INTERIM RESULTS 2011 PRESENTATION
TRANSCRIPT

5 August 2011

Title slide 1: 2011 Interim Results

JULIAN ROBERTS: Good morning ladies and gentlemen. Welcome to this safe haven of a Reuter's free zone and to the presentation of our Interim results. It's now nine o clock so I'd like to make a start as I'm aware that some of you in London may have another presentation you want to go to later this morning. As usual, Philip is next to me on the stage and in the front row we've got a number of senior executive management: Paul Hanratty, Andrew Birrell and because we think you may have a few questions on RDR and the platform review, Peter Mann is here as well. I'd also like to welcome our audience in Johannesburg, where our host today is Kuseni Dlamini, Head of our Emerging Markets business. He too is supported by a number of executive management in the audience. Kuseni, can I check that you can hear us all right?

KUSENI DLAMINI: We can hear you clearly Julian, thank you very much. Good morning to London.

JULIAN ROBERTS: And finally, could I welcome anyone who is joining us on the phones or on the webcast.

Slide 2: Disclaimer

Slide 3: Agenda

This morning, I'll give a brief introduction to our results and will make some concluding remarks but I'll let Philip do most of the talking as he takes you through the detail of the financial results.

As always, we'll leave plenty of time for questions at the end and if I'm lucky, Philip will do most of the talking then, as well.

Slide 4: Group overview H1 2011 (slide 1 of 2)

In the first half of the year we've had our heads down and have been focused on two objectives: making progress on our strategy and delivering operational performance. You can see from the results that we are achieving both. Sales in the first half were good and in line with our internal forecast. Excluding the impact of the Italian tax shield in 2010, overall life sales were up 3% and it was a particularly strong first half for unit trust sales, up 14%. Just to remind you again our comparisons are on a constant currency basis.

Net client cash flows for the Long-Term Savings division were solidly positive but net outflows continued in US Asset Management. Philip will go through that in a bit more detail. Funds under management were broadly flat.

Slide 5: Group overview H1 2011 (slide 2 of 2)

Profit performance in the first half was excellent. Pre-tax adjusted operating profit for the core was up 15% on the comparative period and earnings per share up 12%. Underlying performance was even better. The overall Group return on equity increased to 13.1%. Business improvement plans are being implemented across all parts of our business and as a result, we are firmly on track to deliver our cost reduction, return on equity and margin targets. We have also made material progress towards our one and half billion pound debt reduction target and have a clear path to ensure we deliver.

In line with our progressive dividend policy, the Board is declaring an interim dividend of 1.5p per share, up 36% on the 2010 Interim. This reflects the Board's confidence in our prospects as well as an element of rebalancing towards the approximately, one third, two third split between interim and final, which has been our principle in the past.

So I hope you agree that despite a background of continuing market challenges, we've had a successful first half to the year.

At this point, let me hand over to Philip.

Title slide 6: Business & Financial Review

PHILIP BROADLEY: Thank you Julian and good morning everyone. When Julian and I planned the shape of this morning's presentation, it was before I developed a chest infection, so it may be a little ambitious to go through the amount of material I have. If I fall over, Julian will have to carry on.

Slide 7: Agenda

In the presentation this morning, I will pick out some of the key trends from our financial results. Nearly all the slides take the format that we used in March, so they should be familiar. I'll update the analysis on embedded value – how we turn it into cash for the shareholder. I'll talk about capital, liquidity, progress on our debt reduction target. I'll look at our MCEV results, comment briefly on Bermuda and US Life and conclude with an update on cost reduction and return on equity targets.

The market background in the first half was to use the description that I've used before, an interesting one – with markets reacting to global events, not all of them economic and although the FTSE and the JSE All Share Indices were virtually flat over the half year, this clearly hides a degree of volatility during the period, with the indices reaching period lows in mid-March after highs in mid-February. At the end of June, it is perhaps worth bearing in mind this morning, both indices were more than 20% higher than the year before.

So far as currency is concerned, the US dollar weakened against sterling in the first quarter, but rates were broadly flat in quarter two. Although the rand was weaker at the 30th June than at the 31st December 2010, it was on average, over the six months, 3% stronger against sterling than in the first half of 2010. In total, currency added approximately £20 million to the Group's AOP, a relatively small amount in the context of over £800 million of AOP this time.

Slide 8: IFRS simplified operating result (post tax and MI)

So let's look first at the Group's financial results with the core operating businesses of the Group generating over £900 million of IFRS adjusted operating profit before tax and minorities; which is up 18% on the first half of 2010.

The tax charge of £191 million is an effective rate of 22.6% and we'd anticipate now, a rate of around 24% for the full year.

If you now look at the chart on the right hand side of the slide you can see that post tax and minorities, the Group's core operating result was up 14% to £594 million and of this, 65% generated by the businesses that make up Long-Term Savings.

As you'll have already seen from the Nedbank results, published on Monday, the bank delivered a 31% increase in AOP in the period, driven by growth of 16% in non interest revenue, improving margins and lower retail impairments and our post tax share of Nedbank earnings was a £138 million. Nedbank's interim dividend, payable in cash, is up 25%.

Mutual & Federal achieved another strong underwriting result, more than double the first half of 2010, while premiums were up a little, despite continued high levels of competition in the market but the main contributor to the profit increase was an improvement in the claims ratio. Overall, AOP for M&F was up 31% and the business contributed £32 million of operational earnings. It also paid almost a billion rand of special dividend in the period.

US Asset Management contributed £37 million of post tax earnings. This is broadly flat on the comparative period, despite the business generating a pre-tax profit increase of some 25%. The increase was the combined result of higher management performance and transaction fees and successful expense management initiatives.

The post tax earnings comparison is dampened by the negative effect of exchange rate movements as well as a higher tax expense. And please note that we do not expect the profit outperformance to be repeated at the full year. In the first half, the business benefited from higher market levels but we do not expect to get that same pick-up in the second half.

Slide 9: Sources of earnings

If we look now at the sources of earnings and the framework we used for the presentation in March, updated for the half year numbers, the bulk of our earnings, almost 60% comes from fee income and underwriting revenue. In the first half, these items increased by 9% and 13% respectively. Fees were up on the back of a higher level of funds under management, particularly within the Wealth Management business and also benefited from market growth during the period.

The increase in underwriting revenue was driven principally by improved retail mortality, morbidity and persistency experience in South Africa.

Revenues from banking also increased, reflecting the strength of the Nedbank result for the first half. Debt costs were lower as a result of the reduction in nominal debt over the period but we do expect to see an increase in finance charges for the remainder of 2011, as in June, we issued a new £500 million instrument and that has a higher coupon than the instrument it replaced. More about that later.

On the right hand side of the chart you can see a 12% increase in administration expenses. About one fifth of this is due to currency movement. The remainder comes from the underlying costs of business transformation initiatives and business expansion as well as wage inflation in South Africa and these increases were offset in part by cost savings already achieved. Acquisition expenses increased by 13% due to higher sales volumes.

Slide 10: Long-Term Savings IFRS AOP

As it's a busy day in the market, I won't go through each of the businesses in turn, all the information is within the statement and supplementary disclosures. Here are a few key points.

Profit in long-term savings was up 3% at £474 million. In the UK we've continued to take advantage of the structural tax efficiency, available for companies writing unit-linked business, commonly called policy holder tax. It's something we've reported and explained before, but the profit gain in the first half of the year was only £14 million and as expected, that was considerably lower than the £36 million gain in the first half of 2010.

Net of this, profits for Wealth Management were up 34% year-on-year because of higher fee income as well as the success of cost reduction initiatives. Nordic's result was down 6% in local currency but in the comparative period, we had a non-repeating income of SEK126 million from the divestment of a private equity holding, whereas in this half we incurred SEK96 million of restructuring costs, so the underlying AOP result was up 35% period-on-period.

Some 63% of total Long-Term Savings AOP was contributed by the Emerging Markets business and here you can see the sources of that. Two thirds of it came from the South African Retail Affluent and Mass Foundation markets, which increased their profits by 30% and 48% respectively. In the first half, the retail affluent result was affected by lower sales, as a result of deliberate action, to limit sales of guaranteed products, as well as a reduction in sales force activity, while we put our representatives through training for the new and tough FAIS exams.

In the second half of the year, we'll be training our Mass Foundation sales force and we therefore expect to see some dampening of sales activity in this channel in the second half. Profits from OMIGSA contributed 20% of the total and were up 13% on 2010.

The other result I'll comment on is corporate, which the sharp eyed among you will realise is a somewhat smaller proportion of the total than it's been in the past. That's due to prudent provisioning of around ZAR 400 million in the investment guarantee reserve, following the introduction of a new model of policyholder behaviour, on Smoothed Bonus products. And if you now turn to the second of the two pie charts, 17% of the AOP comes from long term investment return and for 2011 we're using a rate of 9%, which is down from 9.4% last year.

Slide 11 LTS NCCF

If we now move on to NCCF. Nordic NCCF was positive, although lower than 2010, due to lower mutual fund sales and market related, higher value surrenders in occupational pensions business. New deposits in Skandiabanken aren't in the figure but in this period they were up 8%, driven principally by attractive interest rates. In Retail Europe, NCCF was positive and broadly flat on 2010. Although persistency levels were largely unchanged, the value of surrenders was higher, again due to market increases.

In Emerging Markets, outflows from funds managed on behalf of the Public Investment Corporation in South Africa, were ZAR1.4 billion higher than in the comparative period, at ZAR2.4 billion. But excluding these PIC outflows, NCCF for emerging markets improved from a £0.1 billion outflow in half one 2010 to £0.2 billion inflow this half. Flows in Wealth Management were solidly positive, although down on 2010, due to reduced inflows in Italy.

Wealth Management has now had two years of consistently positive NCCF, around £1 billion each quarter. The majority of this is coming from the UK and illustrates the success of the Skandia platform in attracting funds and as you see here, for Long-Term Savings overall, if we exclude the effect of Italy in those PIC outflows, NCCF was up 19%, half on half.

Slide 12: USAM NCCF

If we now look outside Long-Term Savings, we'll have a look at US Asset Management. Net outflows were lower in the second quarter than in the first. We've continued to generate strong inflows, almost $15 billion, in particular into long-term, fixed income products and US value investments. As we've discussed before, gross outflows were driven largely by outflows from lower margin, stable value funds, for large cap value equity and a number of quantitative products. We believe this is consistent with trends elsewhere in the market, as you may have seen and it's clear to us that stable value as an asset class is challenged. You can see however from the results for this business that the continued outflows have not held back earnings growth. Not only have we been in general losing lower margin funds but if you look at the $13.7 billion of long term inflows, the margin on these is approximately five times the margin on the $1 billion of short-term in-flows.

I think it's important to remember also that the outflows are correlated to investment performance as experienced by the individual client. This is not a simple an effect as it might sound because even within the individual fund, investment performance varies according to the point in time and the point in the cycle at which the client invested its money. Some will have joined at a point from which market conditions have made it difficult to deliver satisfactory returns, while others in the same fund perhaps even only six months later, will have seen a much better return. Outflows from the former cohorts will be greater than outflows from the latter.

In the past few months, the business overall has significantly improved the quality of its data analysis and now has greater insight into its products and clients and this has enabled us to confirm that although investment performance is improving, we still have tranches of business which contain funds that are at risk, particularly around their three year anniversary. Consequently, although we believe that outflows are an improving trend, they're not going to cease overnight. The challenge for US Asset Management is to continue to manage clients at risk and also to continue to build inflows, as they've done in the first half of the year.

Slide 13: Drivers of profitability

Finally in this section, I'd like to bring together profitability across all of our businesses. Some 35% of our revenue comes from the fees we earn on managing and administering assets. On this chart, again one we've used before, we're showing the movement in funds under management and the net margins earned by Long-Term Savings, Nedbank and US Asset Management. In case you're unable to read the small print in the footnote, let me explain that the net margins here are calculated on the average balance of funds under management and banking assets during the period. You can see that our businesses have continued to attract assets and overall funds under management have increased 7% over the past year.

The margin made on funds held by long term savings has decreased as a result of factors I've already discussed, particularly the investment guarantee reserve strengthening in South Africa and the lower amount of policyholder tax coming through in the UK.

I've already referred to the relative proportions of low and high margin funds and US Asset Management and you can see that's illustrated here by the increased net margin on the funds in that business. Notwithstanding those changes, it's clear as we have pointed out before that we make a substantially greater margin from funds held by Long-Term Savings than we do from funds held by US Asset Management and as Long-Term Savings funds are growing as a proportion of the total, it's positive for Group AOP.

That's all I'll say this morning about individual business units.

Slide 14: Group free surplus generation

Now cash generation. At the Preliminary results presentation, I showed how embedded value is turned into actual cash at the holding company level and that is our definition of cash, cash in the holding company bank account, immediately accessible. I'll update the analysis in the same format this morning, but without the same level of detail which is available on our website, if you want to look at it again.

We start with the conversion to free surplus, as a proportion of the opening value of in-force business, effectively the profit emerging from it. In the first half of 2011 we generated over half a billion pounds of free surplus, of which £377 million was the transfer from VIF. We've released £119 million from required capital, as products have run off. We've spent £231 million on business growth, including the acquisition costs of new business, as well as the transfer of capital which we're required to hold against our products. Other movements, principally experience variances and assumption changes were a positive £48 million and the non-covered business, which includes the bank, M&F and also business within for example Wealth Management that is not traditional insurance business, that generated £208 million of free surplus. Of the £521 million of free surplus generated, our operating businesses remitted £302 million to the Group. Keep an eye on that £302 million and see where it pops up again.

The exchange rate and other movements added a net £39 million, leaving £258 million of free surplus and a closing free surplus of £1.85 billion.

Slide 15: Available shareholder cash

So the £302 million of cash remitted has been used in part to meet interest payments and Group costs and pay cash dividends to shareholders. Over 50% of eligible shareholders took up the scrip alternative to our 2010 final dividend, so this reduced the amount we had to pay with cash. There was a net £94 million increase in debt, as at 30th June, the combined effect of debt repaid and new debt issued in the period, but I'll expand on this in a moment. So net of these movements, total cash available to shareholders increased to £694 million at the end of June. This has subsequently reduced, following the repayment of a further tranche of debt in July, which again I'll come back to.

Slide 16: £1.4bn VIF conversion to free surplus by end 2012

If I now project forward - and this is a projection - the conversion of VIF to free surplus, based on the conversion percentages achieved in 2010. On this basis we could expect to generate over £700 million of free surplus from the in-force book over the whole of 2011 and around £650 million next year. This assumes no changes to assumptions and excludes any benefit from new business written over this time.

Slide 17: VIF conversion to free surplus

Post tax, this equates to at least £1 billion of free surplus generation from the covered business by the end of 2012 and extrapolating the trend, approximately £3 billion by the end of 2015. On top of this, we generate free surplus from non-covered business, in fact, one way to look at it is that Nedbank and Mutual & Federal cash dividends effectively cover the cash cost of new business strain in South Africa.

Slide 18: Capital and debt structure

So now let's move on to capital, liquidity, debt and dividends. At the 30th June, our pro-forma FGD surplus on a statutory basis was £2 billion, representing a 50% surplus over required capital. We've excluded from our FGD calculation at 30th June, around £700 million, which is in respect of the €750 million, tier two facility, with a first call date of January 2012. In July, we tendered for and bought back, €550 million of this security and while we haven't made the decision to call the remaining amount in January, we have given the FSA notice of our right to call and as a result, have deducted its value from our statutory FGD. You may remember we made a similar adjustment at the end of 2010 in respect of the £300 million bond issue subsequently called in January 2011. Given the strong FGD position, it's perhaps little surprise that we met comfortably the recent EU stress tests.

At the end of June, we had holding company liquidity of £1.7 billion that included a five year, £1.2 billion syndicated revolving credit facility, negotiated in April this year. At the end of July, liquidity headroom was £1.4 billion, following payment of the tender offer and after some receipts from subsidiaries. Looking ahead, we will reconsider the appropriate level of liquidity for us to maintain at the holding company, given that the sale of US Life has reduced appreciably our cash flow risk. We're continuing to improve the structure of the balance sheet and our gearing ratio at the 30th June was 17%; a material reduction from 22% a year ago.

As always, the Board has considered the dividend position taking into account our capital, liquidity and earnings as well as current and expected market and economic conditions. On this basis, the Board has declared an interim dividend of 1.5p per ordinary share. This is a 36% increase on the 2010 Interim and is in line with our progressive dividend policy, under which we're targeting cover over time of at least two and a half times.

Once again we're offering a scrip dividend alternative to eligible shareholders, including those within South Africa. In the past we've tended to split our dividends approximately, one third, two thirds between the Interim and Final and although we deviated from that principle in 2010, we are seeking to return to it in the future.

As our policyholder liabilities are predominantly unit-linked, we have very little direct exposure to government debt outside of South Africa. So at 30th June, we had less than £5 million exposure to bonds issued by the Italian and Spanish governments and no exposure at all to the Greek, Irish or Portuguese governments.

Slide 19: Debt repayment target: £1.5bn by 2012

When we set out our three year strategy in March 2010, we said it was our intention to pay down £1.5 billion of debt. The purpose of this was to improve hard interest cover and achieving it would be in part a result of reducing complexity within the Group and critically we wanted to do it in a way that created shareholder value. Let me summarise what we've done so far.

As at 31st July, just a little way past the half way point, we'd made repayments of a £110 net across the Group in 2010. We repaid a lower, tier two security in January this year, at a cost of £397 million and as I mentioned earlier, €550 million of a tier two security, with a first call option in January 2012 was repaid last month. In anticipation of Solvency II, in June we issued a new £500 million, tier two bond, which is we believe, Solvency II compliant and counts as capital currently for FGD purposes. So on a net basis, we've paid down nearly £500 million of debt or a third of the target.

To achieve the target, we therefore need a further £1 billion of cash inflow at the holding company level. We've identified sources for over £700 million of that as follows:

Now that we've restructured the Emerging Markets business, to manage all of the emerging markets from South Africa, we're seeking to align our legal and management structures. This will involve the transfer of ownership of our part of the Emerging Markets businesses and we expect to generate up to £300 million from this transfer, which is of course subject to various regulatory consents. We will receive residual cash flows as the US Life transaction unwinds, we think that will be around £130 million. And as I hope I've already shown, our businesses are generating a considerable amount of free surplus, which after investment for growth and shareholder dividends, will leave cash available at the holding company for debt repayment and a conservative estimate we expect to receive almost £300 million of operational cash flow. So that projection would leave us a balance of £300 million and as I have said before, we are actively working on a number of initiatives to fill that gap. I won't go into detail about those today but we are confident that together they will enable us to achieve the target. I would stress that its achievement is not reliant on an IPO of US Asset Management or any sale of shares in Nedbank but equally, we are assuming that Old Mutual Bermuda, can meet its obligations to its customers from its own resources over the next eighteen months and our current forecast is that it can.

Turning now to the mechanics by which we could use the cash to repay debt, we've just over £200 million of securities callable between now and the end of 2012. In addition to this, we have $750 million of guaranteed cumulative, perpetual preference securities that were issued in 2003 and which are callable quarterly. At the appropriate time, as and when we have excess liquidity at the holding company level, we may apply this cash to buying in issued debt. We've made no decisions as to when such purchases may be made or the form in which they'll take, but our relationship with the institutional debt market is important to us and I am pleased with the reactions so far to the actions we've taken.

Slide 20: MCEV

Now turning to MCEV and a few of the key metrics for the first half. MCEV per share was 209.9p which benefits from an uplift of 8.4p per share from the sale of US Life. MCEV operating earnings for the half year were strong at 9.8p. In line with the trends I discussed in March; the non-covered business continues to increase its contribution to the total, rising from 20% in the first half of 2010 to 29% at the year end and 33% in the six months to 30th June. Our definition of covered refers to traditional Life business. The non life activities of LTS, including *inter alia,* wrap and mutual funds, fall within non-covered. Covered business operating MCEV earnings, excluding US Life rose 8% on the year to 6.6p per share, as a result of experience variances, specifically favourable mortality and persistency experience and also an improved, new business contribution. So the value of new business at £108 million is up 13% on the comparative period and as you can see, APE margins have continued to improve.

Slide 21: Bermuda update

Let me now turn to the non-core and discontinued operations, starting with Bermuda. As a result of our efforts to facilitate surrender activity, including the waiver offers that we talked about in March, surrenders of the guaranteed book are running at five times 2010 levels and around 5% of the book surrendered in the first half of 2011, 9% of the total book. Reserves in respect of the guaranteed liabilities fell by over 6%, aided by the surrender level and also growth in Asian markets over the period. There's no change to our hedging strategy from that which I described to you in previous results presentations, we continue to monitor the liability positions daily and adjust our hedges accordingly.

Slide 22: US Life disposal

This is the last time that I expect to talk about US Life. The disposal was completed during the second quarter. The completion accounting has been included and reflected in the half year statement and results in a profit of £130 million, which is dealt with outside of AOP. There will be a further release of cash over time. Coincidentally, this is also about £130 million. The amount of tail risk is minimal and to try to quantify the residual risk away from the jargon and acronyms of XXX and CARVM**,** for it to have any significant impact, we would need to see a doubling of lapses and a ten year extension of longevity within the book over the next five years: we consider this unlikely.

Slide 23: Progress against 2012 cost reduction targets

Now before I summarise, let me update you on where we are against our cost reduction and ROE targets, where we've continued to make very good progress. Nordic has exceeded its target, having delivered run-rate savings of £16 million. We anticipate full year costs to achieve the savings of around £24 million, of which £9 million was incurred in the first half. Wealth Management had all but achieved its target at the 30th June and has reached it since the period-end and the bulk of the restructuring costs for this business, were incurred in 2010 and we've identified a number of areas from which we will deliver savings in Group-wide corporate costs during 2012. Clearly there's some way to go in both Retail Europe and Emerging Markets but overall we're on track. We've delivered run-rate savings of £82 million, at a cost of £84 million. £25 million of that was in 2009, £45 million in 2010 and £14 million this year. We'll incur further costs in order to achieve the remaining savings and we maintain our guidance of total costs being around 1.2 times the savings delivered.

Slide 24: Progress against 2012 ROE and margin targets

We've made similar good progress towards the return on equity targets with most businesses moving ahead and now being either within or exceeding their target ranges. The exception is Retail Europe, which after an unusually high result at the 2010 year end, returned to a more normal level due to increased business development costs and sales related expenses as well as a higher average level of equity and we're confident that all the businesses will achieve their targets in 2012.

Slide 25: Financial summary

Finally and in summary, the trends in the profit matrix were all positive. Pre-tax AOP up 15%, earnings per share up 12%, total IFRS profit after tax up 66%, adjusted MCEV per share, 209.9p. We have a strong capital and liquidity position, as I hope I've shown. Our balance sheet restructuring is well underway and we're confident of achieving the £1.5 billion debt reduction target. We have increased our Interim dividend to 1.5p per ordinary share, in line with our stated dividend policy and with that, to universal relief, I'll hand back to Julian.

Title slide 26: Concluding remarks & summary

JULIAN ROBERTS: Well done. We're now halfway through a three year strategy and before I summarise and open up to questions, I'd like to take a few minutes to reflect on where we are and how Old Mutual is a very different Group these days. I'll also talk about why the business is well positioned to withstand the challenges that we are seeing in global economic conditions.

Slide 27: Conclusion (operational delivery and strategic progress)

As you already heard from Philip, operationally, we are delivering good results and we're making good progress on our strategy. With eighteen months to go, you've heard him say, we've already achieved 80% of our cost reduction target. All but one of our businesses is hitting its ROE target and the debt reduction target is on track with a clear path to delivery.

Where we can re-structure without most importantly, loss of value, we have restructured. We've reduced risk and complexity, we've exited a number of our businesses that did not meet our criteria for belonging within the Group and we've withdrawn products that did not meet our risk appetite or margin objectives. We have improved appreciably our risk management processes and governance. We are much more disciplined in capital allocation and have a strong balance sheet. US Life was a substantial credit risk for the Group and that has now gone. We've told you before and Philip reiterated this morning - but the markets don't seem to listen - we've only minimal exposure to European sovereign debt. As well as the stress testing we've been required to do by the regulators, we also carry out stress testing internally and from this, we're confident that the Group is very resilient to most market scenarios. But there are of course some things that we haven't yet done which we would have liked to have done. We are still majority shareholders in Nedbank, but actually if you look at the results for the first half that hasn't been a bad position to be in - profits up over 30%, the turnaround of the bank's retail business is well on track, the balance sheet remains well capitalised, Tier one is over 12% and the bank has strong reserves and sound liquidity. And just as an aside, against the stress tests that have been applied to European banks, Nedbank would have rated in the top ten. Even if strategically we would like to reduce our exposure to banking over time, a high quality emerging markets bank is a good asset to own, right now. We also said that we would explore the possibility of a partial IPO of US Asset Management. We said that the timing would be dependent on margin progression, investment, performance and market conditions. That still remains the case. Margins are improving and we're confident we'll hit our 25% target. Investment performance is also on an improving trend, although net cash outflows are still too large. We'll progress our IPO plans when we believe the timing is appropriate, at the very least when market conditions have improved. Very importantly, as you'll have seen from Philip's presentation, an IPO is not a necessary condition for us to be able to achieve our debt repayment target, so we will do the IPO at the right time to maximise value.

Taking everything into account, I'm sure you'll agree with me that we've come a very long way in a period in which markets have been volatile and challenging. So where are we today?

Slide 28: Conclusion (modern, unit-linked European business)

We're at the forefront of the changes taking place in the European financial services markets. These markets are being driven by increased consumer demand for choice and transparency, regulatory change and reducing government provision for individuals. In this world it is clear that platform led solutions will be the way forward.

We continue to see an increasing number of customers seeking the help of independent financial advisors and they in turn are converting their businesses on to platforms. The overall market is growing in line with industry forecasts. Skandia's platform is market leader and a source of competitive advantage. We are gathering assets and building scale. A year ago we were managing £13 billion of funds on the SIS platform. Today, that figure has risen from £13 billion to over [correction: around] £19 billion.

Let me say a few words about RDR and the FSA's platform paper which was published earlier this week. Overall, we welcome the provisions of the paper. There is nothing within it that will require us to change the plans we already have and developments we're already progressing. For example, our model was designed to work in a rebate-free world, so that causes us no difficulty. And in fact it potentially gives us early mover advantage. But it is clear that some of the elements will represent a challenge for our competitors. Peter Mann is here in the front row of the audience and I know he'll be happy to talk more about this in the question session, if you would like.

In the post-RDR world, IFAs need to be very careful about the platform they use. Not only do they need functionality, responsiveness and reliability, but they also need to know that the platform will continue to be around and that its owners will keep investing in its development. This is something that Skandia can assure them about, whilst I remain convinced that at a point in time, some of those with smaller platforms, may exit the market. The platform market is growing and we are well-positioned to capture, I believe, a disproportionate share of that growth.

Slide 29: Conclusion (good exposure to emerging markets)

But what is interesting is that if you take a gloomy view of the global outlook, one of the key places where you'd like to have exposure is emerging markets. We operate in a selected number of emerging markets, which are seeing quite significant growth in GDP and have under-penetrated financial services markets. Consumer markets in Africa are growing at two to three times faster than OECD countries. Our two Latin American markets, Mexico and Columbia, both have sizeable populations and are forecasting solid GDP growth over the next five years. The forecast for India and China, well you know all about them. We have good businesses and great opportunities in emerging markets and are very pleased to enjoy this exposure.

Slide 30: Conclusion (sharing expertise, knowledge and skills)

Over and above the individual value of our businesses, the glue that binds the Group together and increases overall value is the sharing of expertise, knowledge and skills. For example: Using our in-house South African IT capability to develop the SIS platform, Giving us a material cost advantage against our competitors: Rolling out products across Long-Term Savings including the recent launch of South Africa's *Greenlight* protection product into Mexico: Transferring back-office activities from Retail Europe to South Africa to gain a cost and efficiency advantage: And we are increasingly moving people around the business to ensure skills and experience are shared. And that is why we are hitting the targets that we have set ourselves.

Slide 31: Conclusion: growth and resilience

The world is a turbulent place at the moment. Economic conditions are difficult, markets are reacting with unusual volatility to constantly changing events. In this environment, the best place to be is to have a low risk, unit linked and modern European business, coupled with exposure to the fast-growing, emerging market economies. We have both and it gives us a resilient risk profile.

Slide 32: Summary

So in summary, there are three messages I'd like to leave you with. Firstly, we had a successful first half, delivering increased profits and are rewarding shareholders through a 36% increase in Interim dividend. Secondly, we're making progress on our strategy and are confident of meeting our cost reduction, margin, ROE and debt repayment targets. And thirdly, we are well-positioned in our chosen emerging and developed markets and have a resilience that I believe few can match.

Ladies and gentlemen, that is all we want to say this morning, so I'll now open the session to questions. I'll start with questions from the floor here in London. As usual, I will move to South Africa before going to the phones and then to the webcast. Obviously, as we're in various places, I would like you, as you are doing, to put up your hands and wait for a microphone and we'll see who gets the first microphone. Yes.

Slide 32: Q&A

KEVIN RYAN: Thank you. It's Kevin Ryan from Investec. On the UK platform business, you mentioned additional investment would be needed going forward. Can you give us any feeling for the sort of quantum involved and whether this is going to be an annual event or every few years or how do you see it developing?

JULIAN ROBERTS: We have, over a number of years, invested quite heavily in the platform. It's built into our numbers. It is tens of millions of pounds, it is an on-going investment and it is an investment that we will continue. We are not, like others, saying we have got a big investment that is going to stop. We believe we will keep on investing and it should be no different from the rate that we're investing at the moment.

JON HOCKING: Morning. It's Jon Hocking from Morgan Stanley. I've got three questions please. Can you comment firstly on whether the market dislocation has any impact on the Bermuda hedging? Secondly, I think Philip has previously talked about using some of the freed up, central holding liquidity to meet the debt reduction target and I just wonder why you didn't mention that when you were talking about the £300 million balancing item. And then finally, on the UK platform business, is it your expectation that the existing business will be grandfathered from the rebate and that a new charging model will work on new business or do you expect to move the - charging the whole platform? Thank you.

PHILIP BROADLEY: On Bermuda, as we've explained before, the hedging strategy seeks to manage the trade-off and competing pressures as between earnings, liquidity and FGD capital and also bear in mind we are managing that hedging over a long period of time with liabilities under the guarantee book that run out to 2017 and beyond. So, we did change the hedging strategy in the run up to the budget talks and negotiations in the US and we do review the position daily but we are not seeking to undertake daily trading strategies within that book. On the cash flow, I was just actually going back to the script to remind you what I said - we'll reconsider the appropriate level of liquidity for us to maintain at the holding company, given that the sale of US Life has reduced appreciably our cash flow risk and you may recall, that I've said before and this was designed really to try and keep a very simple, single sentence presentation around our capital and liquidity needs, that our FGD buffer was a minimum of £1 billion and I wanted always to have access to cash and facilities here of £1 billion, so as to be able to, without any doubt, be able to put capital into US Life which was the one business unit that we owned at that time, where a capital injection might be required quickly. Now that we don't own US Life and don't have that responsibility any more, we don't necessarily need to maintain that level of liquidity and therefore the holding company cash balance is available to be used and to be maintained possibly at a lower level going forward than it has been before.

JULIAN ROBERTS: Peter, do you want to stand up and look into the camera.

PETER MANN: Good morning. Refresh me on your question Jon. Your question was, were we going to move the assets that are on the existing platform to the new platform when we build the new platform?

JON HOCKING: I was thinking more whether the FSA is going to require you to change the charging on the back book really or just do it for new business?

PETER MANN: No. The FSA are intending to publish in September I believe, a paper which will define the rules on legacy commission, or will seek to give us guidance on the rules on legacy. Our intention is not to migrate because all of our business is intermediary business, so it wouldn't be our decision anyway. So when we offer the new platform, we intend to have an upgrade path because it will have features and benefits that the SIS platform doesn't currently have. We will intend to offer an upgrade path which will be relatively steam lined but of course it won't be our decision as to where the clients go on that upgrade path, it will be the IFA's decision and they may or may not do it.

JULIAN ROBERTS: While you're standing up, can I ask, has anybody else got any questions otherwise you'll be jumping up and down like a yoyo on the platform RDR. Right at the back. Have you got a microphone?

OLIVER STEEL: I'll ask one on platforms as long as you allow me to ask my other questions later. Apparently there's been quite a lot of IFA's shifting platforms over the course of the last six, nine months. An increase in the number of IFA's moving platforms. I was just wondering if you could comment on that and what sort of movement you've seen on your own platform?

PETER MANN: Okay. We are growing our platform and therefore the number of people who are supporting it are growing so we've seen quite significant net inflows of supporters, but they tend to be more people who are transitioning their business model from transaction to platform, rather than people moving from one platform to another. So our experience is that when people select a platform of choice or platforms of choice, they tend to stick to that choice or choices relatively consistently. What we have noticed is as some functionality becomes available at platform level from different platforms, we have seen IFA firms adding another platform, so they may have dealt with one, they are possibly dealing with two. We have been net beneficiaries.

JULIAN ROBERTS: Okay. No other platform questions here. We may have some later in South Africa. Oliver, do you want to ask your other question?

OLIVER STEEL: Yes, Oliver Steel, Deutsche Bank. Two questions. One is, the new debt issue that you had in whenever it was, May I think it was, June, had a higher interest charge than on the debt that you're repaying. So I was just wondering if once this £1.5 billion of debt is repaid, whether you can make some sort of comment on future interest charges versus the interest charges you're paying at the moment. Second is, Julian, you talked about synergy benefits between the various different operations. I mean touching on a sort of sensitive subject, you know, some of your shareholders would like you to split the Group further; so I was wondering if you could comment more on what percentage benefit are you actually getting at the moment from synergies between the South African businesses and the non South African businesses or whether there's more synergies that you would expect to be able to generate over the course of the next couple of years.

JULIAN ROBERTS: Let me deal with that one and then Philip can deal with the debt and Paul if you want to chip in in a moment, feel free to do so. The work that we've done so far, we believe that there are considerable synergies that we can get across the Group. We're not going to quantify them right now but the interesting thing is over many years, this Group has been run in a silo basis and I would say financial services products have been very different because they've been tax led and therefore there hasn't been compatibility. I think what you're seeing more and more is the basic need of populations is becoming the same and the benefit of the tax wrapper is becoming less and less. So we will go through, not today, at another time, when we've done some more work to quantify the sort of benefit that we think we can get from working together but the appetite for people across Old Mutual to work together and to look for those synergies is really very significant and we believe that there will be quite considerable benefit in the future. We're confident of that and we'll come back with that at a future date and quantify it.

PHILIP BROADLEY: On the debt, I won't give an estimate or a forecast of what I think the charge will be because I would hate people to go off and then try and back solve from that, what issues I may be thinking we're going to retire and as I said, we are not setting out definitively how we will use the cash as its received to repay particular issues of debt. What I can say, just as a reminder, is that the debt reduction target will [correction: approximately] reduce our outstanding net debt by about half. If you want to pencil something in, as you rightly say, the debt that we have issued this year was at a higher coupon than that which was retired. That reflects the way that spreads have moved since the debt was issued some time back, so I think you have to assume that the on-going debt charge will be a little bit more than half the run-rate before we embarked on this, reflecting the widening of spreads, but I think it's difficult to say more than that.

JULIAN ROBERTS: We're going to go to Greig and then I can't see you because the light is shining in my eyes, then we're going to go to the back of the room and then we'll go across the Johannesburg.

GREIG PATERSON: Greig Paterson, KBW, three questions. One is you made the comment that in terms of repaying the debt that Bermuda was effectively self-financing for the next eighteen months. I wonder if that includes the centre paying back the, I think it's $550 million of debt that Bermuda lent the centre or was that going to be paid up, back, post the eighteen month period. In that context and it might be in the pack I'm not sure, in the past you've given the sort of losses, profits, on the hedge over the period and then sort of, what it is year to date – sort of 1H11 losses from, or profits from hedging and then where we are as of now for the quarter. And the third question is about the cost savings. You've targeted £100 million, there potentially is some of it has already been capitalised. You've also got some of it eaten up by the fact that say you know, the UK margins, gross margins are coming down, etc. etc. I was wondering what the sort of, of the £100 [million], what is residual in terms, or that we could think about in terms of capitalising an embedded value or the new business margin or it's in the non-covered business and then we just need to up the run-rate to the profit there. It's just so I get a handle on where this £100 million goes. Yeah.

PHILIP BROADLEY: On Bermuda, I was just looking at the detail in the slide pack, we haven't given the graph, rather because actually I thought, I considered that the strategy we're employing and so on, we've been clear about. So, as of last night, we are still around about a $100 million ahead of where we were when we started three years ago. In terms of the cash flow, there is a slide that actually shows you the Bermudan cash flow, all of the elements, that's slide A69, the last one in the pack and the repayment – your question, does the comment I made about expecting Bermuda to meet repayments from its own resources, over the next eighteen months? - it means exactly that and therefore we do not assume that we will be repaying the loan that you referred to.

JULIAN ROBERTS: The cost savings, my colleagues can help here. I think the only general point that I would make is these are real cost savings that flow through to the bottom line. They're not costs that have been saved that are being reinvested again; so we would expect them to go right the way through. One of the reasons why we haven't upped the cost savings target at all because there are further cost savings we expect to make but actually that will be ploughed back into the company to spend on further growth moving forward. But fundamentally, that should go through to the bottom line.

GREIG PATERSON: [off mic]

JULIAN ROBERTS: I don't know. Do you know?

PHILIP BROADLEY: Zero.

JULIAN ROBERTS: Zero.

GREIG PATERSON: [off mic] …you're not using the latest unit charges to set off your liabilities at the end of the year?

JULIAN ROBERTS: Do you know the answer Andrew?

ANDREW BIRRELL: [off mic] ...on embedded value and I'd say, if you – so on a net basis it shouldn't be changing the embedded value expense assumption yet because bearing in mind there are costs to actually incur the savings. But the cost savings won't recur in future years. On a split between covered and non-covered business, I think it's hard to give you a percentage right now but the savings apply to both and so it wouldn't be right to just apply them to the covered business in the MCEV, equally, you would expect to see some savings coming through on the non-covered business too.

JULIAN ROBERTS: Yes. You've been very patient.

GORDON AITKEN: Gordon Aitken from RBC. In the South African Mass Foundation, you've seen very strong sales over the first half. I was just wondering how competitive that space is at the moment, how much the growth is market and how much the growth is market share gains and what's the outlook?

JULIAN ROBERTS: Paul, you've been sitting here quietly at the front. Do you want to answer that question?

PAUL HANRATTY: Look, it's very difficult to comment on market share growth in South African in one segment, definitively, but I think we probably have picked up quite strongly market share if we look at the results of people writing in the same market, so I think it is pretty strong growth. The one warning I would give you on all South African life company results for this year is that the impact of the FAIS exams and exactly when people are putting their various distribution through that at different times of the year is going to have an impact so be quite careful in comparing particular six month periods. Something to be watchful for.

JULIAN ROBERTS: I'm going to move to Johannesburg before I go to the phones. Kuseni, have you got any questions with you.

KUSENI DLAMINI: Thank you Julian, we have questions here. We are just waiting for the microphone.

LARISSA VAN DEVENTER: Hi Kuseni. Actually, on that point, could you comment on how Old Mutual South Africa is doing on those regulatory exams, when you plan to put your agents through those and what's your pass rate to date and also any good news you may have from the regulator on postponing the deadlines?

KUSENI DLAMINI: I've got Ralph here who is ready to answer this question.

RALPH MUPITA: Thanks just building up on Paul's points. I think you're going to find in the South African market that a variety of insurers are going to be putting the exams at staggered points. What we've done in South Africa is we've focused on the Affluent and Corporate individuals who need to write the exams, so we've up-fronted with that, those two segments and the second half will be focusing on the Mass Foundation cluster. In terms of the extension, you probably know that the exams have been extended until 30th June 2012 and we are trying to get all our guys in before the end of the year because I think prolonging it is not very helpful and that's where we'll focus. In terms of the pass rates, the reality right now is very few people have written and if you talk to the FSB, their sense is they don't have a representative sample yet but we've seen people have written one, some have passed, so there's a mixed sense of results across the industry and in some of our businesses we've had very good results relative to what we've seen as industry average. As of June, the industry average was seen as about 20% and we've got businesses that are ahead of that 20%.

KUSENI DLAMINI: I've got a question over there.

MIKE CHRISTELIS: Hi Julian. Mike Christelis from UBS. Just I guess quite a philosophical question. You've been quoted as saying that you are still keen to sell Nedbank. I just question if you've got the ability to pay down your debt, the actual target without selling Nedbank, what you would potentially do with £3-4 billion that you would raise by a sale of Nedbank. Can shareholders expect that to come back to them if a sale was forthcoming?

JULIAN ROBERTS: I have to say right now because I think the situation with Nedbank is pretty fluid. I'm not going to speculate what we would do with the money if such an event took place. Certainly, we have got plans for it but I don't want to go into that detail.

PHILIP BROADLEY: I think it's hypothetical.

JULIAN ROBERTS: You're right.

KUSENI DLAMINI: We have another question here Julian.

BRIAN MUSHONGA: Brian Mushonga from Credit Suisse. Regarding the dividend you spoke about moving to a one third, two third's split. Can we, on that basis assume that the full year dividend for this year will be 4.5p? The other principle you mentioned is the two and a half times cover. When can we expect you to move to the two and a half times? The second question relates to, you made mention of businesses sold from plc to OMSA for about £300 million. Could you just elaborate which businesses these were? And the third question relates to the IGR strengthening in Corporate. You mentioned a figure of ZAR 400 million. Is this a once off in H1 and why the strengthening now?

PHILIP BROADLEY: I think there are actually four and the answer to the first question is no. And I'll come back and elaborate. The answer to the second question is over time. The answer to the third question is Columbia, Mexico and China and you put the question in the past tense. To be clear then, what I was saying in my cash flow projection is that it is our intention to transfer those businesses. It is subject to the approval of the regulators in the various jurisdictions. Presently, those businesses are not owned by South Africa, by Emerging Markets but they are managed and what we want to do as part of our strategy of simplification is to have ownership and management in the same pillars. On the IGR, we have improved the model that we use for calculating the IGR, we've developed an economic scenario generator that is specific to the South African market [correction: the change made was to allow for dynamic policyholder behaviour] and therefore we strengthened that reserve but just to give you a sense of materiality and context, the amount of the strengthening, the ZAR400 million, represents a strengthening of 0.3 of a percent of the overall reserve [correction: total underlying policy reserves] so you would expect to see movement in the IGR over time. But now to come back to the dividend in a little bit more detail, it is our intention to retain one third or to move closer to a one third two third split, but it is not an absolute formula and I refer you to the precise wording of the dividend policy, so the Board will consider a level of year-end dividend at the time. And the dividend cover when we included that dividend cover ratio, in the dividend policy, what, I think eighteen months ago, the intention really was to reassure anyone who was concerned that we might seek to overdistribute. So the target is set as it is but given the current climate, our expectations and our intentions with respect of debt repayment perhaps you won't be surprised that we continue to take a much more cautious view in terms of our coverage than is implied by that absolute ratio.

JULIAN ROBERTS: Any further questions Kuseni?

KUSENI DLAMINI: Question over there. Thank you very much Philip.

RISTO KETOLA: Hi, it's Risto Ketola from Standard Bank. Now, hopefully this is the last question that I will ask on US Life. You mentioned that tail risks are minimal and I agree that the ten year life expectancy increase on annuitants is a bit far fetched but doubling of lapses, it doesn't seem that impossible on a purist book, so can you just recap exactly what the maximum exposure is, if there's an absolute and at what time can you actually pass that on to an external reinsurer?

PHILIP BROADLEY: Bear with me for a second. I'm sure you've had plenty of time to read as far as page 83 of the release, where you will find note G2, which is the contingent liability in respect of the US Life disposal and it sets out that in respect of the CARVM reserve, there is a maximum liability of $280 million in respect of XXX and AXXX. There is a further contingent liability. We are on risk until at the latest, the end of 2012 in respect of the XXX and AXXX and as far as 2015 in respect of the CARVM**.** I think the question as to whether the surrenders are likely or not is inevitably part somewhat a point of view. It is however supported by the analysis we've done and let me repeat again the comment I've made on a number of occasions when I've been asked questions about these reserves which we always had, so it's not as if we assumed something on the sale. We had them whilst we were the owners. At no time in the period that we owned US Life did we ever consider that these were a significant, anything other than a very remote risk. So no, we were constantly as you'll appreciate, managing the credit risk in that portfolio, talking to you about it. But at no point has either of these contingent liabilities basically come up within I think I'm right in saying Andrew, our seven in ten thousand year event. So, surrender experience in the book actually ran somewhat ahead of our assumptions during the period of time of our ownership at least while I was here. So, I remain of the view that it is remote.

JULIAN ROBERTS: Kuseni, do you have a last question from Johannesburg?

KUSENI DLAMINI: Who wants to have the last word from Johannesburg? Any questions. Julian, we seem to be satisfied from this side. No more questions at the moment.

JULIAN ROBERTS: Okay, we're going to go to the telephones and then back to the room in the UK for the last couple of questions.

OPERATOR: We will take our first question from Francois du Toit, of Bank of America. Please go ahead.

FRANCOIS DU TOIT: Hello, can you hear me? I'm not from Bank of America, it's Francois du Toit here from JP Morgan. Just on South Africa, South African performance as it stands beat my expectations by a wide margin because of economic variances that supported the earnings and the capital generation, which is surprising given that SWIX was down in the first half of the year and given that bond movements weren't also what I would have expected, wouldn't have been helpful. If you can explain that for me please but also the experience variances, very, very strong, £74 million, that's ZAR800 million of experience variances. How much of that can we expect to recur? Is that just an indication that you're being extremely conservative in your South African valuation? How much of that is going to recur. It's obviously supported the South African earnings and the reason why your earnings overall beat consensus as well?

JULIAN ROBERTS: Andrew, I think it's your moment in the sun.

ANDREW BIRRELL: Okay Julian. Just coming back on the experience variances in South Africa. They were very strong in the period. I don't believe that it's unusual though if we look at some of the results that we've seen from other South African insurers that have announced recently and we are seeing a very positive experience variance on persistency at this stage. We don't adjust our actuarial assumptions at the half year. We look at these at the end of the year when we've got a much longer period of data and so at this stage, we'll see if those continue through to the end of year before we actually adjust the assumptions at all. Francois, in respect of your market returns, I'm not quite sure what you modelled but we have had a very resilient period so maybe we can take that question off line afterwards.

FRANCOIS DU TOIT: Okay, maybe just a bit more detail on the experience variances if you can maybe split it between once offs and numbers that you'd think might recur and maybe also between net asset value impact. In other words, earnings impact and VIF impact.

JULIAN ROBERTS: I think it's probably better if Andrew takes that off line with you outside this meeting, if we're going into that detail. There is another question that's come on the line. The person has two questions. One is about Board representation, given the amount of earnings in South Africa, the Board only has two directors from South Africa. In fact the Board, the Chairman is constantly looking at fresh directors to boost the Board and we are looking for at least one additional South African director so that is an open target we've got and the second question is around the UK head office, the perennial question about having a UK head office here and the size of it. We clearly are listed here, we clearly have the lead regulator here. We clearly are running an international Group and therefore there are certain functions that are best suited to manage that Group from here. Where we can, more and more so, we are locating people in areas where we can reduce our costs. We've recently moved some more people down to South Africa. We are very cost conscious of where we have our people. But we have our people where we think it is best to best run the Group.

PHILIP BROADLEY: If you worked in this office you'd certainly know we're conscious of costs.

JULIAN ROBERTS: Right. Let's come back for the last couple of questions.

COLIN SIMPSON: It's Colin Simpson from Goldman Sachs. Just two questions. Your Mass Foundation AOP, that's a new disclosure, that's up 48% and in line with premium growth. Is that a coincidence or a reflection of the charging structure there? The second question, maybe it's more of a statement but you must be quite comfortable with persistency experience on a spread book, where yields are 2.75. Is that the right way of thinking about that? If I may add on another question, just on Africa, I mean you said you operate in select countries, why don't you operate in more and when can we see a change?

JULIAN ROBERTS: Paul. Do you want to answer those questions?

PAUL HANRATTY: Okay, so Andrew might correct me Colin but it is a coincidence that the link between premium and profit, but having said that, it is a business that doesn't have as much new business strain in it as many other life businesses do. So that's a yes but answer to the first question. The second question, I was a little bit sleepy on, I didn't pick up quite what you were talking about spreads and persistency?

COLIN SIMPSON: Do people typically lapse fixed annuity or equity index annuity products when yields are at record lows?

PAUL HANRATTY: No. In the case of much of those products that we run, they can't actually exit them because they have to hold them to maturity, so they don't. That is the answer to that and your last question was about Africa. I think it's probably fair to say that we haven't had a lot of focus in the last number of years, it's been an increase in focus for us in probably the last eighteen months on Africa and I don't think we want to speculate, but it is true that we are putting a lot of efforts into growing and exploring opportunities to expand our footprint there.

JULIAN ROBERTS: I think we've said last year that we want to move by I think it's 2015, the proportion of our earnings from Africa up to 15%. So it is a focus of attention for us. Mike Brown, if you read the Nedbank statement said it was, we are looking quite hard as a Group at Africa and whether there are more profit pulls we can gain.

Right, let's go for Blair for the last question.

BLAIR STEWART: Thanks very much. Last question, there's some pressure on it to be a good one but I'm likely to disappoint. It's on cash flow. Philip's slide on page fourteen, there's a difference between the free cash flow generation of £521 million and the amount that actually goes up to Group, which is £302 million. Could you just talk about what you can do to try and close that gap, especially with the small short fall that you've identified in terms of paying back your debt? Is that simply the restrictions in South Africa?

PHILIP BROADLEY: Principally it is yes. We use now, throughout the Long-Term Savings business a measure of economic profit, both to manage our business and also as a key part of remuneration. So as I'm sure Mark Satchel will testify he has no incentive to hang on to capital and indeed does not. So, none of our business units outside of South Africa as I say, has any reason to do anything other than repay capital that is available to the centre, so the difference that you see is largely going to be attributed to the fact that OMSA continues to build up, sorry, OMLACSA more accurately, continues to build up its successful assets and those are used to principally to pay dividend.

BLAIR STEWART: And as well selling the odd business every now and again to them, is the only way to get more money out, to pay a higher dividend, at Group level?

PHILIP BROADLEY: Well any purpose, taking money out of South Africa for any other purpose than paying the dividend would need to be the subject of specific exchange control approval and in general terms I think it's probably sensible to think in terms of the cash flow in South Africa continuing to be available for the purposes of paying dividend. But bearing in mind also that to the extent that shareholders elect to receive their dividend in scrip form, we are still permitted to take out the full or the gross amount of the dividend in cash from South Africa, so that does give us a benefit, which I referred to in the presentation.

JULIAN ROBERTS: So if I would just conclude, as you can see we are very focused on operational performance, on delivering what we said we are delivering and also reaping the benefits from the good positions that we have in the business we have. Thank you very much to everyone in Johannesburg, thank you very much in London and on the telephones.