,228	**24,972**	16,963
Loans and advances to customers		**15,136**	12,854	**180,674**	177,566
Debt securities		**1,420**	1,061	**16,952**	14,647
Equity shares and other variable yield securities		**317**	965	**3,784**	13,331
Interest in associated undertakings		**144**	124	**1,719**	1,713
Tangible fixed assets		**221**	158	**2,638**	2,182
Land and buildings		**141**	131	**1,683**	1,806
Prepayments, accrued income and other assets		**2,658**	2,569	**31,728**	35,489
Total banking assets		**24,042**	21,377	**286,985**	295,291
Total assets		**57,824**	49,306	**690,229**	681,106

Consolidated Balance Sheet
at 31 December 2003 (continued)

	£m		Rm	
	At 31 Dec 2003	At 31 Dec 2002 (Restated)	At 31 Dec 2003	At 31 Dec 2002 (Restated)
Capital and reserves				
Called up share capital	**384**	378	**4,584**	5,222
Share premium account	**587**	552	**7,007**	7,625
Merger reserve	**184**	184	**2,196**	2,542
Profit and loss account	**2,109**	1,811	**24,296**	23,387
	3,264	2,925	**38,083**	38,776
Reserve in respect of own shares held in policyholders' funds	**(401)**	(401)	**(3,908)**	(3,908)
Equity shareholders' funds	**2,863**	2,524	**34,175**	34,868
Minority interests				
Equity	**652**	783	**7,783**	10,816
Non-equity	**658**	144	**7,854**	1,992
	1,310	927	**15,637**	12,808
Subordinated liabilities	**15**	18	**179**	249
Insurance and other liabilities				
Technical provisions				
Provision for unearned premiums	**80**	79	**955**	1,091
Long term business provision	**20,660**	17,241	**246,612**	238,169
Claims outstanding	**417**	335	**4,978**	4,628
	21,157	17,655	**252,545**	243,888
Technical provisions for linked liabilities	**5,860**	4,317	**69,949**	59,635
Provisions for other risks and charges	**551**	486	**6,576**	6,714
Creditors				
Creditors arising from direct insurance operations	**478**	326	**5,706**	4,503
Creditors arising from reinsurance operations	**3**	7	**36**	97
Other creditors including tax and social security	**1,806**	1,456	**21,550**	20,110
Amounts owed to credit institutions	**377**	767	**4,501**	10,596
Convertible loan stock	**357**	404	**4,261**	5,581
	3,021	2,960	**36,054**	40,887
Accruals and deferred income	**135**	184	**1,611**	2,542
Total insurance and other liabilities	**30,724**	25,602	**366,735**	353,666
Banking liabilities				
Deposits by banks	**4,381**	2,110	**52,295**	29,148
Customer accounts	**13,976**	12,070	**166,827**	166,735
Debt securities in issue	**468**	2,266	**5,586**	31,303
Other liabilities	**3,249**	3,149	**38,782**	43,487
Provisions for liabilities and charges	**180**	105	**2,149**	1,450
Subordinated liabilities	**648**	521	**7,745**	7,197
Convertible loan stock	**10**	14	**119**	195
Total banking liabilities	**22,912**	20,235	**273,503**	279,515
Total liabilities	**57,824**	49,306	**690,229**	681,106

Memorandum items

Commitments	**808**	754	**9,644**	10,415
Contingent liabilities	**2,581**	1,382	**30,808**	19,091

Notes to the Financial Statements
for the year ended 31 December 2003

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$	
	2003	2002	**2003**	2002
Profit and loss account (average rate)	**12.3487**	15.7878	**1.6354**	1.5030
Balance sheet (closing rate)	**11.9367**	13.8141	**1.7833**	1.6105

Foreign currency 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. Exchange differences on trading activities are included in the profit and loss account.

Notes to the Financial Statements
for the year ended 31 December 2003 (continued)

2 EARNINGS AND EARNINGS PER SHARE

Basic earnings per share is calculated based upon the profit after tax attributable to equity shareholders.

The directors' view is that adjusted operating earnings per share derived from adjusted operating profit or loss after tax and minority interests provides a better indication of the underlying performance of the Group. For life assurance and general insurance businesses, adjusted operating profit is based on a long term investment return and includes investment returns on own shares held within the policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and the transitional impact of the change in credit provisioning methodology. For all businesses, adjusted operating profit excludes goodwill amortisation and impairment.

Adjusted operating earnings per share is similarly based, but is stated after tax and minority interests, with the calculation of the weighted average number of shares including own shares held in policyholders' funds.

A table reconciling operating profit on ordinary activities after tax and minority interests to adjusted operating profit after tax and minority interests is included below.

	Notes	£m Year to 31 Dec 2003	£m Year to 31 Dec 2002 (Restated)	Rm Year to 31 Dec 2003	Rm Year to 31 Dec 2002 (Restated)
Profit on ordinary activities after tax and minority interests		**273**	199	**3,381**	3,135
Goodwill amortisation and impairment net of minority interests		**128**	104	**1,581**	1,646
Loss on disposal / write-down of investment in Dimension Data Holdings plc net of tax and minority interests	4	**3**	29	**30**	467
Nedcor restructuring and integration costs net of tax and minority interests	3(d)(ii)	**13**	7	**160**	104
Change in credit provisioning methodology net of tax and minority interests	3(d)(iii)	**31**	-	**376**	-
Short term fluctuations in investment returns net of tax and minority interests		**(95)**	75	**(1,170)**	1,192
Investment return adjustment for own shares held in policyholders' funds		**(12)**	(42)	**(148)**	(663)
Non-operating items net of tax	6(b)	**32**	44	**404**	688
Adjusted operating profit after tax and minority interests		**373**	416	**4,614**	6,569

	p 2003	p 2002	c 2003	c 2002
Basic earnings per share	**8.0**	5.9	**99.1**	93.5
Impact of exclusion of own shares held in policyholders' funds on weighted average number of shares	**(0.7)**	(0.5)	**(8.4)**	(8.1)
	7.3	5.4	**90.7**	85.4
Goodwill amortisation and impairment net of minority interests	**3.4**	2.8	**42.4**	44.9
Loss on disposal / write-down of investment in Dimension Data Holdings plc net of tax and minority interests	**0.1**	0.8	**0.8**	12.7
Nedcor restructuring and integration costs net of tax and minority interests	**0.3**	0.2	**4.3**	2.8
Change in credit provisioning methodology net of tax and minority interests	**0.8**	-	**10.1**	-
Short term fluctuations in investment returns net of tax and minority interests	**(2.5)**	2.0	**(31.3)**	32.5
Investment return adjustment for own shares held in policyholders' funds	**(0.3)**	(1.1)	**(4.0)**	(18.0)
Non-operating items net of tax	**0.9**	1.2	**10.8**	18.7
Adjusted operating earnings per share	**10.0**	11.3	**123.8**	179.0

2 EARNINGS AND EARNINGS PER SHARE CONTINUED

Basic earnings per share is calculated by reference to the profit on ordinary activities after tax and minority interests of £273 million (R3,381 million) for the year ended 31 December 2003 (2002 (restated): £199 million (R3,135 million)) and a weighted average number of shares in issue of 3,411 million (2002 (restated): 3,354 million). The weighted average number of shares is calculated as follows:

	millions	
	At 31 Dec 2003	At 31 Dec 2002
Total weighted average number of shares in issue	3,824	3,767
Shares held in ESOP Trusts	(97)	(97)
Adjusted weighted average number of shares	3,727	3,670
Shares held in policyholders' funds	(316)	(316)
Weighted average number of shares	3,411	3,354

The diluted earnings per share calculation reflects the potential issue of shares in respect of the ESOP Trusts and the US Dollar Guaranteed Convertible Bond.

Restatement of Earnings and Earnings per share

As described in note 3(b)(iv), in accordance with Urgent Issues Task Force Abstract 37 *Purchases and sales of own shares*, shares in the Company held by the policyholders' funds are no longer included in the weighted average number of shares used in basic earnings per share calculations. The weighted average number of shares excluded as a result is 316 million (2002: 316 million).

3 SEGMENTAL ANALYSIS

3(a) Summary of operating profit on ordinary activities before tax	Notes	South Africa £m	United States £m	UK & Rest of World £m	Total £m	South Africa Rm	United States Rm	UK & Rest of World Rm	Total Rm
Year to 31 December 2003									
Life assurance	3(b)(iii)	**431**	**86**	**24**	**541**	**5,322**	**1,062**	**297**	**6,681**
Asset management	3(c)(i)	**53**	**81**	**(4)**	**130**	**656**	**1,000**	**(48)**	**1,608**
Banking	3(d)(i)	**(10)**	**-**	**4**	**(6)**	**(118)**	**-**	**48**	**(70)**
General insurance business	3(e)(i)	**73**	**-**	**-**	**73**	**909**	**-**	**-**	**909**
Other shareholders' income / (expenses)	3(f)	**-**	**-**	**(40)**	**(40)**	**-**	**-**	**(494)**	**(494)**
Debt service costs		**(4)**	**-**	**(44)**	**(48)**	**(49)**	**-**	**(544)**	**(593)**
Adjusted operating profit		**543**	**167**	**(60)**	**650**	**6,720**	**2,062**	**(741)**	**8,041**
Goodwill amortisation and impairment		**(140)**	**(57)**	**(9)**	**(206)**	**(1,729)**	**(703)**	**(111)**	**(2,543)**
Loss on disposal of investment in Dimension Data Holdings plc	4	**(5)**	**-**	**-**	**(5)**	**(60)**	**-**	**-**	**(60)**
Nedcor restructuring and integration costs	3(d)(ii)	**(32)**	**-**	**-**	**(32)**	**(394)**	**-**	**-**	**(394)**
Change in credit provisioning methodology	3(d)(iii)	**(87)**	**-**	**-**	**(87)**	**(1,074)**	**-**	**-**	**(1,074)**
Short term fluctuations in investment return		**(37)**	**196**	**(16)**	**143**	**(457)**	**2,420**	**(197)**	**1,766**
Investment return adjustment for own shares held in policyholders' funds	3(b)(iv)	**12**	**-**	**-**	**12**	**148**	**-**	**-**	**148**
Operating profit / (loss) on ordinary activities before tax		**254**	**306**	**(85)**	**475**	**3,154**	**3,779**	**(1,049)**	**5,884**
Analysed as:									
Life assurance		**402**	**278**	**12**	**692**	**4,964**	**3,433**	**149**	**8,546**
Asset management		**53**	**28**	**(13)**	**68**	**656**	**346**	**(159)**	**843**
Banking		**(272)**	**-**	**4**	**(268)**	**(3,350)**	**-**	**48**	**(3,302)**
General insurance business		**75**	**-**	**-**	**75**	**933**	**-**	**-**	**933**
Other shareholders' income / (expenses)		**-**	**-**	**(44)**	**(44)**	**-**	**-**	**(543)**	**(543)**
Debt service costs		**(4)**	**-**	**(44)**	**(48)**	**(49)**	**-**	**(544)**	**(593)**
Operating profit / (loss) on ordinary activities before tax		**254**	**306**	**(85)**	**475**	**3,154**	**3,779**	**(1,049)**	**5,884**
Year to 31 December 2002 (Restated)									
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)
Adjusted operating profit		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)
Investment return adjustment for own shares held in policyholders' funds	3(b)(iv)	42	-	-	42	663	-	-	663
Operating profit / (loss) on ordinary activities before tax		208	289	(24)	473	3,269	4,563	(379)	7,453
Analysed as:									
Life assurance		135	258	(17)	376	2,127	4,073	(268)	5,932
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 / (loss) on ordinary activities before tax		208	289	(24)	473	3,269	4,563	(379)	7,453

Notes to the Financial Statements
for the year ended 31 December 2003 (continued)

3 SEGMENTAL ANALYSIS CONTINUED

3(b) Life assurance	South Africa £m	United States £m	UK & Rest of World £m	Total £m	South Africa Rm	United States Rm	UK & Rest of World Rm	Total Rm
(i) Gross premiums written								
Year to 31 December 2003								
Individual business								
Single	**563**	**1,815**	**87**	**2,465**	**6,952**	**22,413**	**1,074**	**30,439**
Recurring	**833**	**186**	**51**	**1,070**	**10,286**	**2,297**	**630**	**13,213**
	1,396	**2,001**	**138**	**3,535**	**17,238**	**24,710**	**1,704**	**43,652**
Group business								
Single	**715**	**-**	**20**	**735**	**8,829**	**-**	**247**	**9,076**
Recurring	**294**	**-**	**13**	**307**	**3,631**	**-**	**161**	**3,792**
	1,009	**-**	**33**	**1,042**	**12,460**	**-**	**408**	**12,868**
Total gross premiums	**2,405**	**2,001**	**171**	**4,577**	**29,698**	**24,710**	**2,112**	**56,520**
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
(ii) Gross new business premiums written								
Year to 31 December 2003								
Individual business								
Single	**563**	**1,815**	**87**	**2,465**	**6,952**	**22,413**	**1,074**	**30,439**
Recurring	**158**	**76**	**7**	**241**	**1,951**	**939**	**86**	**2,976**
	721	**1,891**	**94**	**2,706**	**8,903**	**23,352**	**1,160**	**33,415**
Group business								
Single	**715**	**-**	**20**	**735**	**8,829**	**-**	**247**	**9,076**
Recurring	**18**	**-**	**3**	**21**	**222**	**-**	**37**	**259**
	733	**-**	**23**	**756**	**9,051**	**-**	**284**	**9,335**
Total gross new business premiums written	**1,454**	**1,891**	**117**	**3,462**	**17,954**	**23,352**	**1,444**	**42,750**
Annual premium equivalent	**304**	**258**	**21**	**583**	**3,751**	**3,180**	**255**	**7,186**
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

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

3 SEGMENTAL ANALYSIS CONTINUED

3(b) Life assurance continued	£m South Africa	£m United States	£m UK & Rest of World	£m Total	Rm South Africa	Rm United States	Rm UK & Rest of World	Rm Total
(iii) Life assurance adjusted operating profit								
Year to 31 December 2003								
Individual business	**183**	**86**	**17**	**286**	**2,260**	**1,062**	**210**	**3,532**
Group business	**70**	**-**	**2**	**72**	**864**	**-**	**25**	**889**
Life assurance technical result	**253**	**86**	**19**	**358**	**3,124**	**1,062**	**235**	**4,421**
Long term investment return	**178**	**-**	**5**	**183**	**2,198**	**-**	**62**	**2,260**
Adjusted operating profit	**431**	**86**	**24**	**541**	**5,322**	**1,062**	**297**	**6,681**
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
Adjusted operating profit	343	83	(3)	423	5,414	1,310	(47)	6,677

(iv) Investment return adjustment for own shares held in policyholders' funds

Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 37 *Purchases and sales of own shares*. The abstract requires the Group's holdings of its own shares to be accounted for as a deduction in arriving at equity shareholders' funds, rather than to be recorded as assets. In addition, purchases and sales of own shares should be shown as changes in equity shareholders' funds such that no profit or loss is recognised in respect of dealings in those shares. The Group holds shares in the Company through a number of its long term business funds for the benefit of policyholders. These shares were previously included within "Other financial investments" at market value. Dividends paid have been restated to exclude any dividends in respect of own shares.

The net investment returns adjusted for these holdings are made up as follows:

	£m Year to 31 Dec 2003	£m Year to 31 Dec 2002	Rm Year to 31 Dec 2003	Rm Year to 31 Dec 2002
Dividend income	**14**	15	**173**	237
Unrealised losses on investment	**(26)**	(57)	**(321)**	(900)
Net investment loss on own shares	**(12)**	(42)	**(148)**	(663)

This change has resulted in an increase in operating profit after tax of £12 million (R148 million) (2002: £42 million (R663 million)) representing net investment losses on own shares held in policyholders' funds. Basic earnings per share has been restated to reflect a reduction in the weighted number of shares in issue of 316 million during both 2002 and 2003. The reduction in equity shareholders' funds at 31 December 2002 as a result of the new policy was £262 million (R3,618 million), made up of the original cost of the shares on demutualisation of £401 million (R3,908 million) and the cumulative investment loss and foreign exchange movements on the shares to the end of 2002 of £139 million (R1,920 million). Dividends paid have been restated to exclude dividends in respect of own shares, resulting in an increase in retained profit for the year ended 31 December 2003 of £26 million (R321 million) (2002: £57 million (R900 million)).

Notes to the Financial Statements

for the year ended 31 December 2003 (continued)

3 SEGMENTAL ANALYSIS CONTINUED

3(c)(i) Asset management

	Notes	£m Revenue	£m Expenses	£m Adjusted operating profit	Rm Revenue	Rm Expenses	Rm Adjusted operating profit
Year to 31 December 2003							
South Africa							
Fund management							
Old Mutual Asset Managers		33	(20)	13	408	(247)	161
Old Mutual Unit Trusts		21	(13)	8	259	(161)	98
Other		16	(12)	4	198	(148)	50
		70	(45)	25	865	(556)	309
Other financial services		42	(24)	18	519	(296)	223
Nedcor Unit Trusts and Portfolio Management		36	(26)	10	445	(321)	124
		148	(95)	53	1,829	(1,173)	656
US asset management	3(c)(ii)	347	(266)	81	4,285	(3,285)	1,000
UK and Rest of World							
Fund management		43	(35)	8	531	(432)	99
Private client – Gerrard		91	(83)	8	1,124	(1,025)	99
Selestia investment platform		3	(10)	(7)	37	(123)	(86)
Other financial services		10	(24)	(14)	123	(296)	(173)
Nedcor Unit Trusts and Portfolio Management		42	(41)	1	519	(506)	13
		189	(193)	(4)	2,334	(2,382)	(48)
		684	(554)	130	8,448	(6,840)	1,608

During 2003 the results of Nedcor Unit Trusts and Portfolio Management businesses have been reclassified from banking activities. The Selestia investment platform has been included for the first time as asset management business as a result of growth in this business.

	Notes	£m Revenue	£m Expenses	£m Adjusted operating profit	Rm Revenue	Rm Expenses	Rm Adjusted operating profit
Year to 31 December 2002							
South Africa							
Fund management							
Old Mutual Asset Managers		25	(12)	13	394	(189)	205
Old Mutual Unit Trusts		16	(13)	3	252	(205)	47
Other		14	(11)	3	221	(174)	47
		55	(36)	19	867	(568)	299
Other financial services		25	(16)	9	395	(253)	142
		80	(52)	28	1,262	(821)	441
US asset management	3(c)(ii)	373	(278)	95	5,889	(4,389)	1,500
UK and Rest of World							
Fund management		40	(42)	(2)	631	(663)	(32)
Private client – Gerrard		119	(115)	4	1,879	(1,816)	63
Other financial services		98	(98)	-	1,547	(1,547)	-
		257	(255)	2	4,057	(4,026)	31
		710	(585)	125	11,208	(9,236)	1,972

3 SEGMENTAL ANALYSIS CONTINUED

3(c)(ii) US asset management	£m Year to 31 Dec 2003	£m Year to 31 Dec 2002	Rm Year to 31 Dec 2003	Rm Year to 31 Dec 2002
Revenue				
Investment management fees	**304**	337	**3,754**	5,321
Transaction, performance and other fees	**43**	36	**531**	568
	347	373	**4,285**	5,889
Expenses				
Remuneration expenses	**117**	134	**1,445**	2,116
Other expenses	**149**	144	**1,840**	2,273
	266	278	**3,285**	4,389
Adjusted operating profit	**81**	95	**1,000**	1,500

3 SEGMENTAL ANALYSIS CONTINUED

3(d) Banking	South Africa £m	UK & Rest of World £m	Total £m	South Africa Rm	UK & Rest of World Rm	Total Rm
(i) Banking adjusted operating profit						
Year to 31 December 2003						
Interest receivable	2,156	114	2,270	26,619	1,411	28,030
Interest payable	(1,643)	(80)	(1,723)	(20,295)	(981)	(21,276)
Net interest income	513	34	547	6,324	430	6,754
Dividend income	12	-	12	150	2	152
Fees and commissions receivable	396	19	415	4,891	229	5,120
Fees and commissions payable	(36)	(2)	(38)	(445)	(28)	(473)
Net other operating income	157	14	171	1,946	172	2,118
Total operating income	1,042	65	1,107	12,866	805	13,671
Specific and general provisions charge	(232)	(2)	(234)	(2,868)	(18)	(2,886)
Net income	810	63	873	9,998	787	10,785
Operating expenses	(824)	(65)	(889)	(10,169)	(807)	(10,976)
	(14)	(2)	(16)	(171)	(20)	(191)
Share of associated undertakings' profit	4	6	10	53	68	121
Adjusted operating (loss) / profit	(10)	4	(6)	(118)	48	(70)
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)
Net 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)
	160	51	211	2,526	805	3,331
Share of associated undertakings' profit	5	5	10	79	79	158
Adjusted operating profit	165	56	221	2,605	884	3,489

Operating expenses include translation losses of £110 million (R1,356 million) (2002: £64 million (R1,011 million)).

There are no banking operations in the United States.

	£m Year to 31 Dec 2003	£m Year to 31 Dec 2002	Rm Year to 31 Dec 2003	Rm Year to 31 Dec 2002
(ii) Nedcor restructuring and integration costs				
Costs before tax and minority interests	32	14	394	227
Tax	(6)	(1)	(74)	(23)
Costs after tax and before minority interests	26	13	320	204
Minority interests	(13)	(6)	(160)	(100)
Costs after tax and minority interests	13	7	160	104

All costs charged for the year ended 31 December 2003 were incurred following the acquisition of BoE during 2002. For the year ended 31 December 2002, the above costs include £8 million (R118 million) incurred for the closure and restructuring costs of Permanent Bank's deposit taking activities and infrastructure.

3 SEGMENTAL ANALYSIS CONTINUED

(d) **Banking** continued	£m Year to 31 Dec 2003	Rm Year to 31 Dec 2003
(iii) Change in credit provisioning methodology		
Charge before tax and minority interests	87	1,074
Tax	(26)	(322)
Charge after tax and before minority interests	61	752
Minority interests	(30)	(376)
Charge after tax and minority interests	31	376

During the year, the Group's banking subsidiary, Nedcor Limited, implemented a revised methodology for the calculation of credit provisions for loans and advances in accordance with changes to local reporting requirements (AC133: "Financial Instruments – Recognition and Measurement"). The revised methodology requiring the discounting of future cashflows on advances is acceptable under UK GAAP reporting and has therefore been adopted in preparation of the Group's financial statements, resulting in a one-off increase in opening specific provisions due to the discounting effect. Further investigation of the transitional adjustment following the publication of the 2003 interim results has resulted in an increased charge of £9 million (R111 million).

This adjustment has been taken to the profit and loss account in the Group's financial statements, but has been excluded from adjusted operating profit.

3 SEGMENTAL ANALYSIS CONTINUED

3(e) Other technical income, net of reinsurance	£m Year to 31 Dec 2003	£m Year to 31 Dec 2002	Rm Year to 31 Dec 2003	Rm Year to 31 Dec 2002
(i) General insurance technical account				
Earned premiums, net of reinsurance				
Premiums written, net of reinsurance				
Gross premiums written	**526**	355	**6,486**	5,603
Outward reinsurance premiums	**(72)**	(45)	**(888)**	(717)
	454	310	**5,598**	4,886
Change in the provision for unearned premiums, net of reinsurance				
Gross amount	**11**	(13)	**136**	(212)
Reinsurers' share	**(5)**	8	**(59)**	132
	6	(5)	**77**	(80)
	460	305	**5,675**	4,806
Allocated investment return transferred from the non-technical account	**47**	35	**580**	554
Claims incurred, net of reinsurance				
Claims paid				
Gross amount	**(329)**	(234)	**(4,064)**	(3,682)
Reinsurers' share	**28**	18	**347**	275
	(301)	(216)	**(3,717)**	(3,407)
Change in the provision for claims, net of reinsurance				
Gross amount	**(32)**	(20)	**(396)**	(312)
Reinsurers' share	**11**	7	**145**	112
	(21)	(13)	**(251)**	(200)
	(322)	(229)	**(3,968)**	(3,607)
Net operating expenses	**(112)**	(76)	**(1,378)**	(1,197)
Adjusted operating profit	**73**	35	**909**	556

3 SEGMENTAL ANALYSIS CONTINUED

3(e) Other technical income, net of reinsurance continued

	£m			Rm		
	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Adjusted operating profit / (loss)	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Adjusted operating profit / (loss)
(ii) General insurance result by class of business						
Year to 31 December 2003						
Commercial	**185**	**123**	**17**	**2,284**	**1,516**	**216**
Corporate	**17**	**13**	**(1)**	**210**	**156**	**(15)**
Personal lines	**206**	**150**	**6**	**2,543**	**1,853**	**75**
Risk financing	**52**	**36**	**4**	**637**	**442**	**53**
	460	**322**	**26**	**5,674**	**3,967**	**329**
Long term investment return			**47**			**580**
			73			**909**
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

(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.

3(f) Other shareholders' income / (expenses)

	£m		Rm	
	Year to 31 Dec 2003	Year to 31 Dec 2002	**Year to 31 Dec 2003**	Year to 31 Dec 2002
Net other income	**1**	13	**12**	205
Net corporate expenses	**(41)**	(35)	**(506)**	(552)
Other shareholders' income / (expenses)	**(40)**	(22)	**(494)**	(347)

Net corporate expenses includes £5 million (R62 million) in connection with the International Financial Reporting Standards conversion project.

3 SEGMENTAL ANALYSIS CONTINUED

3(g) Funds under management	South Africa £m	United States £m	UK & Rest of World £m	Total £m	South Africa Rm	United States Rm	UK & Rest of World Rm	Total Rm
At 31 December 2003								
Investments including assets held to cover linked liabilities	19,437	8,317	1,539	29,293	232,012	99,278	18,371	349,661
SA asset mangement								
Fund management								
Old Mutual Asset Managers	5,378	-	-	5,378	64,196	-	-	64,196
Old Mutual Unit Trusts	293	-	-	293	3,497	-	-	3,497
	5,671	-	-	5,671	67,693	-	-	67,693
Other financial services	697	-	-	697	8,320	-	-	8,320
Nedcor Unit Trusts	865	-	-	865	10,325	-	-	10,325
Nedcor Portfolio Management	2,771	-	-	2,771	33,077	-	-	33,077
	10,004	-	-	10,004	119,415	-	-	119,415
US asset management	-	72,532	5,895	78,427	-	865,793	70,367	936,160
UK and Rest of World asset management								
Fund management	-	-	2,027	2,027	-	-	24,196	24,196
Selestia investment platform*	-	-	213	213	-	-	2,543	2,543
Other financial services	-	-	345	345	-	-	4,118	4,118
Nedcor Unit Trusts	-	-	707	707	-	-	8,439	8,439
Nedcor portfolio management	-	-	4,210	4,210	-	-	50,254	50,254
	-	-	7,502	7,502	-	-	89,550	89,550
Total funds under management	29,441	80,849	14,936	125,226	351,427	965,071	178,288	1,494,786

**This represents funds placed by the Selestia investment platform, which have been included in 2003 as a result of growth in this business.*

	South Africa £m	United States £m	UK & Rest of World £m	Total £m	South Africa Rm	United States Rm	UK & Rest of World Rm	Total Rm
At 31 December 2002								
Investments including assets held to cover linked liabilities (Restated)	13,706	6,793	3,058	23,557	189,337	93,839	42,243	325,419
SA asset mangement								
Fund management								
Old Mutual Asset Managers	4,159	-	-	4,159	57,452	-	-	57,452
Old Mutual Unit Trusts	147	-	-	147	2,031	-	-	2,031
	4,306	-	-	4,306	59,483	-	-	59,483
Other financial services	318	-	-	318	4,393	-	-	4,393
Nedcor Unit Trusts	633	-	712	1,345	8,744	-	9,836	18,580
Nedcor Portfolio Management	3,845	310	3,501	7,656	53,115	4,282	48,363	105,760
	9,102	310	4,213	13,625	125,735	4,282	58,199	188,216
US asset management	-	66,445	5,875	72,320	-	917,878	81,158	999,036
UK and Rest of World asset management								
Fund management	-	-	1,492	1,492	-	-	20,610	20,610
Other financial services	-	-	310	310	-	-	4,282	4,282
	-	-	1,802	1,802	-	-	24,892	24,892
UK Private client – Gerrard	-	-	12,030	12,030	-	-	166,184	166,184
Total funds under management	22,808	73,548	26,978	123,334	315,072	1,015,999	372,676	1,703,747

4 LOSS ON DISPOSAL / WRITE-DOWN OF INVESTMENT IN DIMENSION DATA HOLDINGS PLC

During September and October 2003, the Group disposed of its entire holding in Dimension Data Holdings plc at an average price of R3.40 per share. The realised loss for the year on disposal was £5 million (R60 million) before minority interests of £2 million (R30 million). There was no associated tax benefit.

During 2001 and 2002, impairments in the carrying value of the Group's investment in Dimension Data Holdings plc were recognised, reflecting a market value of R4.02 per share at 31 December 2002 and R14.50 at 31 December 2001. The write-down for the year ended 31 December 2002 was £68 million (R1,080 million) with an associated tax benefit of £11 million (R171 million).

Although these costs are exceptional in the context of their significance to the Group, the losses form part of banking operating profit / (loss) in the statutory financial statements.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

5(a) Analysis of tax charge

	£m Year to 31 Dec 2003	£m Year to 31 Dec 2002	Rm Year to 31 Dec 2003	Rm Year to 31 Dec 2002
United Kingdom tax				
UK corporation tax	34	40	420	632
Double tax relief	(24)	(20)	(296)	(316)
	10	20	124	316
Overseas tax				
South Africa	33	51	408	805
United States	11	8	136	126
Rest of World	4	(1)	49	(16)
Secondary tax on companies (STC)	14	3	173	47
	62	61	766	962
Adjustment in respect of prior periods	(8)	(1)	(99)	(16)
Current tax for the year	64	80	791	1,262
Current tax attributable to shareholders' profits on long term business	127	38	1,568	596
Total current tax on ordinary activities	191	118	2,359	1,858
Deferred tax	50	106	617	1,677
Reported tax charge	241	224	2,976	3,535
The reported tax charge is analysed as follows:				
Adjusted operating profit	224	195	2,763	3,082
Short term fluctuations	49	3	609	47
Write-down of investment in Dimension Data Holdings plc	-	(11)	-	(171)
Nedcor restructuring and integration costs	(6)	(1)	(74)	(23)
Change in credit provisioning methodology	(26)	-	(322)	-
Non-operating losses on disposal of businesses	-	38	-	600
	241	224	2,976	3,535

5(b) Reconciliation of tax charge

	£m 2003	£m 2002	Rm 2003	Rm 2002
Tax at UK rate of 30.0 per cent. (2002: 30.0 per cent.) on profit on ordinary activities before tax	133	128	1,644	2,011
Untaxed and low taxed income (including tax exempt investment return)	(113)	(64)	(1,395)	(1,010)
Disallowable expenditure	179	128	2,210	2,021
STC	14	3	173	47
Movement in deferred tax	(50)	(106)	(617)	(1,674)
Other	28	29	344	463
Current tax charge	191	118	2,359	1,858

Notes to the Financial Statements
for the year ended 31 December 2003 (continued)

6 ACQUISITIONS AND DISPOSALS

6(a) Acquisitions

SAGE Life (Bermuda) Ltd
During April 2003 the Group acquired 100% of the equity capital of Sage Life (Bermuda) Ltd (now trading as OMNIA Life (Bermuda) Ltd), a specialist provider of customised and proprietary annuity products to non-US residents, for a nominal cash consideration. No goodwill was recognised on the acquisition.

6(b) Disposals (non-operating items)

Summary
The following gains and losses on the disposal of business operations have been disclosed as non-operating.

	£m		Rm	
	Year to 31 Dec 2003	Year to 31 Dec 2002	**Year to 31 Dec 2003**	Year to 31 Dec 2002
United States – asset management affiliates	**(15)**	35	**(194)**	558
United Kingdom – asset management subsidiaries	**(17)**	(61)	**(210)**	(963)
Rest of World – Old Mutual International (Isle of Man) Limited	**-**	20	**-**	317
Loss on disposal before tax	**(32)**	(6)	**(404)**	(88)
Tax – United States asset management affiliates	**-**	(38)	**-**	(600)
Loss on disposal after tax	**(32)**	(44)	**(404)**	(688)

United States – asset management affiliates
During the year the Group completed the sales of Rice Hall James & Associates, Northern Capital Management and Tom Johnson Investment Management Inc. The total consideration received was £9 million (R117 million). The loss realised on disposal was £15 million (R194 million) after charging goodwill attributable to the businesses of £20 million (R259 million). No tax was payable on the disposals due to the availability of tax losses.

United Kingdom – asset management subsidiaries
On 31 October 2003, the Group sold Gerrard Management Services Limited and its subsidiaries for cash consideration of £210 million (R2,594 million). The loss realised on disposal was £3 million (R37 million) after charging goodwill attributable to the business of £139 million (R1,717 million). No tax was payable. Provisions of £24 million (R286 million) have been established in relation to the businesses sold.

During 2003 additional costs were incurred in connection with the completion of the sale of GNI Holdings Limited and other subsidiaries. These costs, totalling £14 million (R173 million) include obligations to former employees through their membership of the Group's pension schemes.

Notes to the Financial Statements
for the year ended 31 December 2003 (continued)

7 GOODWILL

	£m		Rm	
	At 31 Dec 2003	At 31 Dec 2002	**At 31 Dec 2003**	At 31 Dec 2002
At beginning of year	**1,598**	1,580	**22,075**	27,537
Additions arising on acquisitions in the period	**-**	245	**-**	3,872
Adjustments in respect of prior year acquisitions	**81**	5	**1,000**	79
Disposals	**(159)**	(125)	**(1,898)**	(1,727)
Pilgrim Baxter & Associates revenue share adjustments	**-**	101	**-**	1,604
Amortisation and impairment for the year	**(194)**	(107)	**(2,396)**	(1,689)
Foreign exchange and other movements	**(62)**	(101)	**(3,693)**	(7,601)
At end of year	**1,264**	1,598	**15,088**	22,075
Analysed between:				
Life assurance	**75**	84	**895**	1,160
Asset management	**863**	1,187	**10,301**	16,397
General insurance	**12**	12	**143**	166
Banking	**314**	315	**3,749**	4,352
	1,264	1,598	**15,088**	22,075

Amortisation and impairment for the year
The total goodwill amortisation and impairment charge for the year of £206 million (R2,544 million) (2002: £120 million (R1,895 million)) comprises £194 million (R2,396 million) (2002: £107 million (R1,689 million)) disclosed above and £12 million (R148 million) (2002: £13 million (R206 million)) shown within investments in associated undertakings. The goodwill impairment charge for the period of £49 million (R600 million) relates to the acquisition of BoE Ltd and other banking subsidiaries.

Adjustments in respect of prior year acquisition
Adjustments totalling £81 million (R1,000 million) have been made to goodwill that arose on acquisitions made in prior years. £70 million (R865 million) reflects additional specific provisions on loan receivables and tax liabilities in connection with the acquisition of BoE Ltd and £11 million (R335 million) reflects the latest estimate of deferred consideration payable for the revenue shares of certain US asset management affiliates.

8 POST BALANCE SHEET EVENTS

On 20 January 2004, the Group announced a firm intention to make an offer to acquire all of the ordinary shares of Mutual & Federal Insurance Company Limited (Mutual & Federal) from the minority interests. The transaction will occur by way of a scheme of arrangement between Mutual & Federal and its shareholders. The scheme will be subject to the approval of the shareholders of Mutual & Federal, the sanction of the High Court of South Africa and such regulatory approvals as are necessary. If the scheme of arrangement is successful, the total consideration payable will be approximately £162 million (R1,930 million).

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2003

1 CONSOLIDATED PROFIT AND LOSS ACCOUNT ON AN ACHIEVED PROFITS BASIS FOR THE YEAR ENDED 31 DECEMBER 2003

	£m	£m	Rm	Rm
	Year to 31 Dec 2003	Year to 31 Dec 2002 (Restated)***	**Year to 31 Dec 2003**	Year to 31 Dec 2002 (Restated)***
South Africa				
Life assurance	**468**	418	**5,786**	6,605
Asset management	**53**	28	**656**	441
Banking	**(10)**	165	**(118)**	2,605
General insurance	**73**	35	**909**	556
	584	646	**7,233**	10,207
United States				
Life assurance	**128**	138	**1,581**	2,182
Asset management	**81**	95	**1,000**	1,500
	209	233	**2,581**	3,682
United Kingdom and Rest of World				
Life assurance	**2**	5	**25**	73
Asset management	**(4)**	2	**(48)**	31
Banking	**4**	56	**48**	884
	2	63	**25**	988
	795	942	**9,839**	14,877
Other shareholders' income / (expenses)	**(40)**	(22)	**(494)**	(347)
Debt service costs	**(48)**	(58)	**(593)**	(916)
Adjusted operating profit*	**707**	862	**8,752**	13,614
Goodwill amortisation and impairment	**(206)**	(120)	**(2,544)**	(1,895)
Loss on disposal / write-down of investment in Dimension Data Holdings plc	**(5)**	(68)	**(60)**	(1,080)
Nedcor restructuring and integration costs	**(32)**	(14)	**(394)**	(227)
Change in credit provisioning methodology	**(87)**	-	**(1,074)**	-
Short term fluctuations in investment return (including economic assumption changes)				
Life assurance	**71**	(338)	**872**	(5,340)
Other	**-**	(9)	**-**	(128)
Investment return adjustment for own shares held in policyholders' funds	**12**	42	**148**	663
Other life assurance changes**	**(86)**	-	**(1,065)**	-
Operating profit on ordinary activities before tax	**374**	355	**4,635**	5,607
Non-operating items	**(32)**	(26)	**(404)**	(409)
Profit on ordinary activities before tax	**342**	329	**4,231**	5,198
Tax on profit on ordinary activities	**(211)**	(190)	**(2,605)**	(2,998)
Profit on ordinary activities after tax	**131**	139	**1,626**	2,200
Minority interests – equity	**115**	(44)	**1,420**	(695)
– non-equity	**(46)**	-	**(568)**	-
Profit for the financial year	**200**	95	**2,478**	1,505
Dividends paid and proposed	**(166)**	(161)	**(2,006)**	(2,319)
Retained profit / (loss) for the financial year	**34**	(66)	**472**	(814)

The adjusted operating profit on an after tax and minority interests basis is determined as follows:

	£m 2003	£m 2002	Rm 2003	Rm 2002
Adjusted operating profit	**707**	862	**8,752**	13,614
Tax on adjusted operating profit	**(250)**	(232)	**(3,087)**	(3,663)
	457	630	**5,665**	9,951
Minority interests – equity	**(9)**	(113)	**(111)**	(1,784)
– non-equity	**(46)**	-	**(568)**	-
Adjusted operating profit after tax and minority interests	**402**	517	**4,986**	8,167

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2003 (continued)

Earnings per share – achieved profits basis	p Year to 31 Dec 2003	p Year to 31 Dec 2002 (Restated)***	c Year to 31 Dec 2003	c Year to 31 Dec 2002 (Restated)***
Earnings per share				
Adjusted operating earnings per share	**10.8**	14.1	**133.8**	222.8
Basic earnings per share	**5.9**	2.8	**72.6**	44.9
Weighted average number of shares – millions				
Adjusted weighted average number of shares	**3,727**	3,670	**3,727**	3,670
Weighted average number of shares	**3,411**	3,354	**3,411**	3,354

* *Adjusted operating profit represents the directors' view of the underlying performance of the Group. For life assurance and general insurance businesses, the adjusted operating profit is based on a long term investment return and includes investment returns on own shares held within the policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and the transitional impact of the change of credit provisioning methodology. For all businesses, adjusted operating profit excludes goodwill amortisation and impairment.*

Adjusted operating earnings per share are similarly based, but are stated after tax and minority interests, with the calculation of the weighted average number of shares including own shares held in policyholders' funds.

** *Refer to segmental analysis of results in section 7.*

*** *Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 37 Purchases and sales of own shares. Details of the change are set out in section 5.*

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2003 (continued)

2 CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES ON AN ACHIEVED PROFITS BASIS FOR THE YEAR ENDED 31 DECEMBER 2003

	£m		Rm	
	Year to 31 Dec 2003	Year to 31 Dec 2002 (Restated)	**Year to 31 Dec 2003**	Year to 31 Dec 2002 (Restated)
Profit for the financial year	**200**	95	**2,478**	1,505
Foreign exchange movements	**322**	442	**(2,186)**	(7,098)
Total recognised gains and losses for the year	**522**	537	**292**	(5,593)
Prior period adjustment	**(139)**		**(1,920)**	
Total recognised gains and losses since last annual report	**383**		**(1,628)**	

3 RECONCILIATION OF MOVEMENTS IN CONSOLIDATED ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2003

	£m		Rm	
	Year to 31 Dec 2003	Year to 31 Dec 2002 (Restated)	**Year to 31 Dec 2003**	Year to 31 Dec 2002 (Restated)
Total recognised gains and losses for the year	**522**	537	**292**	(5,593)
Dividends paid and proposed	**(166)**	(161)	**(2,006)**	(2,319)
	356	376	**(1,714)**	(7,912)
Issue of new capital	**37**	39	**457**	619
Shares issued under option schemes	**4**	1	**49**	16
Net increase / (decrease) in achieved profits equity shareholders' funds	**397**	416	**(1,208)**	(7,277)
Achieved profits equity shareholders' funds at the beginning of the year (originally £3,426 million (R47,329 million) before prior year adjustment of £262 million (R3,618 million))	**3,164**	2,748	**43,711**	50,988
Achieved profits equity shareholders' funds at the end of the year	**3,561**	3,164	**42,503**	43,711

4 CONSOLIDATED BALANCE SHEET ON AN ACHIEVED PROFITS BASIS AS AT 31 DECEMBER 2003

	£m		Rm	
	At 31 Dec 2003	At 31 Dec 2002 (Restated)	**At 31 Dec 2003**	At 31 Dec 2002 (Restated)
Assets:				
Goodwill	**1,264**	1,598	**15,088**	22,075
Insurance and other assets	**32,518**	26,331	**388,156**	363,740
Banking assets	**24,042**	21,377	**286,985**	295,291
Total long term in-force business asset	**700**	640	**8,353**	8,843
Total assets	**58,524**	49,946	**698,582**	689,949
Liabilities:				
Achieved profits equity shareholders' funds	**3,561**	3,164	**42,503**	43,711
Minority interests	**1,312**	927	**15,662**	12,808
Subordinated liabilities	**15**	18	**179**	249
Insurance and other liabilities	**30,724**	25,602	**366,735**	353,666
Banking liabilities	**22,912**	20,235	**273,503**	279,515
Total liabilities	**58,524**	49,946	**698,582**	689,949
Reconciliation of total long term in-force business asset:				
Value of in-force business	**1,276**	1,089	**15,227**	15,045
OMUSL statutory solvency adjustment	**(566)**	(431)	**(6,756)**	(5,954)
OMI life subsidiaries statutory solvency adjustment	**(17)**	(18)	**(203)**	(242)
Adjustment for discounting CGT	**7**	-	**85**	(6)
Total long term in-force business asset	**700**	640	**8,353**	8,843

5 BASIS OF PREPARATION

These supplementary financial statements have been prepared in accordance with the methodology for supplementary reporting for long term assurance business (the Achieved Profits Method) issued in December 2001 by the Association of British Insurers.

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 assurance company between those backing long term assurance 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 assurance 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 policyholders' funds are reset periodically. The assumed future credited interest rates are consistent with investment earnings made and in line with recent Company policy.

The treatment within these supplementary statements of all businesses other than life assurance is unchanged from the primary financial statements.

Changes in accounting policies

Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 37 *Purchases and sales of own shares*. The abstract requires the Group's holdings of its own shares to be accounted for as a deduction in arriving at equity shareholders' funds, rather than to be recorded as assets. In addition, purchases and sales of own shares should be shown as changes in equity shareholders' funds such that no profit or loss is recognised in respect of dealings in those shares. The Group holds shares in the Company through a number of its long term business funds for the benefit of policyholders. These shares were previously included within "Other financial investments" at market value. Dividends paid have been restated to exclude any dividends in respect of own shares.

In determining the adjusted embedded value, a pro-forma adjustment has been made to include the market value of own shares held in policyholders' funds.

This change has resulted in an increase in operating profit after tax of £12 million (R148 million) (2002: £42 million (R663 million)) representing net investment losses on own shares held in policyholders' funds. Basic earnings per share has been restated to reflect a reduction in the weighted average number of shares in issue of 316 million during both 2002 and 2003. The reduction in achieved profits equity shareholders' funds at 31 December 2002 as a result of the new policy was £262 million (R3,618 million), made up of the original cost of the shares on demutualisation of £401 million (R3,908 million) and the cumulative investment loss and foreign exchange movements on the shares to the end of 2002 of £139 million (R1,920 million). Dividends paid have been restated to exclude dividends in respect of own shares, resulting in an increase in retained profit for the year ended 31 December 2003 of £26 million (R321 million) (2002: £57 million (R900 million)).

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2003 (continued)

6 COMPONENTS OF ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS

	£m		Rm	
	At 31 Dec 2003	At 31 Dec 2002 (Restated)	At 31 Dec 2003	At 31 Dec 2002 (Restated)
Shareholders' adjusted net worth	**2,287**	2,075	**27,301**	28,666
Equity shareholders' funds	**2,863**	2,524	**34,175**	34,868
Adjustment to include OMUSL on a statutory solvency basis	**(566)**	(431)	**(6,756)**	(5,954)
Adjustment to include OMI life subsidiaries on a statutory solvency basis	**(17)**	(18)	**(203)**	(242)
Adjustment for discounting CGT	**7**	-	**85**	(6)
Value of in-force business	**1,276**	1,089	**15,227**	15,045
Value of in-force business before cost of solvency capital	**1,450**	1,195	**17,304**	16,506
Cost of solvency capital	**(174)**	(106)	**(2,077)**	(1,461)
Minority interest in value of in-force	**(2)**	-	**(25)**	-
Achieved profits equity shareholders' funds	**3,561**	3,164	**42,503**	43,711
Pro-forma adjustment to bring Group investments to market value				
Achieved profits equity shareholders' funds	**3,561**	3,164	**42,503**	43,711
Adjustment to bring listed subsidiaries to market value	**288**	502	**3,444**	6,938
Adjustment for market value of own shares held in policyholders' funds	**275**	262	**3,283**	3,618
Adjusted embedded value	**4,124**	3,928	**49,230**	54,267
	p		c	
Adjusted embedded value per share	**107.5**	103.8	**1,283**	1,435
Number of shares in issue at the end of the year including own shares held in policyholders' funds – millions	**3,837**	3,783	**3,837**	3,783

The shareholders' adjusted net worth includes goodwill relating to OMUSL of £63 million (R752 million) (December 2002: £74 million (R1,022 million)).

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

	£m		Rm	
	At 31 Dec 2003	At 31 Dec 2002	At 31 Dec 2003	At 31 Dec 2002
South Africa	**824**	682	**9,832**	9,419
Individual business	**507**	417	**6,053**	5,751
Group business	**317**	265	**3,779**	3,668
United States	**393**	341	**4,691**	4,712
United Kingdom and Rest of World	**59**	66	**704**	914
Value of in-force business	**1,276**	1,089	**15,227**	15,045

The encumbered and unencumbered capital is shown in the table below.

	£m		Rm	
	At 31 Dec 2003	At 31 Dec 2002	At 31 Dec 2003	At 31 Dec 2002
South Africa	**1,551**	1,139	**18,513**	15,739
Encumbered capital	**1,021**	1,008	**12,186**	13,925
Unencumbered capital	**530**	131	**6,327**	1,814
United States	**391**	355	**4,666**	4,904
Encumbered capital	**153**	155	**1,822**	2,144
Unencumbered capital	**238**	200	**2,844**	2,760

For South Africa the average unencumbered capital applicable was £196 million (R2,419 million) (December 2002: £160 million (R2,524 million)). These average figures were used to determine the expected return on unencumbered capital.

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2003 (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 2003								
New business contribution	**108**	**57**	**2**	**167**	**1,334**	**704**	**25**	**2,063**
Profits from existing business								
Expected return on in-force business	**188**	**39**	**6**	**233**	**2,322**	**482**	**74**	**2,878**
Expected return on encumbered capital	**147**	**11**	**5**	**163**	**1,818**	**136**	**62**	**2,016**
Experience variances	**22**	**(8)**	**(5)**	**9**	**272**	**(99)**	**(62)**	**111**
Operating assumption changes	**(23)**	**15**	**(6)**	**(14)**	**(284)**	**185**	**(74)**	**(173)**
Expected return on unencumbered capital	**26**	**14**	**-**	**40**	**324**	**173**	**-**	**497**
Life assurance adjusted operating profit before tax	**468**	**128**	**2**	**598**	**5,786**	**1,581**	**25**	**7,392**
Investment return variances								
On value of in-force	**27**	**20**	**3**	**50**	**333**	**247**	**37**	**617**
On capital	**(36)**	**(1)**	**(12)**	**(49)**	**(450)**	**(12)**	**(148)**	**(610)**
Effect of economic assumption changes	**79**	**(11)**	**2**	**70**	**976**	**(136)**	**25**	**865**
Effect of changes in and cost of solvency capital	**(59)**	**-**	**-**	**(59)**	**(729)**	**-**	**-**	**(729)**
Effect of FSV economic assumption changes	**(32)**	**-**	**-**	**(32)**	**(395)**	**-**	**-**	**(395)**
Effect of BoE Life	**5**	**-**	**-**	**5**	**59**	**-**	**-**	**59**
Life assurance achieved profits before tax	**452**	**136**	**(5)**	**583**	**5,580**	**1,680**	**(61)**	**7,199**
Attributed tax	**(127)**	**(34)**	**-**	**(161)**	**(1,568)**	**(420)**	**-**	**(1,988)**
Life assurance achieved profits after tax	**325**	**102**	**(5)**	**422**	**4,012**	**1,260**	**(61)**	**5,211**
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 adjusted 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

Expected return on the unencumbered capital for South Africa and the United States is 13.4% p.a. (2002: 14% p.a.) and 7% p.a. (2002: 7% p.a.) respectively. For South Africa the expected return is applied to the average unencumbered capital given in section 6.

The segmental results of the United States include the operating profit generated by Old Mutual Reassurance in Ireland, which provides reinsurance to the United States life companies and OMNIA Life (Bermunda) Ltd., both subsidiaries of Old Mutual plc.

The effect of changes in and cost of solvency capital for South Africa reflects changes in the amount of solvency capital required and in the mix of assets backing the solvency capital.

The effect of FSV economic assumption changes reflects the impact of reducing the economic assumptions for the South African actuarial liability valuation by 3% p.a.

The BoE Life adjustment reflects the recognition of the initial value of the in-force business on acquisition.

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 other businesses.

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7 SEGMENTAL ANALYSIS OF RESULTS CONTINUED

	£m		Rm	
	Year to 31 Dec 2003	Year to 31 Dec 2002	**Year to 31 Dec 2003**	Year to 31 Dec 2002
Tax on life assurance achieved profits				
South Africa – value of in-force	**119**	80	**1,469**	1,264
– capital	**8**	(12)	**99**	(197)
United States	**34**	32	**420**	508
United Kingdom & Rest of World	**-**	-	**-**	-
	161	100	**1,988**	1,575
Tax on other businesses	**50**	90	**617**	1,423
Tax on profit of ordinary activities	**211**	190	**2,605**	2,998

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 2003 and the year to 31 December 2002. Annual Premium Equivalent (APE) is calculated as recurring premiums plus 10% of single premiums. New business profitability, as measured by the ratio of the VNB to the APE, is also shown under "Margin" below.

The value of new business is disclosed both on the grossed up to the pre-tax level, as well as the after tax level. The assumptions and tax rates used to calculate the value of new business are set out in section 9.

	Individual business	Group business	South Africa	United States	UK & Rest of World	Total
Year to 31 December 2003						
£m						
Recurring premiums	157	18	175	67	11	253
Single premiums	475	472	947	1,715	100	2,762
Annual Premium Equivalent	205	65	270	238	21	529
Value of new business before tax	68	40	108	49	2	159
Value of new business after tax	42	25	67	36	2	105
Margin before tax	33%	61%	40%	21%	10%	30%
Margin after tax	21%	38%	25%	15%	10%	20%
Rm						
Recurring premiums	1,933	227	2,160	827	134	3,121
Single premiums	5,867	5,823	11,690	21,178	1,242	34,110
Annual Premium Equivalent	2,520	809	3,329	2,945	258	6,532
Value of new business before tax	840	494	1,334	605	25	1,964
Value of new business after tax	519	309	828	445	25	1,298
Year to 31 December 2002						
£m						
Recurring premiums	115	19	134	37	12	183
Single premiums	546	468	1,014	2,629	104	3,747
Annual Premium Equivalent	170	65	235	300	22	557
Value of new business before tax	53	61	114	80	3	197
Value of new business after tax	33	38	71	56	3	130
Margin before tax	31%	93%	49%	27%	12%	36%
Margin after tax	20%	58%	30%	19%	12%	23%
Rm						
Recurring premiums	1,808	296	2,104	586	186	2,876
Single premiums	8,624	7,385	16,009	41,500	1,641	59,150
Annual Premium Equivalent	2,670	1,035	3,705	4,736	350	8,791
Value of new business before tax	841	965	1,806	1,261	42	3,109
Value of new business after tax	524	600	1,124	883	42	2,049

The margin on the United States business for 31 December 2003 was favourably impacted by initiatives undertaken in the corporate market in the second half of the year. Additionally it excludes the value of OMNIA Life (Bermuda) business that was acquired during 2003, and which is included within the value of new business shown in section 7. If the value of this business (£8 million; R99 million), together with the equivalent APE, had been included above, the before and after tax margins for the United States would have been 23% and 17% respectively.

8 VALUE OF NEW BUSINESS CONTINUED

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. The value of new business 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.

A reconciliation of the new business premiums shown in the notes to the financial statements to those shown above, for the year to 31 December 2003, is set out below.

		£m		Rm
	Recurring premiums	Single premiums	Recurring premiums	Single premiums
Year to 31 December 2003				
New business premiums in the notes to the financial statements	262	3,200	3,235	39,515
Less:				
United States reinsurance ceded externally	(9)	(100)	(114)	(1,235)
Group market-linked business not valued	-	(250)	-	(3,088)
Unit trust business not valued	-	(88)	-	(1,082)
New business premiums as per achieved profits supplementary statements	253	2,762	3,121	34,110

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	At 31 Dec 2003	At 31 Dec 2002
Fixed interest return	**9.4%**	11.0%
Equity return	**11.4%**	13.0%
Property return	**10.4%**	12.0%
Inflation	**6.4%**	7.0%
Risk discount rate	**11.9%**	13.5%

United States	At 31 Dec 2003	At 31 Dec 2002
Treasury yield	**4.3%**	4.0%
Inflation	**3.0%**	3.0%
New money yield assumed	**6.0%**	6.0%
Net portfolio earned rate	**6.4%**	7.2%
Risk discount rate	**8.3%**	8.0%

- For the other operations, appropriate investment and economic assumptions were chosen on bases consistent with those adopted in South Africa. Where applicable, rates of future bonuses have been set at levels consistent with the investment return assumptions. Projected company taxation is based on the current tax basis that applies in each country.
- For the South African business full allowance has been made for STC that may be payable in South Africa. Full account has been taken of the impact of CGT in South Africa. 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 2002: 37.8%), 25% for United States business (December 2002: 30%) and 0% for United Kingdom and Rest of World business (December 2002: 0%) except for the investment return on South African 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. The future expenses attributable to life assurance business do not include Group holding company expenses.
- No allowance has been made for future development costs.
- Future investment expenses are 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.
- The effect of increases in premiums over the period for policies in-force 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 are 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 10.

9 ASSUMPTIONS CONTINUED

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

	Rand		US$	
	Year to 31 Dec 2003	Year to 31 Dec 2002	**Year to 31 Dec 2003**	Year to 31 Dec 2002
Profit and loss account (average rate)	**12.3487**	15.7878	**1.6354**	1.5030
Balance sheet (closing rate)	**11.9367**	13.8141	**1.7833**	1.6105

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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 2003 and the value of new business for the year to 31 December 2003 to changes in key assumptions. For each sensitivity illustrated, all other assumptions have been left unchanged. Changes have been made to certain South African sensitivity percentages in order to comply with the Actuarial Society of South Africa (ASSA) revised guidance note PGN 107 (version 2), effective as from 31 December 2003. The United States sensitivity percentages have also been changed to be consistent with South Africa.

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. The value of new business sensitivities are before tax. The value of new business sensitivities for the United States exclude the value of OMINA Life (Bermuda) business that was acquired during 2003.

South Africa	£m Value of in-force business at 31 Dec 2003	£m Value of new life business at 31 Dec 2003	Rm Value of in-force business at 31 Dec 2003	Rm Value of new life business at 31 Dec 2003
Central assumptions	824	108	9,832	1,334
Value before cost of solvency capital	971	124	11,593	1,532
Cost of solvency capital	(147)	(16)	(1,761)	(198)
Effect of:				
Central discount rate +1%	711	90	8,487	1,111
Value before cost of solvency capital	914	112	10,910	1,383
Cost of solvency capital	(203)	(22)	(2,423)	(272)
Central discount rate –1%	957	128	11,423	1,581
Value before cost of solvency capital	1,036	138	12,366	1,704
Cost of solvency capital	(79)	(10)	(943)	(123)
Decreasing the pre-tax investment return assumptions by 1% with bonus rates changing commensurately	733	95	8,750	1,173
Value before cost of solvency capital	937	117	11,185	1,445
Cost of solvency capital	(204)	(22)	(2,435)	(272)
Voluntary discontinuance rates increasing by 10%	808	101	9,645	1,247
Maintenance expense levels increasing by 10% with no corresponding increase in policy charges	777	101	9,275	1,247
Increasing the inflation assumption by 1% with no corresponding increase in policy charges	798	103	9,525	1,272
Mortality and morbidity assumptions for assurances increasing by 10%, and mortality assumptions for annuities decreasing by 10% with no corresponding increase in policy charges	773	93	9,227	1,148
For value of new business, acquisition expenses other than commission and commission-related expenses, increasing by 10% with no corresponding increase in policy charges	-	103	-	1,272

10 ALTERNATIVE ASSUMPTIONS CONTINUED

United States	£m Value of in-force business at 31 Dec 2003	£m Value of new life business at 31 Dec 2003	Rm Value of in-force business at 31 Dec 2003	Rm Value of new life business at 31 Dec 2003
Central assumptions	393	49	4,691	605
Value before cost of solvency capital	418	55	4,989	679
Cost of solvency capital	(25)	(6)	(298)	(74)
Effect of:				
Central discount rate +1%	364	44	4,345	544
Value before cost of solvency capital	394	51	4,703	630
Cost of solvency capital	(30)	(7)	(358)	(86)
Central discount rate –1%	426	54	5,085	667
Value before cost of solvency capital	446	59	5,324	729
Cost of solvency capital	(20)	(5)	(239)	(62)
Decreasing the pre-tax investment return assumptions by 1% with credited rates changing commensurately	364	44	4,345	544
Value before cost of solvency capital	392	51	4,679	630
Cost of solvency capital	(28)	(7)	(334)	(86)
Voluntary discontinuance rates increasing by 10%	362	44	4,321	543
Maintenance expense levels increasing by 10% with no corresponding increase in policy charges	361	46	4,309	568
Increasing the inflation assumption by 1% with no corresponding increase in policy charges	389	47	4,643	580
Mortality and morbidity assumptions for assurances increasing by 10%, and mortality assumptions for annuities decreasing by 10% with no corresponding increase in policy charges	389	48	4,643	593
Increasing Risk Based Capital to 200%, with 1% reduction in central discount rate	406	49	4,847	606
Value before cost of solvency capital	446	59	5,324	729
Cost of solvency capital	(40)	(10)	(477)	(123)
For value of new business, acquisition expenses other than commission and commission-related expenses, increasing by 10% with no corresponding increase in policy charges	-	46	-	568