OLD MUTUAL | plc

Preliminary Results 2006

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Johannesburg & London

Jim Sutcliffe

Good morning everybody. I think we are ready to go. So welcome to today's presentation of Old Mutual's preliminary results for 2006. We, of course, are here in London, and I have here with me in the room, Jonathan Nicholls, our Finance Director. And we are linked by satellite to Johannesburg where Bob Head is hosting. Can you hear us in Jo'burg Bob?

Bob Head

Yes Jim, we can, thank you.

Jim Sutcliffe

And, of course, we are web casting the event live. And there will be a copy of the presentation on the website later today. I also have with me here in London, our Chairman, Chris Collins. Thank you very much, Chris, for coming today. And Julian Roberts and Scott Powers in the front row, running our European and American operations. And indeed many other members of our management team. And in Jo'burg in South Africa, Bob has senior members of the South African management team. So let's get going.

As usual I am going to give a brief introduction and cover a couple of the highlights. Jonathan will go into the financials and I will cover the conclusions and priorities, and then, of course, we will have a question and answer session.

Now I think we have stated our strategy many times. But I don't think that it hurts to say it one more time. We are ambitious to become a leading player in the international savings and wealth management arena. And in delivering on that ambition we keep simple disciplines at the forefront of our minds. We measure our growth by net client cashflow, a simple measure. And, of course, what delivers net client cashflow is good investment performance for customers. We seek to reduce risk for our shareholders through spreading our exposures through a series of less than perfectly correlated markets. But at the bottom line it's cash and IFRS returns to our shareholders that drive our strategy. And as you know, we seek to do both, not one at the expense of the other.

And we are well positioned to take advantage of some big global trends that are driving our industry around the world. For example, we have great potential for growth through our exposure to fast growing emerging middle class type demographies and economies. Not just in South Africa nowadays, but also in Asia and Latin America. And in the US and in Europe, of course, our exposure to the baby boomer markets makes for a real growth opportunity. We also benefit from a relative lack of legacy issues. And we have been able to develop, as a result a great focus on open architecture, flexible transparent type product models, business models, that the client of today prefers. And the core and satellite asset management business which has been underway for some years now, particularly in the institutional pensions market, but is seeping into all parts of the market, drives foward our multi-boutique strategy. And we are happy to rise to the challenge of performance fees that comes along with it. And throughout our business we are increasingly using outsourcing to the benefit both of our customers in terms of the costs and the service, indeed the speed of product to market. But then of course to our shareholders.

So 2006. 2006 was indeed a major year for Old Mutual. We have made big steps forward in advancing our strategy. We do have greater growth potential today, much greater growth potential today than we had a year ago. And we have got a more diversified risk profile. The increased scale of our sales and our assets as a result of Skandia being part of the family are very clear on this slide. You can see whether you look at an annual premium equivalent terms of sales or unit trust sales or VNB, all of these numbers are up hugely. Now, of course, they don't have Skandia in last year. But it just illustrates the change in shape that Old Mutual has gone through in 2006. Net client cashflow was a massive £24bn last year. And that's 11% of FUM at the start of the year. Now that's mainly due to the existing businesses, not just the Skandia businesses. But I think that just illustrates another great point of strength for the organisation. And as a result FUM are £239bn at the end of the year. And that increases to £269bn if you include the assets that are invested through banking products. So we are a lot different today than we were a year ago. We have grown a lot and we have taken some big steps on our journey.

Now those of you who have followed us for some time will have watched the shape of this business change dramatically. And while our South African sales grew strongly in 2006, our sales and our value of new business are well spread as you can see in the pies on the right hands of the slide. The sales in VNB are now well spread around five major world markets. And the EV is also now well diversified.

Our US business is now sizeable. Of course the US is 50% of the world's financial services markets and only 20% of our business. But nevertheless with investment performance continuing to be first class and then with Scott Powers planning to grow the business yet further by investing in new products and distribution capability we are able to ensure that our track record for top notch investment performance continues. And that we can use this strength to continue to attract new clients.

In South Africa, as everybody knows I think, we have a very strong financial services platform. And we are continually investing to take this further. Paul Hanratty has a clear focus on building the brand of choice in the savings and investment markets in South Africa. And in Nedbank, our banking franchise, we are well in touch with the recovery targets that have now been in place for three years. We will hit those in 2007. And we are now moving our focus on to moving forward and growing in the future.

But everywhere we are driving business volumes forward, not just in Nedbank. Sales growth, as I have said, has resumed in South Africa. The 17% growth in Life sales in South Africa, I think, is a great tribute to what has been achieved by our team there. Banking assets have expanded rapidly in a very positive market. Our sales in the US are in the target range that we set for them last year. And in Europe, and in the UK in particular, we are attracting a disproportionate share of the industry's net client cashflow.

And this strategic advance has allowed us to produce a healthy set of financial results for our shareholders in 2006. IFRS profits are growing across an increasingly diversified base. While EPS has been impacted by the shares we issued for Skandia, and indeed by currency movements, our RoE has remained competitive at 12%, and EV is growing at a steady rate. Underlying growth and cash generation has allowed us to recommend a substantial increase in the dividend, to a total of 6.25 pence for the year, compared to 5.5 pence last year. And Jonathan will say a little more on this subject in a minute. Jonathan is indeed now going to take us through the financials. He has been with us now for four months. He is definitely making his mark. And we are really absolutely delighted to have him on the team. Jonathan.

Jonathan Nicholls

Thanks Jim, and good morning.

I am delighted to be here this morning for my first results presentation at Old Mutual. I am very much looking forward to meeting you all in the forthcoming year. I am going to start this morning with the group position and then move on to the regions. But before I do that, let me just clarify. 2006 group numbers include 11 months of Skandia's results, from the date of completion in February. And the 2005 numbers are those previously reported excluding Skandia.

Starting with the financial highlights. IFRS Adjusted Operating Profit increased 16% to £1.46bn, including a strong contribution from Skandia of £231m. The depreciation of the Rand and the US Dollar against Sterling in the year reduced Adjusted Operating Profit by £63m or 5% on last year's earnings. EV Operating Profit increased 22% to £1.69bn. IFRS Adjusted Operating EPS were 15.1p. And EV EPS was 17.8p. The dilution impact of issuing 1.4 billion new shares for the acquisition of Skandia was about 4.8 pence. RoE of 12% was affected by the higher equity base and interest expense. RoEV was 13.8% in line with the interims and is lower than last year as expected, reflecting our diversification into Europe. And EV per share was 157.2 pence. As Jim has already said, sales and asset growth was very strong this year.

This slide shows you IFRS Adjusted Operating Profit by geography and business segment. The acquisition of Skandia has further diversified our profit streams, with 20% now generated in Europe. By business segment Adjusted Operating Profit grew 30% in Life, 9% in Asset Management and 29% in Banking, where Nedbank continues to gather momentum. I will talk more about what drove profit growth when I cover the individual business units in a minute.

Adjusted Group EV increased from a proforma £8.3bn to £8.6bn at the end of December 2006, adjusting for the acquisition and financing of Skandia. Profit from the underlying business side is £1.5bn. And market movements in subsidiaries contributed £0.5bn. This took EV to £10.4bn. Against that foreign exchange movements reduced EV by £1.5bn.

This is the only proforma slide for comparatives that I am using at group level. You can see there is a continuing shift from traditional Life to Unit Trusts and Mutual Fund products. Unit Trust sales were up 51% whilst APE sales in Life grew steadily at 7%. The other thing to note is that well over half our Life sales are now in Europe as a result of the Skandia acquisition.

Value of new business has more than doubled to £244m. With the acquisition of Skandia it is now very well diversified across the regions. Margins and targets are set out on the right side of this slide. In South Africa, margins improved largely due to a change of mix of sales, despite continued investment in distribution. Life margins in the US were slightly lower. But they are still at the top end of our target range, due to strong growth in offshore sales. UK margins improved slightly and we expect further improvements in 2008 as we realise synergies. Margins in Europe and Latin America are encouraging and reflect good sales in high margin countries. In Nordic, although they are still high, they fell in 2006, mainly due to a reduction in new sales and consequent effect on operational leverage. FUM grew £57bn to £239bn. Skandia contributed over £42bn. Net client cash flows were £24bn and market growth contributed another £29bn. This was partially offset by Dollar and Rand exchange rate movements, along with the disposal of eSecLending and First Pacific Advisors.

Moving on now to the business units and starting with the European businesses. Skandia UK is producing strong results. The integration is going well and synergies remain on track. The focus remains on having the leading open architecture in the UK market. IFRS Adjusted Operating Profits grew 276% to £128m for the year and EV Operating Profits were £208m, reflecting growth in the value of new business, positive operating variances and operating leverage. Overall Life sales were up 16% to £558m and Pension sales driven by A-day contributed £230m. UK Life sales were up 52%. Sales of bonds and offshore products were broadly flat. Unit Trust sales were up 109% on 2005 at £3bn, a reflection of our leading position in the UK market and of the successful bringing together of Selestia and Skandia.

Another factor behind strong sales growth is our reputation for excellent customer service. And we were very pleased to have received the most prestigious financial advisor service award, Company of the Year. FUM increased to £35bn, reflecting strong net client cash flows of nearly £5bn and positive equity market movements. These excellent results are after integration costs of £7m incurred almost entirely in the fourth quarter. £18m of integration costs will be incurred in '07. And annual savings from this amounting to £22m will start to flow through from the end of this year.

Moving on to the Nordic region. IFRS Adjusted Operating Profit increased to nearly SEK1bn. And EV Operating Profit was SEK1.4bn. Overall sales in Nordic region were down 9%. Life sales in Denmark doubled during the year but in Sweden they decreased 13% in a challenging environment. The pension market is changing significantly and competition is increasing. 2005 Life sales were unusually high, driven in part by the tax efficient Kapitalpension product although part of this was recycling of existing products. This continued to a lesser extent in 2006. And the Swedish government has abolished Kapitalpension from February 2007. Margins of 27% are above our target range. And whilst we are focused on reducing expenses, we expect margins to move to a range of 22% - 25%. FUM increased by SEK11bn to SEK106bn, with net client cash flows of nearly SEK4bn, and equity market gains of SEK7bn. There are several key priorities we are addressing in Sweden in '07. We will be investing SEK100m in IT systems to improve sales, distribution and product development. Product development is a key area of focus and the abolition of the capital pension product clearly create an opportunity for us. Our agreement on the arrangement that we have with Skandia Liv will be renegotiated in 2007. The outcome is likely to increase the cost base for the Unit Linked part of Skandia by SEK100m.

In Europe and Latin America, IFRS Adjusted Operating Profit of €48m was well ahead of our business case when we bought Skandia. This growth was driven by increased sales and FUM. EV Operating Profit was €116m. FUM grew 8% to €13bn with net client cash flows of nearly €1.7bn.

Before I finish with Skandia, when you get the accounts you will see that we have revised the fair value Balance Sheet and increased goodwill by £147m. Any final adjustments will be made in Q1 this year, as permitted by the accounting standards.

So overall our European businesses are doing well. A strong performance in the UK where we are ideally placed to benefit from the market-shift to open architecture platforms. In Nordic where there is much to do, but where margins are excellent. And there is high profit and sales growth in Europe and Latin America.

Finally the cost of synergies and associated gains are on track and as announced previously.

Moving on to South Africa. We are remodelling our South African business as inflation and nominal investment returns reduce. Developing a robust bank assurance model is an important part of this. Bringing our three businesses closer together and expanding our distribution network at the same time is creating opportunities to reduce costs. We are strengthening our executive presence in Johannesburg as part of this process.

In Life and Asset Management, we are moving our business away from a traditional capital intensive Life Assurance to a lower charge lower capital model. In retail this is based on the market shift to Unit Trusts. In the corporate institutional space it is based on increasing demand for off Balance Sheet third party asset management. We have transformed our Asset Management operation into a multi-boutique model, similar to our US business. Like the US, we believe that this will improve investment performance and enable Old Mutual to win a larger share of both Retail flows and specialised institutional asset management mandates.

Moving on to look at the numbers in Life and Asset Management. IFRS Adjusted Operating Profit was 6% down on 2005 and R5.7bn. There is a detailed profit waterfall for the OMSA business in your packs which highlights the contribution from higher assets of R0.6bn, which was offset by reduced retail margins and increased distribution costs and the Q3 data provisions, all of which total R521m. EV Operating Profits for our covered business reduced by 9% to R5.8bn. Value of new business for Life increased 27% to R781m. This was offset by negative experience variances in 2006, although the 2005 results benefited from high positive experience variances and operating assumption changes.

Sales growth was strong. Life sales are up 17% to R4.4bn. Net client cash flows were impacted by the public investment corporation's withdrawal of funds across the industry as they brought funds in-house. For us this meant a total outflow of R29bn. FUM increased by 17% to R424bn. For 2007 we will revise our calculation of the LTIR. Our aim is to reflect both past and future performance. The rate setting policy going forward will be to utilise a third of the actual return earned over the past three years added to two thirds of the expected future rate derived from external forecasts. I anticipate that this will add about 1p to Adjusted Operating EPS in 2007.

Nedbank maintained good momentum throughout the year, ending with a strong performance in the final quarter. IFRS Adjusted Operating Profit increased by 38% to R6.9bn. All business clusters recorded pleasing growth and RoE increased from 16% to 19%. Revenue growth was strong. Net Interest Income and Non-Interest Revenue were well balanced. Net Interest Income grew 29% to nearly R11bn. And Non-Interest Revenue increased 12% to R9.5bn. Expenses continue to be well managed. Total Revenue growth was 13% higher than expense growth of 7%. As a result the Cost: Income ratio improved 7 percentage points to 58% year on year. This is a little above the half year, reflecting a planned increase in marketing spend in the fourth quarter, as well as investment to expand our distribution network. Our target for the end of 2007 remains 55%.

Moving on the general insurance, operating profits at Mutual & Federal were down 12% to R1bn, reflecting the tough underwriting environment, reduced returns on listed equities and a special dividend payment of R8 a share. Gross premiums grew by 7% in 2006 versus 9% in 2005, reflecting higher levels of competition. We reviewed our reserve levels in 2006, which have tended to be cautious. And as a result released provisions of R215m.

Moving on to look at the United States. Gross Life sales of $3.9bn were in the range of our sales target for the year. Bermuda sales increased 66% as we expanded our distribution, which more than compensated for onshore sales declining by 21%. FUM grew by 10% to $22bn. IFRS Adjusted Operating Profits at US Life increased 19% to $230m. This includes a one-off positive income adjustment of $33m for the first time recognition of interest on assets and a receipt from the Worldcom litigation. Against this there was $24m of costs associated with strengthened assumptions on multi-year guaranteed annuities, which we told you about, in the third quarter. Encouragingly the business made its first statutory profits in Q4 2006. EV Profits were down 18% to $181m driven by negative operating assumption changes and an 11% decrease in the value of new business, which was affected by volumes. The operating assumption changes included a strengthening of mortality assumptions on the SPIA block, updated crediting rates from MYGA business and the use of the penalty-free withdrawal option, all of which we had previously announced. The EV Adjusted Operating Profit excludes $107m cost taken below the line, which arose as a result of the transfer from an old valuation system to a new platform in MoSes. $85m of additional capital was injected into the US Life business at the end of ’06 in order to maintain a 300% RBC level bringing the total to $141m for the year. We remain on track to release cash in ’07.

Before I move to US Asset Management I want to comment on what we are doing to improve the support functions at US Life. This business is still relatively young and has grown six fold since 2001. We identified that we needed to reinforce the support functions behind the sales effort. We have installed new finance and actuarial teams and we are continuing our extensive review of actuarial and accounting processes and systems. Some of the EV changes have resulted from a move to a more sophisticated system. Others, however, relate to the need to strengthen assumptions, which we discussed in the Q3 results. I am hopeful that any negative surprises have already been quantified and reported. But you will appreciate that I cannot make guarantees that there will be no further provisions required until we have completed the work. Our objective is to ensure that the business is on a sound footing going forward, and we aim to complete the process by the end of the first half.

In US Asset Management IFRS Adjusted Operating Profits increased 10% to $235m. FUM increased 30% excluding the sale of eSecLending and First Pacific Advisors. The headline increase was 15% to $261bn. This was underpinned by good investment performance, which contributed $30bn, and very strong net client cash flows of $30bn. That represents 14% of total FUM at the beginning of the year. Our retail offering, Old Mutual Capital, has made good progress and contributed $2.3bn in cash inflows. Investment performance continues to excellent at US Asset Management, with 90% of assets exceeding three-year benchmarks. The Operating Margin increased 2% to 28%. This reflects positive operating leverage, good fee income and a stable expense base. We announced the acquisition of Ashfield in October. This was completed in February, and adds $3bn in large cap growth capability to the group.

That gives you an overview of the business units and with this slide I want to briefly move down the Profit & Loss Account. Other shareholders' income/expenses at £33m is predominantly made up of head office costs, which remained relatively flat year on year. In 2005 we received greater investment income on surplus cash held centrally to finance the Skandia transaction. Finance costs of £130m increased from £37m and reflect the increase in debt to fund the Skandia acquisition. Our tax rate for 2006 was 27%, up from 25%. This reflected an increase in STC costs on dividends and a change in mix of profits. You may have seen that the South African Budget announced the phasing out of STC from 2008 as well as the introduction of a dividend withholding tax in the taxation of dividends. We have yet to see the details, but on the face of it, it should be good news.

Moving now on to the Group's Cash and Capital positions. This is a new slide, which shows the cash flows of the Old Mutual plc holding company and the change in total debt. We believe this provides a clearer picture of the receipts and payments of available cash and changing debt within the Old Mutual Group. From that then the prescribed IFRS holding company cash flow statement. Total available cash within the holding companies at the end of 2005 was £704m, which was largely being held in anticipation of financing the purchase of Skandia. During 2006 the holding companies received a total of £891m of operational and capital receipts from business units, plus net debt and equity proceeds of £401m.

After operational expenses acquisition payments and adjusting item there was £571m in available cash of which £281m was used to pay the Old Mutual plc dividend and £214m invested in the businesses. The balance of remaining cash at the end of '06 was £76m which is more in line with normal expectations at the end of 2005, as surplus cash is generally applied to reduce debt outstanding.

We are recommending a final dividend of 4.15p a share, an increase of 13.7% over 2005, reflecting the Board's confidence and wish to improve returns to shareholders. This results in a total 2006 dividend of 6.25p, an increase of 13.6%. You will recall that at the interim results presentation we indicated that the dividend in 2006 reflected underlying earnings and a catch-up for 2005. Dividend cover has reduced to 2.4 times. Total debt at the end of the year was £2.4bn with gearing at 21.8%. Our credit ratings remain unchanged at A3 from Moodys and A- from Fitch. Our FGD surplus capital after our bond issue in January was £1.4bn ahead of our £750m threshold.

This slide provides a split of revenues and costs by business unit. All of the information is in our accounts, but requires some work to extract. So we have done the work for you. This provides a good starting point for reviewing efficiency in our business units, and comparing our performance with that of our peers. The numbers are from IFRS accounts and are therefore inclusive of DAC amortisation where appropriate.

So in summary, 2006 was an important year for the Old Mutual Group. Profit growth of 16% was encouraging, and the sales growth that drove this more so. FUM increased 31% to £239bn. We are very pleased with the Skandia acquisition which delivered excellent profits in 2006. We expect integration costs to impact growth in ’07 but we remain on target to achieve Adjusted Operating Profits of £300m by the end of 2008 from the Skandia operations. Our capital position is strong and our expanded scale and geographic reach creates a strong platform for sustainable growth.

Thank you very much. I will now hand you back to Jim.

Jim Sutcliffe

Thanks very much, Jonathan.

I would like to wrap up now with a look forward to our priorities for the near and mid term and then we will do some questions.

This slide we have shown you before, but I do think that it captures the robust structure of the business very well. Our South African businesses and Nordic businesses in the left hand block, the big market share, big brand businesses, will continue to generate cash and high returns. They are still an excellent platform for growth. And as I say, particularly in South Africa, that business is very profitable. In the Nordic region we have a brand that is now recovering. In the short term we have some expense in upgrading the IT system and we have to redefine the relationship with Skandia Liv. However, all of this is in line with our expectations when we bought Skandia.

In the middle block we have the high growth businesses, and enviable and really very fast growing business, or set of businesses, in the worlds major markets. In the US, of course, we have already shown, and Jonathan has already commented on the rate of growth in the past, and the trajectory of the future remains good. And we are the leading open architecture player in Europe. The trends, those four big trends that I spoke about earlier, that exist around the world, provide a wind at the back of these businesses. And we can expect that to continue into the future as well.

Our two Asian businesses are now growing very fast, and have the potential to become significant contributors to the group results. They are doubling their sales each year. And that too can continue. In Australia we have added to our presence during the year. And in Latin America we have fast growing businesses in Mexico, Columbia and Chile. And we look forward to seeing all of these advance strongly in the future. The engines are firing and are delivering value to shareholders.

Now in a way 2006, as I have said it was a major year for Old Mutual. And it kind of completed one chapter in the business’s history. But it certainly opens a new one. We have made great strides in growth potential and our spread, our risk profile. But there is more to go. The next part of our journey should see us reaching this £300bn FUM mark next year, and further very substantial milestones thereafter.

In Europe, for example, where two years ago we had less than £5bn of FUM, by the end of next year we would expect to have £70bn FUM. And, of course, our new Skandia colleagues are contributing most of that. And we are confident that we will be generating not only the £300m of profits, IFRS profits that we said we would get from Skandia in 2008, but all the other targets that we set out last year.

In the United States, Scott and his team have delivered $75bn of net cash flow over the last five years, obviously based on the great investment performance. But it does give us great confidence for the future, that we will get through the $300bn of FUM in the US very soon. Spinning off cash, we will be adding more asset managers and growing our Life sales across a broader range. In South Africa we can continue to enhance our position as a leading financial services brand, growing funds, products, and attracting more clients.

Now the South African economy is in very good shape. And as it drives ahead there is a significant landmark on our horizon, which is R1 trillion of AUM when we look across the whole OMSA and Nedbank group. Our businesses are working together to save costs, leverage the individual brands, to create a single bigger franchise, and to offer each others clients a broader range of products and services. And as I have said, all the while we expect all three businesses to deliver excellent profitability. Our Asian businesses will soon start to make a contribution to that FUM target. And although these businesses have only been in existence a handful of years, their value to shareholders already is measured in tens of millions of pounds.

So what do we need to do to ensure that these ambitions are achieved? The management team, the people in the room and the other 47000 Old Mutual people out there, have put in a great deal of work in the past month to clearly identify and plan down to a significant degree of detail in each territory and in each business unit, exactly what we need to do to achieve those goals. So let me just talk about a few of the headlines.

In Europe, as it says on the slide, it's all about growth potential. This is what Skandia has brought to Old Mutual. And that is what we are concentrating on. In the Nordic business we have a premier brand, capable to delivering much more. We have first to invest and resolve these historical arrangements. In the United Kingdom and Nick Poyntz-Wright is here in the audience, Skandia is in poll position on the grid, to benefit in the race, the baby boomer race, if you like, to serve a very strong IFA franchise in its clients. Growth potential has been identified all around Europe. We have young operations that can grow fast. And we will support and encourage them to deliver on that potential. And across the piece, of course, there is the integration to complete and synergies to pursue.

In the United States we must build our brand. And we will start to advertise in fact there this year. We certainly remain committed to the multi-boutique model. It produces the best investment performance. But there are advantages to be had in bringing the management of our businesses closer together. And despite the accounting issues we are encouraged by the development of our US Life business. And we will be aiming to resume organic sales growth, not only in our traditional MGA and baby boomer market, but also now boosted by the introduction of variable annuity products and aiming at a new demographic segment, the Hispanic market. In the asset management world, we will continue to grow our retail distribution base, that mutual fund business that we have spoken about, and to deliver high quality investment performance. In fact the way in which our recent joiners, that is Ashfield and CopperRock and Larch Lane have done, they have all done very well. And we are, therefore, constantly on the look out for new teams of talented professionals to join us and expand our capacity and our product range.

In South Africa we do have great strength, but it's no time to be complacent. Competitors are tough and getting tougher. And we are marshalling our combined forces to deliver a comprehensive financial service to all South Africans, individual and corporate. We have to build our retail capability, on the banking side by expanding our footprint, and on the savings side by increasing our sales force and helping them to greater productivity. We have a focus this year on business banking which has been a longstanding string. But also public sector banking, an area where we haven't been so strong, but where we started to make progress in 2006. We aim to lead the move from traditional life wrapped products that is going to happen throughout the industry in South Africa into the new era of unit trust products, with its low margin and low capital economics. Paul has to finish the move at OMAM, that Jonathan spoke about, to the boutique model, to take advantage of what we have understood in the US. And at M&F the focus will remain on tightening control of claims costs and improving risk selection. We will also be recommending to our shareholders that we take R1bn from the proceeds of our unclaimed shares trust to plough back into the communities we serve. And in all three businesses our transformation to meet the challenges of the future client base remains a priority.

In Asia, as you have seen, we have the platforms, but we are aiming to grow even more. We need to recruit tens of thousands of new agents over the coming three year planning period. We will be aiming to open in two new Chinese cities each year and many more Indian cities. And indeed we may be able to take up the option that we have to acquire a bigger interest in the Indian business in the near future and we are keen to do so.

So ladies and gentlemen, today's results, I hope you can see, do reflect healthy overall performance from around the group. FUM did grow strongly at 31%. I think that's the biggest single sign of where we are going. And the underlying growth in operating profits has benefited both from the delivery of Skandia which has been better than expected, but also from the progress in the existing businesses. And as a result of the strong financial position we have found ourselves in, we are able to declare this dividend increase of 13.6%.

2007 has started well. It is an investment year and earnings growth will be held back by exchange ranges as we move from the averages to today's rates, by the investments that we are going to make in synergies for the benefit of profits in later years, and also the changes that we need to make in Sweden and in the South African Life business to make those businesses fit for the future. But underlying growth has remained strong and will remain strong. And we have clarity on the priority tasks we must complete.

Continued good investment performance in the United States, synergies and the earnings and potential coming to reality across Europe, growth in India and China, and our South African businesses continuing to deliver their traditional heavy rate of profits, will allow us to hit those 2008 milestones. We are managing an excellent set of growth businesses. Our stated ambition to become the premier international savings and wealth management business does demand significant growth in earnings levels over a sustained period. And I am confident that what we have been doing in 2006 and what we have on the agenda for 2007 is just what it takes to achieve that for the group's shareholders.

Ladies and gentlemen, that's the end of our presentation today. So we will now take questions. As usual, what we will do is, we will take a couple of questions here in London first and then Bob, I hope you can hear us well in Johannesburg, and we will come to you then. There may also be a couple of people on the telephones and somebody will wave at me if there is a question on the telephone. So if you wouldn't mind if you have got a question getting a microphone first, so that the people in the other centre can hear you. And if you wouldn't mind also just saying who you are. Matt, go ahead.

Matt Lilley, Lehman

Hi, it's Matt Lilley from Lehman. A couple of questions. First on the dividend, you said that part of this year's dividend was just re-setting it from sort of catching up for the Skandia acquisition. How do you think about it going forwards? Is it as a payout ratio? Is it as dividend growth? Is it as a proportion of cash flows that year? And then two questions on the US Life business. Are you ready to grow the sales organically now in 2007? Or is it going to take a bit longer to get there? And then on the back book, can you be a bit more specific and give us some details about what you have done in going over the back book and what is left to do in that process, so we can get some idea of the dangers.

Jim Sutcliffe

OK, fine, thank you. Jonathan, why don't you talk to dividend policy.

Jonathan Nicholls

Yes, the dividend policy. I mean in terms of our stated dividend policy that we have said before, we haven't changed, and that dividend should really grow in lines with Adjusted Operating Profits, and no change there. But clearly you will recall that last year we were a little light on that and held back in advance of the Skandia acquisition. So we tried to recompense that by increasing the growth this year. So the underlying, if you look at the underlying growth you should note it against that. Cover at 2.4, it's OK, and sort of in the bucket with our peers I suppose. But clearly you know it's not a stressful cover at 2.4 and that is something that over time we will look at as we look to the future in ensuring that we generate as much shareholder value as possible.

Jim Sutcliffe

Yes, it's the underlying growth as Jonathan says. On the US Life side, we are really on exactly the track we have said for a while. But we certainly do feel that what we have done over the last year puts us in position to look at increasing the sales organically again. So we would expect going forward to start to look at that. I am not sure it's going to be a big deal in 2007. But certainly we will start the sales growth again during the year. On the back book and what exactly did we do in the back book. I don't know Jonathan if you want to pick up that question as well.

Jonathan Nicholls

I think in terms of the work on US Life, I mean you will have seen the Q3 announcement where we had some one-offs and clearly our objective going forward is to avoid one-offs as a fairly obvious statement. We have a large project that is running at the moment. It has been running for a few months. And as I said in my speech, unfortunately it isn't finished. But we are going through the back book product by product. We, as you know, transferred from a TAS system to a MoSes system which enables us to be much more sophisticated in our modelling. And that modelling sophistication has resulted in the below the line $107m one off adjustment to reflect that as we model the book on the MoSes system. We have got new teams there in terms of both accounting and actuarial who are looking at it closely. And we have got some internal advisors as well. So it's a large programme of work that is going on there to just make sure we go through that whole process to make sure that we minimise going forward any more one offs and surprises. I mean clearly going forward we just don't want to have that.

Jim Sutcliffe

Is there a microphone? Sorry, Matt, if you don't mind.

Matt Lilley, Lehman

Sorry, so you expect to finish that by the end of the first half?

Jonathan Nicholls

That's right.

Jim Sutcliffe

OK. Scott, I don't know if there is anything you would want to add to that point.

Scott Powers

All done.

Jim Sutcliffe

OK, next, so there was John I saw there, yes.

Jon Hocking, Morgan Stanley

Jon Hocking with Morgan Stanley. Can you just clarify the changes you made in Sweden? Because it seems from the release that the agreement between Liv and the shareholder company isn't finalised. Can you just run through what sort of sensitivities there are and how quickly you are going to come to a conclusion?

Jim Sutcliffe

Yes, Jon, I think the point that sits behind all of this is that we wanted to absolutely clear to all the Liv policy holders that their money is in good shape. And some of the arrangements that have been in place in the past need to be tightened up. So that's what we are going to do. The impact of that is to leave an accelerated amount of new business strain in particular being carried by the shareholder company. And so that's the impact. And that's about SEK150m a year. I think we have put the numbers into the OFR so you can see them all. There are also some changes on the IT side and on the administration side which between the investment in IT which is about SEK100m and the rebalancing of the books it's about another SEK100m. So those are the three legs of it that are in there. And most of those things are already in the EV. So there are bits on the admin side that are not. But all the new business strain of course doesn't affect the EV numbers. So most of this is well foreseen.

Jon Hocking

So the additional admin cost that is coming back to shareholders, that is already in the EV?

Jim Sutcliffe

That bit is not in the EV particularly. That bit starts at SEK100m. There is a kind of a shape to that over the future. So there will be some adjustment for that specific piece. OK, James. I am sorry, James. Bob, I am going to come to you after James, so if you could just get ready in Jo'burg. Sorry, James.

James Pearce, Cazenove

Sure, morning. It's James Pearce from Cazenove. If I can ask three questions as well. First of all you talk about the South African businesses working more closely together. Should that be reflected in a simplified legal structure giving you counter benefits and presumably clarity on transfer pricing and things like that? Second, on the earnings guidance, are you saying that there is going to be growth in earnings this year, but just not very much? Or are we looking at flat earnings? And then thirdly, on the unclaimed share trust, can you just say how much is left in this trust and what you are likely to do with it?

Jim Sutcliffe

OK. First the legal structure in South Africa. You know, I think as we have said before, our focus is in working out how to work together. We are not at this point contemplating any changes in the legal structure. I think you know the pluses and minuses of that I think are well argued. But I think there is a lot of kind of loose change lying around on the ground for us to pick up. And we have made good progress on that over the last couple of years. I can remember being here where our penetration of insurance products into our banking customer base was nowhere near some of our competitors. Whereas now I would say that we are probably better than our competitors. So we have been making good progress on that. We have made progress on some of the cost things, like the Merlo project, the network purchasing. And there is more to go in that area. And we have said that there is at least R1bn of earnings synergy to be had out of this thing. Some of it is already in the bank. But there is a lot more of it to come. But it doesn't require changes to the legal structure. If that ever becomes attractive, of course, we will tell you. But right now it's not what we are concentrating on.

On the earnings guidance, I mean you will appreciate that we don't give forecasts. But let me just sort of simplify it a bit like this and see if this helps. If you multiply through that assets x margin – expenses table, you can do the sums and you can see that if you proportionately spread across all the businesses, something like £12bn or £15bn of net cash flow or increase in assets generates a penny of earnings. OK, you can do the sum from that table. The costs in Sweden and South Africa, it's about a penny in earnings. The currency impact to bring it to today is about another penny and there is about a half a penny of technical things that are left over from the Skandia transaction. And against that gong the other way you have got the LTIR point that Jonathan mentioned, where the strong South Africa stock market of the last couple of years is going to push that up. So net we are starting about a penny and a half down on the year. Now you have to make your own judgements about how fast the underlying growth rate is, but what I would say to you is that we are pretty comfortable that we can grow in order to produce an increase in earnings. But I don't really want to say a lot more. I am feeling pretty good about that underlying growth rate at least eating up the negatives. The third point, unclaimed shares trust, James, I am sorry, my notes… the question exactly was?

James Pearce, Cazenove

You mentioned in the presentation that you were using a billion Rand.

Jim Sutcliffe

Oh yes.

James Pearce, Cazenove

How much is left and what will you do with it?

Jim Sutcliffe

Fine, thank you, apologies, a memory lapse. What we have got with the unclaimed shares trust is, we have said that if there is anybody who still hasn't put in their claim who comes out of the woodwork - and we have been advertising in radio and newspaper and through the sales forces and so on as long as we can to find anybody that we possibly can - but we are just starting to run out of people who are coming forward. But if there are any more people, they are going to continue to be able to claim. But instead of getting the shares they are going to get the value of the shares on the date of the closure of the trust. So there is a kind of a currency amount, a Rand amount, rather than a number of shares. Of the money that is left, that is roughly R1bn. And so that is the money that we are going to be spending. So there is money kept back from the unclaimed shares trust for future claimants. But then there is about R1bn left after that.

James Pearce, Cazenove

Will it just end up as windfall.

Jim Sutcliffe

The R1bn has got three big programmes being spent into. There is a programme for small businesses. There is a programme for consumer education. And there is a programme for more community oriented spending. So they are broadly things that support our business. But they are ploughing it back. They are not directly being spent on the business. There is some part of it that is going to improving the payouts for lower value customers, smaller sums assured and smaller sized policies. OK, Bob. I hope you can hear us there. Are there questions in Jo'burg?

Bob Head

Any questions in Jo'burg? They are looking pretty silent, Jim. Oh there is one.

Dave Danilowitz, JP Morgan

Hi Jim, Dave Danilowitz, JP Morgan.

Jim Sutcliffe

Hi Dave.

Dave Danilowitz, JP Morgan

Two questions. First of all, in terms of the move of the reporting structure from OMAM UK to the US, could you indicate are there any strategic benefits and what are the long term thoughts around that change in management structure. And second of all the provision made for Skandia Liv, I think it was note 7 or not 11, I can't remember, SEK2.3bn. Is that all within your expectations prior to transaction and what type of provisioning has been made on that amount?

Jim Sutcliffe

OK, Dave, I am going to talk for a while about the first one while Jonathan looks up notes 7 and 11 just to make sure we have got exactly the amount. But on OMAM UK, clearly we could have either put it with our European business or with our US business. I think Scott obviously has the biggest group of asset managers and so the idea was certainly to group it with our other asset managers so that we could take advantage of the learning across from the US groups into that. There are actually benefits in both directions. We have a business called SIML, which is one of Julian's businesses, a UK unit trust business primarily. And they have started to take product from the US set of asset managers to create unit trusts for sale into the UK market. So there are benefits across both businesses, both the European and the US businesses. But the simple solution in the short run was that we have got a huge agenda in Europe and the asset management business fits neatly into our other asset management businesses in the US. Now everyone teases me that its not very good geography, and of course it's not. But in reality we already have a UK based "US business", Rogget is based in London. So the geography is you know kind of standard six rather than metric if I can put it that way. Now as far as note 7 or not 11 in this provision for Skandia Liv. Dave, just tell us what the note actually says so that we are sure which one we are referring to.

Dave Danilowitz, JP Morgan

It may be in my version of the results.

Julian Roberts

Dave we will come back to you. If you wouldn't mind just helping us with a reference..Sorry. Dave we didn't hear you.

Dave Danilowitz, JP Morgan

Julian Roberts

That's the arbitration.

Jim Sutcliffe

Oh sorry, the arbitration, OK, fine. Well Julian why don't you talk to that since you know what the number is.

Julian Roberts

Dave it's the Skandia Liv arbitration. That as you know there has been a dispute running for quite a few years between Skandia Liv and Skandia about the sale of the asset management business. Yes, that amount has changed. It was SEK2.3bn until last Friday I think it was, when the latest submission to the arbitrators put it up to SEK3.2bn. .We are still and our advisors are very confident about the outcome of that arbitration. But what that probably means now with the fact that new papers are being submitted, that it won't be resolved in the first six months of the year which is extremely disappointing. So it is probably going to be delayed until later in the year. But we are still confident, and our advisors are still confident, that the claim doesn't have merit.

Jim Sutcliffe

OK, thank you. Bob, more in Jo'burg?

Bob Head

One more Jim.

Johny Lambridis, Citigroup

Sorry, Johny Lambridids from Citigroup. Could somebody just run through the risk calibration on the EV side, why those risk margins came down?

Jim Sutcliffe

Johny I am going to have a go and I am looking at Mukkesh to stand by in case I get stuck here. But broadly as we moved into the new style of EV calculation, some of the risks are directly modelled, and therefore the calibration of the risk margin changes. But Mukesh would you like to add?

Mukkesh Mittal

Sure. Basically the way we model EV is we do a market consistent EV methodology. And what we do is recalibrate it back to a real world EV. So the recalibration of risk margin is just really an update to the market consistent EV.

Jim Sutcliffe

OK, let's come back here to London and Greig.

Greig Paterson, KBW

Yes, good morning, Greig Patterson, KBW. Four quick questions. One is, I wonder if you just want to talk around these changes that came in the budget re this new national savings scheme.

Jim Sutcliffe

South African budget?

Greig Paterson, KBW

Yes, South African national savings scheme and the potential threat it is to your business. Question one. The second one, I saw there is a big jump in the bulk annuity sales. And obviously the margins improved as a function. Could you give us some feeling about what the bulk pipeline looks like for 2007 in SA. And also the commission changes in Skandia at the beginning of the fourth quarter, I wonder if you can give us some kind of feel for how that is going to impact Swedish APE numbers in 2007. And finally, you talk about this move towards these lower margin but lower capital intensive South African products. I wonder if you can give us a feel for sort of how much capital we can see being released over the next sort of three years and whether it will find its way to a dividend or alternatively an acquisition ,.well hopefully not an acquisition in the short term. If you can make a comment on that as well.

Jim Sutcliffe

OK. Four questions. So let's start at the beginning. I am sure everybody in South Africa is familiar, but there was discussion in the South African Minister's budget speech, I am going to say the week before last, Greig, but I might be a week out, about the introduction of a national savings scheme. So this is kind of compulsory savings for all South Africans. And there weren't a huge number of details I think it's fair to say in the speech. So I think answering the question is subject to quite a wide degree of variation. What is undoubtedly true is that, if the government saving takes up the saveable income at the lower end of the market then clearly some part of that market will move away from us. So that's the negative side of it. On the positive side of it, the government made it clear that they were going to allow private participation in this scheme in various ways, either as asset managers or I think to allow us to sell our product, provided we could prove that it was at least as good as the government's product broadly. And the UK folk will recognise some of those kind of details. So I think, Greig, you know in total, I think the fact that a big savings engine in South Africa will drive the economy, as a whole is probably overall good news for us. There may be some product shifts that will come about over time. But I think it is too early to talk about that.

Then South African bulk annuities, you quite rightly point out that in the fourth quarter we were successful in laying hands on a large bulk annuity case and are very grateful to our client for that. The pipeline of business is as ever lumpy. It is nothing like it used to be. There are still things in the pipeline. But I think the biggest source of our sales in the future is going to be what might one call it, the more regular savings style or pension type businesses. So I think we would look forward to that just continuing as a lumpy business.

Then commission changes in Sweden I think was the third point. And as you have noted, we started to pay level commissions to our brokers in Sweden. I think it is fair to say that the impact of that has been to reduce our sales in Sweden. There is one of our competitors who reacted to this by increasing their upfront commissions. But our point of view is that it is the right way to go. It has already happened in Denmark and Finland. So the Nordic countries are all heading in this direction. And we think that we are laying the trail for the future. There may be a little bit of pain in the short run but we think it's the right way to go for the long run.

Your fourth question was, please don't spend any money on an acquisition when you release some capital in South Africa.Comment, perhaps that is, rather than a question. You know, if you look at the 2006 results, what you see, and I haven't got the numbers directly in front of me, but the FUM number goes from something like R370bn I think it is, I forget the exact number, to R424bn. And the allocated capital went from R17.9bn to R18.2bn. So it didn't change very much at all. So you can see the capital efficiency starting to come through there. So what we are really expecting, Greg, is that the impact of the releasing rates of capital will be absorbed into the rates of growth. So we are not seeing vast amounts of capital coming free. We are just seeing that we don't need more capital to grow. So that clearly will free up the earnings more to be delivered back up to the shareholders. But it isn't a vast release of capital. Is that all right? OK, so we will just, we will take a couple more here in London and then I am just going to ask if - not on the telephones. Yes, OK, thank you.

Christian Dinisen, Merrill Lynch

Thank you very much. Christian Dinisen from Merrill Lynch. In terms of your credit ratings are you able to comment on the differences between how you calculate the interest cover and how Moodys does it? Can we take the comment that credit ratings remain unchanged to include any impact of these full year preliminary results? And thirdly, if we cannot and there was to be a one notch downgrade from Moodys on their negative outlook, what sort of impact that has on your groups business please.

Jim Sutcliffe

OK, Jonathan, do we calculate it …..

Jonathan Nicholls

I mean clearly how the rating agencies calculate their interest cover is important for us and we obviously look at exactly the same calculation when we are testing their sensitivity. To not do so would be somewhat rash. In terms of unchanged, no we haven't had our meeting yet with the rating agencies. We will have that in the next few weeks. But let me just say that in relation to the targets and the ratios that they were concerned about when we completed the Skandia acquisition we are on track on those targets. So I would be hopeful that they will feel comfortable with this set of results, that we are on track, and that they will therefore remove the watch issue on us. And sorry, I didn't quite pick up the third part.

Jim Sutcliffe

If there were a one-notch downgrade what impact would it have on the business?

Jonathan Nicholls

Well I think the one notch downgrade clearly would affect our US business in particular is my understanding. And in terms of absolute I don't have the number to hand on that, I don't know if Richard Hoskins, maybe you have an absolute on it. We don't have a specific number on that.

Jim Sutcliffe

OK. John.

Jonathan Nicholls

Maybe John.

Jim Sutcliffe

Sorry, John. This is John Clifford who runs our Baltimore operation, just to be clear.

John Clifford

Specific to plc rating it would have a knock on effect on our Bermuda business to a degree. Our US business, the main US business, has its own ratings which are really governed by the statutory capital at the main life company. While they look at the plc rating that is not necessarily going to have an affect on our rating per se. And our main rating is A.M. Best rather than Moodys, which is somewhat secondary to our needs.

Jim Sutcliffe

OK, thank you. I think there was another question. Sorry, behind you John if you don't mind.

Andy Hughes, JP Morgan

Thanks very much. Andy Hughes, JP Morgan. A quick question. Storebrand have re-launched their non-life operations in Norway. And I was just wondering, it seems to be quite successful. Obviously you have non-life operations within the group, would you be tempted to re-launch Skandia non-life operations?

Jim Sutcliffe

No. A simple answer. I mean to be absolutely honest I don't know very much about the Norwegian non-life business. And I don't know Julian if you are an expert in Norwegian.

Julian Roberts

The same answer.

Jim Sutcliffe

The same answer. But no, we have said that our strategy is built around savings and wealth management. So it's just off our radar screen.

Blair Stewart, Merrill Lynch

Thanks very much. Blair Steward from Merrill Lynch. Two questions please. In Sweden could you remind us how significant the capital pension product was for you last year? And in the ITP arrangement that is obviously small at the moment but will get bigger. Presumably you are not in there because the pricing is crazy in your view, just to get a feeling for where the pricing is relative to where you think is sensible.

Jim Sutcliffe

Julian.

Julian Roberts

The first point was the capital pension. It was around 10% of sales in 2006. It was considerably in 2005. So not as significant as for a lot of companies. And you have to remind me of the second question.

Jim Sutcliffe

ITP.

Julian Roberts

The ITP arrangement. The ITP now no longer will have advice. It is purely what they call a technobox. So you select whether you want to be included. Our offering is very much advisory distributed by our own tied sales force and by the broker market. And we believe what will happen moving forward is people will….some very high paid people who are in the ITP arrangement, will look for advice because they won't be able to get it through that ITP channel. And therefore we do believe that the market will continue to grow, more so maybe in the personal sector rather than the corporate. When it came to pricing it was quite straightforward. We don't believe that the ITP market will be that big. 50% goes into traditional assurance and only 50% in the unit linked side. And bluntly we kept our pricing disciplines. We would have needed to make some quite significant changes to our computer systems and I would rather do that for the main core business rather on the ITP arrangements.

Blair Stewart, Merrill Lynch

So just to be clear are you saying that the ITP system is not ever going to be of interest to you?

Julian Roberts

Well the arrangement, as you know for the unit linked companies are just for three years. And it was mentioned that they were thinking of building their own unit linked offering and therefore not outsource it to the companies anyway. So my judgement, I want to grow the main bulk of the business, and that's where our focus is going to be.

Jim Sutcliffe

OK. Bob any more questions in Jo'burg?

Bob Head

Yes, it's Risto unfortunately.

Risto

I have to get one moment of glory. ELAM, now obviously under your disclosure it's a bit harder to see what is going on there. Now the main markets Germany / France / Italy, could Julian maybe give a very brief update on what are the volumes going on in those markets, market share changes in the last year or so and maybe a little about the outlook in 2007?

Jim Sutcliffe

Julian, Germany, Austria, Italy, Risto wants to know.

Julian Roberts

Well Risto I would turn around and say the markets you also should be adding are Poland and France.

Jim Sutcliffe

Yes.

Julian Roberts

And then you have got the bucket of the five businesses where we believe there is significant growth. Germany of course had the spike in 2005 where they had the changes in the tax rules. And you saw that coming through the numbers where the EV profit was very high in 2005. The German business has come back really very strongly during the year. And it is one of the businesses that we believe we are spending money expanding distribution and have plans to grow quite significantly in 2007. Austria and France as you saw are now both over a billion. So France has been creeping up really quite fast during the year. It has had a very good year. We have got a growing IFA sector in France and we have been leveraging that very much. Italy, well those are the five that you need to be looking at and we should be talking about. And they grew well during 2006 and we have got great hopes for them in 2007.

Jim Sutcliffe

Yes, and just to give you some numbers, Risto, if you want. The net client cash flow in France was the biggest of all the ELAM countries at about €435m. Germany, second, €370m odd, Italy was about, I am looking at the eyeballing on the chart, about €300m. So just to give you a sense of which ones are doing particularly well.

Bob Head

That's it Jim this end.

Jim Sutcliffe

OK. Any more in London?

Raghu HariharanFlagu Harihan, Fox Pitt Kelton

Morning all. Raghu Hariharan, Fox Pitt Kelton. Just a quick three questions. In the UK could you give us some colour on how you plan to increase your margins when you see that pension sales have been dropping off this year from the high numbers last year?

Jim Sutcliffe

Yes.

Raghu Hariharan, Fox Pitt Kelton

In the US you mentioned that you will take on more onshore VA sales. I was wondering how you will manage the mix between volume and margins, considering that VA is a very competitive market in the US? And the third one, on the US back book, just a quick one really to understand whether the one off assumption charges that you took in nine month '06, was that a temporary charge or was that after you worked through your back book and realised that there were assumption changes you needed to make? What I am trying to hit at here is how much of the work is done. Is it 75% done? Is it 50% done? If you can give us some colour. Thank you.

Jim Sutcliffe

OK. Thank you. Let's see, UK margins, how are we going to get the UK margins up when pension sales are going down? The key issue is getting the expenses down. You will know that Nick and the team there have made announcements in the last while about using outsourcing and so on. So it's mainly about dealing with the expense side of the thing. I mean clearly the way in which the product margins will work and the split between the offshore and onshore, those will all you know make for deviations from the norm in future. But the margins will come down because of the expense work that we are doing. In the US, on the VA side I think the question was, how are we going to play the volume versus margin debate given that it's a very competitive market which it undoubtedly is? Our first port of call in the United States is the MGA part of the VA market. And you know that bit of the market is an arrangement where the MGA needs us, because the MGA needs products that are specific to that MGA that the agent can't get from another MGA. So there is a way of designing products into that that ensures that the margins are kept up. You know the volumes in 2007 are not going to be huge because having got registered, we have got to go through the process of getting all the wholesalers and so on signed up. But I think we are comfortable that in the MGA market where we are specialists the margins will certainly meet our targets. Scott, I don't know if there anything you would like to add on the VA side.

Scott Powers

The only other thing I would add is that one of the features of the VA product is that embedded in it are a series of asset allocation mutual funds that feature our own boutique managers in addition to an open architecture platform. So to the degree that we capture some of the asset flow into our own asset allocation funds we have an opportunity to share an increased part of the margin there. So we are not totally open architecture with non-correlated managers.

Jim Sutcliffe

Yes. And I think your third question was how much work have we done on the back book in the US and what sort of comfort can you take? And I will get Jonathan to add, but Jonathan has made the statement I think very clearly. But you know we wouldn't have come here today thinking there were some things that we knew were just going to hit us, because we would get that out of the way quick, if you can see what I mean. I think the reality is that we have been probably management more irritated than some of our shareholders, we have to come and talk about these things. So we put our backs into making sure that we do all the work. But in doing that work what we decided that we really had to do was to go and really dig all the drains up. So that's why there is work still ongoing. But we have done everything that we need to know out there. We just can't promise you that there is nothing because we are still doing some work. So we are…you know, we have done everything that we need to know. I don't know, Jonathan, if you want to add.

Jonathan Nicholls

No, that's fine, Jim.

Jim Sutcliffe

Matt again.

Matt Lilley, Lehman

Hi it's Matt Lilley from Lehman. Just a quick question on the US asset management business. What inflows and outflows of companies are you expecting?

Jim Sutcliffe

By way of subsidiary,…that type of company.

Matt Lilley, Lehmann

Exactly, yes.

Jim Sutcliffe

Yes, Scott, why don't you talk to that?

Scott Powers

Yes, we don't have any planned dispositions as we look into 2007 and beyond. We are comfortable that we have got a good set of managers that we can work across the piece. The question earlier about OMAM UK's application into the US and whether there were some strategic benefits there. They actually bring some very attractive product into the US market. They have had great success here in the UK both on the retail front and the unit trust front. Some of those skill sets are very applicable into the

US. So that's an additional kind of arrow in the quiver if you will in terms of our asset gathering capabilities. The areas that we are still reasonably light are in the growth equity area particularly as you look at international growth equity. That's an area of the markets that has been quite attractive. We have a skill set there with Clay Finlay. But we are very comfortable having multiple managers in the same space. And Jim pointed out the fact that we are always looking for talented groups of teams particularly where there are capacity constraints. So in emerging markets for instance we have had one of our international managers close because they have reached their capacity point. Invariably in small cap strategies you reach capacity constraints. And we will look for additional capacity in areas like that, either within existing firms where we have the skill set that we could see and develop, or looking at external sources for lift outs or acquisitions like Ashfield.

Jim Sutcliffe

OK, any more? Nothing on the telephone Andrea? Bob, last call.

Bob Head

No-one else Jim.

Jim Sutcliffe

No one else. OK, good. Well thank you very much for coming today and we look forward to talking to you some more over the year. And we look forward to Old Mutual going further into the future. And thank you very much.

END.