

## Delivering organic growth

### HIGHLIGHTS

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|---|--|
| <p>Adjusted operating profit* (IFRS** basis):</p> | <p>up 29% to £554 million (30 June 2004: £428 million) and up 24% to R6,445 million (30 June 2004: R5,194 million)</p> |
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| <p>Adjusted operating profit (European embedded value (EEV) basis):</p> | <p>up 28% to £638 million (30 June 2004: £497 million) and up 23% to R7,420 million (30 June 2004: R6,032 million)</p> |
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| <p>Profit for the period attributable to equity holders:</p> | <p>£387 million (30 June 2004: £141 million)<br/>R4,509 million (30 June 2004: R1,712 million)</p> |
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| <p>Adjusted operating earnings per share* (IFRS basis):</p> | <p>up 22% to 8.4p (30 June 2004: 6.9p) and up 18% to 98.2c (30 June 2004: 83.1c)</p> |
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| <p>Adjusted operating earnings per share (EEV basis):</p> | <p>up 25% to 10.1p (30 June 2004: 8.1p) and up 20% to 117.7c (30 June 2004: 97.7c)</p> |
|---|--|
- Basic earnings per share: 11.2p (30 June 2004: 4.1p), 130.2c (30 June 2004: 50.1c)
- Total life assurance sales, on an Annual Premium Equivalent (APE) basis, of £318 million, an increase of 12%
- Funds under management £158 billion (30 June 2004: £130 billion) an increase of 22%, R1,896 billion (30 June 2004: R1,469 billion) with record \$20 billion fund inflows in the USA. Selestia funds under management exceed £1 billion
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| <p>Adjusted embedded value per share (EEV basis):</p> | <p>137.5p, R16.45 at 30 June 2005 (30 June 2004: 114.0p, R12.88)</p> |
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- Return on equity 17.8% (30 June 2004: 18.7%)
- Interim dividend increased by 5.7% to 1.85p (22.13 cents\*\*\*)

### Commenting on the results, Jim Sutcliffe, Chief Executive, said:

***“All of our businesses have shown strong organic growth during the first half of 2005, and returns on rising assets and embedded value are encouraging. We have completed our BEE deals in South Africa, produced strong cash flows in the USA and increased market recognition in the UK. Our strategy has delivered good earnings growth and we are well placed to take market opportunities as they arise.”***

Wherever the items asterisked in the Highlights are used, whether in the Highlights, the Chief Executive's Statement or the Group Finance Director's 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 life funds' investments in Group equity and debt instruments. For all businesses, adjusted operating profit excludes goodwill impairments, fines and penalties, and profit/(loss) on disposal of investments in subsidiaries. Adjusted operating profit also excludes income from hedging activities that do not qualify for hedge accounting.

Adjusted operating earnings per share is calculated on the same basis as adjusted operating profit, 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.

\*\* The financial information has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards as set out in the basis of preparation note on page 28 of this document.

\*\*\* Indicative only, being the Rand equivalent of 1.85p converted at the exchange rate prevailing on 30 June 2005. The actual amount to be paid by way of interim dividend to holders of shares on the South African branch register will be calculated by reference to the exchange rate prevailing at the close of business on 6 October 2005, as determined by the Company, and will be announced on 7 October 2005.

## Old Mutual plc

Results for the six months ended 30 June 2005 *continued*

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#### Notes to Editors:

A webcast of the analysts presentation and Q&A will be broadcast live at 9.30 a.m. (UK time), 10.30 a.m. (South African time), today on our website, [www.oldmutual.com](http://www.oldmutual.com). High-resolution images of Jim Sutcliffe and Julian Roberts are available at [www.2.oldmutual.com/Media/media\\_resources/photo\\_library/js\\_jr.jsp](http://www.2.oldmutual.com/Media/media_resources/photo_library/js_jr.jsp). Copies of these results and the associated analysts presentation, together with photographs and biographical details of the executive directors of Old Mutual plc, are available in electronic format to download from the Company's website at [www.oldmutual.com](http://www.oldmutual.com).

**10 August 2005**

## Chief Executive's Statement

The first half of 2005 has been a period of strong organic growth, with the achievement of a number of significant milestones in the Group's development. Our three main business platforms – in South Africa, the US and the UK – have all established a momentum which their management teams are confident of being able to sustain.

Particular highlights in the period have been significantly improved life assurance and unit trust sales in South Africa, substantial progress in the recovery programme at Nedbank, and record cash flows from our US Asset Management business.

All our earnings measures showed good progress. Our adjusted operating earnings per share for the first half of 2005 improved to 8.4p/98.2c (2004: 6.9p/83.1c). Basic earnings per share were 11.2p/130.2c (2004: 4.1p/50.1c). Adjusted operating earnings per share (EEV basis) for the period were also up at 10.1p/117.7c (2004: 8.1p/97.7c). As a result, the directors have declared an increased interim dividend of 1.85p (2004: 1.75p) per share, which will be paid on 30 November 2005.

In South Africa, our life business produced a return on capital of 24%, despite profits having been struck after making a provision of R225 million for the improved terms offered to customers following the Pension Fund Adjudicator's rulings on paid-up retirement annuities. We have also reduced the rate at which the Long Term Investment Return accrues, which gave rise to a R250 million negative impact on earnings.

Adjusted embedded value stood at a similar level to the year end at 137.5p/R16.45, with the Rand having been at a significantly higher level at the start of the year.

Our Black Economic Empowerment (BEE) ownership proposals at Old Mutual South Africa (OMSA), Nedbank Group and Mutual & Federal have been approved by the three companies' shareholders, confirmed by the UK High Court in terms of a related scheme of arrangement in the case of OMSA, and implemented by each company during the last few days. I am delighted to welcome our new black business partners and look forward to working with them to accelerate the transformation of each of the businesses. I am also glad that our staff in South Africa will have a major participation in the company through the employee ownership schemes that have been established.

Although the financial impact of the BEE deals will only be seen in the second half of the year, the benefits of our BEE proposals on our sales have already started to come through. Life and unit trust sales at OMSA were well ahead of the equivalent period in 2004, benefiting from a marked upturn between the first and second quarters at Individual Life, while Group Business sales were up 19% on the equivalent period last year.

Nedbank Group has continued to hit the required milestones on its path to recovery, with results slightly ahead of expectations. Meanwhile Mutual & Federal reported another excellent result for the half, despite the tougher pricing environment, aided by disciplined underwriting, good claims management and close control of expenses.

Net cash flow at our US Asset Management business was very positive, with a record net total of \$20 billion, including \$5.4 billion of cash collateral assets at our securities lending business, eSecLending. Our South African asset management business experienced a net outflow of R17 billion, largely as a result of withdrawal of funds by the Public Investment Commissioners as it corporatised. This was despite OMAM(SA)'s excellent investment performance record over the past 18 months.

## Chief Executive's Statement *continued*

We have continued to take steps during the six months to develop our US asset management retail channel through Old Mutual Capital and alternative investment capabilities through our new business, 2100 Capital, and anticipate that we shall continue to make further strategic investments to support our US asset management firms in achieving organic growth and meeting clients' objectives.

Our US life business had very good levels of sales (up 10% to \$276 million APE) during the first half, and it remains on track to achieve our stated target of paying dividends in 2007. Record sales of variable annuity products have been recorded at OMNIA Bermuda, which reached \$1 billion of assets under management.

In the UK, we passed another major milestone during the period at Selestia, by achieving over £1 billion of funds under management. OMAM(UK) continued to attract funds and to deliver excellent investment performance, particularly in its hedge funds.

### **Outlook**

Over the past five years, we have made substantial strides in using our powerful South African base to build an international franchise, with over half our life sales and more than 70% of our asset management clients now in the US and UK. Our flexible, multi-brand strategy plays well in the market place, both in the US and elsewhere, as open architecture/multi-manager has become an increasingly powerful trend in life assurance and asset management industries. Conditions remain broadly favourable, particularly in South Africa, and while markets can always affect the outcome, our operational robustness is now well established.

Each of our businesses is now on a positive trajectory and well placed to seize opportunities for growth in our marketplaces. I believe we are well set to maintain the strong performance of the first half during the rest of 2005.

**Jim Sutcliffe**

**Chief Executive**

10 August 2005

# Group Finance Director's Review

## Business Review

### SOUTH AFRICA

#### LIFE ASSURANCE & ASSET MANAGEMENT – OLD MUTUAL SOUTH AFRICA (OMSA)

##### Earnings impacted by one-offs

Highlights (Rm)	H1 2005	H1 2004	Var %
Life assurance	1,758	1,811	(3%)
Long term investment return (LTIR)	646	911	(29%)
Asset management	361	230	57%
Adjusted operating profit	2,765	2,952	(6%)
Return on Capital (Life business)	24%	26%	
Client funds (Rbn)	316	271	17%

The life assurance result reduced by 3% to R1,758 million compared to the first half of 2004. This was largely as a result of the R225 million charge, recognised as a result of management's response to Pension Funds Adjudicator determinations, together with the impact of increased new business strain. This increased strain arises particularly due to the introduction of International Financial Reporting Standards (IFRS), more competitive product pricing and the costs of increasing our distribution capability, especially Group Schemes.

The LTIR of R646 million declined by 29% from R911 million in the first half of 2004. This reduction reflects lower rates applied across all asset classes, combined with an increase in the cash component of the portfolio since June 2004 and lower investible assets as a result of an increased investment of R1.4 billion in Nedbank to retain our controlling interest post BEE.

Adjusted operating profit for the asset management businesses, excluding Nedbank, increased strongly by 57% to R361 million in the first half of 2005, from R230 million for the first half of 2004. Higher asset levels, driven largely by the good performance of the South African equity market, contributed positively. Further benefit came through higher income from performance fees in Old Mutual Asset Managers (South Africa) (OMAM), growth in unit trust funds, and a large one-off profit in our Specialised Finance company from a single transaction.

The combination of the above has resulted in the adjusted operating profit for OMSA reducing by 6% to R2,765 million. The return on life allocated capital has, as a consequence, reduced to 24%, which remains very satisfactory.

##### Funds under management increased slightly

Client funds under management for the business increased slightly from R312 billion as at 31 December 2004 to R316 billion at 30 June 2005.

The uplift from market movements was largely offset by negative net client cash flows. These have been disappointing, with total net client cash flow being negative R17 billion. Within the Life business, Group Business flows were a negative R4 billion as a result of normal fund benefit payments and higher terminations.

Within OMAM, the largest single factor was a withdrawal by the Public Investment Corporation of R10 billion. In addition, OMAM saw outflows as a result of clients rebalancing their portfolios, shifting from balanced mandates to specialised mandates, fragmenting portfolios into smaller pieces, and some smaller funds switching into balanced multi-manager offerings.

## Group Finance Director's Review

### Business Review *continued*

OMAM continued to deliver strong investment performance, being ranked second out of the eleven institutional asset managers in the Alexander Forbes Global Manager Watch (Large) Survey over the year to the end of June 2005. Over three years OMAM was ranked fourth. In addition, 80% of the funds managed by OMAM (weighted by value) outperformed their benchmarks over the one-year period to 30 June 2005. Over 3 years, 94% of funds outperformed their benchmarks.

### Both life and non-life sales increase

Total life sales for the period on an Annual Premium Equivalent (APE) basis, including Old Mutual International (OMI) sales out of South Africa, were R1,900 million, 13% higher than the comparative period in 2004. Both Individual Life and Group Business sales were higher, the latter showing particularly strong growth from a low base in 2004.

Non-life sales in both our broker and agency channels grew strongly and contributed towards the increase in unit trust sales of 81% from R2,027 million in the first six months of 2004 to a record R3,666 million for this period.

### Individual Life Business sales up 10%

Individual APE (Rm)	H1 2005	H1 2004	Var %
Savings	574	520	10%
Protection	305	267	14%
Immediate annuity	82	76	8%
Group Schemes	310	295	5%
<b>Total excl. OMI</b>	<b>1,271</b>	<b>1,158</b>	<b>10%</b>
OMI	67	54	24%
<b>Total incl. OMI</b>	<b>1,338</b>	<b>1,212</b>	<b>10%</b>
Single	399	358	11%
Recurring	940	856	10%

Individual Life Business sales increased by 10% over the comparative period in 2004. Within this, recurring premiums were up 10%, single premiums were up 11%, and good growth was seen across all product groupings. Group Schemes sales, whilst only 5% higher for the period in total, recorded strong growth in the second quarter as the strengthening of their distribution gathered pace (with a 16% growth in sales force headcount since the end of 2004).

Within single premium sales, bancassurance saw particularly strong growth, with total Old Mutual life sales through the Nedbank channel

being up 52% on an APE basis for the first six months compared to the same period last year.

Within recurring premiums, sales through brokers were slightly down, whereas sales through our agency channel grew strongly, reflecting our continuing investment in growing our advisor headcount. Our advisor force totalled 3,112 at the end of June 2005 – some 440 higher than a year earlier and 150 higher than at the start of the year.

### Group Business sales recovering

Group APE (Rm)	H1 2005	H1 2004	Var %
Savings	148	115	29%
Protection	81	67	21%
Annuity	54	16	238%
Healthcare	278	275	1%
<b>Total</b>	<b>561</b>	<b>473</b>	<b>19%</b>
Single	182	105	73%
Recurring	379	368	3%

Total Group Business sales increased by 19% over the comparative period in 2004. Note that this total includes for the first time Healthcare sales, which have been brought in following our move to EEV methodology. Healthcare sales maintained the high level achieved in 2004. Excluding Healthcare business, Group business sales grew by 43% to R283 million over the comparative period in 2004.

## Group Finance Director's Review

### Business Review *continued*

This reflects our efforts in restructuring our sales management, processes and capability. The result was underpinned by growth in single premium sales, with recurring premium sales being slower to pick up. Annuity sales showed particularly strong growth, albeit off a low base, with solid growth rates also being achieved in savings and protection product sales..

In 2004 there was very little activity in pension fund outsourcing. This year has seen a general increase in outsourcing (especially for post-retirement medical aid liabilities), leading to higher annuity sales. The increase in protection sales is attributable to the securing of two large Group Life Assurance schemes. Increased opportunities in the post-retirement medical aid market resulted in customised products being offered for the first time, which was also a significant driver of savings product sales.

### **Margins reduced reflecting investment in growth**

New business margins have reduced from 19% on an APE basis for the first half of 2004 to 15% for the first half of 2005, reflecting our efforts to grow the business and improve value for customers. The Individual business margin has reduced from 17% to 12% reflecting more competitive product pricing, as well as the initial expense strains relating to re-building the Group Schemes sales force. The Group business margin reduced marginally from 22% to 20%, reflecting some changes in the mix of new business.

### **Solid capital position**

The South African life company remains strongly capitalised, as is demonstrated by the 2.4 times coverage of the Statutory Capital Adequacy Requirement (SCAR), after allowing for statutory limitations on the value of certain assets. This compares to coverage of 2.6 times at 31 December 2004 and 2.1 times at 30 June 2004. The decrease since December 2004 is primarily due to the full phasing in of the Financial Services Board's regulations relating to limits on Group undertakings, which result in R7.5 billion of our investment in Nedbank and M&F being disallowed for the purposes of SCAR coverage.

### **Uncertainty around Pension Funds Adjudicator determinations**

The Pension Funds Adjudicator has made several determinations in recent months against retirement annuity funds, including Old Mutual's retirement annuity fund. While these determinations only apply to the particular client and fund to which each determination relates, they do set a precedent for subsequent determinations. The Adjudicator's rulings are subject to appeal to the High Court which decides a matter anew and may replace the Adjudicator's ruling with its own judgement. Considering the changing needs of investors that have developed over recent years, in the second half of 2004 Old Mutual introduced its new Max Investments product, which features greater flexibility to accommodate the changing needs of clients, as well as lower policy charges. In April 2005 Old Mutual announced its intention to offer existing clients with paid-up retirement annuities the option to have their premiums managed in the style of the Max Investments product. This option will result in enhanced retirement values for certain clients who have ceased or reduced their contributions.

The value of policyholder liabilities has been increased by R225 million at 30 June 2005 to reflect the estimated cost of providing this option to policyholders. We believe that this is a significant step aimed at strengthening our customer franchise, and ensuring we provide good value for money.

Discussions are currently being held between the industry and the regulator about these issues. Since at this stage it is not possible to foresee the outcome of these discussions, no further provision has been made for subsequent developments that may occur.



# Group Finance Director's Review

## Business Review *continued*

### BANKING – NEDBANK GROUP (NEDBANK)

#### Recovery on track

Nedbank's financial performance for the first six months of 2005 is in line with management's expectations, with the benefits of the recovery programme gaining momentum.

Highlights (Rm)	H1 2005	H1 2004	Var %
Adjusted operating profit	<b>2,112</b>	898	135%
Net interest income*	<b>4,024</b>	3,319	21%
Non-interest revenue*	<b>3,716</b>	3,771	(1%)
NII margin*	<b>3.45%</b>	2.99%	
Cost to income ratio*	<b>68.6%</b>	77.9%	

\*As reported by Nedbank Group

Nedbank's adjusted operating profit, for both its banking and asset management operations, of R2,112 million increased by 135% compared to the same period last year, outperforming the previous two half year performances. Nedbank continues to deliver on its commitments made to shareholders since the inception of the recovery programme in late 2003 with the resultant benefits being increasingly reflected in its

financial performance. This has manifested itself with both growth in operating income and the containment of expenses, improving the efficiency ratio from a high of 77.9% for the first half of 2004 to 68.6% for the first half of 2005.

Net interest income (NII) increased by 21% to R4,024 million compared to the same period last year. The margin has improved from 2.99% to 3.45% for the six months ended 30 June 2005, having benefited from 2004 initiatives undertaken. These included the uplift created from the rights offer cash received in May 2004, reduced funding drag following the revised hedging strategy, income from the sale of non-core investments and the repatriation of certain foreign capital. The settlement of expensive empowerment funding for Peoples Bank in April 2005 has also contributed to the increase. Margins were negatively impacted by the 1% reduction in the taxation rate and were slightly compressed from the impact of the lower interest environment and the resultant drop in endowment income.

Non-interest revenue (NIR) growth was negatively impacted by the sale of subsidiaries during 2004. NIR decreased by 1% from R3,771 million to R3,716 million for the six months ended 30 June 2005. Deal flow has continued to improve and the pipeline remains strong with core business of commissions and fees showing good growth. In order to more accurately reflect the banking margin on banking assets by excluding trading activities and to facilitate easier peer group comparison, Nedbank has reclassified certain trading revenue from NII to NIR.

Retail earnings more than doubled in the period, and the rate of market share loss reduced. Bancassurance premiums rose both through Nedbank and Old Mutual branded products.

#### Cost to income ratio drops to 68.6%

Total expenses for the period totalled R5,311 million, 3.9% lower than in the first half of 2004, contributing to an improvement in the cost to income ratio to 68.6% from 77.9% for the first six months of 2004. Income growth was 13.2% higher than expense growth for the period, which exceeded the target of 9%. This improvement can be attributed to improved efficiencies across the business, as well as a reduction in one-off strategic recovery programme and BoE merger costs.



## Group Finance Director's Review

### Business Review *continued*

#### Return on equity (ROE) on track

Nedbank has achieved ROE (excluding foreign exchange) of 12.9% for the period ended 30 June 2005, compared to 13.2% in the equivalent period in 2004, with the decline due to the impact of the 2004 rights issue. Nedbank remains committed to meeting 20% ROE and 55% cost to income ratio target by 2007 despite the dilutive aspects of BEE and impacts of IFRS.

#### Capital

Nedbank continues to be well capitalised, with tier 1 capital being above 8.5% at 30 June 2005 (December 2004: 8.1%). Nedbank's capital adequacy ratio has remained stable at 12.2% (31 December 2004: 12.1%).

### GENERAL INSURANCE – MUTUAL & FEDERAL

#### Continued strong performance, but pressure on margins

Mutual & Federal continued to perform strongly during the first six months in 2005 in a softening insurance market, with an adjusted operating profit of R573 million, although this is down on the comparable period last year.

Highlights (Rm)	H1 2005	H1 2004	Var %
Adjusted operating profit	573	639	(10%)
Underwriting ratio	8.6%	10.7%	
Gross premiums	3,962	3,592	10%

This excellent performance was largely attributable to a favourable underwriting cycle, which continued into the first quarter of 2005, and the inclusion for the first time of the results of Credit Guarantee Insurance Corporation (CGIC).

#### Strong premium growth up 10%

Gross premiums for the period ended 30 June 2005 increased to R3,962 million, an increase of 10% from the comparable period last year. This result was substantially impacted by the inclusion of CGIC. Excluding CGIC, the growth would have been 5%, which reflects the intense levels of competition being experienced in the market.

#### Claims

Trading conditions for the short term insurance industry remained favourable for the first six months of 2005. The general level of commercial and industrial claims remained relatively low and this positively influenced the commercial portfolio. However, the personal division has been impacted by adverse weather conditions and a noticeable decline in the profitability of the motor account, which continued to be affected by an increase in motor vehicle accidents.

#### Healthy underwriting surplus maintained – 8.6%

The underwriting surplus for the period ended 30 June 2005 was R301 million, a decrease of R34 million from the underwriting surplus of R335 million for the period ended 30 June 2004. This reduction reflects the exceptionally strong general insurance cycle of 2004, which we believe has now peaked. Nevertheless, the 2005 surplus continues to reflect good claims management and close control of expenses. The underwriting ratio was 8.6% for the first half of 2005, down from 10.7% in the equivalent period last year.

# Group Finance Director's Review

## Business Review *continued*

### UNITED STATES

#### US LIFE

##### Strong profits continue, up 27%

Highlights (\$m)	H1 2005	H1 2004	Var %
Adjusted operating profit	93	73	27%
Funds under management (\$bn)	19.8	15.3	29%
APE sales	276	251	10%
Value of New Business	55	38	45%
New Business margin	20%	15%	

Our US life business's adjusted operating profit of \$93 million for the period ended 30 June 2005 was 27% up on the comparable period in 2004. This reflects the continued growth in assets and in-force business, the benefits of which have more than offset the strain from increasing volumes of new business. We continue to manage growth in profitable product areas and to drive towards capital self-sufficiency in 2007.

Funds under management have increased by 29% to \$19.8 billion – an increase of \$4.5 billion since the first half last year and \$2.5 billion since the start of the year. This increase reflects strong sales inflows, and we are now only just below our \$20 - \$25 billion critical mass.

##### Sales up 10%

Total sales on an APE basis for the first six months of 2005 were \$276 million, an increase of 10% from \$251 million in first six months of 2004. This growth was driven by particularly strong sales of life products as well as offshore annuity products through OMNIA Bermuda (soon to be rebranded Old Mutual Bermuda). Life sales grew by 51% and OMNIA Bermuda sales grew by 102% over the equivalent period in 2004.

The continued growth in life sales reflects strengthening relationships and increases to the number of distributors, as well as strong market growth in the middle income sector on which we focus. We also benefit from our efficient use of outsourcing of underwriting and administration services. We are now ranked 18 overall for sales in the life market, and remain the market leader for mortgage protection term insurance.

OMNIA Bermuda sales continue to reflect the benefits of the stability we have provided the business since we purchased it in May 2003. Our product offering has been expanded beyond the original variable annuity to include a fixed annuity and an equity indexed product modeled closely on our onshore products. The strong growth in sales reflects these product extensions, as well as growth in our bank distribution network.

Our US retail annuity businesses also continue to grow as our distribution broadens and our product offerings are expanded. Corporate sales have been kept at low levels due to the strength of retail sales.

## Group Finance Director's Review

### Business Review *continued*

#### Margins healthy

The average margin on new business after tax increased from 15% at 30 June 2004 to 20% of APE for the period ended 30 June 2005. The value of new business after tax increased sharply from \$38 million last year to \$55 million this year.

The achieved margin of 20% of APE is at the upper end of our expected range of results for new business margin under EEV methodology, reflecting strengthening of our pricing disciplines, strong stock selection by our asset managers and favourable product mix.

#### US ASSET MANAGEMENT

Highlights (\$m)	H1 2005	H1 2004	Var %
Adjusted operating profit	94	85	11%
Funds under management (\$bn)	209	163	28%
Net client cashflow (\$bn)	20	5	300%

The Group's US Asset Management business achieved adjusted operating profit of \$94 million in the first half of 2005, which was an increase of 11% on the comparative period in 2004. The combined effects of improving equity markets last year and record net cash inflows of \$20

billion led to a 28% increase in funds under management to \$209 billion. The net cash inflows were achieved across a broad range of asset classes, with fixed income, value equity and quantitative strategies particularly attracting new funds. Profitability improved although we continue to spend money building the retail channel through Old Mutual Capital, and into the alternative investments market through our interest in 2100 Capital.

#### Funds under management benefit from record net fund inflows of \$20bn

Funds under management increased 13% to \$209 billion, from \$185 billion at 31 December 2004. Cashflows for the first half of 2005 achieved a record \$20 billion net inflow, including cash collateral assets of \$5.4 billion, accounting for 11% of the increase. The remaining 2% increase resulted from market action and fund investment performance. Our retail initiative continues to gather momentum, with gross sales of \$497 million in the first half of 2005.

#### Managing the portfolio

In addition to our strategic partnership with Copper Rock Capital Partners and the launch of 2100 Capital announced earlier this year, US Asset Management has actively worked to manage its portfolio of businesses by enhancing the diversification of asset management capabilities and through divestiture of non-core operations. We sold our business based in Japan at the end of the first quarter of 2005. Going forward, we will continue to make strategic investments in order to support our firms in achieving organic growth and meeting the objectives of our clients.

# Group Finance Director's Review

## Business Review *continued*

### UK & REST OF WORLD

Highlights (£m)	H1 2005	H1 2004	Var %
Adjusted operating profit	9	0	
Fund under management (£bn)	4.9	4.0	23%
Selestia sales	305	197	55%

Adjusted operating profit from the Group's UK and Rest of World asset management and life assurance businesses, excluding Nedbank, was £9 million in 2005. This result includes the adjusted operating profit from the UK, Old Mutual International (OMI) and the Far East. The

success of the organic growth strategy of the UK businesses is reflected in the growth in adjusted operating profit during this year, with Old Mutual Asset Managers (UK) (OMAM(UK)) in particular producing a good result as a consequence of excellent hedge fund performance. The UK businesses contributed £3 million of adjusted operating profit in the first half of 2005, compared to a break even position for the comparable period in 2004.

Total funds under management in the UK grew by 17% from £4.2 billion at 31 December 2004 to £4.9 billion at 30 June 2005. OMAM(UK)'s hedge fund products continued to attract strong inflows and generate strong fund performance.

### Selestia funds under management exceed £1 billion

New business sales at Selestia continued to grow, with sales of £305 million achieved in the first half of 2005, an increase of 55% on the comparative period in 2004. Funds under management increased from £730 million at 31 December 2004 to £1,051 million at 30 June 2005.

## GROUP RESULTS

### H1 2005 Adjusted EPS up by 22% to 8.4p

The Old Mutual Group has had a positive start to 2005, with a 29% increase in adjusted operating profit before tax to £554 million. Adjusted operating profit after tax and minority interests increased by 24% from £256 million for the period ending 30 June 2004 to £317 million for the first six months of 2005, leading to an increase in adjusted operating earnings per share to 8.4p for the period ending 30 June 2005, from 6.9p for the comparative period in 2004. The basic earnings per share is 11.2p, representing a 173% increase.

Profit for the financial period attributable to equity holders increased to £387 million during the first half of 2005 compared to £141 million during the first half of 2004.

### Funds under management and fund flows

During 2005, funds under management increased by 13% from £140 billion as at 31 December 2004 to £158 billion at 30 June 2005. Our international diversity has delivered strong net cash inflows of £9.6 billion, an increase of £5.6 billion when compared to the first half of last year, as strong performances by our US and UK businesses more than offset weak flows in South Africa.

## Group Finance Director's Review

### Business Review *continued*

#### **Embedded Value (EV) – profits**

Old Mutual published its 2004 embedded value figures restated in accordance with EEV principles on 20 June 2005. The same approach has been taken to the calculation of our June 2005 figures, and all 2004 comparatives are on the restated EEV basis. The Group's adjusted operating profit on an EEV basis of £638 million increased by 28% from £497 million at June 2004. Adjusted operating profit for life assurance of £345 million was up 3% from £334 million at June 2004, with African profit being down 7% and North American profit being up 57%. The reduction in adjusted operating profit for Africa is mainly due to lower expected return on capital and a provision for the expected cost of the offer to policyholders that has been announced in respect of paid-up retirement annuities. The increase in adjusted operating profit for North America is mainly due to a significant increase in the value of new business sold in 2005 and the consequential effect of new business sold in 2004.

#### **Adjusted embedded value per share down by 2%**

Adjusted embedded value (EV) (adjusted for own shares held in policyholders' funds and to bring listed Group subsidiaries to market value) of £5,303 million at 30 June 2005 decreased by 2% from £5,384 million at 31 December 2004. Good Rand growth in African life embedded value (aided by good investment returns) was partially offset by the depreciation of the Rand, good US dollar growth in North American embedded value (driven by new business growth) was enhanced by the strengthening of the US dollar, and a decline in the share prices of Nedbank and Mutual & Federal was exacerbated by the weakening of the Rand.

Adjusted EV per share at 30 June 2005 was 137.5p representing a decline in EV per share of 2% over the 2004 result of 139.7p.

#### **Capital**

The Group's gearing level remains favourable, with senior debt gearing at 30 June 2005 of 7.9% (10.8% at 31 December 2004) and total gearing, including hybrid capital, of 19.0% (16.9% at 31 December 2004). Hybrid capital excludes hybrid debt from banking activities and includes the \$750 million of Guaranteed Cumulative Perpetual Preferred Securities issued during 2003 that are reported as part of minority interests in the financial statements and the £350 million of Perpetual Preferred Callable Securities issued in March 2005 that are reported as part of equity holders' funds.

Senior debt gearing is defined as senior debt over senior debt plus adjusted embedded value on an EEV basis. Senior debt excludes debt from banking activities and is net of cash and short-term investments, which are immediately available to repay debt, and derivative assets relating to swaps associated with senior debt, so as to reflect debt valued on effective currency and interest rate positions. Total gearing is similarly based, but includes hybrid capital instruments within debt.

On 2 May 2005 the Group's \$636 million of outstanding 3.625 per cent Convertible Bonds matured and were repaid in full at par value.

Old Mutual's Group-wide Economic Capital (EC) Programme is progressing according to plan. Once completed, it will significantly improve the Group's ability to measure risk and shareholder value creation. The early results show the Group's available financial resources to be well above the EC required for our target external agency rating.

The Group exceeds the minimum capital resources requirement under the Financial Groups Directive, which applies to UK-based financial conglomerates.

## Group Finance Director's Review

### Business Review *continued*

#### **Taxation**

The Group's effective tax rate (based on the tax charge excluding income tax attributable to policyholder returns as a proportion of adjusted operating profit) for the period ended 30 June 2005 of 24% decreased from 25% for the corresponding period in 2004. This was primarily as a result of the recognition of a previously unrecognised deferred tax asset in the US. Excluding the impact of this adjustment, the tax rate would have increased to 27% as a result of a decrease in the proportion of tax advantaged investment income earned in the period.

#### **BLACK ECONOMIC EMPOWERMENT**

Over the past few years Old Mutual plc has been actively addressing various aspects of Black Economic Empowerment (BEE). We believe that Black Economic Empowerment (BEE) is a key requirement for the promotion of sustainable economic growth and social development in South Africa and is therefore fundamental to the interests of our employees, clients and shareholders. Earlier this year we proposed three separate, but independent transactions designed under a common set of principles, which introduce new broad-based black ownership into each of our South African subsidiaries. These transactions have now been completed and have resulted in the introduction of direct black ownership worth 12.75% of the value of Old Mutual plc's South African businesses, with the total value of black shareholding being R7.1 billion. The financial impact of these proposals will be incorporated into the Group's results for the second half of 2005.

Our BEE deal is very broad based and our South African employees now have share interests in our companies with the incentivisation that share ownership provides. Uniquely, many of our clients and distributors have also acquired an interest in our shares, which supports our strategy. We believe that our black business partners will add value to our businesses and are extremely pleased to have the Wiphold and Brimstone Consortia as shareholders in our businesses, as well as Mtha at Mutual & Federal. The transformation deal secures future returns for all our stakeholders.

#### **DIVIDEND**

The directors have declared an interim dividend of 1.85p per share for the six months ended 30 June 2005, to be paid on Wednesday, 30 November 2005.

The record date for this dividend payment is the close of business on Friday, 21 October 2005, for all the Exchanges where the Company's shares are listed. The last day to trade cum-dividend on the JSE Securities Exchange South Africa ("JSE") and other African Exchanges will be Friday, 14 October 2005. The shares will trade ex-dividend from the opening of business on Monday, 17 October 2005 on the JSE and the other African Exchanges and from the opening of business on Wednesday, 19 October 2005 on the London Stock Exchange.

## Group Finance Director's Review

### Business Review *continued*

Shareholders on the South African, Zimbabwe and Malawi branch registers and the Namibian section of the principal register will be paid the local currency equivalents of the dividend under the Dividend Access Trust arrangements established in each country. Local currency equivalents of the dividend will be determined by the Company using exchange rates prevailing at close of business on Thursday, 6 October 2005 and will be announced by the Company on Friday, 7 October 2005.

Share certificates may not be dematerialised or rematerialised on the South African branch register between Monday, 17 October and Friday, 21 October 2005, both dates inclusive, and transfers between the registers may not take place during that period.

**Julian V F Roberts**  
**Group Finance Director**  
10 August 2005



# Independent Review Report by KPMG Audit Plc to Old Mutual plc

## Introduction

We have been engaged by the Company to review the financial information, including the European Embedded Value supplementary information, set out on pages 19 to 81 and supplementary financial information set out on pages 84 to 145. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in note 1 to the financial information on page 28, the next annual financial statements of the Group will be prepared in accordance with IFRSs adopted for use in the European Union (EU). The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the EU. This is because, as disclosed in note 1, the directors have anticipated that certain standards, which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

## KPMG Audit Plc

*Chartered Accountants*

10 August 2005

8 Salisbury Square, London EC4Y 8BB

# Summary Consolidated Income Statement

for the six months ended 30 June 2005

The following table summarises the Group's results in the consolidated income statement on page 19. Adjusted operating profit represents the directors' view of the underlying performance of the Group. This summary does not form part of the statutory financial statements.

	Notes	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Africa</b>				
Long term business	3(iv)	212	228	467
Asset management	3(vii)	37	22	54
Banking	3(vi)	162	54	203
General insurance	3(v)	49	52	101
		<u>460</u>	<u>356</u>	<u>825</u>
<b>North America</b>				
Long term business	3(iv)	50	40	97
Asset management	3(vii)	51	47	87
		<u>101</u>	<u>87</u>	<u>184</u>
<b>United Kingdom &amp; Rest of World</b>				
Long term business	3(iv)	2	-	6
Asset management	3(vii)	7	7	(5)
Banking	3(vi)	14	11	23
		<u>23</u>	<u>18</u>	<u>24</u>
Debt service costs		(19)	(24)	(49)
Other shareholders' income / (expenses)	3(viii)	(11)	(9)	(30)
<b>Adjusted operating profit*</b>		<b>554</b>	<b>428</b>	<b>954</b>
Goodwill impairments	9	(2)	(33)	(33)
(Loss) / profit on disposal of investments in subsidiaries		(4)	12	(27)
Short term fluctuations in investment returns	4	133	(48)	197
Income from hedging activities that do not qualify for hedge accounting		-	5	31
Investment return adjustment for Group equity and debt instruments held in life funds	3(iv)	(28)	(26)	(99)
Fines and penalties	5	-	(49)	(49)
<b>Profit before tax (net of income tax attributable to policyholder returns)</b>		<b>653</b>	<b>289</b>	<b>974</b>
Total income tax expense	6	(181)	(120)	(344)
Less income tax attributable to policyholder returns		21	23	62
Income tax attributable to equity holders		<u>(160)</u>	<u>(97)</u>	<u>(282)</u>
<b>Profit for the financial period</b>		<b>493</b>	<b>192</b>	<b>692</b>
Minority interests - ordinary shares	11(a)	(78)	(24)	(74)
Minority interests - preferred securities		(28)	(27)	(59)
<b>Profit for the financial period attributable to equity holders</b>		<b>387</b>	<b>141</b>	<b>559</b>

\* For life assurance and general insurance businesses, adjusted operating profit is based on a long term investment return and includes investment returns on life funds' investments in Group equity and debt instruments. For all businesses, adjusted operating profit excludes goodwill impairments, fines and penalties and profit/(loss) on disposal of investments in subsidiaries. Adjusted operating profit excludes income from hedging activities that do not qualify for hedge accounting.

## Summary Consolidated Income Statement *continued*

for the six months ended 30 June 2005

The adjusted operating profit after tax attributable to equity holders is determined as follows:

		£m
	Notes	Year to 31 December 2004
		6 months to 30 June 2005
		6 months to 30 June 2004
<b>Adjusted operating profit</b>		954
Tax on adjusted operating profit	6	(244)
		710
Minority interests – ordinary shares	11	(94)
– preferred securities		(59)
<b>Adjusted operating profit after tax attributable to equity holders</b>		<b>557</b>

The reconciliation of adjusted operating profit after tax attributable to equity holders to profit for the financial period attributable to equity holders is as follows:

		£m
		Year to 31 December 2004
		6 months to 30 June 2005
		6 months to 30 June 2004
<b>Adjusted operating profit after tax attributable to equity holders</b>		557
Goodwill impairments		(17)
(Loss) / profit on disposal of investments in subsidiaries		(21)
Short term fluctuations in investment returns		149
Income from hedging activities that do not qualify for hedge accounting		31
Investment return adjustment for Group equity and debt instruments held in life funds		(99)
Fines and penalties		(41)
<b>Profit for the financial period attributable to equity holders</b>		<b>559</b>

		p		
		Year to 31 December 2004		
		6 months to 30 June 2005		
		6 months to 30 June 2004		
<b>Earnings per share attributable to equity holders</b>	Notes			
Adjusted operating earnings per share*	7	8.4	6.9	14.9
Basic earnings per share	7	11.2	4.1	16.3
Diluted earnings per share	7	11.2	4.1	16.3
<b>Adjusted weighted average number of shares – millions</b>		<b>3,753</b>	3,735	3,738
<b>Weighted average number of shares – millions</b>		<b>3,467</b>	3,419	3,422

\* Adjusted operating earnings per share is calculated on the same basis as adjusted operating profit, 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.

# Consolidated Income Statement

for the six months ended 30 June 2005

	Notes	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Revenue</b>				
Gross earned premiums		2,148	2,023	4,114
Outward reinsurance		(80)	(74)	(140)
Net earned premiums		2,068	1,949	3,974
Investment income (net of investment losses)		2,501	371	4,250
Banking interest and similar income		1,072	983	2,041
Fee and commission income, and income from service activities		576	582	1,230
Other income		104	67	147
<b>Total revenues</b>	3(ii)	<b>6,321</b>	<b>3,952</b>	<b>11,642</b>
<b>Expenses</b>				
Claims and benefits (including change in insurance contract provisions)		(3,334)	(1,737)	(5,901)
Reinsurance recoveries		88	55	143
Net claims incurred		(3,246)	(1,682)	(5,758)
Change in provision for investment contract liabilities (including amortisation)		(448)	(33)	(760)
Losses on loans and advances		(53)	(33)	(104)
Finance costs (including interest and similar expenses)		(14)	(21)	(61)
Banking interest expense		(712)	(704)	(1,440)
Fees, commissions and other acquisition costs		(164)	(167)	(398)
Other operating and administrative expenses		(960)	(981)	(1,988)
Third party interest in consolidated funds		(50)	(7)	(55)
<b>Total expenses</b>	3(ii)	<b>(5,647)</b>	<b>(3,628)</b>	<b>(10,564)</b>
Share of associated undertakings' profit after tax		6	9	18
Goodwill impairments	9	(2)	(33)	(33)
(Loss) / profit on disposal of investment in subsidiaries		(4)	12	(27)
<b>Profit before tax</b>		<b>674</b>	<b>312</b>	<b>1,036</b>
Income tax expense	6	(181)	(120)	(344)
<b>Profit for the financial period</b>		<b>493</b>	<b>192</b>	<b>692</b>
Minority interests				
Ordinary shares		(78)	(24)	(74)
Preferred securities		(28)	(27)	(59)
Total minority interests		(106)	(51)	(133)
<b>Profit for the financial period attributable to equity holders</b>		<b>387</b>	<b>141</b>	<b>559</b>
<b>Earnings and dividend per share</b>				
Basic earnings per share	7	11.2	4.1	16.3
Diluted earnings per share	7	11.2	4.1	16.3
Dividend per share	8	1.85	1.75	5.25
<b>Weighted average number of shares – millions</b>		<b>3,467</b>	<b>3,419</b>	<b>3,422</b>

# Consolidated Balance Sheet

at 30 June 2005

	Notes	At 30 June 2005	At 31 December 2004	£m At 30 June 2004
<b>Assets</b>				
Goodwill and other intangible assets	9	1,302	1,296	1,397
Investments in associated undertakings		139	149	186
Investment property		704	690	649
Property, plant and equipment		457	512	480
Deferred tax assets		498	440	360
Reinsurers' share of insurance contract provisions		362	317	338
Deferred acquisition costs		815	655	626
Current tax receivable		28	20	16
Loans, receivables and advances		17,068	17,183	15,706
Derivative financial instruments – assets		1,992	2,689	2,003
Other financial assets		11,886	9,763	8,705
Financial assets fair valued through income statement		25,658	27,935	23,183
Short term securities		3,199	3,063	2,978
Other assets		2,612	2,074	2,157
Cash and balances with the central bank		1,484	1,038	1,543
Placements with other banks		302	392	42
<b>Total assets</b>		<b>68,506</b>	<b>68,216</b>	<b>60,369</b>
<b>Liabilities</b>				
Insurance contract provisions		19,794	18,883	16,643
Investment contract liabilities		13,240	13,293	11,768
Third party interests in consolidation of funds		708	556	395
Borrowed funds	10	1,093	1,490	1,319
Provisions		454	510	434
Deferred revenue		123	139	129
Deferred tax liabilities		500	400	257
Current tax payable		154	171	97
Deposits from other banks		1,536	2,831	1,699
Amounts owed to other depositors		16,192	18,334	17,047
Other money market deposits		3,301	1,563	984
Derivative financial instruments - liabilities		1,914	2,599	1,774
Other liabilities		4,241	2,713	3,678
<b>Total liabilities</b>		<b>63,250</b>	<b>63,482</b>	<b>56,224</b>
<b>Net assets</b>		<b>5,256</b>	<b>4,734</b>	<b>4,145</b>
<b>Shareholders' equity</b>				
Equity attributable to equity holders of the parent		3,844	3,286	2,796
Minority interest				
Ordinary shares	11	759	800	700
Preferred securities		653	648	649
Total minority interests		1,412	1,448	1,349
<b>Total equity</b>		<b>5,256</b>	<b>4,734</b>	<b>4,145</b>

# Consolidated Cash Flow Statement

for the six months ended 30 June 2005

	£m		
	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004
<b>Cash flows from operating activities</b>			
Profit before tax	674	312	1,036
Non-cash movements in profit before tax	(1,328)	573	(2,166)
Changes in working capital	597	(730)	3,720
Taxation paid	(199)	(158)	(323)
<b>Net cash from operating activities</b>	<b>(256)</b>	<b>(3)</b>	<b>2,267</b>
<b>Cash flows from investing activities</b>			
Net acquisition of financial investments	1,057	(14)	(2,386)
Acquisition of investment properties	(11)	(4)	9
Net acquisition of other fixed assets	(28)	(50)	(90)
Acquisition of interests in subsidiaries	(106)	(104)	(158)
Disposal of interests in subsidiaries, associates and joint ventures	(16)	34	84
<b>Net cash outflow from investing activities</b>	<b>896</b>	<b>(138)</b>	<b>(2,541)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to:			
Ordinary shareholders of the Company	(118)	(106)	(166)
Equity minority interests and preferred security interests	(47)	(34)	(79)
Net proceeds from issue of ordinary shares (including by subsidiaries to minority interests)	3	204	232
Net proceeds on issue of perpetual preferred callable securities	347	-	-
Net repayments of debt	(341)	(31)	(96)
<b>Net cash flows from financing activities</b>	<b>(156)</b>	<b>33</b>	<b>(109)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>484</b>	<b>(108)</b>	<b>(383)</b>
Effects of exchange rate changes on cash and cash equivalents	120	68	93
Cash and cash equivalents at beginning of the year	1,648	1,938	1,938
<b>Cash and cash equivalents at end of the year</b>	<b>2,012</b>	<b>1,944</b>	<b>1,648</b>
Consisting of:			
Placements with other banks	302	42	392
Cash and balances with the central bank	1,484	1,543	1,038
Other cash equivalents	226	359	218
	<b>2,012</b>	<b>1,944</b>	<b>1,648</b>

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

# Statement of Changes in Equity

## for the six months ended 30 June 2005

	Millions			£m
	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total minority interest	Total equity
<b>Six months ended 30 June 2005</b>				
<b>Equity shareholders' funds at 1 January 2005</b>	<b>3,854</b>	<b>3,286</b>	<b>1,448</b>	<b>4,734</b>
<b>Change in operating profit arising in the period</b>				
Fair value gains / (losses):				
Available-for-sale investments	-	84	-	84
Fair value of equity settled share options	-	4	-	4
Shadow accounting	-	(11)	-	(11)
Currency translation differences / exchange differences on translating foreign operations	-	(100)	(85)	(185)
Cash flow hedge amortisation	-	2	-	2
Aggregate tax effect of items taken directly to or transferred from equity	-	(16)	-	(16)
Movement in net investment hedge reserve	-	(45)	-	(45)
Redemption of convertible bonds	-	(18)	-	(18)
Net acquisition / disposal of minority interests	-	-	24	24
Other	-	46	(34)	12
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>(54)</b>	<b>(95)</b>	<b>(149)</b>
Profit for the period	-	387	106	493
<b>Total recognised income and expense for the period</b>				
Dividend for the period	-	(118)	(47)	(165)
Purchases / sales of treasury shares	-	(7)	-	(7)
Issue of perpetual preferred callable securities	-	347	-	347
Exercise of share options	3	3	-	3
<b>Equity attributable to equity holders of the parent at 30 June 2005</b>	<b>3,857</b>	<b>3,844</b>	<b>1,412</b>	<b>5,256</b>



## Statement of Changes in Equity *continued*

for the six months ended 30 June 2005

	£m						
<b>Six months ended 30 June 2005</b>	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Perpetual preferred callable securities	Total
<b>Attributable to equity holders of the parent at 1 January 2005</b>	386	600	439	122	1,739	-	3,286
<b>Changes in equity arising in the period:</b>							
Fair value gains / (losses):							
Available-for-sale investments	-	-	84	-	-	-	84
Fair value of equity settled share options	-	-	-	-	4	-	4
Shadow accounting	-	-	(11)	-	-	-	(11)
Currency translation differences / exchange differences on translating foreign operations	-	-	-	(100)	-	-	(100)
Cash flow hedge amortisation	-	-	2	-	-	-	2
Aggregate tax effect of items taken directly to or transferred from equity	-	-	(16)	-	-	-	(16)
Movement in net investment hedge reserve	-	-	(45)	-	-	-	(45)
Redemption of convertible bonds	-	-	(18)	-	-	-	(18)
Other	-	-	-	-	46	-	46
<b>Net income recognised directly in equity</b>	-	-	(4)	(100)	50	-	(54)
Profit for the period	-	-	-	-	387	-	387
<b>Total recognised income and expense for the period</b>	-	-	(4)	(100)	437	-	333
Dividend for the period	-	-	-	-	(118)	-	(118)
Purchases / sales of treasury shares	-	-	-	-	(7)	-	(7)
Issue of perpetual preferred callable securities	-	(3)	-	-	-	350	347
Exercise of share options	-	3	-	-	-	-	3
<b>Attributable to equity holders of the parent at 30 June 2005</b>	386	600	435	22	2,051	350	3,844

Retained earnings have been reduced by £533 million as at 30 June 2005 in respect of shares held in policyholder funds, ESOP trusts and related undertakings.

On 24 March 2005 the Company issued £350 million of Perpetual Preferred Callable Securities. These are unsecured and subordinated to the claims of senior creditors and the holders of any priority preference shares. For an initial period to 24 March 2020 interest is payable at a fixed rate of 6.4 per cent. per annum., annually in arrears. After 24 March 2020 interest is re-set semi-annually at 2.2 per cent. per annum. above the Sterling inter-bank offer rate for six month Sterling deposits, and is payable semi-annually in arrears. Coupon payments may be deferred. The Perpetual Preferred Callable Securities are redeemable at the discretion of the Company, at their principal amount from 24 March 2020.

## Statement of Changes in Equity *continued*

for the six months ended 30 June 2005

	Millions			£m
	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total minority interest	Total equity
<b>Six months ended 30 June 2004</b>				
<b>Equity shareholders' funds at 1 January 2004</b>	3,837	2,670	1,229	3,899
<b>Changes in equity arising in the period</b>				
Fair value gains / (losses):				
Available-for-sale investments	-	(166)	-	(166)
Fair value of equity settled share options	-	1	-	1
Shadow accounting	-	117	-	117
Currency translation differences/ exchange differences on translating foreign operations	-	124	46	170
Cash flow hedge amortisation	-	(2)	-	(2)
Aggregate tax effect of items taken directly to or transferred from equity	-	14	-	14
Net acquisition / disposal of minority interests	-	-	66	66
Other	-	-	(12)	(12)
<b>Net income recognised directly in equity</b>	-	88	100	188
Profit for the period	-	141	51	192
<b>Total recognised income and expense for the period</b>	-	229	151	380
Dividend for the period	-	(106)	(31)	(137)
Purchases / sales of treasury shares	-	(5)	-	(5)
Exercise of share options	12	8	-	8
<b>Equity shareholders' funds at 30 June 2004</b>	<b>3,849</b>	<b>2,796</b>	<b>1,349</b>	<b>4,145</b>

## Statement of Changes in Equity *continued*

for the six months ended 30 June 2005

						£m
<b>Six months ended 30 June 2004</b>	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total
<b>Attributable to equity holders of the parent at 1 January 2004</b>	384	587	367	-	1,332	2,670
<b>Changes in equity arising in the period:</b>						
Fair value gains / (losses):						
Available-for-sale investments	-	-	(166)	-	-	(166)
Fair value of equity settled share options	-	-	-	-	1	1
Shadow accounting	-	-	117	-	-	117
Currency translation differences / exchange differences on translating foreign operations	-	-	-	124	-	124
Cash flow hedge amortisation	-	-	(2)	-	-	(2)
Aggregate tax effect of items taken directly to or transferred from equity	-	-	14	-	-	14
Other	-	-	8	-	(8)	-
<b>Net income recognised directly in equity</b>	-	-	(29)	124	(7)	88
Profit for the period	-	-	-	-	141	141
<b>Total recognised income and expense for the period</b>	-	-	(29)	124	134	229
Dividend for the period	-	-	-	-	(106)	(106)
Purchases / sales of treasury shares	-	-	-	-	(5)	(5)
Exercise of share options	-	8	-	-	-	8
<b>Attributable to equity holders of the parent at 30 June 2004</b>	384	595	338	124	1,355	2,796

Retained earnings have been reduced by £556 million as at 30 June 2004 in respect of shares held in policyholder funds, ESOP trusts and related undertakings.

## Statement of Changes in Equity *continued*

for the six months ended 30 June 2005

	Millions			£m
	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total minority interest	Total equity
<b>Year ended 31 December 2004</b>				
<b>Equity shareholders' funds at 1 January 2004</b>	3,837	2,670	1,229	3,899
<b>Changes in equity arising in the year:</b>				
Fair value gains / (losses):				
Gain on property revaluation	-	9	-	9
Available-for-sale investments	-	118	-	118
Fair value of equity settled share options	-	3	-	3
Shadow accounting	-	(35)	-	(35)
Currency translation differences/ exchange differences on translating foreign operations	-	122	81	203
Cash flow hedge amortisation	-	(4)	-	(4)
Aggregate tax effect of items taken directly to or transferred from equity	-	(18)	-	(18)
Net acquisition / disposal of minority interests	-	-	66	66
Other	-	(12)	11	(1)
<b>Net income recognised directly in equity</b>	-	183	158	341
Profit for the year	-	559	133	692
<b>Total recognised income and expense for the year</b>	-	742	291	1,033
Dividend for the year	-	(166)	(84)	(250)
Purchases / sales of treasury shares	-	25	-	25
Issue of share capital	-	-	5	5
Exercise of share options	17	15	7	22
<b>Equity shareholders' funds at 31 December 2004</b>	<b>3,854</b>	<b>3,286</b>	<b>1,448</b>	<b>4,734</b>

## Statement of Changes in Equity *continued*

for the six months ended 30 June 2005

						£m
<b>Year ended 31 December 2004</b>	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total
<b>Attributable to equity holders of the parent at 1 January 2004</b>	384	587	367	-	1,332	2,670
<b>Changes in equity arising in the period:</b>						
Fair value gains / (losses):						
Gain on property revaluation	-	-	9	-	-	9
Available-for-sale investments	-	-	118	-	-	118
Fair value of equity settled share options	-	-	-	-	3	3
Shadow accounting	-	-	(35)	-	-	(35)
Currency translation differences / exchange differences on translating foreign operations	-	-	-	122	-	122
Cash flow hedge amortisation	-	-	(4)	-	-	(4)
Aggregate tax effect of items taken directly to or transferred from equity	-	-	(18)	-	-	(18)
Other	-	-	2	-	(14)	(12)
<b>Net income recognised directly in equity</b>	-	-	72	122	(11)	183
Profit for the period	-	-	-	-	559	559
<b>Total recognised income and expense for the period</b>	-	-	72	122	548	742
Dividend paid in the year	-	-	-	-	(166)	(166)
Purchases / sales of treasury shares	-	-	-	-	25	25
Exercise of share options	2	13	-	-	-	15
<b>Attributable to equity holders of the parent at 31 December 2004</b>	386	600	439	122	1,739	3,286

Retained earnings have been reduced by £526 million as at 31 December 2004 in respect of shares held in policyholder funds, ESOP trusts and related undertakings.

# Notes to the Consolidated Financial Statements

for the six months ended 30 June 2005

## 1 BASIS OF PREPARATION

European Union (EU) law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the company, for the year ending 31 December 2005, be prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the EU ("adopted IFRSs").

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either are endorsed by the EU and effective at 31 December 2005 or are expected to be endorsed and effective at 31 December 2005, the Group's first annual reporting date at which it is required to use adopted IFRSs. Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied when the first annual IFRS financial statements are prepared for the year ending 31 December 2005. These are set out in the Group's Analyst and Investor Briefing and Restatement Document published on 3 May 2005.

In particular, the directors have assumed that the IAS 19: Employee Benefits issued by the International Accounting Standards Board (IASB) will be adopted by the EU in sufficient time that they will be available for use in the annual IFRS financial statements for the year ending 31 December 2005.

The financial statements do not reflect any changes in respect of recent amendments to IAS39: Financial Instruments Recognition and Measurement for the fair value option expected to be endorsed by the EU which will be available for early adoption in the consolidated financial statements for the year ending 31 December 2005.

In addition, the adopted IFRSs that will be effective in the annual financial statements for the year ending 31 December 2005 are still subject to change through additional interpretations or changes to standards issued or endorsed by the EU and therefore cannot be determined with certainty. Accordingly, the accounting policies for the year ending 31 December 2005 will only be finally determined when the annual financial statements are prepared and the information presented within these financial statements are potentially subject to change.

The comparative figures for the financial year ended 31 December 2004 are not the Company's statutory accounts for that financial year. Those accounts, which were prepared under UK Generally Accepted Accounting Practices (UK GAAP), have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 2 FOREIGN CURRENCIES

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

	Rand			US Dollar		
	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004
Income statement (average rate)	11.6325	12.1544	11.7986	1.8731	1.8222	1.8327
Balance sheet (closing rate)	11.9624	11.3037	10.8482	1.7918	1.8144	1.9158

Foreign currency revenue transactions are translated at average exchange rates for the year. Monetary foreign currency assets and liabilities are translated at year end exchange rates. Non-monetary foreign currency assets and liabilities are translated at historical exchange rates. The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency using the year-end exchange rates, and their income and expenses using the average exchange rates. Unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity, net of applicable deferred income taxes.

### 3 SEGMENT INFORMATION

#### (i) Basis of segmentation

##### Geographical segments

For management purposes the Group is organised on a geographical basis into the following segments: Africa, North America and United Kingdom & Rest of World. This is the basis on which the Group reports its primary segment information.

##### Business segments

Although the Group is managed on a geographical basis, it operates in four principle areas of business: long term business, general insurance, banking and asset management. These businesses operate independently within each geographical sector.

Financial information about the Group's geographic and business segments is presented in notes 3(ii) below. Where financial information is required for both primary and secondary segments, this information is shown in the format of a matrix. The segment information is presented in accordance with the profit format used in preparation of the consolidated income statement. Notes 3(iii) to 3(ix) provide additional supplemental information for each business segment and has been presented in accordance with the adjusted operating profit format used in preparation of the summary consolidated income statement.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. There are no significant differences between the geographical location of assets and operations and the associated external revenues. Business transacted with South African residents in terms of their personal offshore allowances is conducted by the Group's offshore companies and is therefore disclosed under the Rest of World segment. Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.



# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 3 SEGMENT INFORMATION *continued*

### (ii) Income statement

				£m		
<b>Six months to 30 June 2005</b>	Africa	North America	United Kingdom & Rest of World	Total before inter segment (revenue) / expense	Inter segment (revenue) expense	Total after inter segment (revenue) / expense
<b>Revenue</b>						
Long term business	2,856	1,266	64	4,186	(52)	4,134
General insurance	346	-	-	346	-	346
Banking	1,369	-	53	1,422	(1)	1,421
Asset management	111	191	57	359	(30)	329
Other shareholders' income	1	-	12	13	-	13
Consolidation of funds	62	-	16	78	-	78
Inter segment revenue	(72)	(6)	(5)	(83)	83	-
	<b>4,673</b>	<b>1,451</b>	<b>197</b>	<b>6,321</b>	<b>-</b>	<b>6,321</b>
<b>Expenses</b>						
Long term business	(2,566)	(1,194)	(62)	(3,822)	29	(3,793)
General insurance	(274)	-	-	(274)	2	(272)
Banking	(1,210)	-	(39)	(1,249)	8	(1,241)
Asset management	(74)	(140)	(50)	(264)	34	(230)
Debt service costs and other shareholders' expenses	(5)	-	(38)	(43)	10	(33)
Consolidation of funds	(62)	-	(16)	(78)	-	(78)
Inter segment expenses	70	5	8	83	(83)	-
	<b>(4,120)</b>	<b>(1,329)</b>	<b>(198)</b>	<b>(5,647)</b>	<b>-</b>	<b>(5,647)</b>
<b>Net revenue / (expense)</b>						
Long term business	290	72	2	364	(23)	340
General insurance	72	-	-	72	2	74
Banking	159	-	14	173	7	180
Asset management	37	51	7	95	4	99
Other shareholders' income / (expenses)	(4)	-	(26)	(30)	10	(20)
Inter segment (revenue) / expense	(2)	(1)	3	-	-	-
	<b>552</b>	<b>122</b>	<b>-</b>	<b>674</b>	<b>-</b>	<b>674</b>
Share of associated undertakings' profit after tax	6	-	-	6	-	6
Goodwill impairments	(2)	-	-	(2)	-	(2)
Loss on disposal of investment in subsidiaries	(1)	(3)	-	(4)	-	(4)
<b>Profit before tax</b>	<b>555</b>	<b>119</b>	<b>-</b>	<b>674</b>	<b>-</b>	<b>674</b>

# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 3 SEGMENT INFORMATION *continued*

### (ii) Income statement *continued*

				£m		
Six months to 30 June 2004	Africa	North America	United Kingdom & Rest of World	Total before inter segment (revenue) / expense	Inter segment (revenue) expense	Total after inter segment (revenue) / expense
<b>Revenue</b>						
Long term business	871	1,255	10	2,136	(30)	2,106
General insurance	266	-	-	266	-	266
Banking	1,189	-	54	1,243	(1)	1,242
Asset management	81	177	61	319	(15)	304
Other shareholders' income	-	-	31	31	(19)	12
Consolidation of funds	17	-	5	22	-	22
Inter segment revenue	(40)	(1)	(24)	(65)	65	-
	2,384	1,431	137	3,952	-	3,952
<b>Expenses</b>						
Long term business	(707)	(1,189)	(10)	(1,906)	23	(1,883)
General insurance	(230)	-	-	(230)	-	(230)
Banking	(1,141)	-	(43)	(1,184)	6	(1,178)
Asset management	(59)	(179)	(54)	(292)	29	(263)
Debt service costs and other shareholders' expenses	-	-	(59)	(59)	7	(52)
Consolidation of funds	(17)	-	(5)	(22)	-	(22)
Inter segment expenses	38	14	13	65	(65)	-
	(2,116)	(1,354)	(158)	(3,628)	-	(3,628)
<b>Net revenue / (expense)</b>						
Long term business	164	66	-	230	(7)	223
General insurance	36	-	-	36	-	36
Banking	48	-	11	59	5	64
Asset management	22	(2)	7	27	14	41
Other shareholders' income / (expenses)	-	-	(28)	(28)	(12)	(40)
Inter segment (revenue) / expense	(2)	13	(11)	-	-	-
	268	77	(21)	324	-	324
Share of associated undertakings' profit after tax	9	-	-	9	-	9
Goodwill impairments	-	1	11	12	-	12
Loss on disposal of investment in subsidiaries	(33)	-	-	(33)	-	(33)
<b>Profit before tax</b>	244	78	(10)	312	-	312

# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 3 SEGMENT INFORMATION *continued*

### (ii) Income statement *continued*

				£m		
Year ended 31 December 2004	Africa	North America	United Kingdom & Rest of World	Total before inter segment (revenue) / expense	Inter segment (revenue) expense	Total after inter segment (revenue) / expense
<b>Revenue</b>						
Long term business	4,975	2,496	44	7,515	(67)	7,448
General insurance	655	-	-	655	-	655
Banking	2,659	-	112	2,771	(2)	2,769
Asset management	173	366	117	656	(49)	607
Other shareholders' income	3	-	87	90	(11)	79
Consolidation of funds	73	-	11	84	-	84
Inter segment revenue	(95)	(12)	(22)	(129)	129	-
	<b>8,443</b>	<b>2,850</b>	<b>349</b>	<b>11,642</b>	<b>-</b>	<b>11,642</b>
<b>Expenses</b>						
Long term business	(4,449)	(2,341)	(38)	(6,828)	58	(6,770)
General insurance	(518)	-	-	(518)	-	(518)
Banking	(2,467)	-	(89)	(2,556)	8	(2,548)
Asset management	(119)	(328)	(122)	(569)	56	(513)
Debt service costs and other shareholders' expenses	(22)	-	(116)	(138)	7	(131)
Consolidation of funds	(73)	-	(11)	(84)	-	(84)
Inter segment expense	95	13	21	129	(129)	-
	<b>(7,553)</b>	<b>(2,656)</b>	<b>(355)</b>	<b>(10,564)</b>	<b>-</b>	<b>(10,564)</b>
<b>Net revenue / (expense)</b>						
Long term business	526	155	6	687	(9)	678
General insurance	137	-	-	137	-	137
Banking	192	-	23	215	6	221
Asset management	54	38	(5)	87	7	94
Other shareholders' income / (expenses)	(19)	-	(29)	(48)	(4)	(52)
Inter segment (revenue) / expense	-	1	(1)	-	-	-
	<b>890</b>	<b>194</b>	<b>(6)</b>	<b>1,078</b>	<b>-</b>	<b>1,078</b>
Share of associated undertakings' profit after tax	18	-	-	18	-	18
Goodwill impairments	(15)	-	(12)	(27)	-	(27)
Loss on disposal of investment in subsidiaries	(33)	-	-	(33)	-	(33)
<b>Profit before tax</b>	<b>860</b>	<b>194</b>	<b>(18)</b>	<b>1,036</b>	<b>-</b>	<b>1,036</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (iii) Long term business

##### Gross premiums and investment contract deposits written

				£m
<b>Six months to 30 June 2005</b>	Africa	North America	United Kingdom & Rest of World	Total
Individual business				
Single	356	1,085	78	1,519
Recurring	517	130	5	652
	<b>873</b>	<b>1,215</b>	<b>83</b>	<b>2,171</b>
Group business				
Single	307	-	-	307
Recurring	152	-	-	152
	<b>459</b>	<b>-</b>	<b>-</b>	<b>459</b>
<b>Total gross premiums and investment contract deposits written</b>	<b>1,332</b>	<b>1,215</b>	<b>83</b>	<b>2,630</b>
Insurance contracts	550	1,029	2	1,581
Investment contracts with discretionary participation features	231	-	-	231
Other investment contracts	551	186	81	818
	<b>1,332</b>	<b>1,215</b>	<b>83</b>	<b>2,630</b>
Less: Other investment contracts	(551)	(186)	(81)	(818)
<b>Total gross written premiums</b>	<b>781</b>	<b>1,029</b>	<b>2</b>	<b>1,812</b>

				£m
<b>Six months to 30 June 2004</b>	Africa	North America	United Kingdom & Rest of World	Total
Individual business				
Single	300	1,131	53	1,484
Recurring	467	94	8	569
	<b>767</b>	<b>1,225</b>	<b>61</b>	<b>2,053</b>
Group business				
Single	217	-	-	217
Recurring	155	-	-	155
	<b>372</b>	<b>-</b>	<b>-</b>	<b>372</b>
<b>Total gross premiums and investment contract deposits written</b>	<b>1,139</b>	<b>1,225</b>	<b>61</b>	<b>2,425</b>
Insurance contracts	506	1,026	2	1,534
Investment contracts with discretionary participation features	191	-	-	191
Other investment contracts	442	199	59	700
	<b>1,139</b>	<b>1,225</b>	<b>61</b>	<b>2,425</b>
Less: Other investment contracts	(442)	(199)	(59)	(700)
<b>Total gross written premiums</b>	<b>697</b>	<b>1,026</b>	<b>2</b>	<b>1,725</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (iii) Long term business

##### Gross premiums and investment contract deposits written *continued*

	£m			
<b>Year ended 31 December 2004</b>	Africa	North America	United Kingdom Rest of World	Total
Individual business				
Single	643	2,169	125	2,937
Recurring	977	205	13	1,195
	<u>1,620</u>	<u>2,374</u>	<u>138</u>	<u>4,132</u>
Group business				
Single	452	-	-	452
Recurring	317	-	-	317
	<u>769</u>	<u>-</u>	<u>-</u>	<u>769</u>
<b>Total gross premiums and investment contract deposits written</b>	<u>2,389</u>	<u>2,374</u>	<u>138</u>	<u>4,901</u>
Insurance contracts	1,052	2,023	2	3,077
Investment contracts with discretionary participation features	402	-	-	402
Other investment contracts	935	351	136	1,422
	<u>2,389</u>	<u>2,374</u>	<u>138</u>	<u>4,901</u>
Less: Other investment contracts	(935)	(351)	(136)	(1,422)
<b>Total gross written premiums</b>	<u>1,454</u>	<u>2,023</u>	<u>2</u>	<u>3,479</u>

##### Gross new business premiums and investment contract deposits written

	£m			
<b>Six months to 30 June 2005</b>	Africa	North America	United Kingdom & Rest of World	Total
Individual business				
Single	356	1,085	78	1,519
Recurring	85	39	-	124
	<u>441</u>	<u>1,124</u>	<u>78</u>	<u>1,643</u>
Group business				
Single	307	-	-	307
Recurring	9	-	-	9
	<u>316</u>	<u>-</u>	<u>-</u>	<u>316</u>
<b>Total gross new business premiums and investment contract deposits written</b>	<u>757</u>	<u>1,124</u>	<u>78</u>	<u>1,959</u>
Insurance contracts	175	938	-	1,113
Investment contracts with discretionary participation features	97	-	-	97
Other investment contracts	485	186	78	749
	<u>757</u>	<u>1,124</u>	<u>78</u>	<u>1,959</u>
Less: Other investment contracts	(485)	(186)	(78)	(749)
<b>Total gross new business premiums written</b>	<u>272</u>	<u>938</u>	<u>-</u>	<u>1,210</u>
<b>Annual premium equivalent</b>	<u>160</u>	<u>148</u>	<u>8</u>	<u>316</u>

Annual premium equivalent is defined as one tenth of single premiums plus recurring premiums (including investment contract deposits written).

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (iii) Long term business *continued*

#### Gross new business premiums and investment contract deposits written *continued*

	£m			
<b>Six months to 30 June 2004</b>	Africa	North America	United Kingdom Rest of World	Total
Individual business				
Single	300	1,131	53	1,484
Recurring	73	25	1	99
	<u>373</u>	<u>1,156</u>	<u>54</u>	<u>1,583</u>
Group business				
Single	217	-	-	217
Recurring	9	-	-	9
	<u>226</u>	<u>-</u>	<u>-</u>	<u>226</u>
<b>Total gross new business premiums and investment contract deposits written</b>	<u>599</u>	<u>1,156</u>	<u>54</u>	<u>1,809</u>
Insurance contracts	124	957	-	1,081
Investment contracts with discretionary participation features	87	-	-	87
Other investment contracts	388	199	54	641
	<u>599</u>	<u>1,156</u>	<u>54</u>	<u>1,809</u>
Less: Other investment contracts	(388)	(199)	(54)	(641)
<b>Total gross new business premiums written</b>	<u>211</u>	<u>957</u>	<u>-</u>	<u>1,168</u>
<b>Annual premium equivalent</b>	<u>134</u>	<u>138</u>	<u>6</u>	<u>278</u>
				£m
<b>Year to 31 December 2004</b>	Africa	North America	United Kingdom Rest of World	Total
Individual business				
Single	643	2,169	125	2,937
Recurring	164	58	1	223
	<u>807</u>	<u>2,227</u>	<u>126</u>	<u>3,160</u>
Group business				
Single	452	-	-	452
Recurring	17	-	-	17
	<u>469</u>	<u>-</u>	<u>-</u>	<u>469</u>
<b>Total gross new business premiums and investment contract deposits written</b>	<u>1,276</u>	<u>2,227</u>	<u>126</u>	<u>3,629</u>
Insurance contracts	319	1,876	-	2,195
Investment contracts with discretionary participation features	167	-	-	167
Other investment contracts	790	351	126	1,267
	<u>1,276</u>	<u>2,227</u>	<u>126</u>	<u>3,629</u>
Less: Other investment contracts	(790)	(351)	(126)	(1,267)
<b>Total gross new business premiums written</b>	<u>486</u>	<u>1,876</u>	<u>-</u>	<u>2,362</u>
<b>Annual premium equivalent</b>	<u>291</u>	<u>275</u>	<u>13</u>	<u>579</u>

Annual premium equivalent is defined as one tenth of single premiums plus recurring premiums (including investment contract deposits written).

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (iv) Long term business

	£m			
<b>Six months to 30 June 2005</b>	Africa	North America	United Kingdom & Rest of World	Total
Individual business	99	50	2	151
Group business	52	-	-	52
	151	50	2	203
Long term investment return	58	-	-	58
Share of associated undertakings' profit after tax	3	-	-	3
<b>Adjusted operating profit</b>	<b>212</b>	<b>50</b>	<b>2</b>	<b>264</b>
Short term fluctuations in investment returns	88	22	-	110
Investment return adjustment for Group equity and debt instruments held in life funds	(28)	-	-	(28)
<b>Profit before tax (net of income tax attributable to policyholder returns)</b>	<b>272</b>	<b>72</b>	<b>2</b>	<b>346</b>

  

	£m			
<b>Six months to 30 June 2004</b>	Africa	North America	United Kingdom & Rest of World	Total
Individual business	103	40	-	143
Group business	47	-	-	47
	150	40	-	190
Long term investment return	75	-	-	75
Share of associated undertakings' profit after tax	3	-	-	3
<b>Adjusted operating profit</b>	<b>228</b>	<b>40</b>	<b>-</b>	<b>268</b>
Short term fluctuations in investment returns	(58)	26	-	(32)
Investment return adjustment for Group equity and debt instruments held in life funds	(26)	-	-	(26)
<b>Profit before tax (net of income tax attributable to policyholder returns)</b>	<b>144</b>	<b>66</b>	<b>-</b>	<b>210</b>

  

	£m			
<b>Year to 31 December 2004</b>	Africa	North America	United Kingdom & Rest of World	Total
Individual business	230	97	6	333
Group business	87	-	-	87
	317	97	6	420
Long term investment return	145	-	-	145
Share of associated undertakings' profit after tax	5	-	-	5
<b>Adjusted operating profit</b>	<b>467</b>	<b>97</b>	<b>6</b>	<b>570</b>
Short term fluctuations in investment returns	100	58	-	158
Investment return adjustment for life companies investments in Group equity and debt instruments held in life funds	(99)	-	-	(99)
<b>Profit before tax (net of income tax attributable to policyholder returns)</b>	<b>468</b>	<b>155</b>	<b>6</b>	<b>629</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (iv) Long term business *continued*

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Investment return adjustment for Group equity and debt instruments held in life funds</b>			
Dividend income	11	11	18
Realised gains on investment return	(1)	3	5
Unrealised gains / (losses) on investment	18	12	76
Total investment return	<b>28</b>	26	99

Adjusted operating profit includes investment returns on life fund investments in Group equity and debt instruments. These include investments in the Company's ordinary shares and Nedbank Limited subordinated liabilities and preferred securities. The investment returns are eliminated within the consolidated income statement in arriving at profit for the financial period, but included in adjusted operating profit.



# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 3 SEGMENT INFORMATION *continued*

### (v) General insurance

	Gross premiums written	Earned premiums net of reinsurance	Claims incurred net of reinsurance	£m Profit before tax
<b>Six months to 30 June 2005</b>				
Commercial	165	135	78	21
Personal lines	134	129	95	2
Risk financing	42	36	18	3
	<b>341</b>	<b>300</b>	<b>191</b>	<b>26</b>
Long term investment return				23
<b>Adjusted operating profit</b>				<b>49</b>
Goodwill impairments				(2)
Short term fluctuations in investment returns				23
<b>Profit before tax</b>				<b>70</b>

	Gross premiums written	Earned premiums net of reinsurance	Claims incurred net of reinsurance	£m Profit before tax
<b>Six months to 30 June 2004</b>				
Commercial	142	113	66	17
Personal lines	122	116	79	7
Risk financing	32	28	16	3
	<b>296</b>	<b>257</b>	<b>161</b>	<b>27</b>
Long term investment return				25
<b>Adjusted operating profit</b>				<b>52</b>
Short term fluctuations in investment returns				(16)
<b>Profit before tax</b>				<b>36</b>

	Gross premiums written	Earned premiums net of reinsurance	Claims incurred net of reinsurance	£m Profit before tax
<b>Year ended 31 December 2004</b>				
Commercial	280	238	138	35
Personal lines	249	244	170	13
Risk financing	95	89	48	5
	<b>624</b>	<b>571</b>	<b>356</b>	<b>53</b>
Long term investment return				45
Share of associated undertakings' operating profit after tax				3
<b>Adjusted operating profit</b>				<b>101</b>
Short term fluctuations in investment returns				39
<b>Profit before tax</b>				<b>140</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (vi) Banking

	£m		
<b>Six months to 30 June 2005</b>	Africa	United Kingdom & Rest of World	Total
Interest and similar income	1,017	40	1,057
Interest expense and similar charges	(685)	(27)	(712)
Net interest income	332	13	345
Dividend income	15	-	15
Fees and commission receivable	257	1	258
Fees and commission payable	(35)	(1)	(36)
Other operating income	66	11	77
Foreign currency translation gain	14	-	14
Total operating income	649	24	673
Losses on loans and advances	(53)	-	(53)
Operating expenses	(437)	(10)	(447)
	159	14	173
Share of associated undertakings' operating profit after tax	3	-	3
<b>Adjusted operating profit</b>	<b>162</b>	<b>14</b>	<b>176</b>
Loss on disposal of investment in subsidiaries	(1)	-	(1)
<b>Profit before tax</b>	<b>161</b>	<b>14</b>	<b>175</b>

During the period the Group's banking subsidiary incurred a loss of £1m in connection with the liquidation of certain joint venture operations.

	£m		
<b>Six months to 30 June 2004</b>	Africa	United Kingdom & Rest of World	Total
Interest and similar income	943	36	979
Interest expense and similar charges	(677)	(27)	(704)
Net interest income	266	9	275
Dividend income	4	-	4
Fees and commission receivable	196	9	205
Fees and commission payable	(14)	(2)	(16)
Other operating income	54	9	63
Foreign currency translation loss	(8)	-	(8)
Total operating income	498	25	523
Losses on loans and advances	(33)	-	(33)
Operating expenses	(417)	(14)	(431)
	48	11	59
Share of associated undertakings' operating profit after tax	6	-	6
<b>Adjusted operating profit</b>	<b>54</b>	<b>11</b>	<b>65</b>
Goodwill impairments	(33)	-	(33)
Profit on disposal of investment in subsidiaries	-	11	11
<b>Profit before tax</b>	<b>21</b>	<b>22</b>	<b>43</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (vi) Banking *continued*

			£m
<b>Year to 31 December 2004</b>	Africa	United Kingdom & Rest of World	Total
Interest and similar income	1,968	61	2,029
Interest expense and similar charges	(1,402)	(38)	(1,440)
Net interest income	566	23	589
Dividend income	12	-	12
Fees and commission receivable	476	39	515
Fees and commission payable	(59)	(2)	(61)
Other operating income	227	12	239
Foreign currency translation loss	(24)	-	(24)
Total operating income	1,198	72	1,270
Losses on loans and advances	(102)	(2)	(104)
Operating expenses	(904)	(47)	(956)
	192	23	215
Share of associated undertakings' operating profit after tax	11	-	11
<b>Adjusted operating profit</b>	<b>203</b>	<b>23</b>	<b>226</b>
Goodwill impairments	(33)	-	(33)
Loss on disposal of investment in subsidiaries	(10)	-	(10)
<b>Profit before tax</b>	<b>160</b>	<b>23</b>	<b>183</b>

To reflect more accurately the banking margin on banking assets by excluding trading activities, certain trading revenues have been reclassified from net interest income to non-interest revenue.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (vii) Asset management

<b>Six months to 30 June 2005</b>	Revenue	Expenses	£m Profit Before tax
<b>Africa</b>			
Fund management			
Old Mutual Asset Managers	28	(15)	13
Old Mutual Unit Trust	14	(10)	4
Other	26	(21)	5
	68	(46)	22
Old Mutual Specialised Finance	25	(15)	10
Nedbank unit trusts and portfolio management	18	(13)	5
	111	(74)	37
	191	(140)	51
<b>US asset management</b>			
<b>United Kingdom &amp; Rest of World</b>			
Fund management	38	(29)	9
Fund investment platform	7	(9)	(2)
Other financial services	8	(8)	-
Nedbank unit trusts and portfolio management	4	(4)	-
	57	(50)	7
<b>Adjusted operating profit</b>	<b>359</b>	<b>(264)</b>	<b>95</b>
Loss on disposal of investment in subsidiaries	-	(3)	(3)
<b>Profit before tax</b>	<b>359</b>	<b>(267)</b>	<b>92</b>

During March 2005, the Group disposed of its interests in UAM Japan for £4 million cash consideration, resulting in a loss on disposal of £3 million. No tax was payable.

Notes to the Consolidated Financial Statements *continued*  
for the six months ended 30 June 2005

**3 SEGMENT INFORMATION** *continued*

**(vii) Asset management** *continued*

<b>Six months to 30 June 2004</b>	Revenue	Expenses	£m Profit before tax
<b>Africa</b>			
Fund management	20	(11)	9
Old Mutual Asset Managers	10	(8)	2
Old Mutual Unit Trust	8	(7)	1
Other	38	(26)	12
Old Mutual Specialised Finance	22	(14)	8
Nedbank unit trusts and portfolio management	21	(19)	2
	81	(59)	22
<b>US asset management</b>	177	(130)	47
<b>United Kingdom &amp; Rest of World</b>			
Fund management	24	(16)	8
Fund investment platform	3	(6)	(3)
Other financial services	7	(12)	(5)
Nedbank unit trusts and portfolio management	27	(20)	7
	61	(54)	7
<b>Adjusted operating profit</b>	319	(243)	76
Profit on disposal of investment in subsidiaries	1	-	1
Fines and penalties	-	(49)	(49)
<b>Profit before tax</b>	320	(292)	28

# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 3 SEGMENT INFORMATION *continued*

### (vii) Asset management *continued*

<b>Year ended 31 December 2004</b>	Revenue	Expenses	£m Profit before tax
<b>Africa</b>			
Fund management			
Old Mutual Asset Managers	44	(24)	20
Old Mutual Unit Trust	23	(19)	4
Other	39	(30)	9
	106	(73)	33
Old Mutual Specialised Finance	35	(22)	13
Nedbank unit trusts and portfolio management	32	(24)	8
	173	(119)	54
<b>US asset management</b>	366	(279)	87
<b>United Kingdom &amp; Rest of World</b>			
Fund management	63	(52)	13
Fund investment platform	9	(15)	(6)
Other financial services	9	(27)	(18)
Nedbank unit trusts and portfolio management	34	(28)	6
	117	(122)	(5)
<b>Adjusted operating profit</b>	656	(520)	136
Loss on disposal of investments in subsidiaries	-	(17)	(17)
Fines and penalties	-	(49)	(49)
<b>Profit before tax</b>	656	(586)	70

<b>US asset management</b>	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Revenue</b>			
Investment management fees	167	153	315
Transaction, performance and other fees	24	24	51
	191	177	366
<b>Expenses</b>			
Staff costs – fixed and variable	(108)	(56)	(121)
Other	(32)	(74)	(158)
	(140)	(130)	(279)
<b>Adjusted operating profit</b>	51	47	87
Fines and penalties	-	(49)	(49)
(Loss) / profit on disposal of investments in subsidiaries	(3)	1	(5)
<b>Profit before tax</b>	48	(1)	33

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (viii) Other shareholders income and expenses

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
Distribution of unclaimed share trust	2	-	16
Provisions for contributions to public benefit and charitable organisations	(2)	-	(16)
Interest receivable	8	4	9
Net other income / (expenses)	(2)	6	-
Net corporate expenses	(17)	(19)	(39)
<b>Adjusted operating loss</b>	<b>(11)</b>	<b>(9)</b>	<b>(30)</b>

In accordance with proposals announced by the Company on 23 February 2004 and approved by its shareholders on 14 May 2004, during the period the Company received £2 million from Old Mutual South Africa Unclaimed Shares Trusts. This amount represents final settlement of accumulated dividends and interest accrued in respect of shares of the Company unclaimed at 12 July 2004, being five years after the demutualisation of the South Africa Mutual Life Assurance Society. It is the firm intention of the Board that all of this money will eventually be distributed to public benefit and charitable organisations and, therefore, full provision has been made for the cost of making such distributions.

Notes to the Consolidated Financial Statements *continued*  
for the six months ended 30 June 2005

**3 SEGMENT INFORMATION** *continued*

**(ix) Funds under management**

				£m
<b>At 30 June 2005</b>	Africa	North America	United Kingdom & Rest of World	Total
<b>Life investments</b>	21,445	11,457	2,140	35,042
<b>Africa</b>				
Fund management				
Old Mutual Asset Managers	6,961	-	-	6,961
Old Mutual Unit Trust	359	-	-	359
Other	1,030	-	-	1,030
	<b>8,350</b>	<b>-</b>	<b>-</b>	<b>8,350</b>
Nedbank unit trusts and portfolio management	4,554	-	-	4,554
	<b>12,904</b>	<b>-</b>	<b>-</b>	<b>12,904</b>
<b>US asset management</b>	-	100,037	5,336	105,373
<b>United Kingdom &amp; Rest of World</b>				
Fund management	-	-	2,725	2,725
Fund investment platform	-	-	753	753
Other financial services	-	-	81	81
Nedbank unit trusts and portfolio management	-	-	1,606	1,606
	<b>-</b>	<b>-</b>	<b>5,165</b>	<b>5,165</b>
<b>Total funds under management</b>	<b>34,349</b>	<b>111,494</b>	<b>12,641</b>	<b>158,484</b>



Notes to the Consolidated Financial Statements *continued*  
for the six months ended 30 June 2005

**3 SEGMENT INFORMATION** *continued*

**(ix) Funds under management** *continued*

				£m
<b>At 31 December 2004</b>	Africa	North America	United Kingdom & Rest of World	Total
<b>Life investments</b>	20,879	10,714	2,997	34,590
<b>Africa</b>				
Fund management				
Old Mutual Asset Managers	8,011	-	-	8,011
Old Mutual Unit Trust	288	-	-	288
Other	1,016	-	-	1,016
	9,315	-	-	9,315
Nedbank unit trusts and portfolio management	4,541	-	-	4,541
	13,856	-	-	13,856
<b>US asset management</b>	-	80,289	6,561	86,850
<b>United Kingdom &amp; Rest of World</b>				
Fund management	-	-	2,210	2,210
Fund investment platform	-	-	531	531
Other financial services	-	-	270	270
Nedbank unit trusts and portfolio management	-	-	1,817	1,817
	-	-	4,828	4,828
<b>Total funds under management</b>	34,735	91,003	14,386	140,124

Notes to the Consolidated Financial Statements *continued*  
for the six months ended 30 June 2005

**3 SEGMENT INFORMATION** *continued*

**(ix) Funds under management** *continued*

				£m
<b>At 30 June 2004</b>	Africa	North America	United Kingdom & Rest of World	Total
<b>Life Investments</b>	18,937	9,477	2,309	30,723
<b>Africa</b>				
Fund management				
Old Mutual Asset Managers	6,318	-	-	6,318
Old Mutual Unit Trust	351	-	-	351
Other	803	-	-	803
	7,472	-	-	7,472
Nedbank unit trusts and portfolio management	3,944	-	-	3,944
	11,416	-	-	11,416
<b>US asset management</b>	-	75,559	5,761	81,320
<b>United Kingdom &amp; Rest of World</b>				
Fund management	-	-	2,063	2,063
Fund investment platform	-	-	350	350
Other financial services	-	-	281	281
Nedbank unit trusts and portfolio management	-	-	3,803	3,803
	-	-	6,497	6,497
<b>Total funds under management</b>	30,353	85,036	14,567	129,956

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 4 INSURANCE LONG TERM INVESTMENT RETURNS

Adjusted operating profit is stated after allocating an investment return earned by the insurance businesses based on a long term investment return.

For the South African and Namibian long term business, the return is applied to an average value of investible equity holders' assets, adjusted for net fund flows. For general insurance business, the return is an average value of investible assets supporting equity holders' funds and insurance liabilities, adjusted for net fund flows. For the US long term business, the return earned by assets, mainly bonds, has been smoothed with reference to the actual yield earned by the portfolio. Short term fluctuations in investment returns represent the difference between actual return and long term investment return.

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

	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004
<b>South Africa and Namibian long term business and general insurance – weighted average return</b>	<b>11.1%</b>	<b>13.0%</b>	<b>12.5%</b>
Equities	13.0%	14.0%	14.0%
Cash and other investible assets – Rand denominated	9.0%	12.5%	11.0%
Cash and other investible assets – other currencies	6.0%	9.0%	8.0%
<b>United States</b>	<b>5.85%</b>	<b>6.09%</b>	<b>6.00%</b>

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

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Analysis of short term fluctuations in investment returns</b>			
<b>Long term business</b>			
Actual investment return attributable to equity holders	168	43	303
Long term investment return	58	75	145
	110	(32)	158
<b>General insurance business</b>			
Actual investment return attributable to equity holders	46	9	84
Long term investment return	23	25	45
	23	(16)	39
<b>Short term fluctuations in investment returns</b>	<b>133</b>	<b>(48)</b>	<b>197</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 5 FINES AND PENALTIES

On 21 June 2004, the US asset management affiliate, Liberty Ridge Capital Inc. (formerly known as Pilgrim Baxter & Associates Ltd (PBA)), reached agreements with the US Securities and Exchange Commission (SEC) and the Office of the New York State Attorney General (NYAG) which settle all charges brought by these authorities against PBA in relation to market timing in the US mutual fund business.

PBA agreed to pay \$40 million in disgorgement of past fees, as well as \$50 million in civil penalties. This resulted in a charge of £49 million for the period ended 30 June 2004, which has been taken to the income statement in the Group's financial statements, but excluded from adjusted operating profit. Tax deductions have been recognised on the disgorgement of past fees, resulting in a tax credit of £8 million.

In addition PBA will reduce fees to investors by approximately \$10 million over the five years from 2004.

There are several related private lawsuits arising from the conduct alleged in the civil suits filed by the SEC and NYAG. These class action lawsuits were consolidated into a single lawsuit along with all other cases against US parties alleging market timing and late trading violations. Proceedings in this case are at a preliminary stage and it is not possible to say, at this time, whether or not the amount of the ultimate liability to be borne by the Group will be material. As a result, no amount has been recognised for additional fines or other penalties that may arise, as significant uncertainty remains over the quantum of any settlement.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 6 INCOME TAX EXPENSE

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Current tax:</b>			
Africa	115	94	291
North America	(2)	5	10
Rest of World	3	2	1
Prior year adjustment	10	4	10
Secondary tax on companies (STC)	8	8	10
<b>United Kingdom tax</b>			
UK corporation tax	-	2	(5)
<b>Total current tax</b>	<b>134</b>	<b>115</b>	<b>317</b>
<b>Deferred tax:</b>			
Origination / (reversal) of temporary differences	50	5	7
Changes in tax rates / bases	3	-	-
Write down of deferred tax assets	(6)	-	20
<b>Total deferred tax</b>	<b>47</b>	<b>5</b>	<b>27</b>
<b>Total income tax expense</b>	<b>181</b>	<b>120</b>	<b>344</b>
<b>The reported tax charge is analysed as follows:</b>			
Adjusted operating profit	133	109	244
Short term fluctuations in investment returns	27	(4)	46
Fines and penalties	-	(8)	(8)
<b>Total income tax expense excluding income tax attributable to policyholder returns</b>	<b>160</b>	<b>97</b>	<b>282</b>
Income tax attributable to policyholder returns	21	23	62
<b>Total income tax expense</b>	<b>181</b>	<b>120</b>	<b>344</b>

Notes to the Consolidated Financial Statements *continued*  
for the six months ended 30 June 2005

**6 INCOME TAX EXPENSE** *continued*

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Reconciliation of tax charge</b>			
Profit before tax	<b>674</b>	312	1,036
Tax at standard rate of 30% (2004- 30%)	<b>202</b>	94	311
Different tax rate or basis on overseas operations	<b>(10)</b>	2	1
Untaxed and low taxed income	<b>(51)</b>	(28)	(85)
Disallowable expenses	<b>21</b>	36	74
Net movement on deferred tax assets not recognised	<b>1</b>	-	1
STC	<b>8</b>	8	10
Income tax attributable to policyholder returns	<b>14</b>	16	43
Other	<b>(4)</b>	(8)	(11)
<b>Total income tax charge for period</b>	<b>181</b>	120	344

Effective January 2005, corporation tax rates in South Africa reduced from 30% to 29%. The impact of this change on the Group's net deferred tax rate balances was a reduction of £3 million.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 7 EARNINGS AND EARNINGS PER SHARE

#### 7(a) Adjusted EPS

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 life funds' investments in Group equity and debt investments. For all businesses, adjusted operating profit excludes goodwill impairments, fines and penalties, profit/ (loss) on disposal of investments in subsidiaries after operating profit, and income from hedging activities that do not qualify for hedge accounting.

The reconciliation of adjusted operating profit after tax attributable to equity holders to profit for the financial period is as follows:

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Adjusted operating profit after tax attributable to equity holders</b>	<b>317</b>	256	557
Goodwill impairments	(2)	(17)	(17)
Loss / (profit) on disposal of subsidiaries	(4)	6	(21)
Short term fluctuations in investment returns	104	(42)	149
Income from hedging activities that do not qualify for hedge accounting	-	5	31
Investment return adjustment for Group equity and debt instruments held in life funds	(28)	(26)	(99)
Fines and penalties	-	(41)	(41)
<b>Profit for the financial period attributable to equity holders</b>	<b>387</b>	141	559

The adjusted weighted average number of shares is calculated as follows:

	6 months to 30 June 2005	6 months to 30 June 2004	Millions Year to 31 December 2004
Total weighted average number of ordinary shares in issue	3,855	3,840	3,844
Shares held in charitable foundation	(10)	(10)	(10)
Shares held in ESOP Trusts	(92)	(95)	(96)
<b>Adjusted weighted average number of ordinary shares</b>	<b>3,753</b>	3,735	3,738
Shares held in policyholders funds	(286)	(316)	(316)
<b>Weighted average number of ordinary shares</b>	<b>3,467</b>	3,419	3,422
<b>Adjusted operating earnings per share (p)</b>	<b>8.4</b>	6.9	14.9

#### 7(b) Basic EPS

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period excluding own shares held in policyholder funds, ESOP trusts and other related undertakings.

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
Profit for the financial period attributable to equity holders (£m)	387	141	559
Weighted average number of ordinary shares (millions)	3,467	3,419	3,422
<b>Basic earnings per share (p)</b>	<b>11.2</b>	4.1	16.3

# Notes to the Consolidated Financial Statements *continued*

## for the six months ended 30 June 2005

### 7 EARNINGS AND EARNINGS PER SHARE *continued*

#### 7(c) Diluted EPS

No adjustment is required in respect of share options as they are economically hedged through the issue of ordinary shares held in ESOP Trusts, which are already excluded from the weighted average number of shares for basic EPS purposes. There were no other potentially dilutive conditions existing at the balance sheet date.

### 8 DIVIDENDS

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
2004 final dividend paid – 3.5p per 10p share	118	-	-
2004 interim dividend paid – 1.75p per 10p share	-	-	60
2003 final dividend paid – 3.1p per 10p share	-	106	106
	<b>118</b>	<b>106</b>	<b>166</b>

Dividends paid to ordinary shareholders, as above, are calculated using the number of shares in issue at payment date less own shares held in ESOP Trusts, policyholders' funds of Group companies and related undertakings.

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

The directors have declared a 2005 interim dividend of 1.85p per share which will be paid on 30 November 2005 to all shareholders on the register at the close of business on 21 October 2005, being the record date for the dividend. No provision have been recognised in respect of this dividend.



Notes to the Consolidated Financial Statements *continued*  
for the six months ended 30 June 2005

**9 GOODWILL AND OTHER INTANGIBLE ASSETS**

				£m
<b>At 30 June 2005</b>	Goodwill	Present value of acquired in-force business	Software development costs	Total
<b>Cost</b>				
Balance at beginning of period	1,215	260	299	1,774
Other acquisitions – separately acquired	-	-	13	13
Foreign exchange and other movements	9	18	(15)	12
Disposals or retirements	-	-	(2)	(2)
<b>Balance at end of period</b>	<b>1,224</b>	<b>278</b>	<b>295</b>	<b>1,797</b>
<b>Amortisation and impairment losses</b>				
Balance at beginning of period	156	171	151	478
Amortisation charge for the period	-	9	20	29
Impairment charge for the period	2	-	-	2
Foreign exchange and other movements	(15)	6	(2)	(11)
Disposals or retirements	-	-	(3)	(3)
<b>Balance at end of period</b>	<b>143</b>	<b>186</b>	<b>166</b>	<b>495</b>
<b>Carrying amount</b>				
At beginning of period	1,059	89	148	1,296
<b>At end of period</b>	<b>1,081</b>	<b>92</b>	<b>129</b>	<b>1,302</b>

Goodwill impairments represent £2 million incurred in respect of the Group's general insurance business in Africa.

Notes to the Consolidated Financial Statements *continued*  
for the six months ended 30 June 2005

**9 GOODWILL AND OTHER INTANGIBLE ASSETS** *continued*

				£m
<b>At 31 December 2004</b>	Goodwill	Present value of acquired in-force business	Software development costs	Total
<b>Cost</b>				
Balance at beginning of year	1,251	279	249	1,779
Acquisitions through business combination	36	-	40	76
Other acquisitions – internally developed	-	-	5	5
Foreign exchange and other movements	(28)	(19)	23	(24)
Disposals or retirements	(44)	-	(18)	(62)
<b>Balance at end of period</b>	<b>1,215</b>	<b>260</b>	<b>299</b>	<b>1,774</b>
<b>Amortisation and impairment losses</b>				
Balance at beginning of year	132	146	92	370
Amortisation charge for the year	-	27	7	34
Impairment losses charged for the year	33	-	43	76
Foreign exchange and other movements	16	(2)	23	37
Disposals or retirements	(25)	-	(14)	(39)
<b>Balance at end of year</b>	<b>156</b>	<b>171</b>	<b>151</b>	<b>478</b>
<b>Carrying amount</b>				
At beginning of year	1,119	133	157	1,409
<b>At end of year</b>	<b>1,059</b>	<b>89</b>	<b>148</b>	<b>1,296</b>

Notes to the Consolidated Financial Statements *continued*  
for the six months ended 30 June 2005

**9 GOODWILL AND OTHER INTANGIBLE ASSETS** *continued*

				£m
<b>At 30 June 2004</b>	Goodwill	Present value of acquired in-force business	Software development costs	Total
<b>Cost</b>				
Balance at beginning of period	1,251	279	249	1,779
Acquisitions through business combination	13	-	9	22
Other acquisitions – internally developed	-	-	2	2
Foreign exchange and other movements	15	(5)	14	24
Disposals or retirements	(2)	-	-	(2)
<b>Balance at end of year</b>	<b>1,277</b>	<b>274</b>	<b>274</b>	<b>1,825</b>
<b>Amortisation and impairment losses</b>				
Balance at beginning of period	132	146	92	370
Amortisation charge for the period	-	32	2	34
Impairment losses charged for the period	33	-	10	43
Foreign exchange and other movements	13	(47)	15	(19)
<b>Balance at end of period</b>	<b>178</b>	<b>131</b>	<b>119</b>	<b>428</b>
<b>Carrying amount</b>				
At beginning of period	1,119	133	157	1,409
<b>At end of period</b>	<b>1,099</b>	<b>143</b>	<b>155</b>	<b>1,397</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 10 BORROWED FUNDS

	At 30 June 2005	At 31 December 2004	£m At 30 June 2004
Debt securities in issue	608	626	439
Subordinated liabilities	482	527	523
Convertible bonds	3	337	357
<b>Total borrowed funds</b>	<b>1,093</b>	<b>1,490</b>	<b>1,319</b>

#### (i) Debt securities in issue

	Average interest rate	At 30 June 2005	At 31 December 2004	£m At 30 June 2004
Floating rate notes	3.6%	163	167	46
Fixed rate notes	4.5%	312	334	310
Term loan	3.2%	25	24	25
Other		46	51	58
		<b>546</b>	<b>576</b>	<b>439</b>
Consolidation of funds		62	50	-
<b>Total debt securities in issue</b>		<b>608</b>	<b>626</b>	<b>439</b>

#### Debt securities comprises:

##### Floating rate notes:

- £24 million repayable November 2006
- £21 million note repayable on 31 December 2010, with the holders having the option to elect for early redemption every six months
- US\$10 million repayable September 2009
- US\$50 million repayable September 2011
- US\$150 million repayable September 2014

##### Fixed rate notes:

- €400 million Euro bond due 2007, capital and interest swapped into fixed rate US Dollars.
- €30 million Euro bond due 2010, capital and interest swapped into floating rate US Dollars.
- €10 million Euro bond due 2010, capital and interest swapped into floating rate US Dollars.
- €20 million Euro bond due 2013, capital and interest swapped into floating rate US Dollars.

The total fair value of the swap derivatives associated with the Fixed Rate Notes is £90 million. These are recognised as assets and are included within the reported 'Derivative financial instruments – assets'.

##### Term loan:

- US\$45 million term loan repayable on 30 June 2006.

##### Other

- R550million redeemable on or after 20 July 2005 at the option of the holders or the Company.

The Company has available a £1,100 million five year multi-currency Revolving Credit Facility which matures during May 2009. The facility is undrawn as at 30 June 2005.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 10 BORROWED FUNDS *continued*

#### (ii) Subordinated liabilities

	At 30 June 2005	At 31 December 2004	£m At 30 June 2004
US\$40 million repayable 17 April 2008 (6 month LIBOR)	22	21	22
US\$18 million repayable 31 August 2009 (6 month LIBOR less 1.5 per cent.)	10	9	10
R515 million repayable 4 December 2008 (13.5 per cent.)	45	49	48
R2.0 billion repayable 20 September 2011 (11.3 per cent.) *	173	190	183
R4.0 billion repayable 9 July 2012 (13.0 per cent.) *	355	392	376
Other	-	-	15
	<b>605</b>	<b>661</b>	<b>654</b>
Less: subordinated debt held by other group companies	<b>(123)</b>	<b>(134)</b>	<b>(131)</b>
<b>Total subordinated liabilities</b>	<b>482</b>	<b>527</b>	<b>523</b>

The subordinated notes rank behind the claims against the Group depositors and other unsecured unsubordinated creditors. None of the Group's subordinated notes are secured.

\* These notes are subordinated to all unsecured unsubordinated claims against the issuer, Nedbank Limited, but rank equally with all other unsecured subordinated obligations. Subject to prior approval by the South African Registrar of Banks, Nedbank Limited has the option to elect for early redemption of these notes.

#### (iii) Convertible Bonds

	Average interest rate	At 30 June 2005	At 31 December 2004	£m At 30 June 2004
Convertible bond US\$636 million matured 2 May 2005	3.625%	-	331	348
Compulsory convertible loan maturing 6 November 2005	13.75%	1	2	3
Compulsory convertible loan maturing 31 December 2005	18.12%	2	4	6
<b>Total convertible bonds</b>		<b>3</b>	<b>337</b>	<b>357</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 11 MINORITY INTERESTS

#### 11 (a) Ordinary shares

	6 months to 30 June 2005	Year to 31 December 2004	£m 6 months to 30 June 2004
<b>Reconciliation of movements in minority interests</b>			
Balance at beginning of period	800	579	579
Minority interests' share of profit	78	74	24
Minority interests' share of dividends paid	(19)	(25)	(5)
Net acquisition/(disposal) of interests	24	66	66
Foreign exchange and other movements	(124)	106	36
<b>Balance at end of period</b>	<b>759</b>	<b>800</b>	<b>700</b>

	6 months to 30 June 2005	Year to 31 December 2004	£m 6 months to 30 June 2004
<b>Reconciliation of minority interests share of profit</b>			
The minority interest charge is analysed as follows:			
Adjusted operating profit	76	94	36
Goodwill impairments	-	(16)	(16)
Short term fluctuations in investment returns	2	2	(2)
(Loss) / profit on disposal of investment in subsidiaries	-	(6)	6
<b>Reported charge</b>	<b>78</b>	<b>74</b>	<b>24</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 11 MINORITY INTERESTS *continued*

#### 11(b) Preferred securities

	£m		
	6 months to 30 June 2005	Year to 31 December 2004	6 months to 30 June 2004
R2,000 million non-cumulative preference shares <sup>(1)</sup>	140	140	140
R792 million non-cumulative preference shares <sup>(2)</sup>	71	71	71
US \$750 million cumulative preferred securities <sup>(3)</sup>	458	458	458
Other <sup>(4)</sup>	6	7	5
	<b>675</b>	<b>676</b>	<b>674</b>
Unamortised issue costs	<b>(13)</b>	<b>(14)</b>	<b>(12)</b>
	<b>662</b>	<b>662</b>	<b>662</b>
Deduct: preferred securities held by other group companies	<b>(9)</b>	<b>(14)</b>	<b>(13)</b>
<b>Balance at end of period</b>	<b>653</b>	<b>648</b>	<b>649</b>

Preferred securities are held at historic value of consideration received less unamortised issue costs, converted at historical exchange rates.

<sup>(1)</sup> 200 million R10 preference shares issued by Nedbank Limited (Nedbank), the Group's banking subsidiary. These shares are non-redeemable and non-cumulative and pay a cash dividend equivalent to 75% of the prime overdraft interest rate of Nedbank. Preference shareholders are only entitled to vote during periods when a dividend or any part of it remains unpaid after the due date for payment and when resolutions are proposed that directly affect any rights attaching to the shares or the rights of the holders. Preference shareholders will be entitled to receive their dividends in priority to any payment of dividends made in respect of any other class of Nedbank's shares.

<sup>(2)</sup> 77.3 million R10 preference shares issued at R10.68 per share by Nedbank on the same terms as the securities described in (1) above.

<sup>(3)</sup> US\$750 million Guaranteed Cumulative Perpetual Preference Securities issued on 19 May 2003 by Old Mutual Capital Funding L.P., a subsidiary of the Group. Subject to certain limitations, holders of these securities are entitled to receive preferential cash distributions at a fixed rate of 8.0% per annum payable in arrear on a quarterly basis. The Group may defer payment of distributions in its sole discretion, but such an act may restrict Old Mutual plc from paying dividends on its ordinary shares for a period of 12 months. Arrears of distributions are payable cumulatively only on redemption of the securities or at the Group's option. The securities are perpetual, but may be redeemed at the discretion of the Group from 22 December 2008. The costs of issue are being amortised over the period to 22 December 2008.

<sup>(4)</sup> The Group has a general insurance subsidiary that offers clients a share of underwriting surpluses which accrue in respect of certain policies and which is payable in the form of a preference dividend.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 12 CONTINGENT LIABILITIES

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
Guarantees and assets pledged as collateral security	836	954	994
Irrevocable letters of credit	324	280	323
Secured lending	584	633	596
Other contingent liabilities	127	41	209
	<b>1,871</b>	<b>1,908</b>	<b>2,122</b>

### 13 POST BALANCE SHEET EVENTS: BLACK ECONOMIC EMPOWERMENT

On 19 April 2005, the Group announced its intention to implement certain Black Economic Empowerment ownership proposals which will increase black shareholdings in its South African businesses.

The proposals involve the issue of new ordinary shares in Old Mutual plc, Nedbank and Mutual & Federal to various share trusts for the benefit of black employees within the Group and to a number of black controlled entities beneficially owned by black clients or distributors, black community groups and Black Business Partners in South Africa.

Share-based payment costs in accordance with IFRS 2, which are required to be recognised on issue of the Company's shares, are estimated at £25 million. Initial costs to be recognised upon implementation of the Nedbank and Mutual & Federal arrangements are estimated at £10 million.

The proposals were approved by shareholders at an Extraordinary General Meeting and Court Meeting held on 6 July 2005. The proposals in respect of the Company were subject to a scheme of arrangement under section 425 of the Companies Act 1985, which were confirmed by the UK High Court on 18 July 2005.

Implementation of the proposals has taken place during August 2005, resulting in the issue of 230,680,000 new ordinary shares in the Company. Of these, 172,840,000 ordinary shares are to be accounted for as treasury shares. Shareholders' equity will increase by £6 million, being the initial consideration received for the shares.

### 14 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliations from our previously reported UK GAAP results to those results restated under IFRS for all comparative periods have been set out in the Group's Analyst and Investor Briefing and Restatement Document published on 3 May 2005.

Where necessary, certain comparatives have been corrected to ensure consistency in preparation and presentation of results. The impact of the changes is an increase in equity attributable to equityholders of the parent of £22 million as at 31 December 2004 and no impact as at 30 June 2004.



# European Embedded Value Supplementary Information

## for the six months to 30 June 2005

### 1 SUMMARY INCOME STATEMENT ON A EUROPEAN EMBEDDED VALUE BASIS

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Africa</b>			
Covered business	261	281	652
Asset management	37	22	54
Banking	162	54	203
General insurance	49	52	101
	<b>509</b>	<b>409</b>	<b>1,010</b>
<b>North America</b>			
Covered business	83	53	77
Asset management	51	47	87
	<b>134</b>	<b>100</b>	<b>164</b>
<b>United Kingdom &amp; Rest of World</b>			
Covered business	1	-	4
Asset management	7	7	(5)
Banking	14	11	23
	<b>22</b>	<b>18</b>	<b>22</b>
Debt service costs	(19)	(24)	(49)
Other shareholders' income / (expenses)	(8)	(6)	(23)
<b>Adjusted operating profit*</b>	<b>638</b>	<b>497</b>	<b>1,124</b>
Goodwill impairments	(2)	(33)	(33)
(Loss) / profit on disposal of investments in subsidiaries	(4)	12	(27)
Short term fluctuations in investment returns (including economic assumption changes)			
Covered business	210	(216)	271
Other	23	(16)	39
Other covered business changes**	49	-	(230)
Income from hedging activities that do not qualify for hedge accounting	-	5	31
Investment return adjustment for Group equity and debt instruments held in life funds	(28)	(26)	(99)
Fines and penalties	-	(49)	(49)
<b>Profit before tax</b>	<b>886</b>	<b>174</b>	<b>1,027</b>
Income tax attributable to equity holders	(218)	(53)	(271)
<b>Profit for the financial period</b>	<b>668</b>	<b>121</b>	<b>756</b>
Minority interests – ordinary shares	(78)	(24)	(74)
– preferred securities	(28)	(27)	(59)
<b>Profit for the financial period attributable to equity holders</b>	<b>562</b>	<b>70</b>	<b>623</b>

\* For life assurance and general insurance business, EEV adjusted operating profit is based on the expected investment return and includes investment returns on own shares held within policyholders' funds. For all businesses, adjusted operating profit excludes goodwill impairments, fines and penalties, income from hedging activities that do not qualify for hedge accounting, and (loss)/profit on disposal of subsidiaries. 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 analysis of covered business embedded value results in Section 7.

# European Embedded Value Supplementary Information

## for the six months to 30 June 2005

### 1 SUMMARY INCOME STATEMENT ON A EUROPEAN EMBEDDED VALUE BASIS *continued*

The adjusted operating profit after tax attributable to equity holders is determined as follows:

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Adjusted operating profit</b>	<b>638</b>	497	1,124
Tax on adjusted operating profit	<b>(154)</b>	(133)	(230)
	<b>484</b>	364	894
Minority interests – ordinary shares	<b>(76)</b>	(36)	(94)
– preferred securities	<b>(28)</b>	(27)	(59)
<b>Adjusted operating profit after tax attributable to equity holders</b>	<b>380</b>	301	741

	6 months to 30 June 2005	6 months to 30 June 2004	p Year to 31 December 2004
<b>Embedded value earnings per share attributable to equity holders</b>			
Adjusted operating earnings per share	<b>10.1</b>	8.1	19.8
Basic earnings per share	<b>16.2</b>	2.0	18.2
<b>Adjusted weighted average number of shares – millions</b>	<b>3,753</b>	3,735	3,738
<b>Weighted average number of shares – millions</b>	<b>3,467</b>	3,419	3,422

# European Embedded Value Supplementary Information

for the six months to 30 June 2005

## 1 SUMMARY INCOME STATEMENT ON A EUROPEAN EMBEDDED VALUE BASIS *continued*

	<b>£m</b>		
	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004
<b>Adjusted operating profit for the covered business</b>	<b>345</b>	334	733
Africa	261	281	652
North America	83	53	77
United Kingdom & Rest of World	1	-	4
<b>Tax on adjusted operating profit for the covered business</b>	<b>99</b>	101	203
Africa	75	85	180
North America	24	16	23
United Kingdom & Rest of World	-	-	-
<b>Adjusted operating profit after tax for the covered business</b>	<b>246</b>	233	530
Africa	186	196	472
North America	59	37	54
United Kingdom & Rest of World	1	-	4
<b>Reconciliation of tax on adjusted operating profit</b>			
Tax on adjusted operating profit for the covered business	99	101	203
Tax on adjusted operating profit for other business	55	32	27
<b>Tax on adjusted operating profit</b>	<b>154</b>	133	230

# European Embedded Value Supplementary Information

## for the six months ended 30 June 2005

### 2 RECONCILIATION OF MOVEMENTS IN GROUP EMBEDDED VALUE

	6 months to 30 June 2005	6 months to 30 June 2004	£m Year to 31 December 2004
<b>Group embedded value at the beginning of the year</b>	<b>4,407</b>	3,641	3,641
<b>Change in equity arising in the period</b>			
Fair value gains / (losses)	23	40	64
Fair value of equity settled share options	4	1	3
Currency translation differences / exchange differences on translating foreign operations	(223)	171	138
Cash flow hedge amortisation	2	(2)	(4)
Aggregate tax effect of items taken directly to or transferred from equity	-	(6)	-
Other	(168)	(10)	68
<b>Net income recognised</b>	<b>(362)</b>	194	269
Profit for the period	562	70	623
<b>Total recognised income and expense for the period</b>	<b>200</b>	264	892
Dividend for the period	(118)	(106)	(166)
Purchase / sale of treasury shares	(7)	(5)	25
Issue of perpetual preferred callable securities	347	-	-
Exercise of share options	3	8	15
<b>Group embedded value at the end of the period</b>	<b>4,832</b>	3,802	4,407

### 3 COMPONENTS OF GROUP EMBEDDED VALUE

	At 30 June 2005	At 31 December 2004	£m At 30 June 2004
<b>Shareholders' adjusted net worth</b>	<b>3,180</b>	2,933	2,573
Equity shareholders' funds	3,844	3,286	2,796
Adjustment to include life subsidiaries on a statutory solvency basis:			
Africa	79	216	156
North America	(756)	(577)	(370)
United Kingdom & Rest of World	(8)	(7)	(13)
Adjustment for discounting CGT	21	15	4
<b>Value of in-force business</b>	<b>1,652</b>	1,474	1,229
Value of in-force business before items listed below	2,032	1,918	1,482
Additional time-value reserves for financial options and guarantees	(67)	(74)	(66)
Cost of required capital	(310)	(368)	(185)
Minority interest in value of in-force	(3)	(2)	(2)
<b>Group embedded value</b>	<b>4,832</b>	4,407	3,802

## European Embedded Value Supplementary Information for the six months to 30 June 2005

### 3 COMPONENTS OF GROUP EMBEDDED VALUE *continued*

	At 30 June 2005	At 31 December 2004	£m At 30 June 2004
<b>Pro-forma adjustments to bring Group investments to market value</b>			
<b>Group embedded value</b>	<b>4,832</b>	4,407	3,802
Adjustment to bring listed subsidiaries to market value	482	609	272
Adjustment for market value of Group equity and debt instruments held in life funds	339	368	312
Adjustment to remove perpetual preferred callable securities	(350)	-	-
<b>Adjusted Group embedded value</b>	<b>5,303</b>	5,384	4,386
	p	p	p
<b>Adjusted Group embedded value per share</b>	<b>137.5</b>	139.7	114.0
<b>Return on adjusted Group embedded value (ROEV) % p.a.</b>	<b>15.4%</b>	19.0%	15.3%
Number of shares in issue at the end of the period including own shares held in policyholders' funds – millions	3,857	3,854	3,849

The adjustments to include life subsidiaries on a statutory solvency basis reflect the difference between the net worth of each life subsidiary on the statutory basis (as required by the local regulator) and their portion of the group's consolidated equity shareholders' funds. In Africa, these values exclude items that are eliminated or shown separately on consolidation (such as Nedbank, Mutual & Federal and inter-company loans).

The ROEV is calculated as the adjusted operating profit after tax and minorities of £380 million together with an expected equity return on the pro-forma adjustment of £32 million divided by the opening adjusted embedded value increased / (reduced) by the weighted value of any capital raised / (dividends paid).

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 4 RECONCILIATION OF EMBEDDED VALUE OF THE COVERED BUSINESS WITH THE ADJUSTED EMBEDDED VALUE

	£m		
	At 30 June 2005	At 31 December 2004	At 30 June 2004
<b>Embedded value of the covered business</b>	<b>3,603</b>	3,555	2,944
Adjusted net worth	1,951	2,081	1,715
Value of in-force business*	1,652	1,474	1,229
<b>Adjusted net worth of asset management businesses</b>	<b>1,174</b>	990	969
Africa	145	101	132
North America	1,029	889	837
<b>Market value banking</b>			
Africa	1,368	1,442	1,102
<b>Market value general insurance</b>			
Africa	414	486	405
<b>Net other business</b>	<b>160</b>	168	134
<b>Preferred securities</b>	<b>(458)</b>	(458)	(458)
<b>Perpetual preferred callable securities</b>	<b>(350)</b>	-	-
<b>Debt</b>	<b>(608)</b>	(799)	(710)
Rand denominated	(46)	(60)	(59)
US\$ denominated	(517)	(687)	(651)
£ denominated	(45)	(52)	-
<b>Adjusted Group embedded value</b>	<b>5,303</b>	5,384	4,386

\* Net of minority interests

# European Embedded Value Supplementary Information

## for the six months to 30 June 2005

### 5 COMPONENTS OF EMBEDDED VALUE OF THE COVERED BUSINESS

	At 30 June 2005	At 31 December 2004	£m At 30 June 2004
<b>Embedded value of the covered business</b>	<b>3,603</b>	3,555	2,944
Adjusted net worth	1,951	2,081	1,715
Value of in-force business	1,652	1,474	1,229
<b>Africa</b>			
<b>Adjusted net worth</b>	<b>1,407</b>	1,537	1,224
Required capital (equivalent to 152% of statutory minimum capital at 30 June 2005)	1,395	1,595	1,480
Free surplus	12	(58)	(256)
<b>Value of in-force business</b>	<b>1,014</b>	1,005	852
Value of in-force business before items listed below	1,284	1,343	1,013
Additional time-value reserves for financial options and guarantees*	(37)	(49)	(44)
Cost of required capital	(230)	(287)	(115)
Minority interest in value of in-force	(3)	(2)	(2)
<b>North America</b>			
<b>Adjusted net worth</b>	<b>514</b>	515	468
Required capital (equivalent to 282% of statutory minimum capital at 30 June 2005)	444	451	406
Free surplus	70	64	62
<b>Value of in-force business</b>	<b>613</b>	444	352
Value of in-force business before items listed below	720	547	441
Additional time-value reserves for financial options and guarantees	(30)	(25)	(22)
Cost of required capital	(77)	(78)	(67)
<b>United Kingdom &amp; Rest of World</b>			
<b>Adjusted net worth</b>	<b>30</b>	29	23
Required capital	10	10	10
Free surplus	20	19	13
<b>Value of in-force business</b>	<b>25</b>	25	25
Value of in-force business before items listed below	28	28	28
Additional time-value reserves for financial options and guarantees	-	-	-
Cost of required capital	(3)	(3)	(3)

\* These time-value reserves in respect of financial options and guarantees are in addition to those already held within the policyholder liabilities.

The shareholders' adjusted net worth includes goodwill relating to the North American life subsidiaries of £63 million (December 2004: £59 million, June 2004: £62 million).

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 6 BASIS OF PREPARATION

This supplementary information has been prepared in accordance with the European Embedded Value (EEV) Principles issued in May 2004 by the European Chief Financial Officers' Forum. The results for the six months to 30 June 2005 and the position at that date have been prepared on the same basis as that used in the Group's EEV press release dated 20 June 2005.

There has been no change in the definition of business covered by the EEV Principles ("covered business") as compared with the 20 June 2005 press release. The treatment within this supplementary information of all business other than covered business is unchanged from the primary financial information.

The comparative figures for the financial year ended 31 December 2004, and the results for the six months to 30 June 2004, were presented in the 20 June 2005 EEV press release. However, where necessary, certain comparatives have been corrected to ensure consistency in preparation and presentation of results.

Note 13 to the primary financial information describes the post balance sheet event in respect of the issue of new shares in connection with Black Economic Empowerment. Such shares are subject to a deferred consideration, and the present value of the deferred consideration will be included within the adjusted Group embedded value at 31 December 2005.



# European Embedded Value Supplementary Information

for the six months to 30 June 2005

## 7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (after tax)

	£m			£m			£m		
	6 months to 30 June 2005			6 months to 30 June 2004			Year to 31 December 2004		
<b>Total covered business</b>	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total
<b>Embedded value of the covered business at the beginning of the period</b>	<b>2,081</b>	<b>1,474</b>	<b>3,555</b>	1,832	1,232	3,064	1,832	1,232	3,064
New business contribution	(55)	109	54	(47)	93	46	(103)	211	108
Expected return on existing business – return on VIF	-	89	89	-	73	73	-	148	148
Expected return on existing business – transfer to net worth	101	(101)	-	126	(126)	-	194	(194)	-
Experience variances	4	22	26	25	14	39	13	35	48
Operating assumption changes	(22)	29	7	-	(6)	(6)	15	48	63
Expected return on adjusted net worth	70	-	70	81	-	81	163	-	163
<b>Adjusted operating profit after tax</b>	<b>98</b>	<b>148</b>	<b>246</b>	185	48	233	282	248	530
Investment return variances on in-force business	19	32	51	3	(28)	(25)	30	25	55
Investment return variances on adjusted net worth	86	-	86	(66)	-	(66)	72	-	72
Effect of economic assumption changes	-	26	26	-	(61)	(61)	-	51	51
Effect of changes in and cost of required capital	-	32	32	-	-	-	-	(143)	(143)
<b>Profit after tax</b>	<b>203</b>	<b>238</b>	<b>441</b>	122	(41)	81	384	181	565
Exchange rate movements	(108)	(60)	(168)	53	38	91	104	61	165
Capital injected to covered business	14	-	14	9	-	9	164	-	164
Amounts released from covered business	(119)	-	(119)	(30)	-	(30)	(122)	-	(122)
Transfer from covered business to other segments	(120)	-	(120)	(271)	-	(271)	(281)	-	(281)
<b>Embedded value of the covered business at the end of the period</b>	<b>1,951</b>	<b>1,652</b>	<b>3,603</b>	1,715	1,229	2,944	2,081	1,474	3,555

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (after tax) *continued*

	£m				£m				£m			
	6 months to 30 June 2005				6 months to 30 June 2004				Year to 31 December 2004			
<b>Africa covered business</b>	Adjusted net worth	In-force Individual	Value of business Group	Total	Adjusted net worth	In-force Individual	Value of business Group	Total	Adjusted net worth	In-force Individual	Value of business Group	Total
<b>Embedded value of the covered business at the beginning of the period</b>	<b>1,537</b>	<b>676</b>	<b>329</b>	<b>2,542</b>	1,355	512	355	2,222	1,355	512	355	2,222
New business contribution	(16)	31	10	25	(8)	26	8	26	(16)	66	14	64
Expected return on existing business – return on VIF	-	40	25	65	-	32	24	56	-	68	50	118
Expected return on existing business – transfer to net worth	91	(64)	(27)	-	70	(49)	(21)	-	147	(102)	(45)	-
Experience variances	28	1	(2)	27	28	1	11	40	75	9	(19)	65
Operating assumption changes	(12)	13	9	10	-	1	-	1	10	70	(1)	79
Expected return on adjusted net worth	59	-	-	59	73	-	-	73	146	-	-	146
<b>Adjusted operating profit after tax</b>	<b>150</b>	<b>21</b>	<b>15</b>	<b>186</b>	163	11	22	196	362	111	(1)	472
Investment return variances on in-force business	12	26	13	51	3	(8)	(27)	(32)	6	16	13	35
Investment return variances on adjusted net worth	90	-	-	90	(56)	-	-	(56)	78	-	-	78
Effect of economic assumption changes	-	-	-	-	-	(35)	(22)	(57)	-	41	10	51
Effect of changes in and cost of required capital	-	(4)	36	32	-	-	-	-	-	(63)	(80)	(143)
<b>Profit after tax</b>	<b>252</b>	<b>43</b>	<b>64</b>	<b>359</b>	110	(32)	(27)	51	446	105	(58)	493
Exchange rate movements	(142)	(64)	(34)	(240)	61	26	18	105	140	59	32	231
Amounts released from covered business	(119)	-	-	(119)	(30)	-	-	(30)	(122)	-	-	(122)
Transfer from covered business to other segments*	(121)	-	-	(121)	(272)	-	-	(272)	(282)	-	-	(282)
<b>Embedded value of the covered business at the end of the period</b>	<b>1,407</b>	<b>655</b>	<b>359</b>	<b>2,421</b>	1,224	506	346	2,076	1,537	676	329	2,542

\* The transfer from covered business to other segments includes the purchase of additional shares in Nedbank Group Limited, as well as head office expenses.

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

# European Embedded Value Supplementary Information

## for the six months to 30 June 2005

### 7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (after tax) *continued*

North America covered business	£m			£m			£m		
	6 months to 30 June 2005			6 months to 30 June 2004			Year to 31 December 2004		
	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total
<b>Embedded value of the covered business at the beginning of the period</b>	<b>515</b>	<b>444</b>	<b>959</b>	<b>454</b>	<b>340</b>	<b>794</b>	<b>454</b>	<b>340</b>	<b>794</b>
New business contribution	(38)	67	29	(39)	60	21	(86)	131	45
Expected return on existing business - return on VIF	-	23	23	-	16	16	-	28	28
Expected return on existing business - transfer to net worth	9	(9)	-	54	(54)	-	44	(44)	-
Experience variances	(24)	23	(1)	(1)	-	(1)	(58)	43	(15)
Operating assumption changes	(10)	8	(2)	-	(7)	(7)	-	(20)	(20)
Expected return on adjusted net worth	10	-	10	8	-	8	16	-	16
<b>Adjusted operating profit after tax</b>	<b>(53)</b>	<b>112</b>	<b>59</b>	<b>22</b>	<b>15</b>	<b>37</b>	<b>(84)</b>	<b>138</b>	<b>54</b>
Investment return variances on in-force business	7	(7)	-	-	7	7	22	(4)	18
Investment return variances on adjusted net worth	(4)	-	(4)	(10)	-	(10)	(6)	-	(6)
Effect of economic assumption changes		26	26	-	(4)	(4)	-	-	-
<b>Profit after tax</b>	<b>(50)</b>	<b>131</b>	<b>81</b>	<b>12</b>	<b>18</b>	<b>30</b>	<b>(68)</b>	<b>134</b>	<b>66</b>
Exchange rate movements	34	38	72	(8)	(6)	(14)	(36)	(30)	(66)
Capital injected to covered business	14	-	14	9	-	9	164	-	164
Transfer from covered business to other segments*	1	-	1	1	-	1	1	-	1
<b>Embedded value of the covered business at the end of the period</b>	<b>514</b>	<b>613</b>	<b>1,127</b>	<b>468</b>	<b>352</b>	<b>820</b>	<b>515</b>	<b>444</b>	<b>959</b>

\* The transfer from covered business to other segments is head office expenses.

The segmental results of North America include the operating profit generated by Old Mutual Reassurance (Ireland) Limited (OMRe), which provides reinsurance to the North American life companies, and in OMNIA Life (Bermuda) Limited.

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (after tax) *continued*

United Kingdom & Rest of World covered business	£m			£m			£m		
	6 months to 30 June 2005			6 months to 30 June 2004			Year to 31 December 2004		
	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total
<b>Embedded value of the covered business at the beginning of the period</b>	<b>29</b>	<b>25</b>	<b>54</b>	23	25	48	23	25	48
New business contribution	(1)	1	-	-	(1)	(1)	(1)	-	(1)
Expected return on existing business - return on VIF	-	1	1	-	1	1	-	2	2
Expected return on existing business - transfer to net worth	1	(1)	-	2	(2)	-	3	(3)	-
Experience variances	-	-	-	(2)	2	-	(4)	2	(2)
Operating assumption changes	-	(1)	(1)	-	-	-	5	(1)	4
Expected return on adjusted net worth	1	-	1	-	-	-	1	-	1
<b>Adjusted operating profit after tax</b>	<b>1</b>	<b>-</b>	<b>1</b>	-	-	-	4	-	4
Investment return variances on in-force business	-	-	-	-	-	-	2	-	2
Investment return variances on adjusted net worth	-	-	-	-	-	-	-	-	-
<b>Profit after tax</b>	<b>1</b>	<b>-</b>	<b>1</b>	-	-	-	6	-	6
Exchange rate movements	-	-	-	-	-	-	-	-	-
Amounts released from covered business	-	-	-	-	-	-	-	-	-
<b>Embedded value of the covered business at the end of the period</b>	<b>30</b>	<b>25</b>	<b>55</b>	23	25	48	29	25	54

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 8 VALUE OF NEW BUSINESS (after tax)

The tables below set out a geographical analysis of the value of new business (VNB) after tax for the six months to 30 June 2005, six months to 30 June 2004 and the year to 31 December 2004. Annual Premium Equivalent (APE) is calculated as recurring premiums plus 10% of single premiums. New business profitability is measured by both the ratio of the VNB to the APE as well as to the Present Value of new business premiums (PVNBP), and shown under "Margin" below. PVNBP is defined as the present value of regular premiums plus single premiums for any given period. It is calculated using the same assumptions as for the new business contribution.

	Individual business	Group business	Africa	North America	UK & Rest of World	£m Recurring premiums
<b>6 months to 30 June 2005</b>						
Recurring premiums	85	33	118	39	0.2	157
Single premiums	291	162	453	1,081	78	1,612
Annual premium equivalent	114	49	163	147	8	318
Present value of future new business premiums	702	327	1,029	1,269	79	2,377
Value of new business after tax and cost of required capital	15	10	25	29	0.4	54
APE Margin	13%	20%	15%	20%	5%	17%
PVNBP Margin	2.1%	3.1%	2.4%	2.3%	0.5%	2.3%
<b>6 months to 30 June 2004</b>						
Recurring premiums	73	32	105	25	1	131
Single premiums	260	90	350	1,127	53	1,530
Annual premium equivalent	99	41	140	138	6	284
Present value of future new business premiums	617	246	863	1,249	55	2,167
Value of new business after tax and cost of required capital	17	9	26	21	(1)	46
APE Margin	17%	22%	19%	15%	(16%)	16%
PVNBP Margin	2.8%	3.7%	3.0%	1.7%	(1.8%)	2.1%
<b>Year to 31 December 2004</b>						
Recurring premiums	164	58	222	58	1	281
Single premiums	556	214	770	2,157	125	3,052
Annual premium equivalent	220	79	299	274	14	587
Present value of future new business premiums	1,384	526	1,910	2,433	127	4,470
Value of new business after tax and cost of required capital	51	13	64	45	(1)	108
APE Margin	23%	16%	21%	16%	(7%)	18%
PVNBP Margin	3.7%	2.5%	3.4%	1.8%	(0.8%)	2.4%

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 8 VALUE OF NEW BUSINESS (after tax) *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 primary financial information to those shown above, for the six months to 30 June 2005, is set out below.

6 months to 30 June 2005	£m	
	Recurring premiums	Single premiums
New business premiums in the notes to the primary financial information	112	1,098
Add:		
Healthcare business	24	-
Other Investment contracts	21	728
Less:		
North America reinsurance ceded externally	-	(4)
Group market-linked business not valued	-	(142)
Unit trust business not valued	-	(66)
OMART business not valued	-	(2)
<b>New business premiums as per European Embedded Value supplementary information</b>	<b>157</b>	<b>1,612</b>

## European Embedded Value Supplementary Information for the six months to 30 June 2005

### 9 PRODUCT ANALYSIS OF NEW COVERED BUSINESS PREMIUMS

Africa	£m		£m		£m	
	6 months to 30 June 2005 Recurring	Single	6 months to 30 June 2004 Recurring	Single	Year to 31 December 2004 Recurring	Single
<b>Total business</b>	<b>118</b>	<b>453</b>	<b>105</b>	<b>350</b>	<b>222</b>	<b>770</b>
<b>Individual business</b>	<b>85</b>	<b>291</b>	<b>73</b>	<b>260</b>	<b>164</b>	<b>556</b>
Saving	30	216	25	192	53	406
Protection	27	3	22	4	57	7
Annuity	-	71	-	64	-	142
Group schemes	28	1	26	-	54	1
<b>Group business</b>	<b>33</b>	<b>162</b>	<b>32</b>	<b>90</b>	<b>58</b>	<b>214</b>
Saving	2	115	2	77	5	181
Protection	7	-	7	-	12	-
Annuity	-	47	-	13	-	33
Healthcare	24	-	23	-	41	-
<b>Total business*</b>	<b>118</b>	<b>453</b>	<b>105</b>	<b>350</b>	<b>222</b>	<b>770</b>
<b>Individual business</b>	<b>85</b>	<b>291</b>	<b>73</b>	<b>260</b>	<b>164</b>	<b>556</b>
Insurance contracts	42	75	40	62	89	145
Investment contracts with discretionary participating features	22	7	21	11	48	22
Other investment contracts	21	209	12	187	27	389
<b>Group business</b>	<b>33</b>	<b>162</b>	<b>32</b>	<b>90</b>	<b>58</b>	<b>214</b>
Insurance contracts	31	47	29	13	52	31
Investment contracts with discretionary participating features	2	67	3	52	6	105
Other investment contracts	-	48	-	25	-	78

## European Embedded Value Supplementary Information for the six months to 30 June 2005

### 9 PRODUCT ANALYSIS OF NEW COVERED BUSINESS PREMIUMS *continued*

	£m		£m		£m	
	6 months to 30 June 2005 Recurring	Single	6 months to 30 June 2004 Recurring	Single	Year to 31 December 2004 Recurring	Single
<b>North America</b>						
<b>Total business</b>	<b>39</b>	<b>1,081</b>	<b>25</b>	<b>1,127</b>	<b>58</b>	<b>2,157</b>
Fixed deferred annuity	-	-	-	120	-	239
Equity indexed annuity	-	654	-	549	-	1,157
Variable annuity	-	189	-	99	-	213
Life	39	-	25	-	58	-
Immediate annuity	-	166	-	274	-	442
Other (corporate)	-	72	-	85	-	106
<b>Total business*</b>	<b>39</b>	<b>1,081</b>	<b>25</b>	<b>1,127</b>	<b>58</b>	<b>2,157</b>
Insurance contracts	39	895	25	928	58	1,808
Investment contracts with discretionary participating features	-	-	-	-	-	-
Other investment contracts	-	186	-	199	-	349
<b>United Kingdom &amp; Rest of World</b>						
<b>Total business</b>	<b>0.2</b>	<b>78</b>	<b>1</b>	<b>53</b>	<b>1</b>	<b>125</b>
Saving	0.2	78	1	53	1	125
Protection	-	-	-	-	-	-
<b>Total business*</b>	<b>0.2</b>	<b>78</b>	<b>1</b>	<b>53</b>	<b>1</b>	<b>125</b>
Insurance contracts	-	-	-	-	-	-
Investment contracts with discretionary participating features	-	-	-	-	-	-
Other investment contracts	0.2	78	1	53	1	125

\* The classification of insurance contracts, investment contracts with discretionary participating features and other investment contracts is in accordance with the IFRS definitions. All categories of business (i.e. insurance and investment) are subject to EEV accounting.



# European Embedded Value Supplementary Information

for the six months to 30 June 2005

## 10 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 assumptions are best estimate and actively reviewed.

- The pre-tax investment and economic assumptions used for the African and North American businesses are set out below. We have used a bottom-up market consistent methodology to calculate the risk discount rates in all other territories.

	At 30 June 2005	At 31 December 2004	At 30 June 2004
<b>Africa</b>			
Risk-free rate (10 year Government bond)	8.3%	8.3%	10.4%
Cash return	6.3%	6.3%	8.4%
Equity return	11.8%	11.8%	13.9%
Property return	9.8%	9.8%	11.9%
Inflation	5.3%	5.3%	7.4%
Risk discount rate	10.6%	10.6%	12.7%
Risk margin	2.3%	2.3%	2.3%
<b>North America</b>			
Risk free rate (10 year Treasury yield)	3.9%	4.3%	4.6%
Inflation	3.0%	3.0%	3.0%
New money yield assumed	4.9%	5.1%	6.4%
Net portfolio earned rate	5.7%	5.9%	6.2%
Risk discount rate	7.1%	7.5%	7.8%
Risk margin	3.2%	3.2%	3.2%

- The pre-tax investment and economic assumptions are updated every six months to reflect the economic conditions prevailing on the valuation date. Risk-free rates have a duration similar to that of the underlying liabilities. Equity and property risk premiums incorporate both historical relationships and the Directors' view of future projected returns in each geography.
- The risk margins have been calculated using a bottom-up market consistent approach, and reflect the distinctive risks of the products in the respective business units. The calibration of the risk margins was not redone for June 2005, and the same risk margins were used as for December 2004.
- Where applicable, rates of future bonuses or crediting rates have been set at levels consistent with the investment return assumptions. Projected company taxation is based on the current tax basis that applies in each country.
- For the South African business, full allowance has been made for Secondary Tax on Companies (STC) that may be payable. 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 North America full allowance has been made for existing tax attributes of the companies, including the use of existing carry-forwards and preferred tax credit investments. For the purposes of the summary income statement the adjusted operating profit for the covered business has been grossed up for tax. The tax rates used were effective corporation tax rates of 35% for Africa and 30% for North America and 0% for the United Kingdom & Rest of World, except for the investment return on African capital, for which the attributed tax was derived from the primary financial statements.
- Both operating profit and new business are calculated on closing assumptions.

## European Embedded Value Supplementary Information for the six months to 30 June 2005

### 10 ASSUMPTIONS *continued*

- For the African business, the required capital is calculated independently in each of the major business units. The non-investment items are based on a multiple of the non-investment components of the local Statutory Capital Adequacy Requirements set out in PGN104 issued by the Actuarial Society of South Africa (ASSA). The investment item is based on internal models developed for capital allocation and pricing purposes. The models project assets and liabilities for the business forward for 10 years using stochastically determined investment returns on a realistic basis. Bonus rates and adjustments to non-vested bonuses are determined using a consistent formula based on a weighted average of past returns and the level of the Bonus Smoothing Account (BSA) at the time. To the extent that the BSA falls to lower than normally allowable minimum levels, the shareholder is considered to be required to provide support to the business, and the capital requirement is based on the discounted value of the maximum shareholder support in the 99th worst percentile case. The required capital is invested in local equities, local cash and international cash. The asset allocation as at 30 June 2005 is 60%, 20% and 20% respectively.
- For the North American business, the required capital is based on the multiple of the local Risk Based Capital (RBC) requirement that management deems necessary to maintain the desired credit rating for the company in question. The multiples vary by company from 200% to 300% and average 282% as at 30 June 2005. The required capital for OMNIA (Bermuda) Limited and Old Mutual Reassurance (Ireland) Limited in Ireland is based on the United Kingdom Financial Services Authority statutory requirements to ensure that the Group maintains adequate solvency capital in terms of the European Union Financial Groups Directive. The required capital is invested in short-dated fixed interest assets.
- The required capital of Old Mutual International, based in Guernsey, is set at some 1% of funds under management, a level considered by the Directors to be appropriate to manage the business. The required capital is invested in short-dated fixed interest assets.
- 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 include 19% of the Group holding company expenses, with 14% allocated to Africa and 5% allocated to North America. The allocation of these expenses aligns to the proportion that the management expenses incurred by the business bears to the total management expenses incurred in the Group.
- No allowance has been made for future productivity improvements in the expense assumptions.
- No development expenses have been excluded from the calculations and no material allowance has been made for future development expenses.
- 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.

## European Embedded Value Supplementary Information

### for the six months to 30 June 2005

#### 10 ASSUMPTIONS *continued*

- The value of new business has been accumulated to the period end.
- The sensitivity of the value of in-force and value of new business to changes in the central risk discount rate are set out in section 11.
- The principal exchange rates used to translate the operating results of key foreign business segments to Sterling are:

	Rand			US\$		
	6 months to 30 June 2005	Year to 31 December 2004	6 months to 30 June 2004	6 months to 30 June 2005	Year to 31 December 2004	6 months to 30 June 2004
Profit and loss account (average rate)	<b>11.6325</b>	11.7986	12.1544	<b>1.8731</b>	1.8327	1.8222
Balance sheet (closing rate)	<b>11.9624</b>	10.8482	11.3037	<b>1.7918</b>	1.9158	1.8144
Balance sheet (opening rate)	<b>10.8482</b>	11.9367	11.9367	<b>1.9158</b>	1.7833	1.7833

- The nature of the financial options and guarantees for the African and North American businesses was set out in the EEV press release dated 20 June 2005.
- The approaches and models used to determine the time value of the financial options guarantees as at 30 June 2005 are consistent with the approaches as at 31 December 2004 as set out in the EEV press release dated 20 June 2005.

# European Embedded Value Supplementary Information

## for the six months to 30 June 2005

### 11 ALTERNATIVE ASSUMPTIONS

The tables below for Africa and North America show the sensitivity of the embedded value, value of in-force at 30 June 2005 and the value of new business for the six months to 30 June 2005 to changes in the central risk discount rate. In determining the values at different central discount rates, all other assumptions have been left unchanged.

<b>At 30 June 2005</b>	<b>Embedded value</b>	<b>Value of in-force business</b>	<b>Value of new business</b>
<b>£m</b>			
<b>Africa</b>			
Central assumptions	2,421	1,014	25
Value before cost of required capital		1,244	30
Cost of required capital		(230)	(5)
Effect of :			
Central discount rate +1%	2,268	861	20
Value before cost of required capital		1,174	27
Cost of required capital		(313)	(7)
Central discount rate –1%	2,607	1,200	30
Value before cost of required capital		1,326	33
Cost of required capital		(126)	(3)
<b>North America</b>			
Central assumptions	1,127	613	29
Value before cost of required capital		690	32
Cost of required capital		(77)	(3)
Effect of :			
Central discount rate +1%	1,091	577	27
Value before cost of required capital		667	31
Cost of required capital		(90)	(4)
Central discount rate –1%	1,165	651	31
Value before cost of required capital		714	33
Cost of solvency capital		(63)	(2)

## Summary Consolidated Income Statement

for the six months ended 30 June 2005

The following table summarises the Group's results in the consolidated income statement on page 84. Adjusted operating profit represents the directors' view of the underlying performance of the Group. This summary does not form part of the statutory financial statements.

	Notes	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Africa</b>				
Long term business	3(iv)	2,471	2,771	5,510
Asset management	3(vii)	422	254	636
Banking	3(vi)	1,878	646	2,383
General insurance	3(v)	573	639	1,190
		<b>5,344</b>	<b>4,310</b>	<b>9,719</b>
<b>North America</b>				
Long term business	3(iv)	581	486	1,144
Asset management	3(vii)	588	571	1,026
		<b>1,169</b>	<b>1,057</b>	<b>2,170</b>
<b>United Kingdom &amp; Rest of World</b>				
Long term business	3(iv)	31	-	71
Asset management	3(vii)	87	91	(57)
Banking	3(vi)	167	137	277
		<b>285</b>	<b>228</b>	<b>291</b>
Debt service costs		(216)	(292)	(578)
Other shareholders' income / (expenses)	3(viii)	(137)	(109)	(348)
<b>Adjusted operating profit*</b>		<b>6,445</b>	<b>5,194</b>	<b>11,254</b>
Goodwill impairments	9	(19)	(401)	(401)
(Loss) / profit on disposal of investments in subsidiaries		(47)	149	(311)
Short term fluctuations in investment returns	4	1,554	(580)	2,323
Income from hedging activities that do not qualify for hedge accounting		-	61	366
Investment return adjustment for Group equity and debt instruments held in life funds	3(iv)	(329)	(316)	(1,168)
Fines and penalties	5	-	(596)	(596)
<b>Profit before tax (net of income tax attributable to policyholder returns)</b>		<b>7,604</b>	<b>3,511</b>	<b>11,467</b>
Total income tax expense	6	(2,102)	(1,459)	(4,059)
Less income tax attributable to policyholder returns		244	280	732
Income tax attributable to equity holders		<b>(1,858)</b>	<b>(1,179)</b>	<b>(3,327)</b>
<b>Profit for the financial period</b>		<b>5,746</b>	<b>2,332</b>	<b>8,140</b>
Minority interests – ordinary shares	11(a)	(910)	(292)	(873)
– preferred securities		(327)	(328)	(696)
<b>Profit for the financial period attributable to equity holders</b>		<b>4,509</b>	<b>1,712</b>	<b>6,571</b>

\* For life assurance and general insurance businesses, adjusted operating profit is based on a long term investment return and includes investment returns on life funds' investments in Group equity and debt instruments. For all businesses, adjusted operating profit excludes goodwill impairments, fines and penalties and profit/(loss) on disposal of investments in subsidiaries. Adjusted operating profit excludes income from hedging activities that do not qualify for hedge accounting.

## Summary Consolidated Income Statement *continued*

for the six months ended 30 June 2005

The adjusted operating profit after tax attributable to equity holders is determined as follows:

	Notes	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Adjusted operating profit</b>		<b>6,445</b>	5,194	11,254
Tax on adjusted operating profit	6	<b>(1,550)</b>	(1,325)	(2,879)
		<b>4,895</b>	3,869	8,375
Minority interests – ordinary shares	11	<b>(883)</b>	(438)	(1,109)
– preferred securities		<b>(327)</b>	(328)	(696)
<b>Adjusted operating profit after tax attributable to equity holders</b>		<b>3,685</b>	3,103	6,570

The reconciliation of adjusted operating profit after tax attributable to equity holders to profit for the financial period attributable to equity holders is as follows:

	Notes	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Adjusted operating profit after tax attributable to equity holders</b>		<b>3,685</b>	3,103	6,570
Goodwill impairments		<b>(17)</b>	(206)	(200)
(Loss) / profit on disposal of investments in subsidiaries		<b>(47)</b>	76	(252)
Short term fluctuations in investment returns		<b>1,217</b>	(507)	1,754
Income from hedging activities that do not qualify for hedge accounting		-	61	366
Investment return adjustment for Group equity and debt instruments held in life funds		<b>(329)</b>	(316)	(1,168)
Fines and penalties		-	(499)	(499)
<b>Profit for the financial period attributable to equity holders</b>		<b>4,509</b>	1,712	6,571

	Notes	6 months to 30 June 2005	6 months to 30 June 2004	c Year to 31 December 2004
<b>Earnings per share attributable to equity holders</b>				
Adjusted operating earnings per share*	7	<b>98.2</b>	83.1	175.6
Basic earnings per share	7	<b>130.2</b>	50.1	192.0
Diluted earnings per share	7	<b>130.2</b>	50.1	192.0
<b>Adjusted weighted average number of shares – millions</b>		<b>3,753</b>	3,735	3,738
<b>Weighted average number of shares – millions</b>		<b>3,467</b>	3,419	3,422

\* Adjusted operating earnings per share is calculated on the same basis as adjusted operating profit, 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.

# Consolidated Income Statement

for the six months ended 30 June 2005

	Notes	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Revenue</b>				
Gross earned premiums		24,991	24,588	48,524
Outward reinsurance		(934)	(899)	(1,652)
Net earned premiums		24,057	23,689	46,872
Investment income (net of investment losses)		29,081	4,509	50,144
Banking interest and similar income		12,480	11,948	24,081
Fee and commission income, and income from service activities		6,705	7,074	14,512
Other income		1,220	820	1,742
<b>Total revenues</b>	3(ii)	<b>73,543</b>	48,040	137,351
<b>Expenses</b>				
Claims and benefits (including change in insurance contract provisions)		(38,788)	(21,112)	(69,624)
Reinsurance recoveries		1,021	668	1,687
Net claims incurred		(37,767)	(20,444)	(67,937)
Change in provision for investment contract liabilities (including amortisation)		(5,206)	(401)	(8,967)
Losses on loans and advances		(620)	(401)	(1,227)
Finance costs (including interest and similar expenses)		(164)	(255)	(720)
Banking interest expense		(8,278)	(8,557)	(16,991)
Fees, commissions and other acquisition costs		(1,903)	(2,030)	(4,696)
Other operating and administrative expenses		(11,176)	(11,933)	(23,468)
Third party interest in consolidated funds		(581)	(85)	(648)
<b>Total expenses</b>	3(ii)	<b>(65,695)</b>	(44,106)	(124,654)
Share of associated undertakings' profit after tax		66	109	214
Goodwill impairments	9	(19)	(401)	(401)
(Loss) / profit on disposal of investment in subsidiaries		(47)	149	(311)
<b>Profit before tax</b>		<b>7,848</b>	3,791	12,199
Income tax expense	6	(2,102)	(1,459)	(4,059)
<b>Profit for the financial period</b>		<b>5,746</b>	2,332	8,140
Minority interests				
Ordinary shares		(910)	(292)	(873)
Preferred securities		(327)	(328)	(696)
Total minority interests		(1,237)	(620)	(1,569)
<b>Profit for the financial period attributable to equity holders</b>		<b>4,509</b>	1,712	6,571
<b>Earnings and dividend per share</b>				
Basic earnings per share	7	130.2	50.1	192.0
Diluted earnings per share	7	130.2	50.1	192.0
Dividend per share	8	22.13	20.50	61.78
<b>Weighted average number of shares – millions</b>		<b>3,467</b>	3,419	3,422

# Consolidated Balance Sheet

at 30 June 2005

	Notes	At 30 June 2005	At 31 December 2004	Rm At 30 June 2004
<b>Assets</b>				
Goodwill and other intangible assets	9	15,573	14,059	15,791
Investments in associated undertakings		1,659	1,616	2,102
Investment property		8,422	7,485	7,336
Property, plant and equipment		5,466	5,554	5,426
Deferred tax assets		5,962	4,773	4,069
Reinsurers' share of insurance contract provisions		4,333	3,439	3,821
Deferred acquisition costs		9,747	7,106	7,076
Current tax receivable		335	217	181
Loans, receivables and advances		204,174	186,405	177,536
Derivative financial instruments – assets		23,824	29,171	22,641
Other financial assets		142,181	105,911	98,399
Financial assets fair valued through income statement		306,937	303,044	262,054
Short term securities		38,268	33,228	33,662
Other assets		31,253	22,501	24,383
Cash and balances with the central bank		17,755	11,260	17,442
Placements with other banks		3,608	4,252	475
<b>Total assets</b>		<b>819,497</b>	<b>740,021</b>	<b>682,394</b>
<b>Liabilities</b>				
Insurance contract provisions		236,784	204,847	188,127
Investment contract liabilities		158,386	144,205	133,022
Third party interests in consolidation of funds		8,469	6,032	4,465
Borrowed funds	10	13,083	16,164	14,910
Provisions		5,431	5,533	4,906
Deferred revenue		1,474	1,508	1,458
Deferred tax liabilities		5,985	4,339	2,905
Current tax payable		1,846	1,855	1,096
Deposits from other banks		18,370	30,711	19,205
Amounts owed to other depositors		193,696	198,891	192,694
Other money market deposits		39,489	16,956	11,123
Derivative financial instruments - liabilities		22,897	28,194	20,053
Other liabilities		50,710	29,430	41,574
<b>Total liabilities</b>		<b>756,620</b>	<b>688,665</b>	<b>635,538</b>
<b>Net assets</b>		<b>62,877</b>	<b>51,356</b>	<b>46,856</b>
<b>Shareholders' equity</b>				
Equity attributable to equity holders of the parent		45,984	35,647	31,607
Minority interest				
Ordinary shares	11	9,083	8,679	7,913
Preferred securities		7,810	7,030	7,336
Total minority interests		16,893	15,709	15,249
<b>Total equity</b>		<b>62,877</b>	<b>51,356</b>	<b>46,856</b>



# Consolidated Cash Flow Statement

for the six months ended 30 June 2005

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Cash flows from operating activities</b>			
Profit before tax	7,848	3,791	12,199
Non-cash movements in profit before tax	(15,448)	6,966	(25,543)
Changes in working capital	6,945	(8,873)	43,891
Taxation paid	(2,315)	(1,920)	(3,811)
<b>Net cash from operating activities</b>	<b>(2,970)</b>	<b>(36)</b>	<b>26,736</b>
<b>Cash flows from investing activities</b>			
Net acquisition of financial investments	12,296	(170)	(28,151)
Acquisition of investment properties	(128)	(49)	106
Net acquisition of other fixed assets	(326)	(608)	(1,062)
Acquisition of interests in subsidiaries	(1,233)	(1,264)	(1,864)
Disposal of interests in subsidiaries, associates and joint ventures	(186)	413	991
<b>Net cash outflow from investing activities</b>	<b>10,423</b>	<b>(1,678)</b>	<b>(29,980)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to:			
Ordinary shareholders of the Company	(1,373)	(1,288)	(1,959)
Equity minority interests and preferred security interests	(547)	(413)	(932)
Net proceeds from issue of ordinary shares (including by subsidiaries to minority interests)	35	2,479	2,737
Net proceeds on issue of perpetual preferred callable securities	4,036	-	-
Net repayments of debt	(3,967)	(377)	(1,133)
<b>Net cash flows from financing activities</b>	<b>(1,816)</b>	<b>401</b>	<b>(1,287)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,638</b>	<b>(1,313)</b>	<b>(4,531)</b>
Effects of exchange rate changes on cash and cash equivalents	553	155	(725)
Cash and cash equivalents at beginning of the year	17,877	23,133	23,133
<b>Cash and cash equivalents at end of the year</b>	<b>24,068</b>	<b>21,975</b>	<b>17,877</b>
Consisting of:			
Placements with other banks	3,608	475	4,252
Cash and balances with the central bank	17,755	17,442	11,260
Other cash equivalents	2,705	4,058	2,365
	<b>24,068</b>	<b>21,975</b>	<b>17,877</b>

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

## Statement of Changes in Equity

for the six months ended 30 June 2005

	Millions			Rm
	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total minority interest	Total equity
<b>Six months ended 30 June 2005</b>				
<b>Equity shareholders' funds at 1 January 2005</b>	<b>3,854</b>	<b>35,647</b>	<b>15,709</b>	<b>51,356</b>
<b>Change in operating profit arising in the period</b>				
Fair value gains / (losses):				
Available-for-sale investments	-	977	-	977
Fair value of equity settled share options	-	47	-	47
Shadow accounting	-	(128)	-	(128)
Currency translation differences / exchange differences on translating foreign operations	-	2,675	611	3,286
Cash flow hedge amortisation	-	23	-	23
Aggregate tax effect of items taken directly to or transferred from equity	-	(186)	-	(186)
Movement in net investment hedge reserve		(523)		(523)
Redemption of bonds		(209)		(209)
Net acquisition / disposal of minority interests	-	-	279	279
Other	-	535	(396)	139
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>3,211</b>	<b>494</b>	<b>3,705</b>
Profit for the period	-	4,509	1,237	5,746
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>7,720</b>	<b>1,731</b>	<b>9,451</b>
Dividend for the period	-	(1,373)	(547)	(1,920)
Purchases / sales of treasury shares	-	(81)	-	(81)
Issue of perpetual preferred callable securities	-	4,036	-	4,036
Exercise of share options	3	35	-	35
<b>Equity attributable to equity holders of the parent at 30 June 2005</b>	<b>3,857</b>	<b>45,984</b>	<b>16,893</b>	<b>62,877</b>

## Statement of Changes in Equity *continued*

for the six months ended 30 June 2005

	Rm						
<b>Six months ended 30 June 2005</b>	Share capital	Share Premium	Other reserves	Translation reserve	Retained earnings	Perpetual preferred callable securities	Total
<b>Attributable to equity holders of the parent at 1 January 2005</b>	4,187	6,509	4,762	1,324	18,865	-	35,647
<b>Changes in equity arising in the period:</b>							
Fair value gains / (losses):							
Available-for-sale investments	-	-	977	-	-	-	977
Fair value of equity settled share options	-	-	-	-	47	-	47
Shadow accounting	-	-	(128)	-	-	-	(128)
Currency translation differences / exchange differences on translating foreign operations	430	669	488	(1,061)	2,033	116	2,675
Cash flow hedge amortisation	-	-	23	-	-	-	23
Aggregate tax effect of items taken directly to or transferred from equity	-	-	(186)	-	-	-	(186)
Movement in net investment hedge reserve	-	-	(523)	-	-	-	(523)
Redemption of bonds	-	-	(209)	-	-	-	(209)
Other	-	-	-	-	535	-	535
<b>Net income recognised directly in equity</b>	430	669	442	(1,061)	2,615	116	3,211
Profit for the period	-	-	-	-	4,509	-	4,509
<b>Total recognised income and expense for the period</b>	430	669	442	(1,061)	7,124	116	7,720
Dividend for the period	-	-	-	-	(1,373)	-	(1,373)
Purchases / sales of treasury shares	-	-	-	-	(81)	-	(81)
Issue of perpetual preferred callable securities	-	(35)	-	-	-	4,071	4,036
Exercise of share options	-	35	-	-	-	-	35
<b>Attributable to equity holders of the parent at 30 June 2005</b>	4,617	7,178	5,204	263	24,535	4,187	45,984

Retained earnings have been reduced by R6,372 million as at 30 June 2005 in respect of shares held in policyholder funds, ESOP trusts and related undertakings.

On 24 March 2005, the Company issued £350 million of Perpetual Preferred Callable Securities (R4,071 million). These are unsecured and subordinated to the claims of senior creditors and the holders of any priority preference shares. For an initial period to 24 March 2020 interest is payable at a fixed rate of 6.4 per cent. per annum., annually in arrears. After 24 March 2020 interest is re-set semi-annually at 2.2 per cent. per annum. above the Sterling inter-bank offer rate for six month Sterling deposits, and is payable semi-annually in arrears. Coupon payments may be deferred. The Perpetual Preferred Callable Securities are redeemable at the discretion of the Company, at their principal amount from 24 March 2020.

## Statement of Changes in Equity *continued*

for the six months ended 30 June 2005

	Millions			Rm
	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total minority interest	Total equity
<b>Six months ended 30 June 2004</b>				
<b>Equity shareholders' funds at 1 January 2004</b>	3,837	31,872	14,670	46,542
<b>Changes in equity arising in the period</b>				
Fair value gains / (losses):				
Available-for-sale investments	-	(2,018)	-	(2,018)
Fair value of equity settled share options	-	12	-	12
Shadow accounting	-	1,422	-	1,422
Currency translation differences/ exchange differences on translating foreign operations	-	(290)	(347)	(637)
Cash flow hedge amortisation	-	(24)	-	(24)
Aggregate tax effect of items taken directly to or transferred from equity	-	170	-	170
Net acquisition / disposal of minority interests	-	-	802	802
Other	-	-	(146)	(146)
<b>Net income recognised directly in equity</b>	-	(728)	309	(419)
Profit for the period	-	1,712	620	2,332
<b>Total recognised income and expense for the period</b>	-	984	929	1,913
Dividend for the period	-	(1,288)	(350)	(1,638)
Purchases / sales of treasury shares	-	(61)	-	(61)
Exercise of share options	12	100	-	100
<b>Equity shareholders' funds at 30 June 2004</b>	3,849	31,607	15,249	46,856

## Statement of Changes in Equity *continued*

for the six months ended 30 June 2005

	<b>Rm</b>					
<b>Six months ended 30 June 2004</b>	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total
<b>Attributable to equity holders of the parent at 1 January 2004</b>	4,584	7,007	4,381	-	15,900	31,872
<b>Changes in equity arising in the period:</b>						
Fair value gains / (losses):						
Available-for-sale investments	-	-	(2,018)	-	-	(2,018)
Fair value of equity settled share options	-	-	-	-	12	12
Shadow accounting			1,422	-	-	1,422
Currency translation differences / exchange differences on translating foreign operations	(243)	(381)	(207)	1,402	(861)	(290)
Cash flow hedge amortisation	-	-	(24)	-	-	(24)
Aggregate tax effect of items taken directly to or transferred from equity	-	-	170	-	-	170
Other	-	-	97	-	(97)	-
<b>Net income recognised directly in equity</b>	(243)	(381)	(560)	1,402	(946)	(728)
Profit for the period	-	-	-	-	1,712	1,712
<b>Total recognised income and expense for the period</b>	(243)	(381)	(560)	1,402	766	984
Dividend for the period	-	-	-	-	(1,288)	(1,288)
Purchases / sales of treasury shares	-	-	-	-	(61)	(61)
Exercise of share options	-	100	-	-	-	100
<b>Attributable to equity holders of the parent at 30 June 2004</b>	4,341	6,726	3,821	1,402	15,317	31,607

Retained earnings have been reduced by R6,285 million as at 30 June 2004 in respect of shares held in policy holder funds, ESOP trusts and related undertakings.

## Statement of Changes in Equity *continued*

for the six months ended 30 June 2005

	Millions			Rm
	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total minority interest	Total equity
<b>Year ended 31 December 2004</b>				
<b>Equity shareholders' funds at 1 January 2004</b>	3,837	31,872	14,670	46,542
<b>Changes in equity arising in the year:</b>				
Fair value gains / (losses):				
Gain on property revaluation	-	106	-	106
Available-for-sale investments	-	1,392	-	1,392
Fair value of equity settled share options	-	35	-	35
Shadow accounting	-	(413)	-	(413)
Currency translation differences/ exchange differences on translating foreign operations	-	(2,029)	(670)	(2,699)
Cash flow hedge amortisation	-	(47)	-	(47)
Aggregate tax effect of items taken directly to or transferred from equity		(212)	-	(212)
Net acquisition / disposal of minority interests		-	779	779
Other	-	(141)	130	(11)
<b>Net income recognised directly in equity</b>	-	(1,942)	239	(1,703)
Profit for the year	-	6,571	1,569	8,140
<b>Total recognised income and expense for the year</b>		5,262	1,808	7,070
Dividend for the year	-	(1,959)	(911)	(2,870)
Purchases / sales of treasury shares	-	295	-	295
Issue of share capital	-	-	59	59
Exercise of share options	17	177	83	260
<b>Equity shareholders' funds at 31 December 2004</b>	3,854	35,647	15,709	51,356

## Statement of Changes in Equity *continued*

for the six months ended 30 June 2005

	<b>Rm</b>					
<b>Year ended 31 December 2004</b>	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total
<b>Attributable to equity holders of the parent at 1 January 2004</b>	4,584	7,007	4,381	-	15,900	31,872
<b>Changes in equity arising in the period:</b>						
Fair value gains / (losses):						
Gain on property revaluation	-	-	106	-	-	106
Available-for-sale investments	-	-	1,392	-	-	1,392
Fair value of equity settled share options	-	-	-	-	35	35
Shadow accounting	-	-	(413)	-	-	(413)
Currency translation differences / exchange differences on translating foreign operations	(421)	(651)	(469)	1,324	(1,812)	(2,029)
Cash flow hedge amortisation			(47)			(47)
Aggregate tax effect of items taken directly to or transferred from equity	-	-	(212)	-	-	(212)
Other	-	-	24	-	(165)	(141)
<b>Net income recognised directly in equity</b>	(421)	(651)	381	1,324	(1,942)	(1,309)
Profit for the period	-	-	-	-	6,571	6,571
<b>Total recognised income and expense for the period</b>	(421)	(651)	381	1,324	4,629	5,262
Dividend paid in the year	-	-	-	-	(1,959)	(1,959)
Purchases / sales of treasury shares	-	-	-	-	295	295
Exercise of share options	24	153	-	-	-	177
<b>Attributable to equity holders of the parent at 31 December 2004</b>	4,187	6,509	4,762	1,324	18,865	35,647

Retained earnings have been reduced by R6,032 million as at 31 December 2004 in respect of shares held in policyholder funds, ESOP trusts and related undertakings.

# Notes to the Consolidated Financial Statements

for the six months ended 30 June 2005

## 1 BASIS OF PREPARATION

European Union (EU) law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the company, for the year ending 31 December 2005, be prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the EU ("adopted IFRSs").

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either are endorsed by the EU and effective at 31 December 2005 or are expected to be endorsed and effective at 31 December 2005, the Group's first annual reporting date at which it is required to use adopted IFRSs. Based on these adopted and unadopted IFRSs, the directors have made assumptions about the accounting policies expected to be applied when the first annual IFRS financial statements are prepared for the year ending 31 December 2005. These are set out in the Group's Analyst and Investor Briefing and Restatement Document published on 3 May 2005.

In particular, the directors have assumed that the IAS 19: Employee Benefits issued by the International Accounting Standards Board (IASB) will be adopted by the EU in sufficient time that they will be available for use in the annual IFRS financial statements for the year ending 31 December 2005.

The financial statements do not reflect any changes in respect of recent amendments to IAS39: Financial Instruments Recognition and Measurement for the fair value option expected to be endorsed by the EU which will be available for early adoption in the consolidated financial statements for the year ending 31 December 2005.

In addition, the adopted IFRSs that will be effective in the annual financial statements for the year ending 31 December 2005 are still subject to change, through additional interpretations or change to standards issued or endorsed by the EU and therefore cannot be determined with certainty. Accordingly, the accounting policies for the year ending 31 December 2005 will only be finally determined when the annual financial statements are prepared and the information presented within these financial statements are potentially subject to change.

The comparative figures for the financial year ended 31 December 2004 are not the Company's statutory accounts for that financial year. Those accounts, which were prepared under UK Generally Accepted Accounting Practices (UK GAAP), have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.



## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 2 FOREIGN CURRENCIES

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

	Sterling			US Dollar		
	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004
Income statement (average rate)	<b>11.6325</b>	12.1544	11.7986	<b>6.2104</b>	6.7015	6.4380
Balance sheet (closing rate)	<b>11.9624</b>	11.3037	10.8482	<b>6.6760</b>	6.2301	5.6625

Foreign currency revenue transactions are translated at average exchange rates for the year. Monetary foreign currency assets and liabilities are translated at year end exchange rates. Non-monetary foreign currency assets and liabilities are translated at historical exchange rates. The assets and liabilities of foreign operations are translated from their respective functional currencies into the Group's presentation currency using the year-end exchange rates, and their income and expenses using the average exchange rates. Unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity, net of applicable deferred income taxes.

### 3 SEGMENT INFORMATION

#### (i) Basis of segmentation

##### Geographical segments

For management purposes the Group is organised on a geographical basis into the following segments: Africa, North America and United Kingdom & Rest of World. This is the basis on which the Group reports its primary segment information.

##### Business segments

Although the Group is managed on a geographical basis, it operates in four principle areas of business: long term business, general insurance, banking and asset management. These businesses operate independently within each geographical sector.

Financial information about the Group's geographic and business segments is presented in notes 3(ii) below. Where financial information is required for both primary and secondary segments, this information is shown in the format of a matrix. The segment information is presented in accordance with the profit format used in preparation of the consolidated income statement. Notes 3(iii) to 3(ix) provide additional supplemental information for each business segment and has been presented in accordance with the adjusted operating profit format used in preparation of the summary consolidated income statement.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. There are no significant differences between the geographical location of assets and operations and the associated external revenues. Business transacted with South African residents in terms of their personal offshore allowances is conducted by the Group's offshore companies and is therefore disclosed under the Rest of World segment. Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 3 SEGMENT INFORMATION *continued*

### (ii) Income statement

	Africa	North America	United Kingdom & Rest of World	Total before inter segment (revenue) / expense	Inter segment (revenue) expense	Rm Total after inter segment (revenue) / expense
<b>Six months to 30 June 2005</b>						
<b>Revenue</b>						
Long term business	33,224	14,731	751	48,706	(602)	48,104
General insurance	4,024	-	-	4,024	-	4,024
Banking	15,924	-	617	16,541	(15)	16,526
Asset management	1,286	2,218	663	4,167	(346)	3,821
Other shareholders' income	13	-	136	149	-	149
Consolidation of funds	732	-	187	919	-	919
Inter segment revenue	(832)	(69)	(62)	(963)	963	-
	54,371	16,880	2,292	73,543	-	73,543
<b>Expenses</b>						
Long term business	(29,844)	(13,890)	(721)	(44,455)	335	(44,120)
General insurance	(3,181)	-	-	(3,181)	23	(3,158)
Banking	(14,081)	-	(450)	(14,531)	91	(14,440)
Asset management	(864)	(1,630)	(576)	(3,070)	403	(2,667)
Debt service costs and other shareholders' expenses	(55)	-	(447)	(502)	111	(391)
Consolidation of funds	(732)	-	(187)	(919)	-	(919)
Inter segment expenses	815	63	85	963	(963)	-
	(47,942)	(15,457)	(2,296)	(65,695)	-	(65,695)
<b>Net revenue / (expense)</b>						
Long term business	3,380	841	30	4,251	(267)	3,984
General insurance	843	-	-	843	23	866
Banking	1,843	-	167	2,010	76	2,086
Asset management	422	588	87	1,097	57	1,154
Other shareholders' income / (expenses)	(42)	-	(311)	(353)	111	(242)
Inter segment (revenue) / expense	(17)	(6)	23	-	-	-
	6,429	1,423	(4)	7,848	-	7,848
Share of associated undertakings' profit after tax	66	-	-	66	-	66
Goodwill impairments	(19)	-	-	(19)	-	(19)
Loss on disposal of investment in subsidiaries	(9)	(38)	-	(47)	-	(47)
<b>Profit before tax</b>	6,467	1,385	(4)	7,848	-	7,848

# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 3 SEGMENT INFORMATION *continued*

### (ii) Income statement *continued*

	Rm					
	Africa	North America	United Kingdom & Rest of World	Total before inter segment (revenue) / expense	Inter segment (revenue) expense	Total after inter segment (revenue) / expense
<b>Six months to 30 June 2004</b>						
<b>Revenue</b>						
Long term business	10,586	15,254	122	25,962	(365)	25,597
General insurance	3,239	-	-	3,239	-	3,239
Banking	14,448	-	660	15,108	(12)	15,096
Asset management	984	2,151	741	3,876	(182)	3,694
Other shareholders' income	-	-	377	377	(231)	146
Consolidation of funds	207	-	61	268	-	268
Inter segment revenue	(486)	(12)	(292)	(790)	790	-
	28,978	17,393	1,669	48,040	-	48,040
<b>Expenses</b>						
Long term business	(8,592)	(14,452)	(122)	(23,166)	280	(22,886)
General insurance	(2,791)	-	-	(2,791)	-	(2,791)
Banking	(13,875)	-	(523)	(14,398)	73	(14,325)
Asset management	(730)	(2,176)	(650)	(3,556)	352	(3,204)
Debt service costs and other shareholders' expenses	-	-	(717)	(717)	85	(632)
Consolidation of funds	(207)	-	(61)	(268)	-	(268)
Inter segment expenses	462	170	158	790	(790)	-
	(25,733)	(16,458)	(1,915)	(44,106)	-	(44,106)
<b>Net revenue / (expense)</b>						
Long term business	1,994	802	-	2,796	(85)	2,711
General insurance	448	-	-	448	-	448
Banking	573	-	137	710	61	771
Asset management	254	(25)	91	320	170	490
Other shareholders' income / (expenses)	-	-	(340)	(340)	(146)	(486)
Inter segment (revenue) / expense	(24)	158	(134)	-	-	-
	3,245	935	(246)	3,934	-	3,934
Share of associated undertakings' profit after tax	109	-	-	109	-	109
Goodwill impairments	(401)	-	-	(401)	-	(401)
Loss on disposal of investment in subsidiaries	-	12	137	149	-	149
<b>Profit before tax</b>	2,953	947	(109)	3,791	-	3,791

# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 3 SEGMENT INFORMATION *continued*

### (ii) Income statement *continued*

				Rm		
Year ended 31 December 2004	Africa	North America	United Kingdom & Rest of World	Total before inter segment (revenue) / expense	Inter segment (revenue) expense	Total after inter segment (revenue) / expense
<b>Revenue</b>						
Long term business	58,691	29,449	519	88,659	(791)	87,868
General insurance	7,731	-	-	7,731	-	7,731
Banking	31,373	-	1,321	32,694	(24)	32,670
Asset management	2,040	4,318	1,380	7,738	(578)	7,160
Other shareholders' income	35	-	1,026	1,061	(130)	931
Consolidation of funds	861	-	130	991	-	991
Inter segment revenue	(1,121)	(142)	(260)	(1,523)	1,523	
	99,610	33,625	4,116	137,351	-	137,351
<b>Expenses</b>						
Long term business	(52,496)	(27,621)	(448)	(80,565)	685	(79,880)
General insurance	(6,112)	-	-	(6,112)	-	(6,112)
Banking	(29,115)	-	(1,044)	(30,159)	94	(30,065)
Asset management	(1,404)	(3,888)	(1,437)	(6,729)	661	(6,068)
Debt service costs and other shareholders' expenses	(260)	-	(1,361)	(1,621)	83	(1,538)
Consolidation of funds	(861)	-	(130)	(991)	-	(991)
Inter segment expense	1,122	153	248	1,523	(1,523)	-
	(89,126)	(31,356)	(4,172)	(124,654)	-	(124,654)
<b>Net revenue / (expense)</b>						
Long term business	6,195	1,828	71	8,094	(106)	7,988
General insurance	1,619	-	-	1,619	-	1,619
Banking	2,258	-	277	2,535	70	2,605
Asset management	636	430	(57)	1,009	83	1,092
Other shareholders' income / (expenses)	(225)	-	(335)	(560)	(47)	(607)
Inter segment (revenue) / expense	1	11	(12)	-	-	-
	10,484	2,269	(56)	12,697	-	12,697
Share of associated undertakings' profit after tax	214	-	-	214	-	214
Goodwill impairments	(401)	-	-	(401)	-	(401)
Loss on disposal of investment in subsidiaries	(110)	-	(201)	(311)	-	(311)
<b>Profit before tax</b>	10,187	2,269	(257)	12,199	-	12,199

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (iii) Long term business

##### Gross premiums and investment contract deposits written

				Rm
<b>Six months to 30 June 2005</b>	Africa	North America	United Kingdom & Rest of World	Total
Individual business				
Single	4,144	12,621	907	17,672
Recurring	6,017	1,512	63	7,592
	<b>10,161</b>	<b>14,133</b>	<b>970</b>	<b>25,264</b>
Group business				
Single	3,572	-	-	3,572
Recurring	1,770	-	-	1,770
	<b>5,342</b>	<b>-</b>	<b>-</b>	<b>5,342</b>
<b>Total gross premiums and investment contract deposits written</b>	<b>15,503</b>	<b>14,133</b>	<b>970</b>	<b>30,606</b>
Insurance contracts	6,407	11,969	24	18,400
Investment contracts with discretionary participation features	2,686	-	-	2,686
Other investment contracts	6,410	2,164	946	9,520
	<b>15,503</b>	<b>14,133</b>	<b>970</b>	<b>30,606</b>
Less: Other investment contracts	(6,410)	(2,164)	(946)	(9,520)
<b>Total gross written premiums</b>	<b>9,093</b>	<b>11,969</b>	<b>24</b>	<b>21,086</b>

				Rm
<b>Six months to 30 June 2004</b>	Africa	North America	United Kingdom & Rest of World	Total
Individual business				
Single	3,646	13,747	644	18,037
Recurring	5,676	1,143	97	6,916
	<b>9,322</b>	<b>14,890</b>	<b>741</b>	<b>24,953</b>
Group business				
Single	2,638	-	-	2,638
Recurring	1,884	-	-	1,884
	<b>4,522</b>	<b>-</b>	<b>-</b>	<b>4,522</b>
<b>Total gross premiums and investment contract deposits written</b>	<b>13,844</b>	<b>14,890</b>	<b>741</b>	<b>29,475</b>
Insurance contracts	6,151	12,471	24	18,646
Investment contracts with discretionary participation features	2,321	-	-	2,321
Other investment contracts	5,372	2,419	717	8,508
	<b>13,844</b>	<b>14,890</b>	<b>741</b>	<b>29,475</b>
Less: Other investment contracts	(5,372)	(2,419)	(717)	(8,508)
<b>Total gross written premiums</b>	<b>8,472</b>	<b>12,471</b>	<b>24</b>	<b>20,967</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (iii) Long term business

##### Gross premiums and investment contract deposits written *continued*

	Rm			
<b>Year ended 31 December 2004</b>	Africa	North America	United Kingdom Rest of World	Total
Individual business				
Single	7,586	25,591	1,475	34,652
Recurring	11,527	2,419	153	14,099
	<u>19,113</u>	<u>28,010</u>	<u>1,628</u>	<u>48,751</u>
Group business				
Single	5,333	-	-	5,333
Recurring	3,740	-	-	3,740
	<u>9,073</u>	<u>-</u>	<u>-</u>	<u>9,073</u>
<b>Total gross premiums and investment contract deposits written</b>	<u>28,186</u>	<u>28,010</u>	<u>1,628</u>	<u>57,824</u>
Insurance contracts	12,411	23,869	23	36,303
Investment contracts with discretionary participation features	4,743	-	-	4,743
Other investment contracts	11,032	4,141	1,605	16,778
	<u>28,186</u>	<u>28,010</u>	<u>1,628</u>	<u>57,824</u>
Less: Other investment contracts	(11,032)	(4,141)	(1,605)	(16,778)
<b>Total gross written premiums</b>	<u>17,154</u>	<u>23,869</u>	<u>23</u>	<u>41,046</u>

##### Gross new business premiums and investment contract deposits written

	Rm			
<b>Six months to 30 June 2005</b>	Africa	North America	United Kingdom & Rest of World	Total
Individual business				
Single	4,144	12,621	907	17,672
Recurring	985	454	2	1,441
	<u>5,129</u>	<u>13,075</u>	<u>909</u>	<u>19,113</u>
Group business				
Single	3,572	-	-	3,572
Recurring	105	-	-	105
	<u>3,677</u>	<u>-</u>	<u>-</u>	<u>3,677</u>
<b>Total gross new business premiums and investment contract deposits written</b>	<u>8,806</u>	<u>13,075</u>	<u>909</u>	<u>22,790</u>
Insurance contracts	2,024	10,911	-	12,935
Investment contracts with discretionary participation features	1,133	-	-	1,133
Other investment contracts	5,649	2,164	909	8,722
	<u>8,806</u>	<u>13,075</u>	<u>909</u>	<u>22,790</u>
Less: Other investment contracts	(5,649)	(2,164)	(909)	(8,722)
<b>Total gross new business premiums written</b>	<u>3,157</u>	<u>10,911</u>	<u>-</u>	<u>14,068</u>
<b>Annual premium equivalent</b>	<u>1,862</u>	<u>1,716</u>	<u>93</u>	<u>3,671</u>

Annual premium equivalent is defined as one tenth of single premiums plus recurring premiums (including investment contract deposits written).

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (iv) Long term business

#### Gross new business premiums and investment contract deposits written *continued*

				Rm
<b>Six months to 30 June 2004</b>	Africa	North America	United Kingdom Rest of World	Total
Individual business				
Single	3,646	13,747	644	18,037
Recurring	887	304	12	1,203
	<u>4,533</u>	<u>14,051</u>	<u>656</u>	<u>19,240</u>
Group business				
Single	2,638	-	-	2,638
Recurring	109	-	-	109
	<u>2,747</u>	<u>-</u>	<u>-</u>	<u>2,747</u>
<b>Total gross new business premiums and investment contract deposits written</b>	<u>7,280</u>	<u>14,051</u>	<u>656</u>	<u>21,987</u>
Insurance contracts	1,512	11,632	-	13,144
Investment contracts with discretionary participation features	1,051	-	-	1,051
Other investment contracts	4,717	2,419	656	7,792
	<u>7,280</u>	<u>14,051</u>	<u>656</u>	<u>21,987</u>
Less: Other investment contracts	(4,717)	(2,419)	(656)	(7,792)
<b>Total gross new business premiums written</b>	<u>2,563</u>	<u>11,632</u>	<u>-</u>	<u>14,195</u>
<b>Annual premium equivalent</b>	<u>1,624</u>	<u>1,679</u>	<u>76</u>	<u>3,379</u>
				Rm
<b>Year to 31 December 2004</b>	Africa	North America	United Kingdom Rest of World	Total
Individual business				
Single	7,586	25,591	1,475	34,652
Recurring	1,935	684	12	2,631
	<u>9,521</u>	<u>26,275</u>	<u>1,487</u>	<u>37,283</u>
Group business				
Single	5,333	-	-	5,333
Recurring	201	-	-	201
	<u>5,534</u>	<u>-</u>	<u>-</u>	<u>5,534</u>
<b>Total gross new business premiums and investment contract deposits written</b>	<u>15,055</u>	<u>26,275</u>	<u>1,487</u>	<u>42,817</u>
Insurance contracts	3,764	22,134	-	25,898
Investment contracts with discretionary participation features	1,970	-	-	1,970
Other investment contracts	9,321	4,141	1,487	14,949
	<u>15,055</u>	<u>26,275</u>	<u>1,487</u>	<u>42,817</u>
Less: Other investment contracts	(9,321)	(4,141)	(1,487)	(14,949)
<b>Total gross new business premiums written</b>	<u>5,734</u>	<u>22,134</u>	<u>-</u>	<u>27,868</u>
<b>Annual premium equivalent</b>	<u>3,433</u>	<u>3,245</u>	<u>153</u>	<u>6,831</u>

Annual premium equivalent is defined as one tenth of single premiums plus recurring premiums (including investment contract deposits written).

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (iv) Long term business

	Rm			
Six months to 30 June 2005	Africa	North America	United Kingdom & Rest of World	Total
Individual business	1,160	581	27	1,768
Group business	607	-	-	607
	1,767	581	27	2,375
Long term investment return	675	-	4	679
Share of associated undertakings' profit after tax	29	-	-	29
<b>Adjusted operating profit</b>	<b>2,471</b>	<b>581</b>	<b>31</b>	<b>3,083</b>
Short term fluctuations in investment returns	1,023	260	(1)	1,282
Investment return adjustment for Group equity and debt instruments held in life funds	(329)	-	-	(329)
<b>Profit before tax (net of income tax attributable to policyholder returns)</b>	<b>3,165</b>	<b>841</b>	<b>30</b>	<b>4,036</b>

	Rm			
Six months to 30 June 2004	Africa	North America	United Kingdom & Rest of World	Total
Individual business	1,252	486	-	1,738
Group business	571	-	-	571
	1,823	486	-	2,309
Long term investment return	912	-	-	912
Share of associated undertakings' profit after tax	36	-	-	36
<b>Adjusted operating profit</b>	<b>2,771</b>	<b>486</b>	<b>-</b>	<b>3,257</b>
Short term fluctuations in investment returns	(705)	316	-	(389)
Investment return adjustment for Group equity and debt instruments held in life funds	(316)	-	-	(316)
<b>Profit before tax (net of income tax attributable to policyholder returns)</b>	<b>1,750</b>	<b>802</b>	<b>-</b>	<b>2,552</b>

	Rm			
Year to 31 December 2004	Africa	North America	United Kingdom & Rest of World	Total
Individual business	2,714	1,144	71	3,929
Group business	1,026	-	-	1,026
	3,740	1,144	71	4,955
Long term investment return	1,711	-	-	1,711
Share of associated undertakings' profit after tax	59	-	-	59
<b>Adjusted operating profit</b>	<b>5,510</b>	<b>1,144</b>	<b>71</b>	<b>6,725</b>
Short term fluctuations in investment returns	1,180	684	-	1,864
Investment return adjustment for life companies investments in Group equity and debt instruments held in life funds	(1,168)	-	-	(1,168)
<b>Profit before tax (net of income tax attributable to policyholder returns)</b>	<b>5,522</b>	<b>1,828</b>	<b>71</b>	<b>7,421</b>



## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (iv) Long term business *continued*

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Investment return adjustment for Group equity and debt instruments held in life funds</b>			
Dividend income	132	134	212
Realised gains on investment return	(17)	36	59
Unrealised gains / (losses) on investment	214	146	897
Total investment return	<b>329</b>	316	1,168

Adjusted operating profit includes investment returns on life fund investments in Group equity and debt instruments. These include investments in the Company's ordinary shares and Nedbank Limited subordinated liabilities and preferred securities. The investment returns are eliminated within the consolidated income statement in arriving at profit for the financial period, but included in adjusted operating profit.

# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 3 SEGMENT INFORMATION *continued*

### (v) General insurance

	Gross premiums written	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Rm Profit Before Tax
<b>Six months to 30 June 2005</b>				
Commercial	1,919	1,556	913	245
Personal lines	1,559	1,502	1,101	18
Risk financing	489	422	204	36
	<b>3,967</b>	<b>3,480</b>	<b>2,218</b>	<b>299</b>
Long term investment return				272
Share of associated undertakings' operating profit after tax				2
<b>Adjusted operating profit</b>				<b>573</b>
Goodwill impairments				(19)
Short term fluctuations in investment returns				272
<b>Profit before tax</b>				<b>826</b>

	Gross premiums written	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Rm Profit Before Tax
<b>Six months to 30 June 2004</b>				
Commercial	1,720	1,384	804	216
Personal lines	1,483	1,412	965	88
Risk financing	389	342	196	32
	<b>3,592</b>	<b>3,138</b>	<b>1,965</b>	<b>336</b>
Long term investment return				303
<b>Adjusted operating profit</b>				<b>639</b>
Short term fluctuations in investment returns				(191)
<b>Profit before tax</b>				<b>448</b>

	Gross premiums written	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Rm Profit Before Tax
<b>Year ended 31 December 2004</b>				
Commercial	3,305	2,808	1,629	415
Personal lines	2,938	2,878	2,004	151
Risk financing	1,117	1,050	565	64
	<b>7,360</b>	<b>6,736</b>	<b>4,198</b>	<b>630</b>
Long term investment return				530
Share of associated undertakings' operating profit after tax				30
<b>Adjusted operating profit</b>				<b>1,190</b>
Short term fluctuations in investment returns				459
<b>Profit before tax</b>				<b>1,649</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (vi) Banking

Six months to 30 June 2005	Rm		
	Africa	United Kingdom & Rest of World	Total
Interest and similar income	11,831	472	12,303
Interest expense and similar charges	(7,968)	(310)	(8,278)
Net interest income	3,863	162	4,025
Dividend income	177	-	177
Fees and commission receivable	2,989	14	3,003
Fees and commission payable	(412)	(14)	(426)
Other operating income	763	129	892
Foreign currency translation gain	165	-	165
Total operating income	7,545	291	7,836
Losses on loans and advances	(618)	(3)	(621)
Operating expenses	(5,084)	(121)	(5,205)
	1,843	167	2,010
Share of associated undertakings' operating profit after tax	35	-	35
<b>Adjusted operating profit</b>	<b>1,878</b>	<b>167</b>	<b>2,045</b>
Loss on disposal of investment in subsidiaries	(9)	-	(9)
<b>Profit before tax</b>	<b>1,869</b>	<b>167</b>	<b>2,036</b>

During the period the Group's banking subsidiary incurred a loss of R8 million in connection with the liquidation of certain joint venture operations.

Six months to 30 June 2004	Rm		
	Africa	United Kingdom & Rest of World	Total
Interest and similar income	11,462	438	11,900
Interest expense and similar charges	(8,229)	(328)	(8,557)
Net interest income	3,233	110	3,343
Dividend income	49	-	49
Fees and commission receivable	2,382	109	2,491
Fees and commission payable	(170)	(24)	(194)
Other operating income	656	109	765
Foreign currency translation loss	(97)	-	(97)
Total operating income	6,053	304	6,357
Losses on loans and advances	(401)	-	(401)
Operating expenses	(5,079)	(167)	(5,246)
	573	137	710
Share of associated undertakings' operating profit after tax	73	-	73
<b>Adjusted operating profit</b>	<b>646</b>	<b>137</b>	<b>783</b>
Goodwill impairments	(401)	-	(401)
Profit on disposal of investment in subsidiaries	-	137	137
<b>Profit before tax</b>	<b>245</b>	<b>274</b>	<b>519</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (vi) Banking *continued*

Year to 31 December 2004	Rm		
	Africa	United Kingdom & Rest of World	Total
Interest and similar income	23,215	723	23,938
Interest expense and similar charges	(16,537)	(454)	(16,991)
Net interest income	6,678	269	6,947
Dividend income	143	-	143
Fees and commission receivable	5,606	467	6,073
Fees and commission payable	(690)	(25)	(715)
Other operating income	2,674	138	2,812
Foreign currency translation loss	(280)	-	(280)
Total operating income	14,131	849	14,980
Losses on loans and advances	(1,209)	(21)	(1,230)
Operating expenses	(10,664)	(551)	(11,215)
	2,258	277	2,535
Share of associated undertakings' operating profit after tax	125	-	125
<b>Adjusted operating profit</b>	<b>2,383</b>	<b>277</b>	<b>2,660</b>
Goodwill impairments	(401)	-	(401)
Loss on disposal of investment in subsidiaries	(110)	-	(110)
<b>Profit before tax</b>	<b>1,872</b>	<b>277</b>	<b>2,149</b>

To reflect more accurately the banking margin on banking assets by excluding trading activities, certain trading revenues have been reclassified from net interest income to non-interest revenue.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (vii) Asset management

<b>Six months to 30 June 2005</b>	Revenue	Expenses	Rm Profit before tax
<b>Africa</b>			
Fund management			
Old Mutual Asset Managers	332	(185)	147
Old Mutual Unit Trust	161	(111)	50
Other	293	(244)	49
	<b>786</b>	<b>(540)</b>	<b>246</b>
Old Mutual Specialised Finance	286	(171)	115
Nedbank unit trusts and portfolio management	214	(153)	61
	<b>1,286</b>	<b>(864)</b>	<b>422</b>
<b>US asset management</b>	<b>2,218</b>	<b>(1,630)</b>	<b>588</b>
<b>United Kingdom &amp; Rest of World</b>			
Fund management	434	(329)	105
Fund investment platform	82	(106)	(24)
Other financial services	95	(95)	-
Nedbank unit trusts and portfolio management	52	(46)	6
	<b>663</b>	<b>(576)</b>	<b>87</b>
<b>Adjusted operating profit</b>	<b>4,167</b>	<b>(3,070)</b>	<b>1,097</b>
Loss on disposal of investment in subsidiaries	-	(38)	(38)
<b>Profit before tax</b>	<b>4,167</b>	<b>(3,108)</b>	<b>1,059</b>

During March 2005, the Group disposed of its interests in UAM Japan for R48 million cash consideration, resulting in loss on disposal of R36 million. No tax was payable.

<b>Six months to 30 June 2004</b>	Revenue	Expenses	Rm Profit before tax
<b>Africa</b>			
Fund management	243	(134)	109
Old Mutual Asset Managers	122	(105)	17
Old Mutual Unit Trust	97	(82)	15
Other	462	(321)	141
Old Mutual Specialised Finance	267	(178)	89
Nedbank unit trusts and portfolio management	255	(231)	24
	<b>984</b>	<b>(730)</b>	<b>254</b>
<b>US asset management</b>	<b>2,151</b>	<b>(1,580)</b>	<b>571</b>
<b>United Kingdom &amp; Rest of World</b>			
Fund management	291	(194)	97
Fund investment platform	37	(73)	(36)
Other financial services	85	(146)	(61)
Nedbank unit trusts and portfolio management	328	(237)	91
	<b>741</b>	<b>(650)</b>	<b>91</b>
<b>Adjusted operating profit</b>	<b>3,876</b>	<b>(2,960)</b>	<b>916</b>
Profit on disposal of investment in subsidiaries	12	-	12
Fines and penalties	-	(596)	(596)
<b>Profit before tax</b>	<b>3,888</b>	<b>(3,556)</b>	<b>332</b>

# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 3 SEGMENT INFORMATION *continued*

### (vii) Asset management *continued*

			Rm
<b>Year ended 31 December 2004</b>	Revenue	Expenses	Profit before tax
<b>Africa</b>			
Fund management			
Old Mutual Asset Managers	519	(283)	236
Old Mutual Unit Trust	271	(224)	47
Other	460	(354)	106
	1,250	(861)	389
Old Mutual Specialised Finance	413	(260)	153
Nedbank unit trusts and portfolio management	377	(283)	94
	2,040	(1,404)	636
<b>US asset management</b>	4,318	(3,292)	1,026
<b>United Kingdom &amp; Rest of World</b>			
Fund management	767	(614)	153
Fund investment platform	106	(177)	(71)
Other financial services	106	(319)	(213)
Nedbank unit trusts and portfolio management	401	(327)	74
	1,380	(1,437)	(57)
<b>Adjusted operating profit</b>	7,738	(6,133)	1,605
Loss on disposal of investments in subsidiaries	-	(201)	(201)
Fines and penalties	-	(596)	(596)
<b>Profit before tax</b>	7,738	(6,930)	808

			Rm
<b>US asset management</b>	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004
<b>Revenue</b>			
Investment management fees	1,941	1,859	3,716
Transaction, performance and other fees	277	292	602
	2,218	2,151	4,318
<b>Expenses</b>			
Staff costs – fixed and variable	(1,251)	(681)	(1,428)
Other	(379)	(899)	(1,864)
	(1,630)	(1,580)	(3,292)
<b>Adjusted operating profit</b>	588	571	1,026
(Loss) / profit on disposal of investments in subsidiaries	(38)	12	(59)
Fines and penalties	-	(596)	(596)
<b>Profit before tax</b>	550	(13)	371

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (viii) Other shareholders income and expenses

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
Distribution of unclaimed share trust	24	-	189
Provisions for contributions to public benefit and charitable organisations	(24)	-	(189)
Interest receivable	88	49	106
Net other income / (expenses)	(29)	73	-
Net corporate expenses	(196)	(231)	(454)
<b>Adjusted operating loss</b>	<b>(137)</b>	<b>(109)</b>	<b>(348)</b>

In accordance with proposals announced by the Company on 23 February 2004 and approved by its shareholders on 14 May 2004, during the period the Company received R21 million from Old Mutual South Africa Unclaimed Shares Trusts. This amount represents final settlement of accumulated dividends and interest accrued in respect of shares of the Company unclaimed at 12 July 2004, being five years after the demutualisation of the South Africa Mutual Life Assurance Society. It is the firm intention of the Board that all of this money will eventually be distributed to public benefit and charitable organisations and, therefore, full provision has been made for the cost of making such distributions.

Notes to the Consolidated Financial Statements *continued*  
for the six months ended 30 June 2005

**3 SEGMENT INFORMATION** *continued*

**(ix) Funds under management**

				Rm
<u>At 30 June 2005</u>	Africa	North America	United Kingdom & Rest of World	Total
<b>Life investments</b>	<b>256,534</b>	<b>137,053</b>	<b>25,600</b>	<b>419,187</b>
<b>Africa</b>				
Fund management				
Old Mutual Asset Managers	83,270	-	-	83,270
Old Mutual Unit Trust	4,295	-	-	4,295
Other	12,321	-	-	12,321
	<b>99,886</b>	<b>-</b>	<b>-</b>	<b>99,886</b>
Nedbank unit trusts and portfolio management	54,477	-	-	54,477
	<b>154,363</b>	<b>-</b>	<b>-</b>	<b>154,363</b>
<b>US asset management</b>	-	1,196,685	63,831	1,260,516
<b>United Kingdom &amp; Rest of World</b>				
Fund management	-	-	32,598	32,598
Fund investment platform	-	-	9,008	9,008
Other financial services	-	-	969	969
Nedbank unit trusts and portfolio management	-	-	19,212	19,212
	<b>-</b>	<b>-</b>	<b>61,787</b>	<b>61,787</b>
<b>Total funds under management</b>	<b>410,897</b>	<b>1,333,738</b>	<b>151,218</b>	<b>1,895,853</b>



## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (ix) Funds under management *continued*

				Rm
<b>At 31 December 2004</b>	Africa	North America	United Kingdom & Rest of World	Total
<b>Life investments</b>	226,500	116,228	32,512	375,240
<b>Africa</b>				
Fund management				
Old Mutual Asset Managers	86,905	-	-	86,905
Old Mutual Unit Trust	3,124	-	-	3,124
Other	11,022	-	-	11,022
	101,051	-	-	101,051
Nedbank unit trusts and portfolio management	49,261	-	-	49,261
	150,312	-	-	150,312
<b>US asset management</b>	-	870,991	71,175	942,166
<b>United Kingdom &amp; Rest of World</b>				
Fund management	-	-	23,975	23,975
Fund investment platform	-	-	5,760	5,760
Other financial services	-	-	2,929	2,929
Nedbank unit trusts and portfolio management	-	-	19,711	19,711
	-	-	52,375	52,375
<b>Total funds under management</b>	376,812	987,219	156,062	1,520,093

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 3 SEGMENT INFORMATION *continued*

#### (ix) Funds under management *continued*

				Rm
<u>At 30 June 2004</u>	Africa	North America	United Kingdom & Rest of World	Total
<b>Life Investments</b>	214,058	107,125	26,100	347,283
<b>Africa</b>				
Fund management				
Old Mutual Asset Managers	71,417	-	-	71,417
Old Mutual Unit Trust	3,968	-	-	3,968
Other	9,077	-	-	9,077
	84,462	-	-	84,462
Nedbank unit trusts and portfolio management	44,582	-	-	44,582
	129,044	-	-	129,044
<b>US asset management</b>	-	854,096	65,121	919,217
<b>United Kingdom &amp; Rest of World</b>				
Fund management	-	-	23,320	23,320
Fund investment platform	-	-	3,956	3,956
Other financial services	-	-	3,176	3,176
Nedbank unit trusts and portfolio management	-	-	42,988	42,988
	-	-	73,440	73,440
<b>Total funds under management</b>	343,102	961,221	164,661	1,468,984

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 4 INSURANCE LONG TERM INVESTMENT RETURNS

Adjusted operating profit is stated after allocating an investment return earned by the insurance businesses based on a long term investment return.

For the South African and Namibian long term business, the return is applied to an average value of investible equity holders' assets, adjusted for net fund flows. For general insurance business, the return is an average value of investible assets supporting equity holders' funds and insurance liabilities, adjusted for net fund flows. For the US long term business, the return earned by assets, mainly bonds, has been smoothed with reference to the actual yield earned by the portfolio. Short term fluctuations in investment returns represent the difference between actual return and long term investment return.

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

	6 months to 30 June 2005	6 months to 30 June 2004	Year to 31 December 2004
<b>South Africa and Namibian long term business and general insurance – weighted average return</b>	<b>11.1%</b>	<b>13.0%</b>	<b>12.5%</b>
Equities	<b>13.0%</b>	<b>14.0%</b>	<b>14.0%</b>
Cash and other investible assets – Rand denominated	<b>9.0%</b>	<b>12.5%</b>	<b>11.0%</b>
Cash and other investible assets – other currencies	<b>6.0%</b>	<b>9.0%</b>	<b>8.0%</b>
<b>United States</b>	<b>5.85%</b>	<b>6.09%</b>	<b>6.00%</b>

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

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Analysis of short term fluctuations in investment returns</b>			
<b>Long term business</b>			
Actual investment return attributable to equity holders	<b>1,961</b>	523	3,575
Long term investment return	<b>679</b>	912	1,711
	<b>1,282</b>	(389)	1,864
<b>General insurance business</b>			
Actual investment return attributable to equity holders	<b>544</b>	112	989
Long term investment return	<b>272</b>	303	530
	<b>272</b>	(191)	459
<b>Short term fluctuations in investment returns</b>	<b>1,554</b>	(580)	2,323

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 5 FINES AND PENALTIES

On 21 June 2004, the US asset management affiliate, Liberty Ridge Capital Inc. (formerly known as Pilgrim Baxter & Associates Ltd (PBA)), reached agreements with the US Securities and Exchange Commission (SEC) and the Office of the New York State Attorney General (NYAG) which settle all charges brought by these authorities against PBA in relation to market timing in the US mutual fund business.

PBA agreed to pay \$40 million in disgorgement of past fees, as well as \$50 million in civil penalties. This resulted in a charge of R596 million for the period ended 30 June 2004, which has been taken to the income statement in the Group's financial statements, but excluded from adjusted operating profit. Tax deductions have been recognised on the disgorgement of past fees, resulting in a tax credit of R97 million.

In addition PBA will reduce fees to investors by approximately \$10 million over the five years from 2004.

There are several related private lawsuits arising from the conduct alleged in the civil suits filed by the SEC and NYAG. These class action lawsuits were consolidated into a single lawsuit along with all other cases against US parties alleging market timing and late trading violations. Proceedings in this case are at a preliminary stage and it is not possible to say, at this time, whether or not the amount of the ultimate liability to be borne by the Group will be material. As a result, no amount has been recognised for additional fines or other penalties that may arise, as significant uncertainty remains over the quantum of any settlement.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 6 INCOME TAX EXPENSE

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
Current tax:			
Africa	1,342	1,143	3,433
North America	(26)	61	118
Rest of World	37	24	12
Prior year adjustment	112	49	118
Secondary tax on companies (STC)	93	97	118
United Kingdom tax			
UK corporation tax	-	24	(59)
<b>Total current tax</b>	<b>1,558</b>	<b>1,398</b>	<b>3,740</b>
Deferred tax:			
Origination / (reversal) of temporary differences	578	61	83
Changes in tax rates / bases	34	-	-
Write down of deferred tax assets	(68)	-	236
<b>Total deferred tax</b>	<b>544</b>	<b>61</b>	<b>319</b>
<b>Total income tax expense</b>	<b>2,102</b>	<b>1,459</b>	<b>4,059</b>
The reported tax charge is analysed as follows:			
Adjusted operating profit	1,550	1,325	2,879
Short term fluctuations in investment returns	308	(49)	545
Fines and penalties	-	(97)	(97)
<b>Total income tax expense excluding income tax attributable to policyholder returns</b>	<b>1,858</b>	<b>1,179</b>	<b>3,327</b>
Income tax attributable to policyholder return	244	280	732
<b>Total income tax expense</b>	<b>2,102</b>	<b>1,459</b>	<b>4,059</b>

Notes to the Consolidated Financial Statements *continued*  
for the six months ended 30 June 2005

**6 INCOME TAX EXPENSE** *continued*

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Reconciliation of tax charge</b>			
Profit before tax	<b>7,848</b>	3,791	12,199
Tax at standard rate of 30% (2004- 30%)	<b>2,354</b>	1,137	3,660
Different tax rate or basis on overseas operations	<b>(116)</b>	24	12
Untaxed and low taxed income	<b>(593)</b>	(340)	(1,003)
Disallowable expenses	<b>244</b>	438	873
Net movement on deferred tax assets not recognised	<b>12</b>	-	12
Secondary tax charge	<b>93</b>	97	118
Income tax attributable to policyholder returns	<b>163</b>	194	507
Other	<b>(55)</b>	(91)	(120)
<b>Total income tax charge for period</b>	<b>2,102</b>	1,459	4,059

Effective January 2005, corporation tax rates in South Africa reduced from 30% to 29%. The impact of this change on the Group's net deferred tax rate balances was a reduction of R34 million.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 7 EARNINGS AND EARNINGS PER SHARE

#### 7(a) Adjusted EPS

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 life funds' investments in Group equity and debt investments. For all businesses, adjusted operating profit excludes goodwill impairments, fines and penalties, profit / (loss) on disposal of investments in subsidiaries after operating profit, and income from hedging activities that do not qualify for hedge accounting.

The reconciliation of adjusted operating profit after tax attributable to equity holders to profit for the financial period is as follows:

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Adjusted operating profit after tax attributable to equity holders</b>	<b>3,685</b>	3,103	6,570
Goodwill impairments	(17)	(206)	(200)
Loss / (profit) on disposal of subsidiaries	(47)	76	(252)
Short term fluctuations in investment returns	1,217	(507)	1,754
Income from hedging activities that do not qualify for hedge accounting	-	61	366
Investment return adjustment for Group equity and debt instruments held in life funds	(329)	(316)	(1,168)
Fines and penalties	-	(499)	(499)
<b>Profit for the financial period attributable to equity holders</b>	<b>4,509</b>	1,712	6,571

The adjusted weighted average number of shares is calculated as follows:

	6 months to 30 June 2005	6 months to 30 June 2004	Millions Year to 31 December 2004
Total weighted average number of ordinary shares in issue	3,855	3,840	3,844
Shares held in charitable foundation	(10)	(10)	(10)
Shares held in ESOP Trusts	(92)	(95)	(96)
<b>Adjusted weighted average number of ordinary shares</b>	<b>3,753</b>	3,735	3,738
Shares held in policyholders funds	(286)	(316)	(316)
<b>Weighted average number of ordinary shares</b>	<b>3,467</b>	3,419	3,422
<b>Adjusted operating earnings per share (c)</b>	<b>98.2</b>	83.1	175.6

#### 7(b) Basic EPS

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period excluding own shares held in policyholder funds, ESOP trusts and other related undertakings.

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
Profit for the financial period attributable to equity holders (Rm)	4,509	1,712	6,571
Weighted average number of ordinary shares (millions)	3,467	3,419	3,422
<b>Basic earnings per share (c)</b>	<b>130.2</b>	50.1	192.0

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 7 EARNINGS AND EARNINGS PER SHARE *continued*

#### 7(c) Diluted EPS

No adjustment is required in respect of share options as they are economically hedged through the issue of ordinary shares held in ESOP Trusts, which are already excluded from the weighted average number of shares for basic EPS purposes. There were no other potentially dilutive conditions existing at the balance sheet date.

### 8 DIVIDENDS

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
2004 final dividend paid – 3.5p per 10p share	1,373	-	-
2004 interim dividend paid – 1.75p per 10p share	-	-	708
2003 final dividend paid – 3.1p per 10p share	-	1,288	1,251
	<b>1,373</b>	<b>1,288</b>	<b>1,959</b>

Dividends paid to ordinary shareholders, as above, are calculated using the number of shares in issue at payment date less own shares held in ESOP Trusts, policyholders' funds of Group companies and related undertakings.

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

The directors have declared a 2005 interim dividend of 1.85p per share (R22.13c per share)\* which will be paid on 30 November 2005 to all shareholders on the register at the close of business on 21 October 2005, being the record date for the dividend. No provision have been recognised in respect of this dividend.

\* *Indicative only, being the Rand equivalent of 1.85p converted at the exchange rate prevailing on 30 June 2005. The actual amount to be paid by way of interim dividend to holders of shares on the South African Branch register will be calculated by reference to the exchange rate prevailing at the close of business on 6 October 2005, as determined by the Company, and will be announced on 7 October 2005.*



## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 9 GOODWILL AND OTHER INTANGIBLE ASSETS

				Rm
<b>At 30 June 2005</b>	Goodwill	Present value of acquired in-force business	Software development costs	Total
<b>Cost</b>				
Balance at beginning of period	13,181	2,821	3,244	19,246
Other acquisitions – separately acquired	1	-	274	275
Foreign exchange and other movements	1,460	505	31	1,996
Disposals or retirements	-	-	(25)	(25)
<b>Balance at end of period</b>	<b>14,642</b>	<b>3,326</b>	<b>3,524</b>	<b>21,492</b>
<b>Amortisation and impairment losses</b>				
Balance at beginning of period	1,692	1,855	1,640	5,187
Amortisation charge for the period	-	107	234	341
Impairment charged for the period	19	-	5	24
Foreign exchange and other movements	(1)	261	141	401
Disposals or retirements	-	-	(34)	(34)
<b>Balance at end of period</b>	<b>1,710</b>	<b>2,223</b>	<b>1,986</b>	<b>5,919</b>
<b>Carrying amount</b>				
At beginning of period	11,489	966	1,604	14,059
<b>At end of period</b>	<b>12,932</b>	<b>1,103</b>	<b>1,538</b>	<b>15,573</b>

Goodwill impairments represent R19 million incurred in respect of the Group's general insurance business in Africa.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 9 GOODWILL AND OTHER INTANGIBLE ASSETS *continued*

				Rm
<b>At 31 December 2004</b>	Goodwill	Present value of acquired in-force business	Software development costs	Total
<b>Cost</b>				
Balance at beginning of year	14,933	3,330	2,972	21,235
Acquisitions through business combination	425	-	472	897
Other acquisitions – internally developed	-	-	59	59
Foreign exchange and other movements	(1,658)	(509)	(47)	(2,214)
Disposals or retirements	(519)	-	(212)	(731)
<b>Balance at end of year</b>	<b>13,181</b>	<b>2,821</b>	<b>3,244</b>	<b>19,246</b>
<b>Amortisation and impairment losses</b>				
Balance at beginning of year	1,576	1,743	1,098	4,417
Amortisation charge for the year	-	319	83	402
Impairment charged for the year	401	-	507	908
Foreign exchange and other movements	10	(207)	117	(80)
Disposals or retirements	(295)	-	(165)	(460)
<b>Balance at end of year</b>	<b>1,692</b>	<b>1,855</b>	<b>1,640</b>	<b>5,187</b>
<b>Carrying amount</b>				
At beginning of year	13,357	1,587	1,874	16,818
<b>At end of year</b>	<b>11,489</b>	<b>966</b>	<b>1,604</b>	<b>14,059</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 9 GOODWILL AND OTHER INTANGIBLE ASSETS *continued*

				Rm
<b>At 30 June 2004</b>	Goodwill	Present value of acquired in-force business	Software development costs	Total
<b>Cost</b>				
Balance at beginning of period	14,933	3,330	2,972	21,235
Acquisitions through business combination	158	-	109	267
Other acquisitions – internally developed	-	-	24	24
Foreign exchange and other movements	(632)	(233)	(8)	(873)
Disposals or retirements	(24)	-	-	(24)
<b>Balance at end of period</b>	<b>14,435</b>	<b>3,097</b>	<b>3,097</b>	<b>20,629</b>
<b>Amortisation and impairment losses</b>				
Balance at beginning of period	1,576	1,743	1,098	4,417
Amortisation charge for the period	-	389	24	413
Impairment charged for the period	401	-	122	523
Foreign exchange and other movements	35	(651)	101	(515)
<b>Balance at end of period</b>	<b>2,012</b>	<b>1,481</b>	<b>1,345</b>	<b>4,838</b>
<b>Carrying amount</b>				
At beginning of period	13,357	1,587	1,874	16,818
<b>At end of period</b>	<b>12,423</b>	<b>1,616</b>	<b>1,752</b>	<b>15,791</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 10 BORROWED FUNDS

	At 30 June 2005	At 31 December 2004	Rm At 30 June 2004
Debt securities in issue	7,279	6,791	4,963
Subordinated liabilities	5,769	5,717	5,912
Convertible bonds	35	3,656	4,035
<b>Total borrowed funds</b>	<b>13,083</b>	<b>16,164</b>	<b>14,910</b>

#### (i) Debt securities in issue

	Average interest rate	At 30 June 2005	At 31 December 2004	Rm At 30 June 2004
Floating rate notes	3.6%	1,950	1,812	520
Fixed rate notes	4.5%	3,738	3,624	3,504
Term loan	3.2%	299	260	283
Other		550	553	656
		<b>6,537</b>	<b>6,249</b>	<b>4,963</b>
Consolidation of funds		742	542	-
<b>Total debt securities in issue</b>		<b>7,279</b>	<b>6,791</b>	<b>4,963</b>

#### Debt securities comprises:

##### Floating rate notes:

- £24 million repayable November 2006
- £21 million note repayable on 31 December 2010, with the holders having the option to elect for early redemption every six months
- US\$10 million repayable September 2009
- US\$50 million repayable September 2011
- US\$150 million repayable September 2014

##### Fixed rate notes:

- €400 million Euro bond due 2007, capital and interest swapped into fixed rate US Dollars.
- €30 million Euro bond due 2010, capital and interest swapped into floating rate US Dollars.
- €10 million Euro bond due 2010, capital and interest swapped into floating rate US Dollars.
- €20 million Euro bond due 2013, capital and interest swapped into floating rate US Dollars.

The total fair value of the swap derivatives associated with the Fixed Rate Notes is R1,077 million. These are recognised as assets and are included within the reported 'Derivative financial instruments – assets'.

##### Term loan:

- US\$45 million term loan repayable on 30 June 2006.

##### Other

- R550 million redeemable on or after 20 July 2005 at the option of the holders or the Company.

The Company has available a £1,100 million five year multi-currency Revolving Credit Facility which matures during May 2009 (R13,159 million). The facility is undrawn as at 30 June 2005.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 10 BORROWED FUNDS *continued*

#### (ii) Subordinated liabilities

	At 30 June 2005	At 31 December 2004	Rm At 30 June 2004
US\$40 million repayable 17 April 2008 (6 month LIBOR)	263	228	249
US\$18 million repayable 31 August 2009 (6 month LIBOR less 1.5 per cent.)	129	98	113
R515 million repayable 4 December 2008 (13.5 per cent.)	532	532	543
R2.0 billion repayable 20 September 2011 (11.3 per cent.) *	2,069	2,061	2,069
R4.0 billion repayable 9 July 2012 (13.0 per cent.) *	4,247	4,252	4,249
Other	-	-	170
	<b>7,240</b>	<b>7,171</b>	<b>7,393</b>
Less: subordinated debt held by other group companies	<b>(1,471)</b>	<b>(1,454)</b>	<b>(1,481)</b>
<b>Total subordinated liabilities</b>	<b>5,769</b>	<b>5,717</b>	<b>5,912</b>

The subordinated notes rank behind the claims against the Group depositors and other unsecured unsubordinated creditors. None of the Group's subordinated notes are secured.

\* *These notes are subordinated to all unsecured unsubordinated claims against the issuer, Nedbank Limited, but rank equally with all other unsecured subordinated obligations. Subject to prior approval by the South African Registrar of Banks, Nedbank Limited has the option to elect for early redemption of these notes.*

#### (iii) Convertible Bonds

	Average interest rate	At 30 June 2005	At 31 December 2004	Rm At 30 June 2004
Convertible bond US\$636 million matured 2 May 2005	3.625%	-	3,591	3,933
Compulsory convertible loan maturing 6 November 2005	13.75%	12	22	34
Compulsory convertible loan maturing 31 December 2005	18.12%	23	43	68
<b>Total convertible bonds</b>		<b>35</b>	<b>3,656</b>	<b>4,035</b>

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 11 MINORITY INTERESTS

#### 11 (a) Ordinary shares

	6 months to 30 June 2005	Year to 31 December 2004	Rm 6 months to 30 June 2004
<b>Reconciliation of movements in minority interests</b>			
Balance at beginning of period	8,679	6,911	6,911
Minority interests' share of profit	910	873	292
Minority interests' share of dividends paid	(267)	(295)	(61)
Net acquisition / (disposal) of interests	283	779	802
Foreign exchange and other movements	(522)	411	(31)
<b>Balance at end of period</b>	<b>9,083</b>	<b>8,679</b>	<b>7,913</b>

	6 months to 30 June 2005	Year to 31 December 2004	Rm 6 months to 30 June 2004
<b>Reconciliation of minority interests share of profit</b>			
The minority interest charge is analysed as follows:			
Adjusted operating profit	883	1,109	438
Goodwill impairments	(2)	(201)	(201)
Short term fluctuations in investment returns	29	24	(18)
(Loss) / profit on disposal of investment in subsidiaries	-	(59)	73
<b>Reported charge</b>	<b>910</b>	<b>873</b>	<b>292</b>

# Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

## 11 MINORITY INTERESTS *continued*

### 11(b) Preferred securities

	6 months to 30 June 2005	Year to 31 December 2004	Rm 6 months to 30 June 2004
R2,000 million non-cumulative preference shares <sup>(1)</sup>	1,675	1,519	1,583
R792 million non-cumulative preference shares <sup>(2)</sup>	849	770	803
US \$750 million cumulative preferred securities <sup>(3)</sup>	5,479	4,969	5,176
Other <sup>(4)</sup>	71	76	57
	<b>8,074</b>	7,334	7,619
Unamortised issue costs	<b>(156)</b>	(152)	(136)
	<b>7,918</b>	7,182	7,483
Deduct: preferred securities held by other group companies	<b>(108)</b>	(152)	(147)
<b>Balance at end of period</b>	<b>7,810</b>	7,030	7,336

Preferred securities are held at historic value of consideration received less unamortised issue costs, converted at historical exchange rates.

<sup>(1)</sup> 200 million R10 preference shares issued by Nedbank Limited (Nedbank), the Group's banking subsidiary. These shares are non-redeemable and non-cumulative and pay a cash dividend equivalent to 75% of the prime overdraft interest rate of Nedbank. Preference shareholders are only entitled to vote during periods when a dividend or any part of it remains unpaid after the due date for payment and when resolutions are proposed that directly affect any rights attaching to the shares or the rights of the holders. Preference shareholders will be entitled to receive their dividends in priority to any payment of dividends made in respect of any other class of Nedbank's shares.

<sup>(2)</sup> 77.3 million R10 preference shares issued at R10.68 per share by Nedbank on the same terms as the securities described in (1) above.

<sup>(3)</sup> US\$750 million Guaranteed Cumulative Perpetual Preference Securities issued on 19 May 2003 by Old Mutual Capital Funding L.P., a subsidiary of the Group. Subject to certain limitations, holders of these securities are entitled to receive preferential cash distributions at a fixed rate of 8.0% per annum payable in arrear on a quarterly basis. The Group may defer payment of distributions in its sole discretion, but such an act may restrict Old Mutual plc from paying dividends on its ordinary shares for a period of 12 months. Arrears of distributions are payable cumulatively only on redemption of the securities or at the Group's option. The securities are perpetual, but may be redeemed at the discretion of the Group from 22 December 2008. The costs of issue are being amortised over the period to 22 December 2008.

<sup>(4)</sup> The Group has a general insurance subsidiary that offers clients a share of underwriting surpluses which accrue in respect of certain policies and which is payable in the form of a preference dividend.

## Notes to the Consolidated Financial Statements *continued*

for the six months ended 30 June 2005

### 12 CONTINGENT LIABILITIES

	6 months to 30 June 2005	Year to 31 December 2004	Rm 6 months to 30 June 2004
Guarantees and assets pledged as collateral security	10,000	10,783	10,784
Irrevocable letters of credit	3,876	3,504	3,165
Secured lending	6,986	6,453	7,155
Other contingent liabilities	1,519	2,267	463
	<b>22,381</b>	<b>23,007</b>	<b>21,567</b>

### 13 POST BALANCE SHEET EVENTS: BLACK ECONOMIC EMPOWERMENT

On 19 April 2005, the Group announced its intention to implement certain Black Economic Empowerment ownership proposals which will increase black shareholdings in its South African businesses.

The proposals involve the issue of new ordinary shares in Old Mutual plc, Nedbank and Mutual & Federal to various share trusts for the benefit of black employees within the Group and to a number of black controlled entities beneficially owned by black clients or distributors, black community groups and Black Business Partners in South Africa.

Share-based payment costs in accordance with IFRS 2, which are required to be recognised on issue of the Company's shares, are estimated at R283 million. Initial costs to be recognised upon implementation of the Nedbank and Mutual & Federal arrangements are estimated at R108 million.

The proposals were approved by shareholders at an Extraordinary General Meeting and Court Meeting held on 6 July 2005. The proposals in respect of the Company were subject to a scheme of arrangement under section 425 of the Companies Act 1985, which were confirmed by the UK High Court on 18 July 2005.

Implementation of the proposals has taken place during August 2005, resulting in the issue of 230,680,000 new ordinary shares in the Company. Of these, 172,840,000 ordinary shares are to be accounted for as treasury shares. Shareholders' equity will increase by R65 million, being the initial consideration received for the shares.

### 14 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliations from our previously reported UK GAAP results to those results restated under IFRS for all comparative periods have been set out in the Group's Analyst and Investor Briefing and Restatement Document published on 3 May 2005.

Where necessary, certain comparatives have been corrected to ensure consistency in preparation and presentation of results. The impact of the changes is an increase in equity attributable to equityholders of the parent of R238 million as at 31 December 2004 and no impact as at 30 June 2004.



# European Embedded Value Supplementary Information

## for the six months to 30 June 2005

### 1 SUMMARY INCOME STATEMENT ON A EUROPEAN EMBEDDED VALUE BASIS

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Africa</b>			
Covered business	3,036	3,415	7,693
Asset management	422	254	636
Banking	1,878	646	2,383
General insurance	573	639	1,190
	<b>5,909</b>	<b>4,954</b>	<b>11,902</b>
<b>North America</b>			
Covered business	966	644	908
Asset management	588	571	1,026
	<b>1,554</b>	<b>1,215</b>	<b>1,934</b>
<b>United Kingdom &amp; Rest of World</b>			
Covered business	12	-	48
Asset management	87	91	(57)
Banking	167	137	277
	<b>266</b>	<b>228</b>	<b>268</b>
Debt service costs	(216)	(292)	(578)
Other shareholders' income / (expenses)	(93)	(73)	(277)
<b>Adjusted operating profit*</b>	<b>7,420</b>	<b>6,032</b>	<b>13,249</b>
Goodwill impairments	(19)	(401)	(401)
(Loss) / profit on disposal of investments in subsidiaries	(47)	149	(311)
Short term fluctuations in investment returns (including economic assumption changes)			
Covered business	2,443	(2,625)	3,197
Other	272	(191)	458
Other covered business changes**	570	-	(2,714)
Income from hedging activities that do not qualify for hedge accounting	-	61	366
Investment return adjustment for Group equity and debt instruments held in life funds	(329)	(316)	(1,168)
Fines and penalties	-	(596)	(596)
<b>Profit before tax</b>	<b>10,310</b>	<b>2,113</b>	<b>12,080</b>
Income tax attributable to equity holders	(2,536)	(644)	(3,197)
<b>Profit for the financial period</b>	<b>7,774</b>	<b>1,469</b>	<b>8,883</b>
Minority interests – ordinary shares	(910)	(292)	(873)
– preferred securities	(327)	(328)	(696)
<b>Profit for the financial period attributable to equity holders</b>	<b>6,537</b>	<b>849</b>	<b>7,314</b>

\* For life assurance and general insurance business, EEV adjusted operating profit is based on the expected investment return and includes investment returns on own shares held within policyholders' funds. For all businesses, adjusted operating profit excludes goodwill impairments, fines and penalties, income from hedging activities that do not qualify for hedge accounting, and (loss)/profit on disposal of subsidiaries. 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 analysis of covered business embedded value results in Section 7.

# European Embedded Value Supplementary Information

## for the six months to 30 June 2005

### 1 SUMMARY INCOME STATEMENT ON A EUROPEAN EMBEDDED VALUE BASIS *continued*

The adjusted operating profit after tax attributable to equity holders is determined as follows:

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Adjusted operating profit</b>	<b>7,420</b>	6,032	13,249
Tax on adjusted operating profit	<b>(1,791)</b>	(1,617)	(2,714)
	<b>5,629</b>	4,415	10,535
Minority interests – ordinary shares	<b>(883)</b>	(438)	(1,109)
– preferred securities	<b>(327)</b>	(328)	(696)
<b>Adjusted operating profit after tax attributable to equity holders</b>	<b>4,419</b>	3,649	8,730

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Embedded value earnings per share attributable to equity holders</b>			
Adjusted operating earnings per share	<b>117.7</b>	97.7	233.5
Basic earnings per share	<b>188.5</b>	24.8	213.7
<b>Adjusted weighted average number of shares – millions</b>	<b>3,753</b>	3,735	3,738
<b>Weighted average number of shares – millions</b>	<b>3,467</b>	3,419	3,422

# European Embedded Value Supplementary Information

for the six months to 30 June 2005

## 1 SUMMARY INCOME STATEMENT ON A EUROPEAN EMBEDDED VALUE BASIS *continued*

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Adjusted operating profit for the covered business</b>	<b>4,014</b>	4,059	8,649
Africa	<b>3,036</b>	3,415	7,693
North America	<b>966</b>	644	908
United Kingdom & Rest of World	<b>12</b>	-	48
<b>Tax on adjusted operating profit for the covered business</b>	<b>1,150</b>	1,229	2,396
Africa	<b>871</b>	1,034	2,125
North America	<b>279</b>	195	271
United Kingdom & Rest of World	-	-	-
<b>Adjusted operating profit after tax for the covered business</b>	<b>2,864</b>	2,830	6,253
Africa	<b>2,165</b>	2,381	5,568
North America	<b>687</b>	449	637
United Kingdom & Rest of World	<b>12</b>	-	48
<b>Reconciliation of tax on adjusted operating profit</b>			
Tax on adjusted operating profit for the covered business	<b>1,150</b>	1,229	2,396
Tax on adjusted operating profit for other business	<b>641</b>	388	318
<b>Tax on adjusted operating profit</b>	<b>1,791</b>	1,617	2,714

## European Embedded Value Supplementary Information

for the six months ended 30 June 2005

### 2 RECONCILIATION OF MOVEMENTS IN GROUP EMBEDDED VALUE

	6 months to 30 June 2005	6 months to 30 June 2004	Rm Year to 31 December 2004
<b>Group embedded value at the beginning of the year</b>	<b>47,808</b>	43,462	43,462
<b>Change in equity arising in the period</b>			
Fair value gains / (losses)	268	486	755
Fair value of equity settled share options	47	12	35
Currency translation differences / exchange differences on translating foreign operations	2,457	(363)	(3,026)
Cash flow hedge amortisation	23	(24)	(47)
Aggregate tax effect of items taken directly to or transferred from equity	-	(73)	-
Other	(1,954)	(122)	802
<b>Net income recognised</b>	<b>841</b>	(84)	(1,481)
Profit for the period	6,537	849	7,314
<b>Total recognised income and expense for the period</b>	<b>7,378</b>	765	5,833
Dividend for the period	(1,373)	(1,288)	(1,959)
Purchase / sale of treasury shares	(81)	(61)	295
Issue of perpetual preferred callable securities	4,036	-	-
Exercise of share options	35	100	177
<b>Group embedded value at the end of the period</b>	<b>57,803</b>	42,978	47,808

### 3 COMPONENTS OF GROUP EMBEDDED VALUE

	At 30 June 2005	At 31 December 2004	Rm At 30 June 2004
<b>Shareholders' adjusted net worth</b>	<b>38,041</b>	31,818	29,085
Equity shareholders' funds	45,984	35,647	31,607
Adjustment to include life subsidiaries on a statutory solvency basis:			
Africa	945	2,343	1,763
North America	(9,043)	(6,259)	(4,183)
United Kingdom & Rest of World	(96)	(76)	(147)
Adjustment for discounting CGT	251	163	45
<b>Value of in-force business</b>	<b>19,762</b>	15,990	13,893
Value of in-force business before items listed below	24,302	20,807	16,753
Additional time-value reserves for financial options and guarantees	(802)	(803)	(746)
Cost of required capital	(3,708)	(3,992)	(2,091)
Minority interest in value of in-force	(30)	(22)	(23)
<b>Group embedded value</b>	<b>57,803</b>	47,808	42,978

## European Embedded Value Supplementary Information for the six months to 30 June 2005

### 3 COMPONENTS OF GROUP EMBEDDED VALUE *continued*

	At 30 June 2005	At 31 December 2004	Rm At 30 June 2004
<b>Pro-forma adjustments to bring Group investments to market value</b>			
<b>Group embedded value</b>	<b>57,803</b>	47,808	42,978
Adjustment to bring listed subsidiaries to market value	<b>5,766</b>	6,607	3,075
Adjustment for market value of Group equity and debt instruments held in life funds	<b>4,055</b>	3,992	3,527
Adjustment to remove perpetual preferred callable securities	<b>(4,187)</b>	-	-
<b>Adjusted Group embedded value</b>	<b>63,437</b>	58,407	49,580
	c	c	c
<b>Adjusted Group embedded value per share</b>	<b>1,645</b>	1,515	1,288
<b>Return on adjusted Group embedded value (ROEV) % p.a.</b>	<b>15.4%</b>	19.0%	15.3%
Number of shares in issue at the end of the period including own shares held in policyholders' funds – millions	<b>3,857</b>	3,854	3,849

The adjustments to include life subsidiaries on a statutory solvency basis reflect the difference between the net worth of each life subsidiary on the statutory basis (as required by the local regulator) and their portion of the group's consolidated equity shareholders' funds. In Africa, these values exclude items that are eliminated or shown separately on consolidation (such as Nedbank, Mutual & Federal and inter-company loans).

The ROEV is calculated as the adjusted operating profit after tax and minorities of R4,419 million together with an expected equity return on the pro-forma adjustment of R368 million divided by the opening adjusted embedded value increased / (reduced) by the weighted value of any capital raised / (dividends paid).

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 4 RECONCILIATION OF EMBEDDED VALUE OF THE COVERED BUSINESS WITH THE ADJUSTED EMBEDDED VALUE

	At 30 June 2005	At 31 December 2004	Rm At 30 June 2004
<b>Embedded value of the covered business</b>	<b>43,101</b>	38,566	33,279
Adjusted net worth	<b>23,339</b>	22,576	19,386
Value of in-force business*	<b>19,762</b>	15,990	13,893
<b>Adjusted net worth of asset management businesses</b>	<b>14,044</b>	10,740	10,953
Africa	<b>1,735</b>	1,096	1,492
North America	<b>12,309</b>	9,644	9,461
<b>Market value banking</b>			
Africa	<b>16,365</b>	15,643	12,457
<b>Market value general insurance</b>			
Africa	<b>4,952</b>	5,272	4,578
<b>Net other business</b>	<b>1,914</b>	1,823	1,515
<b>Preferred securities</b>	<b>(5,479)</b>	(4,969)	(5,176)
<b>Perpetual preferred callable securities</b>	<b>(4,187)</b>	-	-
<b>Debt</b>	<b>(7,273)</b>	(8,668)	(8,026)
Rand denominated	<b>(550)</b>	(651)	(667)
US\$ denominated	<b>(6,185)</b>	(7,453)	(7,359)
£ denominated	<b>(538)</b>	(564)	-
<b>Adjusted Group embedded value</b>	<b>63,437</b>	58,407	49,580

\* Net of minority interests

# European Embedded Value Supplementary Information

## for the six months to 30 June 2005

### 5 COMPONENTS OF EMBEDDED VALUE OF THE COVERED BUSINESS

	At 30 June 2005	At 31 December 2004	Rm At 30 June 2004
<b>Embedded value of the covered business</b>	<b>43,101</b>	38,566	33,279
Adjusted net worth	<b>23,339</b>	22,576	19,386
Value of in-force business	<b>19,762</b>	15,990	13,893
<b>Africa</b>			
<b>Adjusted net worth</b>	<b>16,831</b>	16,674	13,836
Required capital (equivalent to 152% of statutory minimum capital at 30 June 2005)	<b>16,687</b>	17,303	16,730
Free surplus	<b>144</b>	(629)	(2,894)
<b>Value of in-force business</b>	<b>12,130</b>	10,902	9,631
Value of in-force business before items listed below	<b>15,354</b>	14,569	11,451
Additional time-value reserves for financial options and guarantees*	<b>(443)</b>	(532)	(497)
Cost of required capital	<b>(2,751)</b>	(3,113)	(1,300)
Minority interest in value of in-force	<b>(30)</b>	(22)	(23)
<b>North America</b>			
<b>Adjusted net worth</b>	<b>6,149</b>	5,587	5,290
Required capital (equivalent to 282% of statutory minimum capital at 30 June 2005)	<b>5,312</b>	4,893	4,589
Free surplus	<b>837</b>	694	701
<b>Value of in-force business</b>	<b>7,333</b>	4,817	3,979
Value of in-force business before items listed below	<b>8,613</b>	5,934	4,985
Additional time-value reserves for financial options and guarantees	<b>(359)</b>	(271)	(249)
Cost of required capital	<b>(921)</b>	(846)	(757)
<b>United Kingdom &amp; Rest of World</b>			
<b>Adjusted net worth</b>	<b>359</b>	315	260
Required capital	<b>120</b>	109	113
Free surplus	<b>239</b>	206	147
<b>Value of in-force business</b>	<b>299</b>	271	283
Value of in-force business before items listed below	<b>335</b>	304	317
Additional time-value reserves for financial options and guarantees	<b>-</b>	-	-
Cost of required capital	<b>(36)</b>	(33)	(34)

\* These time-value reserves in respect of financial options and guarantees are in addition to those already held within the policyholder liabilities.

The shareholders' adjusted net worth includes goodwill relating to the North American life subsidiaries of R754 million (December 2004: R640 million, June 2004: R701 million).

## European Embedded Value Supplementary Information

### for the six months to 30 June 2005

#### **6 BASIS OF PREPARATION**

This supplementary information has been prepared in accordance with the European Embedded Value (EEV) Principles issued in May 2004 by the European Chief Financial Officers' Forum. The results for the six months to 30 June 2005 and the position at that date have been prepared on the same basis as that used in the Group's EEV press release dated 20 June 2005.

There has been no change in the definition of business covered by the EEV Principles ("covered business") as compared with the 20 June 2005 press release. The treatment within this supplementary information of all business other than covered business is unchanged from the primary financial information.

The comparative figures for the financial year ended 31 December 2004, and the results for the six months to 30 June 2004, were presented in the 20 June 2005 EEV press release. However, where necessary, certain comparatives have been corrected to ensure consistency in preparation and presentation of results.

Note 13 to the primary financial information describes the post balance sheet event in respect of the issue of new shares in connection with Black Economic Empowerment. Such shares are subject to a deferred consideration, and the present value of the deferred consideration will be included within the adjusted Group embedded value at 31 December 2005.



## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (after tax)

	Rm			Rm			Rm		
	6 months to 30 June 2005			6 months to 30 June 2004			Year to 31 December 2004		
	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total
<b>Total covered business</b>									
<b>Embedded value of the covered business at the beginning of the period</b>	<b>22,576</b>	<b>15,990</b>	<b>38,566</b>	21,868	14,706	36,574	21,868	14,706	36,574
New business contribution	(635)	1,268	633	(571)	1,130	559	(1,216)	2,490	1,274
Expected return on existing business – return on VIF	-	1,034	1,034	-	886	886	-	1,746	1,746
Expected return on existing business – transfer to net worth	1,176	(1,176)	-	1,531	(1,531)	-	2,288	(2,288)	-
Experience variances	49	256	305	304	170	474	154	413	567
Operating assumption changes	(254)	335	81	-	(73)	(73)	177	565	742
Expected return on adjusted net worth	811	-	811	984	-	984	1,924	-	1,924
<b>Adjusted operating profit after tax</b>	<b>1,147</b>	<b>1,717</b>	<b>2,864</b>	2,248	582	2,830	3,327	2,926	6,253
Investment return variances on in-force business	223	366	589	36	(341)	(305)	356	295	651
Investment return variances on adjusted net worth	1,003	-	1,003	(804)	-	(804)	850	-	850
Effect of economic assumption changes	-	302	302	-	(742)	(742)	-	601	601
Effect of changes in and cost of required capital	-	367	367	-	-	-	-	(1,688)	(1,688)
<b>Profit after tax</b>	<b>2,373</b>	<b>2,752</b>	<b>5,125</b>	1,480	(501)	979	4,533	2,134	6,667
Exchange rate movements	1,001	1,020	2,021	(410)	(312)	(722)	(1,008)	(850)	(1,858)
Capital injected to covered business	163	-	163	109	-	109	1,935	-	1,935
Amounts released from covered business	(1,381)	-	(1,381)	(366)	-	(366)	(1,438)	-	(1,438)
Transfer from covered business to other segments	(1,393)	-	(1,393)	(3,295)	-	(3,295)	(3,314)	-	(3,314)
<b>Embedded value of the covered business at the end of the period</b>	<b>23,339</b>	<b>19,762</b>	<b>43,101</b>	19,386	13,893	33,279	22,576	15,990	38,566

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (after tax) *continued*

	Rm				Rm				Rm			
	6 months to 30 June 2005				6 months to 30 June 2004				Year to 31 December 2004			
<b>Africa covered business</b>	Adjusted net worth	In-force Individual	Value of business Group	Total	Adjusted net worth	In-force Individual	Value of business Group	Total	Adjusted net worth	In-force Individual	Value of business Group	Total
<b>Embedded value of the covered business at the beginning of the period</b>	<b>16,674</b>	<b>7,338</b>	<b>3,564</b>	<b>27,576</b>	16,174	6,112	4,238	26,524	16,174	6,112	4,238	26,524
New business contribution	(186)	361	116	291	(97)	316	97	316	(189)	779	165	755
Expected return on existing business – return on VIF	-	465	289	754	-	388	292	680	-	802	590	1,392
Expected return on existing business – transfer to net worth	1,059	(744)	(315)	-	851	(596)	(255)	-	1,734	(1,205)	(529)	-
Experience variances	328	12	(24)	316	340	12	134	486	885	104	(222)	767
Operating assumption changes	(138)	150	104	116	-	12	-	12	118	824	(11)	931
Expected return on adjusted net worth	688	-	-	688	887	-	-	887	1,723	-	-	1,723
<b>Adjusted operating profit after tax</b>	<b>1,751</b>	<b>244</b>	<b>170</b>	<b>2,165</b>	1,981	132	268	2,381	4,271	1,304	(7)	5,568
Investment return variances on in-force business	142	301	146	589	36	(98)	(328)	(390)	72	187	155	414
Investment return variances on adjusted net worth	1,050	-	-	1,050	(682)	-	-	(682)	921	-	-	921
Effect of economic assumption changes	-	-	-	-	-	(426)	(267)	(693)	-	481	120	601
Effect of changes in and cost of required capital	-	(48)	415	367	-	-	-	-	-	(746)	(942)	(1,688)
<b>Profit after tax</b>	<b>2,943</b>	<b>497</b>	<b>731</b>	<b>4,171</b>	1,335	(392)	(327)	616	5,264	1,226	(674)	5,816
Amounts released from covered business	(1,381)	-	-	(1,381)	(366)	-	-	(366)	(1,438)	-	-	(1,438)
Transfer from covered business to other segments*	(1,405)	-	-	(1,405)	(3,307)	-	-	(3,307)	(3,326)	-	-	(3,326)
<b>Embedded value of the covered business at the end of the period</b>	<b>16,831</b>	<b>7,835</b>	<b>4,295</b>	<b>28,961</b>	13,836	5,720	3,911	23,467	16,674	7,338	3,564	27,576

\* The transfer from covered business to other segments includes the purchase of additional shares in Nedbank Group Limited, as well as head office expenses.

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

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (after tax) *continued*

North America covered business	Rm 6 months to 30 June 2005			Rm 6 months to 30 June 2004			Rm Year to 31 December 2004		
	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total
<b>Embedded value of the covered business at the beginning of the period</b>	<b>5,587</b>	<b>4817</b>	<b>10,404</b>	5,419	4,058	9,477	5,419	4,058	9,477
New business contribution	(442)	779	337	(474)	729	255	(1,015)	1,546	531
Expected return on existing business - return on VIF	-	268	268	-	194	194	-	330	330
Expected return on existing business - transfer to net worth	105	(105)	-	656	(656)	-	519	(519)	-
Experience variances	(279)	268	(11)	(12)	-	(12)	(684)	507	(177)
Operating assumption changes	(116)	93	(23)	-	(85)	(85)	-	(236)	(236)
Expected return on adjusted net worth	116	-	116	97	-	97	189	-	189
<b>Adjusted operating profit after tax</b>	<b>(616)</b>	<b>1,303</b>	<b>687</b>	267	182	449	(991)	1,628	637
Investment return variances on in-force business	81	(81)	-	-	85	85	260	(47)	213
Investment return variances on adjusted net worth	(47)	-	(47)	(122)	-	(122)	(71)	-	(71)
Effect of economic assumption changes	-	302	302	-	(49)	(49)	-	-	-
<b>Profit after tax</b>	<b>(582)</b>	<b>1,524</b>	<b>942</b>	145	218	363	(802)	1,581	779
Exchange rate movements	969	992	1,961	(395)	(297)	(692)	(977)	(822)	(1,799)
Capital injected to covered business	163	-	163	109	-	109	1,935	-	1,935
Transfer from covered business to other segments*	12	-	12	12	-	12	12	-	12
<b>Embedded value of the covered business at the end of the period</b>	<b>6,149</b>	<b>7,333</b>	<b>13,482</b>	5,290	3,979	9,269	5,587	4,817	10,404

\* The transfer from covered business to other segments is head office expenses.

The segmental results of North America include the operating profit generated by Old Mutual Reassurance (Ireland) Limited (OMRe), which provides reinsurance to the North American life companies, and in OMNIA Life (Bermuda) Limited.

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (after tax) *continued*

United Kingdom & Rest of World covered business	Rm			Rm			Rm		
	6 months to 30 June 2005			6 months to 30 June 2004			Year to 31 December 2004		
	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total
<b>Embedded value of the covered business at the beginning of the period</b>	<b>315</b>	<b>271</b>	<b>586</b>	275	298	573	275	298	573
New business contribution	(7)	12	5	-	(12)	(12)	(12)	-	(12)
Expected return on existing business - return on VIF	-	12	12	-	12	12	-	24	24
Expected return on existing business - transfer to net worth	12	(12)	-	24	(24)	-	35	(35)	-
Experience variances	-	-	-	(24)	24	-	(47)	24	(23)
Operating assumption changes	-	(12)	(12)	-	-	-	59	(12)	47
Expected return on adjusted net worth	7	-	12	-	-	-	12	-	12
<b>Adjusted operating profit after tax</b>	<b>12</b>	<b>-</b>	<b>12</b>	-	-	-	47	1	48
Investment return variances on in-force business	-	-	-	-	-	-	24	-	24
Investment return variances on adjusted net worth	-	-	-	-	-	-	-	-	-
<b>Profit after tax</b>	<b>12</b>	<b>-</b>	<b>12</b>	-	-	-	71	1	72
Exchange rate movements	32	28	60	(15)	(15)	(30)	(31)	(28)	(59)
Amounts released from covered business	-	-	-	-	-	-	-	-	-
<b>Embedded value of the covered business at the end of the period</b>	<b>359</b>	<b>299</b>	<b>658</b>	260	283	543	315	271	586

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 8 VALUE OF NEW BUSINESS (after tax)

The tables below set out a geographical analysis of the value of new business (VNB) after tax for the six months to 30 June 2005, six months to 30 June 2004 and the year to 31 December 2004. Annual Premium Equivalent (APE) is calculated as recurring premiums plus 10% of single premiums. New business profitability is measured by both the ratio of the VNB to the APE as well as to the Present Value of new business premiums (PVNBP), and shown under "Margin" below. PVNBP is defined as the present value of regular premiums plus single premiums for any given period. It is calculated using the same assumptions as for the new business contribution.

	Individual business	Group business	Africa	North America	UK & Rest of World	Rm Recurring premiums
<b>6 months to 30 June 2005</b>						
Recurring premiums	985	385	1,370	454	2	1,826
Single premiums	3,385	1,887	5,272	12,575	907	18,754
Annual premium equivalent	1,324	574	1,898	1,712	93	3,703
Present value of future new business premiums	8,170	3,806	11,976	14,762	920	27,658
Value of new business after tax and cost of required capital	175	116	291	337	5	633
APE Margin	13%	20%	15%	20%	5%	17%
PVNBP Margin	2.1%	3.1%	2.4%	2.3%	0.5%	2.3%
<b>6 months to 30 June 2004</b>						
Recurring premiums	889	385	1,274	304	5	1,583
Single premiums	3,162	1,097	4,259	13,698	648	18,605
Annual premium equivalent	1,205	495	1,700	1,674	70	3,444
Present value of future new business premiums	7,499	2,990	10,489	15,181	668	26,338
Value of new business after tax and cost of required capital	207	109	316	255	(12)	559
APE Margin	17%	22%	19%	15%	(16%)	16%
PVNBP Margin	2.8%	3.7%	3.0%	1.7%	(1.8%)	2.1%
<b>Year to 31 December 2004</b>						
Recurring premiums	1,943	684	2,627	679	12	3,318
Single premiums	6,563	2,530	9,093	25,455	1,476	36,024
Annual premium equivalent	2,599	937	3,536	3,225	160	6,921
Present value of future new business premiums	16,329	6,206	22,535	28,706	1,498	52,740
Value of new business after tax and cost of required capital	602	153	755	531	(12)	1274
APE Margin	23%	16%	21%	16%	(7%)	18%
PVNBP Margin	3.7%	2.5%	3.4%	1.8%	(0.8%)	2.4%

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 8 VALUE OF NEW BUSINESS (after tax) *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 primary financial information to those shown above, for the six months to 30 June 2005, is set out below.

	Recurring premiums	Rm Single premiums
<b>6 months to 30 June 2005</b>		
New business premiums in the notes to the primary financial information	1,305	12,763
Add:		
Healthcare business	278	-
Other Investment contracts	243	8,479
Less:		
North America reinsurance ceded externally	-	(47)
Group market-linked business not valued	-	(1,655)
Unit trust business not valued	-	(758)
OMART business not valued	-	(27)
<b>New business premiums as per European Embedded Value supplementary information</b>	<b>1,826</b>	<b>18,755</b>

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 9 PRODUCT ANALYSIS OF NEW COVERED BUSINESS PREMIUMS

<b>Africa</b>	Rm		Rm		Rm	
	6 months to 30 June 2005 Recurring	Single	6 months to 30 June 2004 Recurring	Single	Year to 31 December 2004 Recurring	Single
<b>Total business</b>	<b>1,370</b>	<b>5,272</b>	<b>1,274</b>	<b>4,259</b>	<b>2,627</b>	<b>9,093</b>
<b>Individual business</b>	<b>985</b>	<b>3,385</b>	<b>889</b>	<b>3,162</b>	<b>1,943</b>	<b>6,563</b>
Saving	339	2,511	305	2,335	629	4,800
Protection	317	38	273	50	671	81
Annuity	-	829	-	772	-	1,670
Group schemes	329	7	311	5	643	13
<b>Group business</b>	<b>385</b>	<b>1,887</b>	<b>385</b>	<b>1,097</b>	<b>684</b>	<b>2,530</b>
Saving	24	1,341	29	936	67	2,133
Protection	83	3	81	-	136	2
Annuity	-	543	-	161	-	395
Healthcare	278	-	275	-	481	-
<b>Total business*</b>	<b>1,370</b>	<b>5,272</b>	<b>1,274</b>	<b>4,259</b>	<b>2,627</b>	<b>9,093</b>
<b>Individual business</b>	<b>985</b>	<b>3,385</b>	<b>889</b>	<b>3,162</b>	<b>1,943</b>	<b>6,563</b>
Insurance contracts	490	877	487	754	1,053	1,712
Investment contracts with discretionary participating features	255	77	256	134	569	260
Other investment contracts	240	2,431	146	2,274	321	4,591
<b>Group business</b>	<b>385</b>	<b>1,887</b>	<b>385</b>	<b>1,097</b>	<b>684</b>	<b>2,530</b>
Insurance contracts	362	545	350	159	613	368
Investment contracts with discretionary participating features	23	778	35	633	71	1241
Other investment contracts	-	564	-	305	-	921

## European Embedded Value Supplementary Information for the six months to 30 June 2005

### 9 PRODUCT ANALYSIS OF NEW COVERED BUSINESS PREMIUMS *continued*

<b>North America</b>	Rm		Rm		Rm	
	6 months to 30 June 2005 Recurring	Single	6 months to 30 June 2004 Recurring	Single	Year to 31 December 2004 Recurring	Single
<b>Total business</b>	<b>454</b>	<b>12,575</b>	304	13,698	679	25,455
Fixed deferred annuity	-	-	-	1,459	-	2,821
Equity indexed annuity	-	7,607	-	6,673	-	13,653
Variable annuity	-	2,199	-	1,203	-	2,514
Life	454	-	304	-	679	-
Immediate annuity	-	1,931	-	3,330	-	5,216
Other (corporate)	-	838	-	1,033	--	1,251
<b>Total business*</b>	<b>454</b>	<b>12,575</b>	304	13,698	679	25,455
Insurance contracts	454	10,411	304	11,279	679	21,335
Investment contracts with discretionary participating features	-	-	-	-	-	-
Other investment contracts	-	2,164	-	2,419	-	4,120
<b>United Kingdom &amp; Rest of World</b>	Rm		Rm		Rm	
	6 months to 30 June 2005 Recurring	Single	6 months to 30 June 2004 Recurring	Single	Year to 31 December 2004 Recurring	Single
<b>Total business</b>	<b>2</b>	<b>907</b>	5	648	12	1,476
Saving	2	907	5	648	12	1,476
Protection	-	-	-	-	-	-
<b>Total business*</b>	<b>2</b>	<b>907</b>	5	648	12	1,476
Insurance contracts	-	-	-	-	-	-
Investment contracts with discretionary participating features	-	-	-	-	-	-
Other investment contracts	2	907	5	648	12	1,476

\* The classification of insurance contracts, investment contracts with discretionary participating features and other investment contracts is in accordance with the IFRS definitions. All categories of business (i.e. insurance and investment) are subject to EEV accounting.



# European Embedded Value Supplementary Information

for the six months to 30 June 2005

## 10 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 assumptions are best estimates and actively reviewed.

- The pre-tax investment and economic assumptions used for the African and North American businesses are set out below. We have used a bottom-up market consistent methodology to calculate the risk discount rates in all other territories.

	At 30 June 2005	At 31 December 2004	At 30 June 2004
<b>Africa</b>			
Risk-free rate (10 year Government bond)	8.3%	8.3%	10.4%
Cash return	6.3%	6.3%	8.4%
Equity return	11.8%	11.8%	13.9%
Property return	9.8%	9.8%	11.9%
Inflation	5.3%	5.3%	7.4%
Risk discount rate	10.6%	10.6%	12.7%
Risk margin	2.3%	2.3%	2.3%
<b>North America</b>			
Risk free rate (10 year Treasury yield)	3.9%	4.3%	4.6%
Inflation	3.0%	3.0%	3.0%
New money yield assumed	4.9%	5.1%	6.4%
Net portfolio earned rate	5.7%	5.9%	6.2%
Risk discount rate	7.1%	7.5%	7.8%
Risk margin	3.2%	3.2%	3.2%

- The pre-tax investment and economic assumptions are updated every six months to reflect the economic conditions prevailing on the valuation date. Risk-free rates have a duration similar to that of the underlying liabilities. Equity and property risk premiums incorporate both historical relationships and the Directors' view of future projected returns in each geography.
- The risk margins have been calculated using a bottom-up market consistent approach, and reflect the distinctive risks of the products in the respective business units. The calibration of the risk margins was not redone for June 2005, and the same risk margins were used as for December 2004.
- Where applicable, rates of future bonuses or crediting rates have been set at levels consistent with the investment return assumptions. Projected company taxation is based on the current tax basis that applies in each country.
- For the South African business, full allowance has been made for Secondary Tax on Companies (STC) that may be payable. 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 North America full allowance has been made for existing tax attributes of the companies, including the use of existing carry-forwards and preferred tax credit investments. For the purposes of the summary income statement the adjusted operating profit for the covered business has been grossed up for tax. The tax rates used were effective corporation tax rates of 35% for Africa and 30% for North America and 0% for the United Kingdom & Rest of World, except for the investment return on African capital, for which the attributed tax was derived from the primary financial statements.
- Both operating profit and new business are calculated on closing assumptions.

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 10 ASSUMPTIONS *continued*

- For the African business, the required capital is calculated independently in each of the major business units. The non-investment items are based on a multiple of the non-investment components of the local Statutory Capital Adequacy Requirements set out in PGN104 issued by the Actuarial Society of South Africa (ASSA). The investment item is based on internal models developed for capital allocation and pricing purposes. The models project assets and liabilities for the business forward for 10 years using stochastically determined investment returns on a realistic basis. Bonus rates and adjustments to non-vested bonuses are determined using a consistent formula based on a weighted average of past returns and the level of the Bonus Smoothing Account (BSA) at the time. To the extent that the BSA falls to lower than normally allowable minimum levels, the shareholder is considered to be required to provide support to the business, and the capital requirement is based on the discounted value of the maximum shareholder support in the 99th worst percentile case. The required capital is invested in local equities, local cash and international cash. The asset allocation as at 30 June 2005 is 60%, 20% and 20% respectively.
- For the North American business, the required capital is based on the multiple of the local Risk Based Capital (RBC) requirement that management deems necessary to maintain the desired credit rating for the company in question. The multiples vary by company from 200% to 300% and average 282% as at 30 June 2005. The required capital for OMNIA (Bermuda) Limited and Old Mutual Reassurance (Ireland) Limited in Ireland is based on the United Kingdom Financial Services Authority statutory requirements to ensure that the Group maintains adequate solvency capital in terms of the European Union Financial Groups Directive. The required capital is invested in short-dated fixed interest assets.
- The required capital of Old Mutual International, based in Guernsey, is set at some 1% of funds under management, a level considered by the Directors to be appropriate to manage the business. The required capital is invested in short-dated fixed interest assets.
- 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 include 19% of the Group holding company expenses, with 14% allocated to Africa and 5% allocated to North America. The allocation of these expenses aligns to the proportion that the management expenses incurred by the business bears to the total management expenses incurred in the Group.
- No allowance has been made for future productivity improvements in the expense assumptions.
- No development expenses have been excluded from the calculations and no material allowance has been made for future development expenses.
- 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.

## European Embedded Value Supplementary Information for the six months to 30 June 2005

### 10 ASSUMPTIONS *continued*

- The value of new business has been accumulated to the period end.
- The sensitivity of the value of in-force and value of new business to changes in the central risk discount rate are set out in section 11.
- The principal exchange rates used to translate the operating results of key foreign business segments to Sterling are:

	Rand			US\$		
	6 months to 30 June 2005	Year to 31 December 2004	6 months to 30 June 2004	6 months to 30 June 2005	Year to 31 December 2004	6 months to 30 June 2004
Profit and loss account (average rate)	<b>11.6325</b>	11.7986	12.1544	<b>1.8731</b>	1.8327	1.8222
Balance sheet (closing rate)	<b>11.9624</b>	10.8482	11.3037	<b>1.7918</b>	1.9158	1.8144
Balance sheet (opening rate)	<b>10.8482</b>	11.9367	11.9367	<b>1.9158</b>	1.7833	1.7833

- The nature of the financial options and guarantees for the African and North American businesses was set out in the EEV press release dated 20 June 2005.
- The approaches and models used to determine the time value of the financial options guarantees as at 30 June 2005 are consistent with the approaches as at 31 December 2004 as set out in the EEV press release dated 20 June 2005.

## European Embedded Value Supplementary Information

for the six months to 30 June 2005

### 11 ALTERNATIVE ASSUMPTIONS

The tables below for Africa and North America show the sensitivity of the embedded value, value of in-force at 30 June 2005 and the value of new business for the six months to 30 June 2005 to changes in the central risk discount rate. In determining the values at different central discount rates, all other assumptions have been left unchanged.

<b>At 30 June 2005</b>	Embedded value	Value of in-force business	Rm Value of new business
<b>Africa</b>			
Central assumptions	28,961	12,130	291
Value before cost of required capital		14,881	349
Cost of required capital		(2,751)	(58)
Effect of :			
Central discount rate +1%	27,131	10,300	233
Value before cost of required capital		14,044	314
Cost of required capital		(3,744)	(81)
Central discount rate –1%	31,186	14,355	349
Value before cost of required capital		15,862	384
Cost of required capital		(1,507)	(35)
<b>North America</b>			
Central assumptions	13,482	7,333	337
Value before cost of required capital		8,254	372
Cost of required capital		(921)	(35)
Effect of :			
Central discount rate +1%	13,051	6,902	314
Value before cost of required capital		7,979	361
Cost of required capital		(1,077)	(47)
Central discount rate –1%	13,936	7,787	361
Value before cost of required capital		8,541	384
Cost of solvency capital		(754)	(23)