

Summary Consolidated Income Statement

for the year ended 31 December 2005

	Notes	Year to 31 December 2005	Rm Year to 31 December 2004
Africa			
Long term business	2(iv)	5,411	5,510
Asset management	2(vii)	989	636
Banking	2(vi)	4,558	2,383
General insurance	2(v)	1,178	1,190
		12,136	9,719
North America			
Long term business	2(iv)	1,052	1,144
Asset management	2(vii)	1,368	1,026
		2,420	2,170
United Kingdom & Rest of World			
Long term business	2(iv)	91	71
Asset management	2(vii)	186	(57)
Banking	2(vi)	311	277
		588	291
Finance costs		(422)	(578)
Other shareholders' income / (expenses)	2(viii)	(291)	(348)
Adjusted operating profit*		14,431	11,254
Goodwill impairment	3(i)	(58)	(401)
Profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments	3(ii)	671	(311)
Short term fluctuations in investment return	3(iii)	4,206	2,323
Investment return adjustment for Group equity and debt instruments held in life funds	3(v)	(1,271)	(1,168)
Initial costs of Black Economic Empowerment schemes	3(vi)	(841)	-
Income from hedging activities that do not qualify for hedge accounting	3(iv)	-	366
Fines and penalties	3(vii)	-	(596)
Profit before tax (net of income tax attributable to policyholder returns)		17,138	11,467
Total income tax expense	4	(5,601)	(4,059)
Less income tax attributable to policyholder returns	4	1,465	732
Income tax attributable to equity holders		(4,136)	(3,327)
Profit for the financial year		13,002	8,140
Profit for the financial year is attributable to:			
Equity holders of the parent		10,041	6,571
Minority interests - ordinary shares	5(i)	2,356	873
Minority interests - preferred securities	5(ii)	605	696
		13,002	8,140

* For life assurance and general insurance businesses, adjusted operating profit is based on a long term investment return includes investment returns on investments in Group equity and debt instruments held in life funds and is stated net of income tax attributable to policyholder returns. For all businesses, adjusted operating profit excludes goodwill impairment, fines and penalties, initial costs of Black Economic Empowerment schemes and profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments. Adjusted operating profit excludes income from hedging activities that do not qualify for hedge accounting.

Summary Consolidated Income Statement

for the year ended 31 December 2005 *continued*

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

	Notes	Year to 31 December 2005	Rm Year to 31 December 2004
Adjusted operating profit		14,431	11,254
Tax on adjusted operating profit	4	(3,569)	(2,879)
		10,862	8,375
Minority interests – ordinary shares	5(i)	(2,148)	(1,109)
Minority interests – preferred securities	5(ii)	(605)	(696)
Adjusted operating profit after tax attributable to equity holders		8,109	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. Details of items included in profit before tax but excluded from adjusted operating profit are set out in note 3.

	Year to 31 December 2005	Rm Year to 31 December 2004
Adjusted operating profit after tax attributable to equity holders	8,109	6,570
Goodwill impairment	(46)	(200)
Profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments	370	(252)
Short term fluctuations in investment return	3,407	1,754
Investment return adjustment for Group equity and debt instruments held in life funds	(1,271)	(1,168)
Initial costs of Black Economic Empowerment schemes	(632)	-
Income attributable to Black Economic Empowerment trusts of listed subsidiaries	104	-
Income from hedging activities that do not qualify for hedge accounting	-	366
Fines and penalties	-	(499)
Profit for the financial period attributable to equity holders	10,041	6,571

	Notes	Year to 31 December 2005	C Year to 31 December 2004
Earnings per share attributable to equity holders			
Adjusted operating earnings per share*	6(ii)	211.2	175.8
Basic earnings per share	6(i)	290.5	192.0
Diluted earnings per share	6(i)	281.3	192.0
Adjusted weighted average number of shares – millions		3,840	3,738
Weighted average number of shares – millions		3,456	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 and excluding income attributable to Black Economic Empowerment trusts of listed subsidiaries. The calculation of the weighted average number of shares includes own shares held in policyholders' funds and Black Economic Empowerment trusts of the parent company.

Consolidated Income Statement

for the year ended 31 December 2005 *continued*

	Notes	Year to 31 December 2005	Rm Year to 31 December 2004
Revenue			
Gross earned premiums		51,804	48,524
Outward reinsurance		<u>(2,284)</u>	(1,652)
Net earned premiums		49,520	46,872
Investment income (net of investment losses)		76,081	50,569
Banking interest and similar income		25,448	23,869
Fee and commission income, and income from service activities		14,759	13,486
Other income		<u>2,511</u>	2,555
Total revenue		<u>168,319</u>	137,351
Expenses			
Claims and benefits (including change in insurance contract provisions)		(90,273)	(69,624)
Reinsurance recoveries		<u>2,620</u>	1,687
Net claims incurred		(87,653)	(67,937)
Change in provision for investment contract liabilities (including amortisation)		(13,921)	(8,967)
Losses on loans and advances		(1,193)	(1,227)
Finance costs (including interest and similar expenses)		(464)	(720)
Banking interest expense		(16,607)	(17,215)
Fees, commissions and other acquisition costs		(4,504)	(4,873)
Other operating and administrative expenses		(25,256)	(23,067)
Change in provision for third party interest in consolidated funds		<u>(924)</u>	(648)
		<u>(150,522)</u>	(124,654)
Share of associated undertakings' profit after tax		193	214
Goodwill impairment		(58)	(401)
Profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments		<u>671</u>	(311)
Profit before tax		<u>18,603</u>	12,199
Income tax expense	4	<u>(5,601)</u>	(4,059)
Profit for the financial year		<u>13,002</u>	8,140
Profit for the financial year is attributable to:			
Equity holders of the parent		10,041	6,571
Minority interests - ordinary shares	5(i)	2,356	873
Minority interests - preferred securities	5(ii)	<u>605</u>	696
		<u>13,002</u>	8,140
Earnings and dividend per share			
		Year to 31 December 2005	Year to 31 December 2004
Basic earnings per share	6(i)	290.5	192.0
Diluted earnings per share	6(i)	281.3	192.0
Dividend per share		<u>59.4</u>	57.0
Weighted average number of shares – millions		<u>3,456</u>	3,422

Consolidated Balance Sheet

at 31 December 2005

	At 31 December 2005	Rm At 31 31 December 2004
Assets		
Goodwill and other intangible assets	17,102	14,059
Investment in associated undertakings	1,009	1,616
Investment property	9,224	7,485
Property, plant and equipment	5,863	5,554
Deferred tax assets	4,992	4,773
Reinsurers' share of insurance contract provision	4,957	3,439
Deferred acquisition costs	11,860	7,106
Current tax receivable	314	217
Loans, receivables and advances	201,032	179,213
Derivative financial instrument assets	17,466	29,171
Financial assets fair valued through income statement	385,347	307,622
Other financial assets	133,594	105,911
Short term securities	19,218	30,689
Other assets	26,235	22,501
Cash and balances with the central banks	33,230	16,413
Placements with other banks	6,182	4,252
Total assets	877,625	740,021
Liabilities		
Insurance contract provisions	253,332	204,847
Liabilities fair valued through income statement (including investment contract liabilities)	230,769	163,103
Provision for third party interests in consolidation of funds	10,521	6,032
Borrowed funds	15,609	15,632
Provisions	5,485	5,533
Deferred revenue	1,504	1,508
Deferred tax liabilities	6,656	4,187
Current tax payable	1,934	1,855
Deposits from other banks	28,073	30,516
Amounts owed to other depositors	168,928	165,446
Other money market deposits	33,320	32,946
Derivative financial instrument liabilities	17,801	28,704
Other liabilities	33,773	28,780
Total liabilities	807,705	689,089
Net assets	69,920	50,932
Shareholders' equity		
Equity attributable to equity holders of the parent	51,745	35,410
Minority interests - ordinary shares	11,027	8,492
Minority interests - preferred securities	7,148	7,030
Total minority interests	18,175	15,522
Total equity	69,920	50,932

Consolidated Cashflow Statement

for the year ended 31 December 2005

	Year to 31 December 2005	Rm Year to 31 December 2004
Cash flows from operating activities		
Profit before tax	18,603	12,199
Capital gains included in investment income	(50,262)	(29,768)
Loss on disposal of property, plant and equipment	93	106
Depreciation of property, plant and equipment	706	1,428
Amortisation and impairment of intangible assets	869	1,298
Provision for bad debts	1,413	1,439
Share-based compensation expense	1,089	177
Share of associated undertakings' profit after tax	(193)	(214)
(Profit) / loss arising on disposal of subsidiaries, associated undertakings and strategic investments	(671)	311
Other non-cash amounts in profit	104	246
Non-cash movements in profit before tax	(46,852)	(24,977)
Reinsurance assets	(961)	24
Deferred acquisition costs	(3,196)	(3,174)
Loans, receivables and advances	(37,442)	(6,041)
Insurance contracts	38,299	31,585
Investment contracts	26,857	10,949
Amounts owed to depositors (including bank and money market deposits)	11,384	18,217
Other operating assets and liabilities	5,385	(7,669)
Changes in working capital	40,326	43,891
Taxation paid	(3,636)	(3,811)
Net cash from operating activities	8,441	27,302
Cash flows from investing activities		
Net disposal / (acquisition) of financial investments	7,458	(28,151)
Net disposal of investment properties	463	106
Net acquisition of tangible fixed assets	(961)	(649)
Net acquisition of intangible fixed assets	(197)	(413)
Acquisition of interests in subsidiaries	(649)	(1,864)
Disposal of interests in subsidiaries, associated undertakings and strategic investments	382	991
Net cash inflow / (outflow) from investing activities	6,496	(29,980)
Cash flows from financing activities		
Dividends paid to:		
Ordinary shareholders of the Company	(2,134)	(1,959)
Equity minority interests and preferred security interests	(1,152)	(932)
Interest payable (excluding banking interest payable)	(463)	(566)
Net proceeds from issue of ordinary shares (including by subsidiaries to minority interests excluding treasury shares)	23	2,737
Repayment of convertible debt	(3,891)	(59)
Issue / (repayment) of subordinated debt	3,000	(732)
Issue of perpetual preferred callable securities	7,968	-
Other debt repaid	(108)	(342)
Net cash flows from financing activities	3,243	(1,853)
Net increase / (decrease) in cash and cash equivalents	18,180	(4,531)
Effects of exchange rate changes on cash and cash equivalents	(76)	(725)
Cash and cash equivalents at beginning of the year	17,877	23,133
Cash and cash equivalents at end of the year	35,981	17,877
Consisting of:		
Placements with other banks	6,182	4,252
Cash and balances with central banks	33,230	16,413
Other cash equivalents	4,161	2,365
	43,573	23,030
Less: Cash and cash equivalents subject to consolidation of funds	(7,592)	(5,153)

Statement of Changes in Consolidated Equity

for the year ended 31 December 2005

	Rm			
	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total minority interest	Total equity
Year ended 31 December 2005				
Equity holders' funds at 1 January 2005	3,854	35,410	15,522	50,932
Change in equity arising in the year				
Fair value gains / (losses):				
Property revaluation	-	312	-	312
Net investment hedge reserve	-	(898)	-	(898)
Available-for-sale investments	-	(2,881)	-	(2,881)
Shadow accounting	-	1,351	-	1,351
Currency translation differences / exchange differences on translating foreign operations	-	2,149	56	2,205
Cash flow hedge amortisation	-	(133)	-	(133)
Redemption of convertible bonds	-	(205)	-	(205)
Other	-	(231)	264	33
Aggregate tax effect of items taken directly to or transferred from equity	-	393	-	393
Net income recognised directly in equity	-	(143)	320	177
Profit for the year	-	10,041	2,961	13,002
Total recognised income / (expense) for the year	-	9,898	3,281	13,179
Dividends for the year	-	(2,134)	(1,152)	(3,286)
Net purchase of treasury shares	-	(2,103)	-	(2,103)
Issue of perpetual preferred callable securities	-	7,862	-	7,862
Issue of share capital	231	1,841	-	1,841
Net acquisition of minority interests	-	-	296	296
Exercise of share options	5	47	-	47
Fair value of equity settled share options	-	924	228	1,152
Equity holders' funds at 31 December 2005	4,090	51,745	18,175	69,920

Statement of Changes in Consolidated Equity

for the year ended 31 December 2005 *continued*

	Rm						
Year ended 31 December 2005	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Perpetual Preferred Callable Securities	Total
Attributable to equity holders of the parent at 1 January 2005	4,187	6,509	4,826	1,324	18,564	-	35,410
Changes in equity arising in the year:							
Fair value gains / (losses):							
Property revaluation	-	-	312	-	-	-	312
Net investment hedge reserve	-	-	(574)	(324)	-	-	(898)
Available-for-sale investments	-	-	(2,881)	-	-	-	(2,881)
Shadow accounting	-	-	1,351	-	-	-	1,351
Currency translation differences / exchange differences on translating foreign operations	-	(66)	60	2,888	(261)	(472)	2,149
Cash flow hedge amortisation	-	-	(133)	-	-	-	(133)
Redemption of convertible bonds	-	-	(205)	-	-	-	(205)
Other movements	-	-	-	-	(231)	-	(231)
Aggregate tax effect of items taken directly to or transferred from equity	-	-	393	-	-	-	393
Net income recognised directly in equity	-	(66)	(1,677)	2,564	(492)	(472)	(143)
Profit for the year	-	-	-	-	10,041	-	10,041
Total recognised income for the year	-	(66)	(1,677)	2,564	9,549	(472)	9,898
Dividends for the year	-	-	-	-	(2,134)	-	(2,134)
Net purchase of treasury shares	-	-	-	-	(2,103)	-	(2,103)
Issue of perpetual preferred callable securities	-	(104)	-	-	-	7,966	7,862
Issue of share capital	266	1,575	-	-	-	-	1,841
Exercise of share options	12	35	-	-	-	-	47
Fair value of equity settled share options	-	-	924	-	-	-	924
Attributable to equity shareholders of the parent at 31 December 2005	4,465	7,949	4,073	3,888	23,876	7,494	51,745

	Rm	
Other reserves	At 31 December 2005	At 31 December 2004
Merger reserve	2,003	1,996
Available for sale reserve	741	1,659
Investment property revaluation reserve	425	286
Convertible debt reserve	-	185
Net investment hedge reserve	-	538
Cashflow hedge reserve	(33)	99
Share based payments reserve	937	63
At 31 December 2005	4,073	4,826

Retained earnings have been reduced by R7.8 billion as at 31 December 2005 in respect of treasury shares held in policyholder funds, ESOP trusts, Black Economic Empowerment trusts and other related undertakings.

Statement of Changes in Consolidated Equity

for the year ended 31 December 2005 *continued*

	Rm			
	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total minority interest	Total equity
Year ended 31 December 2004				
Equity holders' funds at 1 January 2004	3,837	31,635	14,483	46,118
Changes in equity arising in the year				
Fair value gains / (losses):				
Gain on property revaluation	-	106	-	106
Available-for-sale investments	-	1,392	-	1,392
Shadow accounting	-	(413)	-	(413)
Currency translation differences / exchange differences on translating foreign operations	-	(2,029)	(670)	(2,699)
Cash flow hedge amortisation	-	(47)	-	(47)
Other movements	-	(141)	130	(11)
Aggregate tax effect of items taken directly to or transferred from equity	-	(212)	-	(212)
Net income recognised directly in equity	-	(1,344)	(540)	(1,884)
Profit for the year	-	6,571	1,569	8,140
Total recognised income / (expense) for the year	-	5,227	1,029	6,256
Dividends for the year	-	(1,959)	(911)	(2,870)
Sale of treasury shares	-	295	-	295
Issue of share capital	-	-	59	59
Net acquisition of minority interest	-	-	779	779
Exercise of share options	17	177	83	260
Fair value of equity settled share options	-	35	-	35
Equity holders' funds at 31 December 2004	3,854	35,410	15,522	50,932

Statement of Changes in Consolidated Equity

for the year ended 31 December 2005 *continued*

	Rm					
Year ended 31 December 2004	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total
Attributable to equity holders of the parent at 1 January 2004	4,584	7,007	4,410	-	15,634	31,635
Changes in equity arising in the year						
Fair value gains / (losses):						
Gain on property revaluation	-	-	106	-	-	106
Available-for-sale investments	-	-	1,392	-	-	1,392
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)
Other	-	-	24	-	(165)	(141)
Aggregate tax effect of items taken directly to or transferred from equity	-	-	(212)	-	-	(212)
Net income recognised directly in equity	(421)	(651)	381	1,324	(1,977)	(1,344)
Profit for the year	-	-	-	-	6,571	6,571
Total recognised income / (expenses) for the year	(421)	(651)	381	1,324	4,594	5,227
Dividends paid in year	-	-	-	-	(1,959)	(1,959)
Sales of treasury shares	-	-	-	-	295	295
Exercise of share options	24	153	-	-	-	177
Fair value of equity settled share options	-	--	35	-	-	35
Attributable to equity holders of the parent at 31 December 2004	4,187	6,509	4,826	1,324	18,564	35,410

Retained earnings have been reduced by R6.0 billion 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 year ended 31 December 2005 *continued*

1 FOREIGN CURRENCIES

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

	Sterling		USD	
	Year to 31 December 2005	Year to 31 December 2004	Year to 31 December 2005	Year to 31 December 2004
Income statement (average rate)	11.5812	11.7986	6.3650	6.4380
Balance sheet (closing rate)	10.8923	10.8482	6.3375	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.

2 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 primarily 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 note 2(ii) below. Where financial information is required for both primary and secondary segments, this information is shown in the format of a matrix. Notes 2(iii) to 2(ix) provide additional supplemental information for each business segment and have been presented in accordance with the adjusted operating profit format used in preparation of the summary consolidated income statement, including a reconciliation to the consolidated income statement format. Inter-segment revenue and expenses are included in the presentation of the additional supplemental information which are eliminated within the 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
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(ii) Income statement

						Rm
Year ended 31 December 2005	Africa	North America	United Kingdom & Rest of World	Total before inter segment (revenue) / expense	Inter segment (revenue) expense	Total after inter segment (revenue) / expense
Revenue						
Long term business	83,869	30,179	1,674	115,722	(1,019)	114,703
General insurance	8,416	-	-	8,416	-	8,416
Banking	33,063	-	1,501	34,564	(36)	34,528
Asset management	2,683	5,246	1,440	9,369	(709)	8,660
Other shareholders' net income	60	-	520	580	(109)	471
Consolidation of funds	1,097	-	444	1,541	-	1,541
Inter segment revenue	(1,502)	(148)	(223)	(1,873)	1,873	-
	127,686	35,277	5,356	168,319	-	168,319
Expenses						
Long term business	(75,465)	(29,087)	(1,584)	(106,136)	731	(105,405)
General insurance	(6,452)	-	-	(6,452)	-	(6,452)
Banking	(28,966)	-	(1,190)	(30,156)	180	(29,976)
Asset management	(1,694)	(3,878)	(1,222)	(6,794)	812	(5,982)
Debt service costs and other shareholders' expenses	(147)	-	(1,169)	(1,316)	150	(1,166)
Consolidation of funds	(1,097)	-	(444)	(1,541)	-	(1,541)
Inter segment expenses	1,392	138	343	1,873	(1,873)	-
	(112,429)	(32,827)	(5,266)	(150,522)	-	(150,522)
Net revenue / (expenses)						
Long term business	8,404	1,092	90	9,586	(288)	9,298
General insurance	1,964	-	-	1,964	-	1,964
Banking	4,097	-	311	4,408	144	4,552
Asset management	989	1,368	218	2,575	103	2,678
Other shareholders' income / (expenses)	(87)	-	(649)	(736)	41	(695)
Net inter segment (revenue) / expenses	(110)	(10)	120	-	-	-
	15,257	2,450	90	17,797	-	17,797
Share of associated undertakings' profit after tax	193	-	-	193	-	193
Goodwill impairment	(58)	-	-	(58)	-	(58)
Profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments	741	(68)	(2)	671	-	671
Profit before tax	16,133	2,382	88	18,603	-	18,603

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

2 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
Revenue						
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' net 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
Expenses						
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' net expenses	(260)	-	(1,361)	(1,621)	83	(1,538)
Consolidation of funds	(861)	-	(130)	(991)	-	(991)
Inter segment expenses	1,122	153	248	1,523	(1,523)	-
	(89,126)	(31,356)	(4,172)	(124,654)	-	(124,654)
Net revenue / (expenses)						
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)
Net inter segment (revenue) / expenses	1	11	(12)	-	-	-
	10,484	2,269	(56)	12,697	-	12,697
Share of associated undertakings' profit after tax	214	-	-	214	-	214
Goodwill impairment	(401)	-	-	(401)	-	(401)
Loss on disposal of subsidiaries	(110)	-	(201)	(311)	-	(311)
Profit before tax	10,187	2,269	(257)	12,199	-	12,199

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(iii) Long term business premiums

Gross premiums and investment contract deposits written *continued*

	Rm			
Year to 31 December 2005	Africa	North America	United Kingdom & Rest of World	Total
Individual business				
Single	8,662	25,113	1,911	35,686
Recurring	12,231	3,269	112	15,612
	20,893	28,382	2,023	51,298
Group business				
Single	7,993	-	-	7,993
Recurring	3,691	-	-	3,691
	11,684	-	-	11,684
Total gross premiums and investment contract deposits written	32,577	28,382	2,023	62,982
Insurance contracts	13,753	24,431	46	38,230
Investment contracts with discretionary participation features	5,584	-	-	5,584
Other investment contracts	13,240	3,951	1,977	19,168
	32,577	28,382	2,023	62,982
Less: Other investment contracts	(13,240)	(3,951)	(1,977)	(19,168)
Total gross written premiums	19,337	24,431	46	43,814

	Rm			
Year to 31 December 2004	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
	19,113	28,010	1,628	48,751
Group business				
Single	5,333	-	-	5,333
Recurring	3,740	-	-	3,740
	9,073	-	-	9,073
Total gross premiums and investment contract deposits written	28,186	28,010	1,628	57,824
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
	28,186	28,010	1,628	57,824
Less: Other investment contracts	(11,032)	(4,141)	(1,605)	(16,778)
Total gross written premiums	17,154	23,869	23	41,046

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(iii) Long term business premiums *continued*

Gross new business premiums and investment contract deposits written

	Rm			
Year ended 31 December 2005	Africa	North America	United Kingdom & Rest of World	Total
Individual business				
Single	8,662	25,113	1,911	35,686
Recurring	2,133	932	3	3,068
	10,795	26,045	1,914	38,754
Group business				
Single	7,993	-	-	7,993
Recurring	217	-	-	217
	8,210	-	-	8,210
Total gross new business premiums and investment contract deposits written	19,005	26,045	1,914	46,964
Insurance contracts	4,794	22,082	-	26,876
Investment contracts with discretionary participation features	2,494	-	-	2,494
Other investment contracts	11,717	3,963	1,914	17,594
	19,005	26,045	1,914	46,964
Less: Other investment contracts	(11,717)	(3,963)	(1,914)	(17,594)
Total gross new business premiums written	7,288	22,082	-	29,370
Annual Premium Equivalent	4,016	3,443	194	7,653

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
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(iii) Long term business *continued*

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

				Rm
Year to 31 December 2004	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>
Total gross new business premiums and investment contract deposits written	<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)
Total Gross New Business Premiums written	<u>5,734</u>	<u>22,134</u>	<u>-</u>	<u>27,868</u>
Annual Premium Equivalent	<u>3,433</u>	<u>3,245</u>	<u>153</u>	<u>6,831</u>

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(iv) Long term business - Adjusted operating profit

	Rm			
Year to 31 December 2005	Africa	North America	United Kingdom & Rest of World	Total
Individual business	2,763	1,052	83	3,898
Group business	1,054	-	-	1,054
	3,817	1,052	83	4,952
Long term investment return	1,518	-	8	1,526
Share of associated undertakings' profit after tax	76	-	-	76
Adjusted operating profit	5,411	1,052	91	6,554
Short term fluctuations in investment returns	3,234	48	(1)	3,281
Investment return adjustment for Group equity and debt instruments held in life funds	(1,271)	-	-	(1,271)
Initial costs of Black Economic Empowerment schemes	(329)	-	-	(329)
Profit before tax (net of income tax attributable to policyholder returns)	7,045	1,100	90	8,235
Income tax attributable to policyholder returns	1,436	-	-	1,436
Profit before tax	8,481	1,100	90	9,671

	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
Adjusted operating profit	5,510	1,144	71	6,725
Short term fluctuations in investment returns	1,180	684	-	1,864
Investment return adjustment for Group equity and debt instruments held in life funds	(1,168)	-	-	(1,168)
Profit before tax (net of income tax attributable to policyholder returns)	-	-	-	-
Income tax attributable to policyholder returns	-	-	-	-
Profit before tax	5,522	1,828	71	7,421

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(v) General insurance

					Rm
Year to 31 December 2005	Gross premiums written	Gross earned premiums	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Adjusted operating profit
Commercial	3,772	3,775	3,151	1,821	509
Personal lines	3,057	3,057	3,014	2,189	50
Risk financing	1,175	1,158	717	192	13
	8,004	7,990	6,882	4,202	572
Long term investment return					609
Adjusted operating profit					1,181
Goodwill impairment					(58)
Short term fluctuations in investment return					925
Initial costs of Black Economic Empowerment schemes					(142)
Profit before tax					1,906

					Rm
Year ended 31 December 2004	Gross premiums written	Gross earned premiums	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Adjusted operating profit
Commercial	3,305	3,398	2,808	1,629	415
Personal lines	2,938	2,914	2,878	2,004	151
Risk financing	1,117	1,180	1,050	565	64
	7,360	7,492	6,736	4,198	630
Long term investment return					530
Share of associated undertakings' profit after tax					30
Adjusted operating profit					1,190
Short term fluctuations in investment return					459
Profit before tax					1,649

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(vi) Banking

	Rm		
Year to 31 December 2005	Africa	United Kingdom & Rest of World	Total
Interest and similar income	24,167	1,141	25,308
Interest expense and similar charges	(16,017)	(764)	(16,781)
Net interest income	8,150	377	8,527
Dividend income	140	-	140
Fees and commission receivable	6,447	40	6,487
Fees and commission payable	(848)	(51)	(899)
Other operating income	2,179	319	2,498
Foreign currency translation gain / (loss)	131	(5)	126
Total operating income	16,199	680	16,879
(Losses) on loans and advances	(1,200)	9	(1,191)
Operating expenses	(10,335)	(367)	(10,702)
	4,664	322	4,986
Irrecoverable transaction tax	(220)	(11)	(231)
Share of associated undertakings' profit after tax	114	-	114
Adjusted operating profit	4,558	311	4,869
Profit on disposal of subsidiaries, associated undertakings and strategic investments	741	-	741
Initial costs of Black Economic Empowerment schemes	(347)	-	(347)
Profit before tax	4,952	311	5,263

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(vi) Banking *continued*

	Rm		
Year to 31 December 2004	Africa	United Kingdom & Rest of World	Total
Interest and similar income	23,003	723	23,726
Interest expense and similar charges	(16,761)	(454)	(17,215)
Net interest income	6,242	269	6,511
Dividend income	143	-	143
Fees and commission receivable	4,580	467	5,047
Fees and commission payable	(867)	(25)	(892)
Other operating income	3,913	138	4,051
Foreign currency translation loss	(280)	-	(280)
Total operating income	13,731	849	14,580
Losses on loans and advances	(1,209)	(21)	(1,230)
Operating expenses	(9,804)	(539)	(10,343)
	2,718	289	3,007
Irrecoverable transaction tax	(460)	(12)	(472)
Share of associated undertakings' operating profit after tax	125	-	125
Adjusted operating profit	2,383	277	2,660
Goodwill impairment	(401)	-	(401)
Loss on disposal of subsidiaries	(110)	-	(110)
Profit before tax	1,872	277	2,149

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(vii) Asset management

Year to 31 December 2005	Revenue	Expenses	Rm Profit Before tax
Africa			
Old Mutual Asset Managers	640	(357)	283
Old Mutual Unit Trust	368	(249)	119
Old Mutual Specialised Finance	615	(338)	277
Other fund management businesses	568	(441)	127
Nedbank unit trusts and portfolio management	492	(309)	183
	2,683	(1,694)	989
US asset management			
	5,246	(3,878)	1,368
United Kingdom & Rest of World			
Old Mutual Asset Managers (UK)	794	(640)	154
Selestia Life & Pensions	220	(231)	(11)
Other fund management businesses	362	(301)	61
Nedbank unit trusts and portfolio management	64	(82)	(18)
	1,440	(1,254)	186
Adjusted operating profit	9,369	(6,828)	2,543
Loss on disposal of subsidiaries	-	(70)	(70)
Profit before tax	9,369	(6,898)	2,473

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(vii) Asset management *continued*

Year to 31 December 2004	Revenue	Expenses	Rm Profit before tax
Africa			
Old Mutual Asset Managers	519	(283)	236
Old Mutual Unit Trust	271	(224)	47
Old Mutual Specialised Finance	460	(354)	106
Other fund management businesses	413	(260)	153
Nedbank unit trusts and portfolio management	377	(283)	94
	2,040	(1,404)	636
US asset management			
	4,318	(3,292)	1,026
United Kingdom & Rest of World			
Old Mutual Asset Managers (UK)	495	(497)	(2)
Selestia Life & Pensions	283	(224)	59
Other fund management businesses	201	(389)	(188)
Nedbank unit trusts and portfolio management	401	(327)	74
	1,380	(1,437)	(57)
Adjusted operating profit			
	7,738	(6,133)	1,605
Loss on disposal of subsidiaries	-	(201)	(201)
Fines and penalties	-	(596)	(596)
Profit before tax	7,738	(6,930)	808

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(vii) Asset management *continued*

	Rm	Rm
	Year to 31 December 2005	Year to 31 December 2004
US asset management		
Revenue		
Investment management fees	4,158	3,716
Transaction, performance and other fees	1,088	602
	5,246	4,318
Expenses		
Staff costs – fixed and variable	(3,017)	(1,428)
Other	(861)	(1,864)
	(3,878)	(3,292)
Adjusted operating profit	1,368	1,026
Loss on disposal of subsidiaries	(70)	(59)
Fines and penalties	-	(596)
Profit before tax	1,310	371

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(viii) Other shareholders' income / (expenses)

	Year to 31 December 2005	Rm Year to 31 December 2004
Distribution from unclaimed share trust	35	189
Provisions for contributions to public benefit and charitable organisations	(35)	(189)
Interest receivable	220	106
Net other income / (expenses)	(106)	-
Net corporate expenses	(405)	(454)
Adjusted operating loss	(291)	(348)
Initial costs of Black Economic Empowerment schemes	(23)	-
Loss before tax	(314)	(348)

In accordance with proposals announced by the Company on 23 February 2004 and approved by its shareholders on 14 May 2004, during the year the Company received an additional R35 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.

Net other income / (expenses) includes recognition of movements in pension deficits in certain defined benefit schemes.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(ix) Funds under management

	Rm			
At 31 December 2005	Africa	North America	United Kingdom & Rest of World	Total
Life investments	285,159	128,006	36,652	449,817
Africa				
Fund management				
Old Mutual Asset Managers	103,912	-	-	103,912
Old Mutual Unit Trust	5,773	-	-	5,773
Other fund management businesses	12,341	-	-	12,341
	122,026	-	-	122,026
Nedbank unit trusts and portfolio management	60,942	-	-	60,942
	182,968	-	-	182,968
US asset management	-	1,213,997	84,012	1,298,009
United Kingdom & Rest of World				
Fund management	-	-	35,334	35,334
Selestia Life & Pensions	-	-	12,134	12,134
Other fund management business	-	-	2,788	2,788
Nedbank unit trusts and portfolio management	-	-	11,121	11,121
	-	-	61,377	61,377
Total funds under management	468,127	1,342,003	182,041	1,992,171

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

2 SEGMENT INFORMATION *continued*

(ix) Funds under management *continued*

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

**3 ITEMS INCLUDED IN PROFIT BEFORE TAX BUT EXCLUDED FROM
ADJUSTED OPERATING PROFIT**

(i) Goodwill impairments

Goodwill impairment represents R58 million incurred in respect of the Group's African general insurance business. After minority interests of R12 million, the goodwill impairment attributable to equity holders is R46 million. During 2004, goodwill impairment of R401 million was recognised in respect of Group adjustments associated with the Group's banking business. After minority interests of R201 million, goodwill impairment attributable to equity holders was R200 million.

**(ii) Profit / (loss) on disposal of subsidiaries, associated undertakings and
strategic investments**

	Rm	
	Year to 31 December 2005	Year to 31 December 2004
United States - asset management affiliates	(71)	(59)
South Africa - banking subsidiaries and associates	(46)	(118)
South Africa - banking strategic investments	788	-
United Kingdom - asset management subsidiaries	-	(134)
Profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments before tax	671	(311)
Tax	12	-
Profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments after tax	683	(311)
Profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments after tax is attributable to:		
Equity holders of the parent	370	(252)
Minority interests – ordinary shares	313	(59)
	683	(311)

During 2005, the Group disposed of its interests in L&B Realty, Integra Global Advisors and UAM Japan for a total of R116 million cash consideration, resulting in a loss on disposal of R69 million. The tax credit arising on disposal was R47 million.

During the year the Group's banking subsidiary disposed of various non-core subsidiaries resulting in a loss of R12 million. Disposal of investment in associated undertaking Internet Solutions resulted in a profit of R84 million and write-down of investment in State Bank of Mauritius Ltd resulted in a loss of R116 million.

In August 2005, the Group's banking subsidiary disposed of its investment in Net1 U.E.P.S. Technologies, Inc for R868 million cash consideration, resulting in a profit on disposal of R793 million. This strategic investment was previously an associate of the Group and held as an available-for-sale asset. The profit has been excluded from adjusted operating profit as in the directors' view the size of the profit may distort the concept that the adjusted operating profit is to represent the underlying performance of the Group.

Net tax payable in respect of the Group's banking subsidiary disposals was R35 million.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005 *continued*

3 ITEMS INCLUDED IN PROFIT BEFORE TAX BUT EXCLUDED FROM ADJUSTED OPERATING PROFIT *continued*

(iii) Short term fluctuations in investment return

Profit before tax is calculated on the basis of actual investment return earned by the long term business. Adjusted operating profit is stated after allocating an investment return earned by the insurance businesses based on a long term investment return. The difference between the actual investment return and the long term investment return is the short term fluctuation in investment return.

For African long term business, the return is applied to an average value of investible shareholders' assets, adjusted for net fund flows. For general insurance business, the return is an average value of investible assets supporting shareholders' 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.

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

	Year to 31 December 2005	Year to 31 December 2004
Africa	11.1%	12.5%
Equities	13.0%	14.0%
Cash and other investible assets - Rand denominated	9.0%	11.0%
Cash and other investible assets - other currencies	6.0%	8.0%
United States	5.85%	6.00%

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 earnings are not inconsistent with the actual returns expected to be earned over the long term.

	Rm	
	Year to 31 December 2005	Year to 31 December 2004
Analysis of short term fluctuations in investment return		
Long term business		
Actual investment return attributable to shareholders	4,807	3,573
Long term investment return credited to adjusted operating profit	(1,526)	(1,711)
	<u>3,281</u>	<u>1,862</u>
General insurance business		
Actual investment return attributable to shareholders	1,534	991
Long term investment return credited to adjusted operating profit	(609)	(530)
	<u>925</u>	<u>461</u>
Short term fluctuations in investment returns before tax	4,206	2,323
Tax	⁴ (637)	(545)
	<u>3,569</u>	<u>1,778</u>
Short term fluctuations in investment returns after tax		
Short term fluctuations in investment returns after tax is attributable to:		
Equity holders of the parent	3,407	1,754
Minority interests – ordinary shares	162	24
	<u>3,569</u>	<u>1,778</u>

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005 *continued*

3 ITEMS INCLUDED IN PROFIT BEFORE TAX BUT EXCLUDED FROM ADJUSTED OPERATING PROFIT *continued*

(iv) Income from hedging activities that do not qualify for hedge accounting

In order to manage investment risk, interest rate risk and currency exposures, the parent company enters into various derivative instruments. These instruments are only entered into for this purpose as speculative activity is not permitted and all transactions must be fully covered by cash or corresponding assets and liabilities. In accordance with IAS39, the documentation and effectiveness testing requirements for hedge accounting are extensive. Provided these tests are satisfied, any movements in the fair value of the derivative instruments will be recognised within the consolidated shareholders' equity.

Whilst the requirements for hedge accounting have been substantially achieved during the year, certain economically hedged relationships failed the IAS39 requirements in 2004. The movement in the fair value of derivative instruments resulted in a gain of R366 million being recognised in the consolidated income statement. This gain has been excluded from the adjusted operating profit as it does not represent income arising from the underlying performance of the Group.

(v) Investment return adjustment for Group equity and debt instruments held in life funds

Investment returns on Group equity and debt instruments held in policyholder funds to support policyholder liabilities are eliminated within the consolidated income statement in arriving at profit for the financial year.

However, adjusted operating profit includes investment returns on these investments in Group equity and debt instruments. These include investments in the Company's ordinary shares and subordinated liabilities and preferred securities issued by its African banking subsidiaries.

	Rm	
	Year to 31 December 2005	Year to 31 December 2004
Dividend income	188	212
Realised gains on investment return	188	59
Unrealised gains on investments	895	897
	<u>1,271</u>	<u>1,168</u>

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005 *continued*

3 ITEMS INCLUDED IN PROFIT BEFORE TAX BUT EXCLUDED FROM ADJUSTED OPERATING PROFIT *continued*

(vi) Initial costs of Black Economic Empowerment schemes

On 19 April 2005, the Group announced its intention to implement certain Black Economic Empowerment ownership proposals which will ultimately increase black shareholdings in its South African businesses. Following approval by shareholders at an Extraordinary General Meeting and Court Meeting held on 6 July 2005, the schemes were implemented in August 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 resulted in the issue of new ordinary shares in Old Mutual plc and its listed subsidiaries 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.

The costs incurred during the year in relation to the schemes consists of share-based payments charges in accordance with IFRS 2, administration costs associated with implementation and running of the schemes and performance fees accrued in respect of the Black Business Partners. Tax relief is recognised in respect of certain costs where contributions are made to schemes in respect of employee grants. Total costs of R926 million have been recognised in the consolidated income statement.

Share based payment charges are recognised over the vesting period of the schemes and apply to employee and non-employee arrangements where the Group is deemed to have received benefits in respect of the issue of the shares. The amounts calculated in respect of certain schemes, principally the broad based employee schemes and Black Business Partners arrangements, vest immediately such that the total charge is recognised up front. These initial share based payment charges and professional fees incurred in respect of establishment of the schemes have been excluded from adjusted operating profit.

	Rm	
	Year to 31 December 2005	Year to 31 December 2004
Analysis of initial costs of Black Economic Empowerment schemes		
Old Mutual South Africa	(329)	-
Nedbank Group Limited	(347)	-
Mutual & Federal Insurance Company Limited	(142)	-
Old Mutual plc	(23)	-
Initial costs of Black Economic Empowerment schemes before tax	(841)	-
Tax relief on initial costs	58	-
Initial costs of Black Economic Empowerment schemes after tax	(783)	-
Initial costs of Black Economic Empowerment schemes after tax is attributable to:		
Equity holders of the parent	(632)	-
Minority interests – ordinary shares	(151)	-
	(783)	-

Notes to the Consolidated Financial Statements for the year ended 31 December 2005 *continued*

3 ITEMS INCLUDED IN PROFIT BEFORE TAX BUT EXCLUDED FROM ADJUSTED OPERATING PROFIT *continued*

(vii) Fines and penalties

During 2004, the US asset management affiliate, Liberty Ridge Capital Inc. (formally 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 consolidated income statement, but excluded from adjusted operating profit. Tax deductions were recognised on the disgorgement of past fees, resulting in a tax credit of R97 million.

In addition, PBA agreed to fee reductions to investors of 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 on-going but 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.

Other claims have now been received in relation to the impact of this matter on the value of Liberty Ridge Capital Inc., and the subsequent reduction in value of employee remuneration plans. These claims are at a preliminary stage. As a result, no amount has been recognised for any settlement of the above claims as significant uncertainty remains over the quantum of any settlement.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

4 INCOME TAX EXPENSE

	Year to 31 December 2005	Rm Year to 31 December 2004
Current tax:		
United Kingdom tax		
UK Corporation tax	58	(59)
Overseas tax:		
Africa	2,965	3,433
North America	(5)	118
Rest of World	16	12
Secondary tax on companies (STC)	196	118
Prior years adjustment	312	118
Total current tax	3,542	3,740
Deferred tax:		
Origination / (reversal) of temporary timing differences	2,328	83
Changes in tax rates / bases	75	-
(Recognition) / Write down of deferred tax assets	(344)	236
Total deferred tax	2,059	319
Total income tax expense	5,601	4,059
The reported tax charge is analysed as follows:		
Income tax expense	5,601	4,059
Profit/ (loss) on disposal of subsidiaries, associated undertakings and strategic investments	12	-
Short term fluctuations in investment return	(637)	(545)
Fines and penalties	-	97
Initial costs of Black Economic Empowerment schemes	58	-
Income tax attributable to policyholder returns included within adjusted operating profit	(1,465)	(732)
Tax on adjusted operating profit	3,569	2,879

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

4 INCOME TAX EXPENSE *continued*

	Year to 31 December 2005	Rm Year to 31 December 2004
Reconciliation of tax charge		
Profit before tax	18,603	12,199
Tax at standard rate of 30% (2004; 30%)	5,581	3,660
Different tax rate or basis on overseas operations	(44)	12
Untaxed and low taxed income	(1,645)	(1,003)
Disallowable expenses	394	873
Net movement on deferred tax assets not recognised	104	12
STC	243	118
Income tax attributable to policyholder returns	1,031	507
Other	(63)	(120)
Total income tax charge for the year	5,601	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 R70 million.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005 *continued*

5 MINORITY INTERESTS

(i) Minority interests - ordinary shares

	Rm	
	Year to 31 December 2005	Year to 31 December 2004
Reconciliation of minority interests share of profit/(loss)		
The minority interest charge is analysed as follows:		
Minority interest – ordinary shares	2,356	873
Goodwill impairment	12	201
(Profit) / loss on disposal of subsidiaries and strategic investments	(313)	59
Short term fluctuations in investment returns	(162)	(24)
Initial costs of Black Economic Empowerment schemes	151	-
Income attributable to Black Economic Empowerment trusts of listed subsidiaries	104	-
Minority interest – ordinary shares on adjusted operating profit	2,148	1,109

Minority interest charge to adjusted operating profit has been calculated on the basis of the legal interests in the Group's listed subsidiaries.

For Mutual & Federal, the Group's general insurance business, adjusted operating profit has been calculated applying a weighted average effective interest for the year ended 31 December 2005 of 83%. As such, the share of income recognised in the summary income statement reflects the legal ownership following implementation of the subsidiaries Black Economic Empowerment schemes from August 2005. In accordance with IFRS accounting rules and emerging interpretation of Black Economic Empowerment accounting in South Africa, the shares issued are deemed to be, in substance, options and therefore the effective interest in the consolidated income statement and balance sheet of 88% excludes the impact of the Black Economic Empowerment schemes. The adjustment to minority interests in respect of Mutual & Federal was R35 million.

For Nedbank, the Group's banking business, adjusted operating profit has been calculated applying a weighted average effective interest for the year ended 31 December 2005 of 52%. As such, the share of income recognised in the summary income statement reflects the legal ownership following implementation of the subsidiaries Black Economic Empowerment schemes from August 2005 and additional shares purchased by the Group to maintain majority ownership. In accordance with IFRS accounting rules and emerging interpretation of Black Economic Empowerment accounting in South Africa, the shares issued by Nedbank are deemed to be, in substance, options and therefore the effective interest in the consolidated income statement and balance sheet of 55% excludes the impact of Black Economic Empowerment schemes. The adjustment to minority interests in respect of Nedbank was R71 million.

The impact of the Group's approach to Black Economic Empowerment schemes within the adjusted operating profit is an increase in the minority interests of R104 million.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2005 *continued*

5 MINORITY INTERESTS *continued*

(ii) Minority interests – preferred securities

	Rm	
	Year to 31 December 2005	Year to 31 December 2004
R2,000 million non-cumulative preference shares	162	165
R792 million non-cumulative preference shares	69	71
US \$750 million cumulative preferred securities	382	413
Other	-	59
	<u>613</u>	<u>708</u>
Deduct: investments in preferred securities held in life funds	<u>(8)</u>	<u>(12)</u>
Total minority interest – preferred securities	<u>605</u>	<u>696</u>

Notes to the Consolidated Financial Statements

for the year ended 31 December 2005 *continued*

6 EARNINGS AND EARNINGS PER SHARE

(i) Basic EPS and Diluted 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 year excluding own shares held in policyholder funds, ESOP trusts, Black Economic Empowerment schemes and other related undertakings.

Diluted EPS recognises the dilutive impact of share options held in ESOP trusts that are currently in the money, in the calculation of the weighted average number of shares, as if they were in issue for the full year.

	Rm	
	Year to 31 December 2005	Year to 31 December 2004
Profit for the financial period attributable to equity holders (Rm)	10,041	6,570
	millions	
The adjusted weighted average number of shares is calculated as follows:	Year to 31 December 2005	Year to 31 December 2004
Total weighted average number of ordinary shares in issue	3,951	3,844
Shares held in charitable foundations	(19)	(10)
Shares held in ESOP Trusts	(92)	(96)
Adjusted weighted average number of ordinary shares	3,840	3,738
Shares held in policyholder funds	(290)	(316)
Shares held in Black Economic Empowerment schemes	(94)	-
Weighted average number of ordinary shares	3,456	3,422
Basic earnings per share (c)	290.5	192.0
	millions	
Weighted average number of ordinary shares – diluted earnings per share	Year to 31 December 2005	Year to 31 December 2004
Weighted average number of ordinary shares in issue	3,456	3,422
Adjustments for share options	20	-
Adjustments for shares held in Black Economic Empowerment schemes	94	-
	3,570	3,422
Diluted earnings per share (c)	281.3	192.0

Notes to the Consolidated Financial Statements for the year ended 31 December 2005 *continued*

6 EARNINGS AND EARNINGS PER SHARE *continued*

(ii) Adjusted EPS

Adjusted operating profit represents the directors' view of the underlying performance of the Group. For life assurance and general insurance business, adjusted operating profit is based on a long term investment return, includes investment returns on investments in Group equity and debt instruments held in life funds and is stated net of income tax attributable to policyholder returns. For all businesses, adjusted operating profit excludes goodwill impairments, fines and penalties, initial costs of Black Economic Empowerment Schemes, and profit / (loss) on disposal of investments in subsidiaries, associated undertakings and strategic investments. Adjusted operating profit excludes income from hedging activities that do not qualify for hedge accounting.

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

	Year to 31 December 2005	Rm Year to 31 December 2004
Profit for the financial period	10,041	6,570
Goodwill impairment	46	(200)
(Profit) / loss on disposal of subsidiaries, associated undertakings and strategic investments	(370)	(252)
Short term fluctuations in investment return	(3,407)	1,754
Investment return adjustment for Group equity and debt instruments held in life funds	1,271	(1,168)
Initial costs of Black Economic Empowerment schemes	632	-
Income attributable to Black Economic Empowerment trusts of listed subsidiaries	(104)	-
Income from hedging activities that do not qualify for hedge accounting	-	366
Fines and penalties	-	(499)
Adjusted operating profit after tax attributable to equity holders	8,109	6,571
Adjusted weighted average number of ordinary shares	3,840	3,738
Adjusted operating earnings per share (c)	211.2	175.8

Notes to the Consolidated Financial Statements for the year ended 31 December 2005 *continued*

7 POST-BALANCE SHEET EVENTS

On 26 January 2006, the Company's offer for Försäkringsaktiebolaget Skandia (publ) ('Skandia') went unconditional. Settlement of acceptances received up to that date was executed on 1 February 2006. This resulted in the Company obtaining 72.3% of Skandia. The offer was extended and further acceptances were received up to 9 February 2006 which were executed on 15 February 2006, which resulted in an aggregate interest of 89.5% of Skandia. The offer remains open for final acceptances until close of business on 14 March 2006.

Under the basic terms of the offer, consideration was paid to shareholders in Skandia by way of a combination of cash and shares in Old Mutual plc. Cash consideration of £1,115 million has been paid by the Company in respect of the acceptances to date and the Company has issued 1,266 million Old Mutual plc shares.

Skandia will be consolidated within the Group's financial statements from 1 February 2006. The fair value balance sheet and goodwill disclosures have not been completed at this time.

On 20 January 2006, the Company raised £300 million through placement of 10 year notes in accordance with the Company's global note programme. Interest is payable annually and has been fixed at 5.0%. This will be recognised as debt within the Group's 2006 financial statements.

European Embedded Value Supplementary Information

for the year ended 31 December 2005

1 SUMMARY INCOME STATEMENT ON A EUROPEAN EMBEDDED VALUE (EEV) BASIS

	Rm	
	Year to 31 December 2005	Year to 31 December 2004
Africa		
Covered business	6,567	7,693
Asset management	989	636
Banking	4,558	2,383
General insurance	1,178	1,190
	<u>13,292</u>	<u>11,902</u>
North America		
Covered business	1,413	908
Asset management	1,368	1,026
	<u>2,781</u>	<u>1,934</u>
United Kingdom & Rest of World		
Covered business	139	48
Asset management	186	(57)
Banking	311	277
	<u>636</u>	<u>268</u>
Finance costs	(422)	(578)
Other shareholders' income / (expenses)	(220)	(277)
Adjusted operating profit*	16,067	13,249
Goodwill impairment	(58)	(401)
Profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments	671	(311)
Short term fluctuations in investment returns (including economic assumption changes)		
Covered business	6,069	3,197
Other	925	458
Cost of capital changes	591	(2,714)
Investment return adjustment for Group equity and debt instruments held in life funds	(1,271)	(1,168)
Initial costs of Black Economic Empowerment schemes	(841)	-
Income from hedging activities that do not qualify for hedge accounting	-	366
Fines and penalties	-	(596)
Profit before tax (net of income attributable to policyholder returns)	22,153	12,080
Income tax attributable to equity holders	(5,617)	(3,197)
Profit for the financial year	16,536	8,883
Profit for the financial year attributable to:		
Equity holders	13,553	7,314
Minority interests - ordinary shares	2,378	873
Minority interests - preferred securities	605	696
Profit for the financial year	16,536	8,883

* For life assurance and general insurance business, EEV adjusted operating profit is based on the expected investment return, includes investment returns on investments in Group equity and debt instruments held in life funds and is stated net of income tax attributable to policyholder returns. For all businesses, EEV adjusted operating profit excludes goodwill impairment, fines and penalties, initial costs of Black Economic Empowerment schemes and profit / (loss) on disposal of subsidiaries, associated undertakings and strategic investments. EEV adjusted operating profit excludes income from hedging activities that do not qualify for hedge accounting. EEV adjusted operating earnings per share is calculated on the same basis as EEV adjusted operating profit, but is stated after tax and minority interests, and excluding income attributable to Black Economic Empowerment trusts of listed subsidiaries. The calculation of the weighted average number of shares including Group equity held in life funds includes own shares held in policyholders' funds and Black Economic Empowerment trusts of the parent company.

European Embedded Value Supplementary Information

for the year ended 31 December 2005 *continued*

1 SUMMARY INCOME STATEMENT ON A EUROPEAN EMBEDDED VALUE

(EEV) BASIS *continued*

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

	Rm	
	Year to 31 December 2005	Year to 31 December 2004
Adjusted operating profit	16,067	13,249
Tax on adjusted operating profit	(4,077)	(3,115)
	11,990	10,134
Minority interests – ordinary shares	(2,170)	(1,109)
– preferred securities	(605)	(696)
Adjusted operating profit after tax attributable to equity	9,215	8,329

	Rm	
	Year to 31 December 2005	Year to 31 December 2004
Adjusted operating profit after tax attributable to equity holders	9,215	8,329
Goodwill impairments	(46)	(200)
Profit / (loss) on disposal of subsidiaries, associated undertakings, and strategic investments	370	(252)
Short term fluctuations in investment returns (including economic assumption changes)		
Covered business	4,770	2,102
Other	661	324
Cost of capital changes	382	(1,688)
Investment return adjustment for Group equity and debt instruments held in life funds	(1,271)	(1,168)
Initial costs of Black Economic Empowerment schemes	(632)	-
Income attributable to Black Economic Empowerment trusts of listed subsidiaries	104	-
Income from hedging activities that do not qualify for hedge accounting	-	366
Fines and penalties	-	(499)
Profit for the financial period attributable to equity holders	13,553	7,314

	c	
	Year to 31 December 2005	Year to 31 December 2004
Embedded value earnings per share attributable to equity holders		
Adjusted operating earnings per share	240.0	222.8
Basic earnings per share	392.2	213.7
Adjusted weighted average number of shares – millions	3,840	3,738
Weighted average number of shares – millions	3,456	3,422

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

1 SUMMARY INCOME STATEMENT ON A EUROPEAN EMBEDDED VALUE

(EEV) BASIS *continued*

	Year to 31 December 2005	Rm Year to 31 December 2004
Adjusted operating profit for the covered business	8,119	8,649
Africa	6,567	7,693
North America	1,413	908
United Kingdom & Rest of World	139	48
Tax on adjusted operating profit for the covered business	2,220	2,396
Africa	1,720	2,125
North America	474	271
United Kingdom & Rest of World	26	-
Adjusted operating profit after tax for the covered business	5,899	6,253
Africa	4,847	5,568
North America	939	637
United Kingdom & Rest of World	113	48
Reconciliation of tax on adjusted operating profit		
Tax on adjusted operating profit for the covered business	2,220	2,396
Tax on adjusted operating profit for other business	1,857	719
Tax on adjusted operating profit	4,077	3,115

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

2 RECONCILIATION OF MOVEMENTS IN GROUP EMBEDDED VALUE

	Rm	
	At 31 December 2005	At 31 December 2004
Group embedded value at the beginning of the year	47,571	43,225
Changes in equity arising in the period		
Fair value losses / (gains)	(892)	755
Currency translation differences / exchange differences on translating foreign operations	2,095	(3,026)
Cash flow hedge amortisation	(133)	(47)
Redemption of convertible bond	(205)	-
Other movements	(1,922)	802
Net income recognised	(1,057)	(1,516)
Profit for the financial period	13,553	7,314
Total recognised income and expense for the period	12,496	5,798
Dividend for the period	(2,134)	(1,959)
Net purchase of treasury shares	(2,103)	295
Issue of perpetual preferred callable securities	7,862	-
Issue of share capital	1,841	-
Exercise of share options	47	177
Fair value equity settled share options	924	35
Group embedded value at the end of the period	66,504	47,571

3 COMPONENTS OF GROUP EMBEDDED VALUE

	Rm	
	At 31 December 2005	At 31 December 2004
Shareholders' adjusted net worth	44,498	31,581
Equity shareholders' funds	51,745	35,410
Adjustment to include life subsidiaries on a statutory solvency basis:		
Africa	991	2,343
North America	(7,995)	(6,259)
United Kingdom & Rest of World	(109)	(76)
Adjustment for discounting CGT	316	163
Value of in-force business	21,556	15,990
Value of in-force business before items listed below	25,837	20,807
Additional time-value reserves for financial options and guarantees	(534)	(803)
Cost of required capital	(3,703)	(3,992)
Minority interest in value of in-force	(44)	(22)
Group embedded value	66,504	47,571

European Embedded Value Supplementary Information for the year ended 31 December 2005 *continued*

3 COMPONENTS OF GROUP EMBEDDED VALUE *continued*

	At 31 December 2005	At 31 December 2004
Pro-forma adjustments to bring Group investments to market value		
Group embedded value	66,504	47,571
Adjustment to bring listed subsidiaries to market value	11,987	6,844
Adjustment for market value of Group equity and debt instruments held in life funds	5,087	3,992
Adjustment to remove perpetual preferred callable securities	(7,396)	-
Adjustment for present value of future BEE payments	2,244	-
Adjustment for hybrid capital dividend	(218)	-
Adjusted Group embedded value	78,208	58,407
Number of shares in issue at the end of the period including own shares held in policyholders' funds – millions	4,090	3,854
 		^c
Adjusted Group embedded value per share	1,912	1,515
Return on adjusted Group embedded value (ROEV) % p.a.	16.7%	17.6%

The adjustments to include life subsidiaries on a statutory solvency basis reflect the difference between the adjusted 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, the adjusted net worth excludes items that are eliminated or shown separately on consolidation (such as Nedbank, Mutual & Federal and inter-company loans).

The return on adjusted Group embedded value is calculated as the adjusted operating profit after tax and minorities of R9,215 million together with an expected equity return on the pro-forma adjustment of R761 million less R218 million adjustment for hybrid capital accrued dividends, divided by the opening adjusted Group embedded value.

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

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

	Rm	
	At 31 December 2005	At 31 December 2004
Embedded value of the covered business	46,695	38,566
Adjusted net worth*	25,139	22,576
Value of in-force business**	21,556	15,990
Adjusted net worth of asset management businesses*	13,474	10,740
Africa	1,645	1,096
North America	11,829	9,644
Market value banking		
Africa	22,329	15,643
Market value general insurance		
Africa	6,688	5,272
Other net assets	8,595	1,823
Adjustment for present value of BEE deferred consideration	2,244	-
Perpetual preferred securities (US\$ denominated)	(4,989)	(4,969)
Perpetual preferred callable securities	(7,396)	-
£ denominated	(3,812)	-
Euro denominated	(3,584)	-
Debt	(9,214)	(8,668)
Rand denominated	(3,550)	(651)
US\$ denominated	(5,174)	(7,453)
£ denominated	(490)	(564)
Hybrid capital accrued dividends	(218)	-
Adjusted Group embedded value	78,208	58,407

* The split of the adjusted net worth is after the elimination of intercompany loans.

**Net of minority interests.

Perpetual preferred securities and debt are included in the adjusted Group embedded value on a basis that is consistent with the primary accounts. The value of perpetual preferred callable securities is not deducted in the primary accounts but is deducted in the Group embedded value. The impact of marking all debt to market value would be a reduction in adjusted Group embedded value of R675 million as at 31 December 2005 and an increase in adjusted Group embedded value of R251 million as at 31 December 2004.

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

5 COMPONENTS OF EMBEDDED VALUE OF THE COVERED BUSINESS

	Rm	
	At 31 December 2005	At 31 December 2004
Embedded value of the covered business	46,695	38,566
Adjusted net worth	25,139	22,576
Value of in-force business	21,556	15,990
Africa		
Adjusted net worth	18,789	16,674
Required capital (equivalent to 147% of statutory minimum capital at 31 December 2005)	16,983	17,303
Free surplus	1,806	(629)
Value of in-force business	13,790	10,902
Value of in-force business before items listed below	16,633	14,569
Additional time-value reserves for financial options and guarantees*	-	(532)
Cost of required capital	(2,799)	(3,113)
Minority interest in value of in-force	(44)	(22)
North America		
Adjusted net worth	6,023	5,587
Required capital (equivalent to 247% of Statutory minimum capital at 31 December 2005)	5,271	4,893
Free surplus	752	694
Value of in-force business	7,385	4,817
Value of in-force business before items listed below	8,790	5,934
Additional time-value reserves for financial options and guarantees	(534)	(271)
Cost of required capital	(871)	(846)
United Kingdom & Rest of World		
Adjusted net worth	327	315
Required capital	109	109
Free surplus	218	206
Value of in-force business	381	271
Value of in-force business before items listed below	414	304
Additional time-value reserves for financial options and guarantees	-	-
Cost of required capital	(33)	(33)

* At 31 December 2005, no additional time-value reserves for financial options and guarantees were necessary in Africa due to (a) higher provisions for such options and guarantees held within the policyholder liabilities, (b) allowance being made for reasonable management actions to take place, and (c) a realistic assessment of the proportion of policyholders who will take up guaranteed annuity options.

The adjusted net worth includes goodwill relating to the North American life subsidiaries of R719 million (December 2004: R640 million).

European Embedded Value Supplementary Information for the year ended 31 December 2005 *continued*

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 Directors acknowledge their responsibility for the preparation of this supplementary information.

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

Covered business is defined as the long-term business in the primary financial statements. This business covers life insurance, long term healthcare and accident insurance, savings, pensions and annuity business written by the life insurance subsidiaries. The results of Group companies providing administration and distribution services have been included to the extent that they relate to the covered business. The results do not include services provided by Group investment management companies. Unallocated Group holding company expenses have been included to the extent that they relate to the covered business.

The treatment within this supplementary information of all business other than the covered business is unchanged from the primary financial statements on an IFRS basis.

Under the EEV methodology, profit is recognised as it is earned over the life of products defined within the covered business.

The embedded value of the covered business is the sum of the shareholders' adjusted net worth in respect of the covered business, and the value of the in-force covered business. The group embedded value includes the value of all other business at the book value detailed in the primary financial statements on an IFRS basis. The adjusted Group embedded value, a measure used by management to assess the shareholders' interest in the value of the Group, includes the Group's listed banking and general insurance subsidiaries at market value as well as the value of group equity and debt instruments held in life funds, less perpetual preferred callable securities. The value of future payments due in respect of the share ownership of Black Economic Empowerment partners is also included.

The adjusted net worth of the covered business is the market value of shareholders' assets held in respect of the covered business, and consists of the required capital and free surplus. The level of required capital of the covered business reflects the level of capital considered by the Directors to be appropriate to manage the business allowing for minimum local or Group statutory requirements (or equivalent where there is no local requirement), our internal assessment of the market, insurance and operational risk inherent in the underlying products and the level of capital required by rating agencies in respect of our North American business in order to maintain the desired credit rating. The level of required capital is on average 147%, and 247% of the minimum local statutory requirements in Africa and North America respectively as at 31 December 2005. The free surplus comprises the market value of assets allocated to the covered business in excess of the required capital. The required capital in respect of the South African covered business is partially covered by the market value of the Group's investments in Banking and General Insurance in South Africa. On consolidation these investments are shown separately.

The value of in-force covered business is the present value at the appropriate risk discount rate (which incorporates a risk margin) of the statutory distributable profits to shareholders projected to arise from the in-force covered business on a best estimate basis, less a deduction for the cost of holding the required level of capital.

European Embedded Value Supplementary Information for the year ended 31 December 2005 *continued*

6 BASIS OF PREPARATION *continued*

Statutory distributable profit arises from the difference between amounts charged to policyholders for guarantees, expenses and insurance and the actual experience of these items, together with the investment return earned on shareholders' assets.

Allowance has been made for the cost (intrinsic value) of financial options and guarantees to policyholders in the local statutory reserves according to local requirements. In South Africa an investment guarantee reserve on a stochastic basis is included in the local statutory reserves. Where necessary, a deduction from the value of in-force has been made to allow for the impact of future variability of investment returns on the cost of policyholder financial options and guarantees (time-value) to the extent that it is not already included in the statutory reserves. This time value has been determined using stochastic modelling techniques and represents the difference between the average value of shareholder cash flows under many generated economic scenarios and the deterministic shareholder value under the best estimate assumptions. In the generated economic scenarios allowance is made, where appropriate, for the effect of management and / or policyholder actions in different circumstances. As at 31 December 2005 no separate cost of financial options and guarantees was shown as a deduction from the value of in-force business for Africa, as this cost was fully covered in the statutory reserves.

The risk margin above the risk-free rates for the African and North American life covered businesses were 2.3% p.a. and 3.2% p.a. respectively. The Directors believe that the embedded value of the covered business is broadly market-consistent.

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (AFTER TAX)

	Rm			Rm		
	Year to 31 December 2005			Year to 31 December 2004		
	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total
Total covered business						
Embedded value of the covered business at the beginning of the period	22,576	15,990	38,566	21,868	14,706	36,574
New business contribution	(1,055)	2,361	1,306	(1,216)	2,490	1,274
Expected return on existing business – return on VIF	-	2,166	2,166	-	1,746	1,746
Expected return on existing business – transfer to net worth	2,779	(2,779)	-	2,288	(2,288)	-
Experience variances	(81)	145	64	154	413	567
Operating assumption changes	(510)	1,274	764	177	565	742
Expected return on adjusted net worth	1,599	-	1,599	1,924	-	1,924
Adjusted operating profit after tax	2,732	3,167	5,899	3,327	2,926	6,253
Investment return variances on in-force business	231	1,064	1,295	356	295	651
Investment return variances on adjusted net worth	3,058	-	3,058	850	-	850
Effect of economic assumption changes	-	417	417	-	601	601
Effect of changes in and cost of required capital	-	382	382	-	(1,688)	(1,688)
Profit after tax	6,021	5,030	11,051	4,533	2,134	6,667
Exchange rate movements	657	559	1,216	(1,008)	(850)	(1,858)
Change in minority interest	(46)	(23)	(69)	-	-	-
Net transfers from covered business	(4,069)	-	(4,069)	(2,817)	-	(2,817)
Embedded value of the covered business at the end of the period	25,139	21,556	46,695	22,576	15,990	38,566

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (AFTER TAX) *continued*

	Rm				Rm			
	Year to 31 December 2005				Year to 31 December 2004			
	Adjusted net worth	Value of in-force business		Total	Adjusted net worth	Value of In-force business		Total
		Individual	Group			Individual	Group	
Africa covered business								
Embedded value of the covered business at the beginning of the period	16,674	7,338	3,564	27,576	16,174	6,112	4,238	26,524
New business contribution	(243)	741	208	706	(189)	779	165	755
Expected return on existing business – return on VIF	-	973	591	1,564	-	802	590	1,392
Expected return on existing business – transfer to net worth	2,119	(1,494)	(625)	-	1,734	(1,205)	(529)	-
Experience variances	614	81	(179)	516	885	104	(222)	767
Operating assumption changes	46	208	417	671	118	824	(11)	931
Expected return on adjusted net worth	1,390	-	-	1,390	1,723	-	-	1,723
Adjusted operating profit after tax	3,926	509	412	4,847	4,271	1,304	(7)	5,568
Investment return variances on in-force business	208	589	556	1,353	72	187	155	414
Investment return variances on adjusted net worth	3,046	-	-	3,046	921	-	-	921
Effect of economic assumption changes	-	382	81	463	-	481	120	601
Effect of changes in and cost of required capital	-	(81)	463	382	-	(746)	(942)	(1,688)
Profit after tax	7,180	1,399	1,512	10,091	5,264	1,226	(674)	5,816
Exchange rate movements	-	-	-	-	-	-	-	-
Change in minority interest	(46)	(23)	-	(69)	-	-	-	-
Transfers from covered business	(5,019)	-	-	(5,019)	(4,764)	-	-	(4,764)
Embedded value of the covered business at the end of the period	18,789	8,714	5,076	32,579	16,674	7,338	3,564	27,576
Return on adjusted embedded value (ROEV)% p.a.				17.6%				21.0%

The main operating assumption changes are the positive effects of a reduction in the corporate tax rate, a reduction in the provision for future maintenance expenses, a reduction in the cost of financial options and guarantees partially offset by the provision for the industry agreement on minimum paid-up and surrender values. 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.

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.

The transfers from covered business include the purchase of additional shares in Nedbank, an increase in intercompany loans, dividend payments, as well as head office expenses.

The embedded value for the Africa covered business is after the adjustment for market value of Group equity and debt instruments held in life funds.

Return on adjusted embedded value is the adjusted operating profit after tax divided by opening embedded value in SA Rand.

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (AFTER TAX) *continued*

	Rm			Rm		
	Year to 31 December 2005			Year to 31 December 2004		
	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total
North America covered business						
Embedded value of the covered business at the beginning of the period	5,587	4,817	10,404	5,419	4,058	9,477
New business contribution	(799)	1,390	591	(1,015)	1,546	531
Expected return on existing business - return on VIF	-	579	579	-	330	330
Expected return on existing business - transfer to net worth	637	(637)	-	519	(519)	-
Experience variances	(683)	243	(440)	(684)	507	(177)
Operating assumption changes	(544)	556	12	-	(236)	(236)
Expected return on adjusted net worth	197	-	197	189	-	189
Adjusted operating profit after tax	(1,192)	2,131	939	(991)	1,628	637
Investment return variances on in-force business	23	(81)	(58)	260	(47)	213
Investment return variances on adjusted net worth	-	-	-	-	-	(71)
Effect of economic assumption changes	-	(46)	(46)	-	-	-
Effects of changes in and cost of required capital	-	-	-	-	-	-
Profit after tax	(1,169)	2,004	835	(802)	1,581	779
Exchange rate movements	655	564	1,219	(977)	(822)	(1,799)
Transfer to covered business	950	-	950	1,947	-	1,947
Embedded value of the covered business at the end of the period	6,023	7,385	13,408	5,587	4,817	10,404
Adjusted return on embedded value (ROEV)% p.a.			8.0%			7.1%

The operating assumption changes are mainly as a result of valuation modelling improvements and corrections.

The transfer to covered business is in respect of capital injections and 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 Old Mutual (Bermuda) Limited.

Return on adjusted embedded value is the adjusted operating profit after tax divided by opening embedded value in US \$.

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

7 ANALYSIS OF COVERED BUSINESS EMBEDDED VALUE RESULTS (AFTER TAX) *continued*

United Kingdom & Rest of World covered business	Rm Year to 31 December 2005			Rm Year to 31 December 2004		
	Adjusted net worth	Value of In-force business	Total	Adjusted net worth	Value of In-force business	Total
Embedded value of the covered business at the beginning of the period	315	271	586	275	298	573
New business contribution	(13)	22	9	(12)	-	(12)
Expected return on existing business - return on VIF	-	23	23	-	24	24
Expected return on existing business - transfer to net worth	23	(23)	-	35	(35)	-
Experience variances	(12)	-	(12)	(47)	24	(23)
Operating assumption changes	(12)	93	81	59	(12)	47
Expected return on adjusted net worth	12	-	12	12	-	12
Adjusted operating profit after tax	(2)	115	113	47	1	48
Investment return variances on in-force business	-	-	-	24	-	24
Investment return variances on adjusted net worth	12	-	12	-	-	-
Effect of economic assumption changes	-	-	-	-	-	-
Effect of changes in and cost of required capital	-	-	-	-	-	-
Profit after tax	10	115	125	71	1	72
Exchange rate movements	2	(5)	(3)	(31)	(28)	(59)
Embedded value of the covered business at the end of the period	327	381	708	315	271	586
Adjusted return on embedded value (ROEV)% p.a.			18.5%			8.3%

The operating assumption changes are mainly in respect of a one-off improvement in valuation modelling.

Adjusted return on embedded value is the adjusted operating profit after tax divided by opening embedded value.

European Embedded Value Supplementary Information

for the year ended 31 December 2005 *continued*

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 year to 31 December 2005 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	United Kingdom & Rest of World	Rm total
Year to 31 December 2005						
Recurring premiums	2,131	637	2,768	932	3	3,703
Single premiums	7,291	4,503	11,794	24,163	1,911	37,868
Annual premium equivalent	2,860	1,087	3,947	3,348	194	7,489
Present value of future new business premiums	17,639	8,008	25,647	28,687	1,922	56,256
Value of new business after tax and cost of required capital	509	197	706	591	9	1,306
APE Margin	18%	18%	18%	18%	5%	17%
PVNBP Margin	2.9%	2.5%	2.8%	2.1%	0.5%	2.3%
Year to 31 December 2004						
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)	1,274
APE Margin	23%	16%	21%	16%	(7%)	18%
PVNBP Margin	3.7%	2.5%	3.4%	1.8%	(0.8%)	2.4%

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

A reconciliation of the new business premiums shown in the notes to the financial statements to those shown above, for the year to 31 December 2005, is set out below.

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

8 VALUE OF NEW BUSINESS (after tax) *continued*

	<u>Rm</u>	
Year to 31 December 2005	Recurring premiums	Single premiums
New business premiums in the notes to the primary financial statements	2,780	26,590
Add:		
Healthcare business	420	-
Other Investment contracts	505	17,089
Less:		
North America reinsurance ceded externally	-	(950)
Group market-linked business not valued	-	(3,394)
Unit trust business not valued	-	(1,372)
OMART business not valued	(2)	(95)
New business premiums as per European Embedded Value supplementary information	3,703	37,868

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

9 PRODUCT ANALYSIS OF NEW COVERED BUSINESS PREMIUMS

Africa	Rm		Rm	
	Year to 31 December 2005 Recurring	Single	Year to 31 December 2004 Recurring	Single
Total Business	2,768	11,794	2,627	9,093
Individual business	2,131	7,291	1,943	6,563
Saving	672	5,435	629	4,800
Protection	734	65	671	81
Annuity	-	1,775	-	1,670
Group schemes	725	16	643	13
Group business	637	4,503	684	2,530
Saving	55	2,876	67	2,133
Protection	162	4	136	2
Annuity	-	1,622	-	395
Healthcare	420	-	481	-
Total Business*	2,768	11,794	2,627	9,093
Individual business	2,131	7,291	1,943	6,563
Insurance contracts	1,161	1,747	1,053	1,712
Investment contracts with discretionary participating features	469	249	569	260
Other investment contracts	501	5,295	321	4,591
Group business	637	4,503	684	2,530
Insurance contracts	584	1,626	613	368
Investment contracts with discretionary participating features	53	1,723	71	1,241
Other investment contracts	-	1,153	-	921

European Embedded Value Supplementary Information
for the year ended 31 December 2005 *continued*

9 PRODUCT ANALYSIS OF NEW COVERED BUSINESS PREMIUMS *continued*

North America	Rm		Rm	
	Year to 31 December 2005 Recurring	Single	Year to 31 December 2004 Recurring	Single
Total Business	932	24,163	679	25,455
Fixed deferred annuity	-	376	-	2,821
Equity indexed annuity	-	14,649	-	13,653
Variable annuity	-	4,569	-	2,514
Life	932	-	679	-
Immediate annuity	-	3,694	-	5,216
Other (corporate)	-	875	-	1,251
Total Business*	932	24,163	679	25,455
Insurance contracts	932	20,200	679	21,335
Investment contracts with discretionary participating features	-	-	-	-
Other investment contracts	-	3,963	-	4,120

United Kingdom & Rest of World	Rm		Rm	
	Year to 31 December 2005 Recurring	Single	Year to 31 December 2004 Recurring	Single
Total Business	3	1,911	12	1,476
Saving	3	1,911	12	1,476
Protection	-	-	-	-
Total Business*	3	1,911	12	1,476
Insurance contracts	-	-	-	-
Investment contracts with discretionary participating features	-	-	-	-
Other investment contracts	3	1,911	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 year ended 31 December 2005 *continued*

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 31 December 2005	At 31 December 2004
Africa		
Risk-free rate (10 year Government bond)	7.6%	8.3%
Cash return	5.6%	6.3%
Equity return	11.1%	11.8%
Property return	9.1%	9.8%
Inflation	4.6%	5.3%
Risk discount rate	9.9%	10.6%
Risk margin	2.3%	2.3%
North America		
Risk free rate (10 year Treasury yield)	4.4%	4.3%
Inflation	3.0%	3.0%
New money yield assumed	5.5%	5.1%
Average portfolio earned rate	5.6%	5.9%
Risk discount rate	7.6%	7.5%
Risk margin	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 December 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 the effective corporation tax rates of 35% for Africa and 33% for North America and 20% for the UK and Rest of World, except for the investment return on African capital, for which the attributed tax was derived from the financial statements. The value of new business for North America is based on the expected long-term tax position.

European Embedded Value Supplementary Information for the year ended 31 December 2005 *continued*

10 ASSUMPTIONS *continued*

- Both operating profit and new business are calculated on closing assumptions.
- 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 31 December 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 247% as at 31 December 2005. The required capital for Old Mutual (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 fixed interest assets.
- The required capital of Old Mutual International, based in Guernsey, is set at the maximum of 1% of funds under management and £10 million (R109 million), 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 23% of the Group holding company expenses, with 18% 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.

European Embedded Value Supplementary Information for the year ended 31 December 2005 *continued*

10 ASSUMPTIONS *continued*

- Future investment expenses are based on the current scales of fees payable by the life assurance companies to the asset management subsidiaries. To the extent that these fees include profit margins for the asset management subsidiaries, these margins have not been included in the value of in-force business or the value of new business.
- The effect of increases in premiums over the period for policies in-force has been included in the value of in-force business only where such increases are associated with indexation arrangements. Other increases in premiums of existing policies are included in the value of new business.
- New schemes written on which recurring single premiums are expected to be received on a regular basis are treated as new business. The annualised premium is recognised as recurring premium new business at inception of the scheme and is determined by annualising the actual premiums received during the year in question. Subsequent recurring single premiums received in future years are not treated as new business, as these have already been provided for in calculating the value of in-force business.
- The value of 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\$	
	Year to 31 December 2005	Year to 31 December 2004	Year to 31 December 2005	Year to 31 December 2004
Profit and loss account (average rate)	11.5812	11.7986	1.8195	1.8327
Balance sheet (closing rate)	10.8923	10.8482	1.7187	1.9158
Balance sheet (opening rate)	10.8482	11.9367	1.9158	1.7833

- The time-value of the financial options and guarantees in the African businesses have been valued using a random walk, log-normal "real world" stochastic asset model that is in keeping with the applicable professional guidance notes issued by the Actuarial Society of South Africa (ASSA). The time-value reserves relate mainly to the guarantees detailed below:

Individual business

A closed block of unit-linked type and with-profit business has an underlying minimum growth rate guarantee (4.28% pa for life and endowment business and 4.78% pa for retirement annuity business) applicable when calculating death, disability and maturity claims.

A small block of with-profit business guarantees minimum values to the policyholder at a point in time, generally 5 years from inception. If the guarantee is not exercised, another guarantee may be set.

A small block of with-profit savings business in Group Schemes that has death guarantees of premiums (net of fees) plus 4.25% pa investment return.

European Embedded Value Supplementary Information for the year ended 31 December 2005 *continued*

10 ASSUMPTIONS *continued*

Retirement annuities sold prior to June 1997 contain guaranteed annuity options, whereby the policyholder has an option to exchange full retirement proceeds for a minimum level of annuity income at maturity. This option only applies at the normal maturity date where the full proceeds (no cash benefit taken) are used to purchase an annuity in the exact form specified in the policy contract.

In addition, with-profits business has vested bonus guarantees at certain future dates which operate in conjunction with the options and guarantees set out above.

Group business

There is a significant pre-retirement savings with-profit portfolio. Vested bonuses affect the calculation of benefit payments when a member exits from the scheme as the face value is paid out. If a scheme terminates, the lower of face and market value is paid out and the vested bonuses are not guaranteed.

A significant with-profit annuity in payment portfolio guarantees annuity payments once declared for the life-time of the annuitant.

The mean returns and volatilities of the asset classes incorporated in the stochastic asset model are detailed below. Correlations between asset classes have been based on an internal assessment of historical relationships.

	* Mean		** Standard deviation	
	31 December	31 December	31 December	31 December
	2005	2004	2005	2004
Equity	11.1%	11.8%	22%	22%
Property	9.1%	9.8%	15%	15%
Fixed interest (20 year)	7.6%	8.3%	13%	13%
Cash	5.6%	6.3%	3%	3%

* Means have been calculated by accumulating a unit investment for the required period in each scenario, averaging the accumulation across all scenarios, and converting the result to an equivalent annual rate (by taking the nth root of the average accumulation minus 1).

** Standard deviations have been calculated by accumulating returns for the required period in each scenario, taking the natural log of the result, calculating the variance of this statistic, dividing by the projection period (n years) and taking the square root. This makes the result comparable to implied volatilities quoted in investment markets.

The time-value of the financial options and guarantees in the North American businesses have been valued as at 31 December 2004 using the generalised "real world" stochastic variance model with mean reversion that was developed by the National Association of Insurance Commissioners (NAIC), based on a study of interest rates during the period 1951 to 1995. The model assumes that the absolute difference between short and long term rates are normally distributed. In addition for its Equity Index Annuity products a set of stochastic equity scenarios with a mean return of 8.9% and a standard deviation of 16%, is used to project policyholder returns (as governed by product features). The model results were adjusted to allow for the interest rates from 1995 to 2005. The time-value of the financial options and guarantees as at 31 December 2005 has been assumed to be consistent with that as at 31 December 2004. Detailed calculations will be performed once the new actuarial systems, that provide an enhanced stochastic capability, are implemented. The time value reserves relate mainly to the guarantees detailed below:

European Embedded Value Supplementary Information for the year ended 31 December 2005 *continued*

10 ASSUMPTIONS *continued*

Crediting rates declared for the fixed deferred annuity block of business vest fully. They are subject to a minimum crediting rate which is specified in the contract. Minimum surrender values are determined by this rate.

Equity indexed annuities offer minimum crediting rates on the fixed portion of the product, minimum surrender values based on this and credit equity participation annually as a percentage of equity growth subject to a maximum. This equity participation, which is subject to a minimum of 0% therefore vests annually.

The variable annuities offered to off-shore customers through Old Mutual Bermuda can offer minimum death benefit guarantees. Death benefits are subject to a minimum of the sum invested or value at any anniversary date if greater. A small proportion of variable annuity clients elect a minimum guaranteed account value on maturity.

The universal life policies specify a minimum crediting rate to accumulate account balances.

All deferred annuities offer a guaranteed annuitisation option on maturity. The rates are set conservatively and typically have very low utilisation as customers in the United States value the choice inherent in a lump-sum payment. The reserves for financial options and guarantees assume that the low historical take-up rates of around 1% p.a. will continue into the future, and are therefore insignificant.

Certain of the universal life contracts contain a feature that guarantee that the contract will continue, even if values would otherwise be insufficient, provided the customer has paid at least a stated amount of premium.

The mean returns and volatilities of Treasuries along the yield curve are detailed below. The mean-reversion to higher future interest rates inherent in the model is consistent with current forward rates. The interest rate scenarios generated by the model range from 0% to 20%.

Treasuries	* Mean interest rate	** Standard deviation
6 months	4.7%	2.8%
1 year	5.0%	2.8%
5 year	5.5%	2.5%
10 year	5.8%	2.4%
20 year	6.0%	2.3%

* Means have been calculated as the annualised arithmetic average return across all simulations for each duration.

** Standard deviations relate to the change in yield.

European Embedded Value Supplementary Information for the year ended 31 December 2005 *continued*

11 ALTERNATIVE ASSUMPTIONS

The tables below for Africa and North America show the sensitivity of the value of in-force at 31 December 2005 and the value of new business for the year to 31 December 2005 to changes in key assumptions. All calculations include the impact on the time-value reserves necessary for policyholder financial options and guarantees. For each sensitivity illustrated, all other assumptions have been left unchanged.

The sensitivity showing the impact of a 100 bps increase in the yield on equities/property (as a change in the equity/property risk premium) is not given below as a bottom-up market consistent approach was adopted for calibrating discount rates.

European Embedded Value Supplementary Information

for the year ended 31 December 2005 *continued*

11 ALTERNATIVE ASSUMPTIONS *continued*

Africa	At 31 December 2005	
	Value of in-force business	Value of new business
Central assumptions	13,790	706
Value before cost of required capital	16,589	845
Cost of required capital	(2,799)	(139)
Effect of:		
Central discount rate increasing by 1%	11,644	579
Value before cost of required capital	15,533	776
Cost of required capital	(3,889)	(197)
Required capital equal to the minimum statutory requirement	14,628	764
Value before cost of required capital	16,589	845
Cost of required capital	(1,961)	(81)
Increasing all pre-tax investment and economic assumptions by 1%, with bonus rates and discount rate changing commensurately	13,038	649
Value before cost of required capital	15,924	800
Cost of required capital	(2,886)	(151)
Decreasing all pre-tax investment and economic assumptions by 1%, with bonus rates and discount rate changing commensurately	14,574	764
Value before cost of required capital	17,275	903
Cost of required capital	(2,701)	(139)
Equity and property market values increasing by 10%, with all pre-tax investment and economic assumptions unchanged*	14,312	-
Equity and property market values decreasing by 10%, with all pre-tax investment and economic assumptions, unchanged*	13,267	-
Voluntary discontinuance rates decreasing by 10%	14,160	776
Maintenance expense levels decreasing by 10% with no corresponding increase in policy charges	14,639	764
Mortality and morbidity assumptions for assurances decreasing by 5% with no corresponding increase in policy charges	14,334	764
Mortality assumptions for annuities decreasing by 5% with no corresponding increase in policy charges **	13,637	695
For value of new business, acquisition expenses other than commission and commission related expenses increasing by 10%, with no corresponding increase in policy charges	-	649

* Portfolios are assumed to be rebalanced after the increase or decrease in equity and property market values at 31 December 2005.

** No impact on with profit annuities as the mortality risk is borne by policyholders.

European Embedded Value Supplementary Information

for the year ended 31 December 2005 *continued*

11 ALTERNATIVE ASSUMPTIONS *continued*

	At 31 December 2005 Value of in-force business	Rm Value of new business
North America		
Central assumptions	7,385	591
Value before cost of required capital	8,256	799
Cost of required capital	(871)	(208)
Effect of :		
Central discount rate increasing by 1%	6,808	521
Value before cost of required capital	7,854	729
Cost of required capital	(1,046)	(208)
Required capital equal to the minimum statutory requirement	7,897	718
Value before cost of required capital	8,256	799
Cost of required capital	(359)	(81)
Increasing all pre-tax investment and economic assumptions by 1%, with credited rate and discount rate changing commensurately	6,775	498
Value before cost of required capital	7,821	706
Cost of required capital	(1,046)	(208)
Decreasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rate changing commensurately	8,049	672
Value before cost of required capital	8,735	904
Cost of required capital	(686)	(232)
Contraction on corporate bond spreads of 10 bps	7,363	
Voluntary discontinuance rates decreasing by 10%	8,017	730
Maintenance expense levels decreasing by 10% with no corresponding increase in policy charges	7,505	614
Mortality and morbidity assumptions for assurances decreasing by 5% with no corresponding increase in policy charges	7,614	637
Mortality assumptions for annuities decreasing by 5% with no corresponding increase in policy charges	7,243	602
For value of new business, acquisition expenses other than commission and commission related expenses increasing by 10%, with no corresponding increase in policy charges	-	567