Old Mutual plc is a UK-based financial services group, with a substantial life assurance business in South Africa and other southern African countries and an integrated, international portfolio of activities in asset management, banking and general insurance.

The Group has approximately 3.2 million life assurance policyholders, 2.4 million banking customers, 270,000 general insurance policyholders, over 700,000 unit trust accounts and, following the acquisition of Gerrard Group, has £57 billion of funds under management.

CONTENTS

Key Financial Highlights

	1999	Pro forma 1998	% change
Embedded value	£5.4bn	£3.1bn	74
Embedded value per share	£1.57	£1.16	35
Life assurance new business profit	£75m		
Operating profit before tax (based on a long term rate of return)	£656m	£534m	23
Profit/(loss) after tax and minorities	£1,066m	(£101m)	
Adjusted earnings per share (based on a long term rate of return)	12.2p	10.1p	21
Dividend per share	2p		
Total funds under management	£44.9bn	£34.8bn	29

DRIVING VALUE FORWARD – OUR PROGRESS SO FAR

- **Demutualisation in May 1999**
- **Listing on the London, Johannesburg, Malawi, Namibian and Zimbabwe Stock Exchanges**
- **473 million shares issued for cash in July 1999 to raise £559 million**
- **Life assurance new business embedded value profits of £75 million**
- **Capel-Cure Myers and Albert E Sharp successfully integrated under the Capel Cure Sharp brand name**
- **Cost reduction Project 500 completed**
- **Nedcor's strategic information technology partnerships extended**
- **Return of capital by Mutual & Federal via a R6 per share special dividend**
- **£546 million acquisition of Gerrard Group**

"Our demutualisation marked the beginning of a new era for Old Mutual. Following our successful listing, we have taken significant steps to drive shareholder value forward and are well positioned to take advantage of the opportunities ahead."

Mike Levett Chairman and Chief Executive

The demutualisation of Old Mutual in May 1999 marked the beginning of a new era for our 155-year-old organisation. Our maiden set of annual results as a public company reflect the substantial progress achieved in the period since we became a listed company. We have taken significant steps to drive shareholder value forward, while continuing to reshape the business in pursuit of growth in our chosen markets.

Driving value forward

Operating profit based on a long term rate of investment return rose by 23% in Sterling terms to £656 million (1998: £534 million) with earnings per share up by 21% to 12.2p. New business embedded value profits in our life assurance business advanced substantially to £75 million. The Group's embedded value of £5.4 billion represents a total increase of 74% over the £3.1 billion at the end of 1998, a 41% increase after allowing for the effects of new capital raised on listing and the policyholder self-investment on demutualisation.

A key feature of the past year has been the outstanding contribution of our core South African life operations to the life assurance operating profit of £376 million. This performance was a direct result of management action taken during the year. Cost centres became profit centres, costs were tightly controlled and products were re-priced as our team embraced a value-orientated culture.

Profits from our asset management business, at £48 million, were up 109% over the year. Total funds under management at the year end increased to £45 billion, £19 billion of which is managed outside South Africa. Old Mutual Asset Managers in South Africa capitalised on a successful year of investment performance, winning a record £1.6 billion of new third party funds. Our unit trusts in both South Africa and Europe crowned a strong year with the successful launch of global technology funds.

Nedcor, our JSE-listed banking subsidiary, reported a 20% rise in net operating income before tax, exceptional items and income from associates to £296 million. Nedcor's management further strengthened capital and reserves of the bank during the year, with its capital ratio rising to 12%. Tight cost controls held expense growth to under 2% and continued to drive down the cost/income ratio from 56.2% to 51.7%.

General insurance profits at our JSE-listed subsidiary, Mutual & Federal (M&F), were adversely affected by underwriting losses, although it is pleasing to note that the company returned to underwriting profit in the second half of the year as a result of adjustments to premium levels. M&F returned £144 million of capital to shareholders by way of a special dividend in September 1999.

Our pre-tax results, on a statutory reporting basis, benefited from strong investment returns on shareholder assets, largely reflecting the recovery in the South African equity market during 1999. This produced an excess return of £778 million over operating profit based on a long term rate of investment return and contributed significantly to profits attributable to shareholders exceeding £1 billion.

Reshaping the business

Our first results as a listed Group provide a sound platform to pursue our stated strategy, which is to optimise the performance of our core life assurance and asset management businesses, to grow related businesses and to create options for future growth.

The strong profit performance reflected our efforts to reduce the cost base of the organisation through our Project 500 programme. By the end of the year we had more than achieved the initial objective of the programme, by putting actions into place that are expected to deliver annual cost savings in excess of R500 million. Going forward, we are determined to deliver further cost reductions for the benefit of shareholders and customers.

During the year we continued to develop our IT capabilities. We partnered with Computer Sciences Corporation to outsource the management of our non-core infrastructure systems in order to focus our investment on new systems development and integration initiatives. Across the Group, administrative, intermediary and customer support systems have been systematically upgraded and transportable platforms developed to exploit synergies between operations worldwide. In e-commerce, Old Mutual Unit Trusts in South Africa is already operating an end-to-end internet delivery channel. Other Group companies are exploring the opportunity to leverage our low cost base in South Africa to provide life and wealth management products internationally by developing e-commerce distribution and service delivery channels.

In January 2000 we announced a recommended bid for Gerrard Group plc, a leading wealth management and financial services company in the UK. The bid was declared wholly unconditional on 10 March 2000. The merger of Capel Cure Sharp with Gerrard Group's private client business, Greig Middleton, will create a leading UK private client stockbroker, with total UK funds under management of £27 billion and excellent prospects for future growth.

At the end of 1999, we agreed terms for the disposal of our UK life business, via two separate transactions with XL Mid Ocean and Century Life.

Dividend

The directors are proposing a final dividend for the year of 2.0p per share. This represents one half of the total dividend of 4.0p per share which the Board would have expected to recommend had the Group been listed throughout the year, and represents an increase of 33% on the notional figure for the previous year (3.0p per share) indicated in our prospectus. The annualised rate of dividend would be covered three times by the adjusted earnings per share of 12.2p.

Dividends to holders of shares on the African registers will be paid locally under dividend access trust arrangements made at the time of listing. This means that holders of shares on the South African branch register will receive dividends from a domestic entity and are not, therefore, expected to be subject to the tax on foreign dividends announced in the South African budget on 23 February 2000.

For future dividends the Board intends to follow a policy to achieve stable returns to shareholders over time reflecting the Group's long term rate of return and the cash-flow requirements of its businesses. We expect to declare an interim dividend for the current year in September 2000, payable in November 2000, representing approximately one third of the expected full dividend for the year. With a view to further enhancing returns to shareholders, the Board is to seek powers at the forthcoming Annual General Meeting to authorise a share buyback programme as part of its prudent capital management proposals.

Management

Your Company is fortunate to have an experienced and energetic executive management team to lead the Group forward. The directors, management and staff of the various companies in the Group have all played a crucial role in this year of profound change. I would like to thank each individual and team for their contributions this year.

In January 2000, Jim Sutcliffe was appointed to the Board of Old Mutual plc, taking specific responsibility for the Group's life assurance businesses. Jim has a significant track record in the industry in the UK, South Africa and the USA. I welcome him to Old Mutual. His international experience will be of great benefit to the Group.

Annual General Meeting

I would draw to your attention that there are a number of items of special business included in the agenda for our Annual General Meeting which is to be held in London on 18 May 2000. The Notice of that meeting is set out on pages 105 to 107 of this document and the accompanying notes on pages 108 to 110 provide further details of, and an explanation of the background to, these matters. Your Board considers that all of the items of special business (Resolutions 6 to 11 inclusive) to be proposed at the Annual General Meeting are in the Company's best interests and recommends that you vote in favour of them.

South Africa

Our business base in South Africa puts us in a strong position to grow and develop as that country continues to become integrated into the world economy and the number of its population who are economically active increases. I should like to pay tribute to President Mandela for his remarkable achievements and to wish his successor, President Mbeki, who was elected during 1999, every success in continuing the country's transformation.

Building on our strengths

Our strong results for 1999 demonstrate our ability to deliver shareholder value. We aim to drive value forward by enhancing the performance of our core businesses in southern Africa, growing profitability across all of our businesses, whilst also seeking new opportunities internationally. I am confident that Old Mutual has both the will and the potential to deliver further substantial progress in the coming years.

Mike Levett

Mike Levett Chairman and Chief Executive

Driving Value Forward

Our management is committed to the development of the Group and delivery of value to its shareholders. Our strategy to achieve this is well-defined and comprises three principal elements:

Optimising the performance of our core businesses by:
- Embedding a value culture throughout the Group
- Maintaining and developing our leading market position and brand profile in life assurance in southern Africa
- Growing profitability and reducing costs across our businesses
- Taking advantage of opportunities to seek enhanced value through consolidation
- Using technology to enhance distribution capabilities to meet changing consumer preferences

Growing related businesses by:
- Directing capital efficiently to areas of the Group to maximise returns for shareholders
- Pursuing opportunities to expand asset accumulation and wealth management operations
- Exploring opportunities to leverage our low cost base in South Africa to provide life and wealth management products in developed markets

Creating options for future growth by:
- Leveraging our experience to establish new businesses in developing markets
- Growing with the changing profile of South Africa to benefit from its wealth potential
- Developing new generation systems, expanding e-commerce and enhancing the value of our global IT alliances


1IN2
SOUTH AFRICAN
HOUSEHOLDS*
HAS ONE OR MORE
OLD MUTUAL GROUP PRODUCTS

Optimising the performance of our core businesses

The value culture newly embedded throughout the Group underpins a strong focus on future performance and profitability. Substantial potential for the creation of value remains from leveraging our brands, building on our established record as a product innovator, and achieving greater operational efficiency.

Old Mutual will support strategies adopted by Nedcor and Mutual & Federal that are aimed at enhancing shareholder value. Old Mutual, Nedcor and Mutual & Federal will continue to develop specific opportunities co-operatively, where each business can extract commercial benefit.

- **The successful completion of Project 500 is expected to deliver annual cost savings of R500m**
- **Mutual & Federal paid a special dividend of £144 million to maximise capital efficiency**
- **Our affinity group business has expanded its sales productivity to world leading levels by a continued focus on its customer base and better use of technology**
- **Nedcor listed 15% of Nedcor Investment Bank to unlock value and improve capital efficiency**
- **Our South African unit trust business now offers customers the facility to buy, sell and receive information online**
- **We launched the "green" advertising campaign in South Africa to reinforce customer belief in the Old Mutual brand values, trust, integrity, growth and security**
- **Our life assurance business has undertaken a significant restructuring of its agency force to increase productivity and align profitability goals**

*Economically active households, being those with an income of R1,400 per month or more.

£546M ACQUISITION OF GERRARD GROUP

Growing related businesses

Over the medium term, we will take advantage of attractive opportunities to enter selected markets on a multi-regional basis concentrating on asset accumulation and wealth management businesses.

We will build on our existing asset management activities to add scale and value internationally. In wealth accumulation and protection we aim to exploit synergies and new markets. Our acquisition of Gerrard Group is part of this strategy.

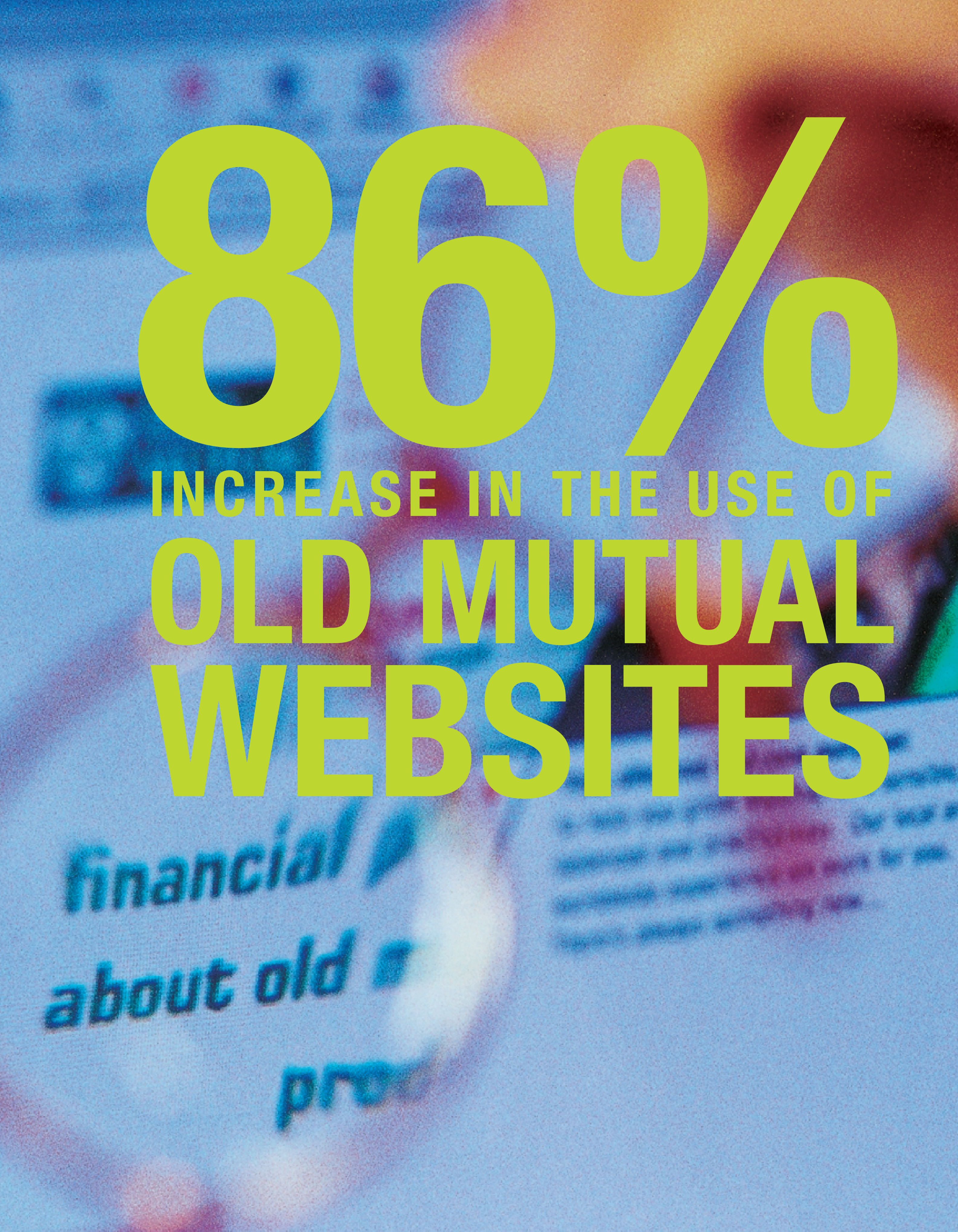
- Our acquisition of Gerrard Group increases funds under management by over £12 billion and brings new banking business to the Group

- The combination of Capel Cure Sharp and Greig Middleton creates the leading UK private client stockbroker

- Successful year for OMUT, Galaxy and CCS in unit trust performance

- Old Mutual Asset Managers was voted ‘Top fund management company in South Africa’ in Reuters’ Survey of Global Emerging Markets. Outside South Africa it won its first US institutional mandate

- The Group entered into a joint venture with Sumitomo Asset Managers in 1999 to provide both parties with access to each other’s markets


86%
INCREASE IN THE USE OF
OLD MUTUAL
WEBSITES
financial

Creating options for future growth

We recognise the importance of investment in embryonic businesses in existing markets, rapid exploitation of new technologies, and developing new markets to sustain future growth and value.

Old Mutual is in a strong position to grow with the changing demographic profile in South Africa. As the economy develops its wealth potential, we will continue to invest in product innovation and our own franchise to meet the needs of customers.

Information technology is a cornerstone of our drive for future growth. We are developing new generation systems, expanding e-commerce and enhancing the value of our global IT alliances.

- **Nedcor partnered Dimension Data International in the acquisition of the European networks of Comparex to create one of the leading network technology providers in the world. With Nedcor, Old Mutual has invested in Omnilink, a joint venture with Dimension Data to develop one of the leading virtual private networks in South Africa**

- **Old Mutual is developing relationships with strategic partners in key markets outside South Africa. Rapid developments in Information Technology are offering new geographic opportunities**

- **Old Mutual's e-commerce presence has been launched through the www.oldmutual.com website. Building on our established user base and proprietary technologies, this provides a basis for future online delivery of life and investment products worldwide**

- ***GNITouch* is an exciting new online dealing and investment technology developed by Gerrard Group. This technology provides opportunities for synergy with Old Mutual's existing wealth management infrastructure**

Key Facts and Figures

Life Assurance

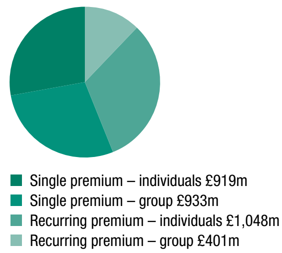
DESCRIPTION OF BUSINESS

- Largest life assurer in South Africa with market share of approximately 30%.
- Individual business sells life, disability and health insurance, retirement annuities, savings and investment products to customers in the middle and upper segments, and low premium risk and savings products predominantly through affinity groups.
- Employee Benefits is a primary supplier of group retirement savings and group life and disability insurance to institutional and trade union established retirement funds. It also provides administration and consulting services.
- Employee Benefits holds 28% of the group assurance market.
- We also have life assurance businesses in Zimbabwe, Namibia, Malawi, Kenya, Bermuda, Guernsey and the Isle of Man.

FINANCIAL HIGHLIGHTS

- 1999 gross premium income from continuing operations £3.3 billion.
- 1999 new business embedded value profits of £75 million.
- Insurance funds up 30% to £24 billion in 1999.

Gross premium income 1999



Asset Management

DESCRIPTION OF BUSINESS

Old Mutual Asset Managers (OMAM)

- Largest fund manager in South Africa.
- Operations in the UK, Bermuda, USA, Namibia, Zimbabwe, Kenya and Botswana.

Old Mutual Unit Trusts (OMUT)

- Largest unit trust manager in South Africa.

Capel Cure Sharp (CCS)

- Largest UK private client stockbroker.
- Unit trust provider.

Galaxy Portfolio Services

- Investment adviser and broker selling Old Mutual and external multi-manager investment products.

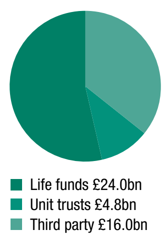
Gerrard Group

- Acquired in March 2000.
- Leading UK specialist in private client business via Greig Middleton.
- Leading UK derivatives agency broker in GNI.

FINANCIAL HIGHLIGHTS

- 1999 operating profit £48 million.
- Total funds under management £45 billion at 31 December 1999 and, following acquisition of Gerrard Group, now £57 billion.
- Market leadership in UK high net worth market.

Funds under management at 31 December 1999



Banking

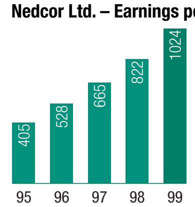
DESCRIPTION OF BUSINESS

- 54.5% interest in the Nedcor Group which incorporates Nedbank, Permanent Bank, People's Bank, Nedcor Investment Bank and Cape of Good Hope Bank.
- Old Mutual Bank received its banking licence in 1999 and is being developed as a virtual bank to serve the needs of investment and life assurance clients.
- Gerrard & King, acquired in March 2000, is a leading UK money market trading house.

FINANCIAL HIGHLIGHTS

- Cost to income ratio reduced to 51.7% in 1999.
- Average net assets of Nedcor Group £12.5 billion.

Nedcor Ltd. – Earnings per share R cents



General Insurance

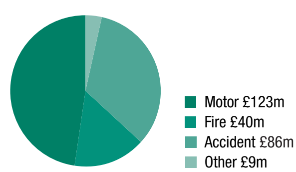
DESCRIPTION OF BUSINESS

- 51% interest in Mutual & Federal Insurance Company Ltd (M&F).
- M&F is a leading general insurance group in South Africa, writing motor, fire, accident, engineering and marine business.
- M&F has approximately 12% of the South African general insurance market.

FINANCIAL HIGHLIGHTS

- Total net premiums written of £258 million in 1999.
- Solvency margin exceeds 150%.

M&F – Total net premiums written in 1999



CUSTOMER BASE	PRODUCT DISTRIBUTION	HIGHLIGHTS OF 1999
• Our individual life and affinity group businesses together have approximately 3.2 million customers. • Employee Benefits has 750 schemes representing 700,000 members. • International offshore business has 58,000 high net worth and expatriate customers.	• Individual business (% by premiums written): 53% agents 46% brokers, and 1% direct. • Employee Benefits products are distributed directly and through brokers. • Predominantly agent distribution in the rest of Africa.	• Restructuring of individual business agency and broker distribution channels. • Launch of additional offerings under our *Investment Frontiers* product range. • Disposal of UK life assurance business announced in December 1999. • Lower cost base successfully delivered. • Affinity group sales productivity reaching new peaks.
• OMAM manages £24 billion of insurance funds. • Over 350 third party clients served by OMAM. • 600,000 clients in OMUT. • 30,000 discretionary and other customers at CCS. • Greig Middleton has over 60,000 managed accounts. • 80,000 Galaxy customers.	• OMAM employs 350 professional fund managers around the world. • 3,000 OMUT intermediaries. • 21 CCS offices around the UK. • 19 Greig Middleton offices in the UK.	• OMAM (SA) named top South African fund management group in 1999 Reuters survey. • New OMAM (SA) funds growth of £1.6 billion in 1999. • CCS group fully integrated Albert E Sharp businesses and met synergy targets. • CCS unit trusts grew to over £1 billion of funds under management. • Gerrard Group acquired for £546 million after year end.
• 2.4 million retail customers and 500 corporate customers of Nedcor. • Old Mutual Bank expected to launch deposit funds service to clients later in 2000. • Gerrard & King has an estimated market share of 28% of the Bank of England's open market operations.	• Nedcor Bank retail operates through 262 branches and over 1,000 electronic interfaces and sophisticated delivery mechanisms to large corporate clients, with 11 Global Business centres for cross-border transactional banking. • Cape of Good Hope Bank operates through 12 outlets. • Old Mutual Bank is a virtual bank providing low cost retail banking products.	• Sale of non-core NedTravel business. • Successful listing of 15% of Nedcor Investment Bank. • Technology joint ventures with Dimension Data and others. • Intention to make an offer for Standard Bank announced by Nedcor in November 1999.
• 270,000 customers. • An average of 1,400 claims handled each working day.	• M&F business is substantially written through broker channels. • Direct services offered through Old Mutual call centres. • M&F has 17 branches covering southern Africa.	• Premium rate increases improved underwriting results in the second half. • Award of SAIFSA Commercial Insurer of the Year for 1999. • Confirmation of AAA credit rating from Duff & Phelps. • £144 million return of capital to shareholders.

The individual life market in South Africa is changing rapidly. Consumers are demanding more investment choices, greater transparency and more responsive service levels. Our strong market position and closeness to the customer will enable us to meet these demands effectively.

South Africa

Market and environment

At the start of 1999, the South African economy was still recovering from the emerging market downturn of mid 1998, with interest rates at high levels and the stockmarket having suffered a poor year. Consumer confidence improved gradually during the year as it became clear that interest rates were moving back to more tolerable levels and the stock market recovered strongly.

Customers generally are becoming more demanding, as they are around the world, seeking wider investment choices, greater transparency and higher service levels. Customers are increasingly indifferent between life assurance and other "wrappers" for their savings, all the while being concerned about the security of their savings and their ability to meet the cost of family bereavements. Whilst some are confident about their ability to make the right choices in the financial world, others appreciate assistance or the endorsement of their employer or trade union or their bank; many are arriving at the point where they can save, or buy life cover, for the first time. Increasingly, customers are using the internet to keep track of their investments.

South Africa has a well regulated insurance market to ensure the solvency of providers, and is gradually extending regulation of market conduct. The taxation base of South African life assurers was revised during 1999, significantly increasing our tax burden.

The changing demographics of South Africa, which has a very young population, and the increasing economic strength of black consumers shaped our strategy in 1999 and will continue to do so.

Strategic overview

We aim to maximise shareholder value by using our powerful brand to offer world class savings, protection and related products to all viable customer groups in South Africa.

We will develop and maintain high quality staff from all sectors of the community, and distribution channels that suit our customers' changing needs. We will continue to invest in technology, particularly internet technology, to improve the quality of our services, to reduce costs and to acquire more customers.

1999 performance

In our first year as a shareholder-owned company, profits reached world class standards. Costs were held at a level lower than 1998, with Project 500 yet to deliver its full effect. Profits were enhanced by the favourable investment conditions, and by management's ability to deliver value from parts of the business that had previously been treated as cost centres. There were about £50 million of one-off profits earned in the year, mainly in our individual businesses, of which about £30 million arose from investment-related variances and £10 million from valuation basis changes.

A particular highlight was the return to profitability, at an internationally comparable level, of our new business. Products were re-priced in both our individual business and Employee Benefits areas. By raising our individual business minimum premium on a range of products, we eliminated some unprofitable business, and expense control and re-pricings turned a loss of £4 million in the second half of 1998 into a £75 million embedded value profit in 1999 – 22% of annualised premiums. Although AIDS remains a problem for the country as a whole, our products generally have enough flexibility to cope with the progression of the epidemic and the cost of death benefits was within our total premium charges.

Sales of individual single premium products were up 20%, with *Investment Frontiers* being the leading source of business, mainly through our broker channels.

Governments worldwide are encouraging increased economic participation by individuals and affinity groups in securing family welfare and wealth – with the life assurance and investment industries playing an increasingly important role.

Life assurance provides long term products for family protection, bereavement, health, education, retirement income and savings. In South Africa it is often the only welfare system available.

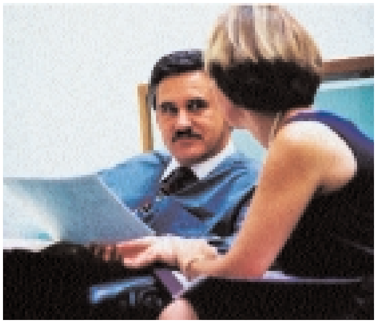
Sales of recurring premium products grew steadily from our salaried affinity group sales force, but fell back in our agency division, as the minimum premium increase cut away unprofitable business. Sales were also depressed by the restructuring we commenced in 1999 – reducing costs by trimming the branch structure and refocusing the sales force with the objective of increasing productivity through a more effective sales process. These steps put us in a good position to resume profitable growth from this channel when the process is completed in late 2000.

In Employee Benefits, our team was successful in securing £170 million of the proceeds of sale of demutualisation shares as reinvestment in our products and single premiums remained steady. Recurring premiums were lower, as clients invested their new contributions in money market instruments awaiting new direction from the stock market. Sales of *Platinum*, our with profit immediate annuity, were good, offering customers valuable protection against inflation through the equity backing inherent in this product.

Costs

Cost control was a feature of 1999 across the business. Our Employee Benefits division substantially reduced its headcount to bring its administrative services business back to profitability, and invested substantially in new systems to improve the quality of service.

In our individual business, we established a central call centre to capture synergies between our businesses which now receives up to 26,000 calls per day. Cost consciousness is firmly embedded in our culture, and our headcount has declined by over 10% from its peak during the demutualisation process.



In South Africa Employers and Trade Unions offer insurance-linked benefits and healthcare schemes to key workers and their families. Old Mutual is by far the leading provider to this socially important market.

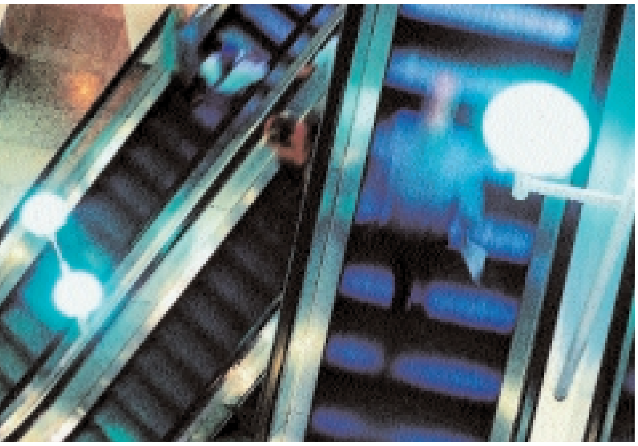
Operational highlights

The product highlights of the year were the success of our *Investment Frontiers* range in our individual business, and the launch of our *Platinum* and *Genesis* products in Employee Benefits. *Investment Frontiers* is a world class single premium bond offering a wide range of investment choice, from aggressive to conservative, with multi-manager selections available. All service work is completed on the day it arrives. Funeral policies were again the mainstay of our affinity group business.

We launched our *Platinum pensions core growth* and *Genesis* products in response to the accelerating trend toward defined contribution retirement arrangements. These products have met with immediate success, resulting in funds inflows of £260 million in the year including transfers from our Guaranteed Capital Fund.

The recovery in South African investment markets during 1999 has now alleviated the bonus rate concerns of customers worried that the effects of the 1998 equity market falls would hold down their returns.

Our *www.oldmutual.co.za* website has been substantially developed during 1999, and received over 1,000 visits per day during the last quarter, with an average visit time of 12 minutes. Many products can now be accessed by customers over the internet and we are making a small but growing number of sales through this medium.



Through our market leading approach we are responding effectively to customers' changing demands for online distribution and servicing of our investment products and services.

We replaced the core administration system in our affinity group businesses in 1999, and invested heavily in a new administrative services system in Employee Benefits to cope with the increasing demand for defined contribution/member investment choice plans.

We outsourced management of our mainframes to CSC in a move designed to reduce costs and maintain high service levels in an area requiring ever increasing scale.

Our broker office networking capacity was upgraded in 1999 to ensure that we continue to receive high service ratings, and our client data record keeping and warehousing systems were also enhanced.

International life

Market and environment

Outside South Africa, our African life businesses operate in underdeveloped markets, which suffered difficult economic conditions during 1999, typified by high inflation and high interest rates. The Group has a leading position in these markets, with a strong brand, and is well placed to take advantage of a return to stable economic conditions.

Strategic overview

Our life operations in the UK, Guernsey, the Isle of Man, Hong Kong, Dublin and Bermuda underwent a strategic review in 1999, which resulted in the withdrawal of the Group from its UK life business with agreement being reached for the disposal of Old Mutual Life Assurance Company Ltd in December.

1999 performance

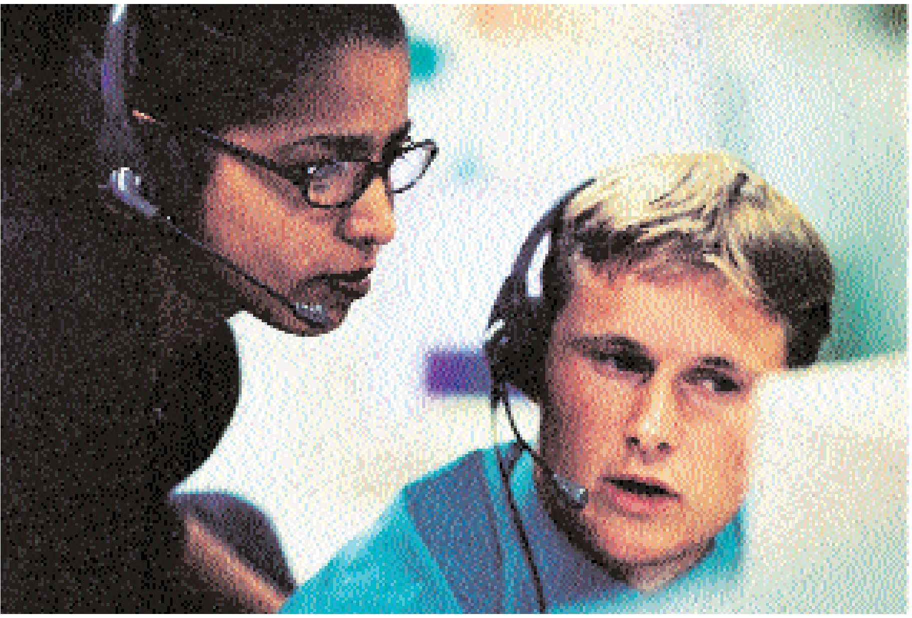
Premium income in most other southern African territories rose by more than inflation and significant efforts have been made to reduce lapse levels on new business and build distribution capability throughout the regions. Overall, the results of continuing core operations were encouraging.

Operational highlights

Throughout our other southern African territories, we continue to invest in technology to support product development and back office infrastructure. Our Zimbabwean operation invested in a new policy administration system in 1999.

Cross-selling opportunities are also being explored, particularly in Zimbabwe, as the Group is actively using the distribution capability of its affiliated company, the Central Africa Building Society, and general insurance subsidiary, RMI, to market long term assurance products.

Old Mutual International operations underwent a significant restructuring during the year. These concentrated resources for the offshore market in Guernsey and included an upgrade to customer service and back office administrative systems to cut costs and raise capacity.



We have established a central call centre in South Africa to capture synergies between our businesses.

A common global investment philosophy and group mission underlies Old Mutual's success in asset management.

Old Mutual Asset Managers (OMAM)

Market and environment

Competition for funds in South Africa remains strong. The institutional market continues to be influenced by the effects of retirement funds shifting from defined benefit to defined contribution schemes. In the retail market, investors are taking a more active interest in their contractual and discretionary savings. Product innovations and technology developments create new competitive dynamics in the quest to satisfy investor needs profitably.

Strategic overview

OMAM's strategic goal is to be the preferred asset manager in the various territories where it operates, based on its capacity to offer and deliver industry-leading, global and local asset management services, founded upon the principle of establishing long term and mutually satisfying relationships with clients. All OMAM operations around the world work off a common investment philosophy, share the same corporate mission and aspire to core values of integrity, a team-based culture and pursuit of investment value for clients through the application of disciplined investment processes.

OMAM aims to develop its operations through a combination of organic growth, selective acquisition and strategic alliances.

1999 performance

Total assets under management by the OMAM group were £27 billion at the end of 1999. This represents strong growth of 44% over the year, driven by a combination of excellent new business inflows and buoyant investment markets.

Relative investment performance of OMAM's funds and products was highly competitive. Largely as a result of this, OMAM achieved an industry record for net new business inflows in South Africa amounting to £1.6 billion of new third party institutional mandates. OMAM also won third party mandates from US and UK institutions.

Operational highlights

OMAM in South Africa added to its list of achievements in 1999 by being rated as the top fund management company in South Africa by the managers of a very broad spread of listed corporations in the 1999 Reuters Survey of Global Emerging Markets.

During the year there were a number of structural changes in the OMAM group. Old Mutual Fund Managers (OMFM), which administers and markets a range of UK-registered unit trusts, was merged with OMAM (UK) and moved into the latter's offices in the City of London. This created a unit trust operation with over £3 billion of assets under management.

OMAM (Zimbabwe) was created this year by separating our asset management business from our life company in that country.

Old Mutual Unit Trusts (OMUT)

Our unit trust management business in South Africa had a very successful year, attracting £600 million of new funds from investors and increasing its market share to over 19%, excluding money market funds.

In March 1999 OMUT launched a new *Global Technology Fund*, which attracted R875 million (£88 million) in new money and delivered a 62% return in the period ended 31 December 1999, to become the top performing new fund in the industry. In July 1999 the launch of two funds-of-funds products with different risk/reward profiles attracted a further R337 million (£34 million) of new investment.

Prospects for OMUT are promising, given the recent relaxation of South African exchange controls and growth in demand for wider financial services. Our strategic relationship with People's Bank also offers the prospect of additional cross-selling potential.

Sustained competitive out-performance generated record third party inflows into OMAM last year.

Capel Cure Sharp group

Market and environment

The UK market for wealth management services to high net worth individuals is large, growing rapidly and attracting a larger customer base especially of younger and more financially sophisticated individuals. Through Capel Cure Sharp (CCS), Old Mutual already has a leading presence in the high net worth market.

On 18 January 2000 Old Mutual announced a recommended offer for Gerrard Group plc, which owns a leading private client stockbroking business, Greig Middleton. The offer was declared wholly unconditional on 10 March 2000. This acquisition has placed the Group particularly well to capitalise on the growth of the UK high net worth market.

Strategic overview

Our strategic focus is to broaden the offering to, and maximise the retention of, existing clients, through rapid acceleration of applications of technology to client servicing and portfolio management. We also plan to diversify into new high net worth market segments, by developing a wider spectrum of product offerings to meet changing client demands and become a lifetime wealthcare provider to targeted individuals. Our short term goal will be to manage the successful integration of Greig Middleton into the Group.

1999 performance

Total funds under management at CCS at the year end were £9.6 billion, an increase of 5% over 1998, of which 53% is now managed on a discretionary basis. CCS's unit trust funds passed through the £1 billion mark during the year.

Operational highlights

In November 1999, CCS Unit Trust group launched a *Global Technology Fund*, which by the year end had attracted investment of £40 million and had delivered a return of 68% since launch, comfortably beating the benchmark MSCI Global Technology Index. Over the year, CCS's unit trusts performed particularly well in comparative industry surveys.

During 1999 we completed the merger of Albert E Sharp with Capel-Cure Myers, achieving annualised cost savings of £16 million as part of Project 500. The year also saw the development of a web-based communication channel, giving clients on-line access to their portfolios. This website is now being further developed in line with CCS's individual lifelong wealthcare strategy.

In October 1999 we launched Albert E Sharp Securities (AESS) to develop the Group's institutional stockbroking and corporate finance business in the small to medium capitalisation market. AESS will focus on industries and companies that are either growing or in the process of change. AESS began market-making in February 2000.

Galaxy Portfolio Services

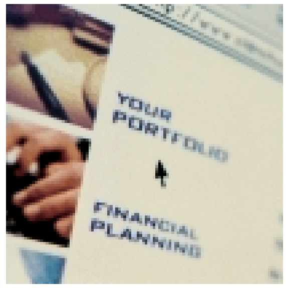
Galaxy was formed in 1999 as a result of the merger of Old Mutual Investment Services and Nedcor Investment Bank Investment Product Services (Pty) Ltd. Assets under administration more than doubled from £400 million at the beginning of the year to £900 million as at 31 December 1999. Our effective interest in Galaxy, including the stake held via Nedcor Investment Bank Holdings Ltd, is 91%.

In August 1999, Galaxy launched an Investment Advisory Service, which created the facility for clients to have their assets managed by professional investment managers, in accordance with predetermined mandates representing various risk profiles. During the first five months to 31 December 1999, these mandates attracted nearly £50 million of client assets. Galaxy also launched a range of offshore foreign currency funds which enable both new and existing clients to diversify into a range of Dollar and Sterling funds managed by third parties.

Lifetime wealth management for high net worth individuals – Capel Cure Sharp's business is growing.

Operating Review continued

The race to embrace technology and enhance e-commerce is in full swing.



Market and environment

This year has seen the banking industry in South Africa begin to enjoy the effects of the recovery from the economic difficulties experienced in 1998. The US-led reduction in interest rates restored capital inflows into South Africa which stabilised the Rand and paved the way for the prime lending rate to fall from a peak of 25.5% to 15.5% at 31 December 1999.

Competition in the banking market remains strong in all sectors. The race is in full swing to embrace technology and enhance e-commerce capability, and globalisation is changing the market with the arrival of non-traditional and lower-cost competitors.

Strategic overview

Nedcor is a national champion in banking in South Africa. Its goal is to develop a globally competitive and client-focused bank to take advantage of improvements in banking technology and enhanced e-commerce capability.

Nedcor's international strategy concentrates on markets where both barriers to entry and capital requirements are lower and therefore much effort has been directed toward the virtual banking arena, exploiting its vision of the convergence of banking and technology to create a unique platform for future growth.

1999 performance

Nedcor achieved excellent results in 1999, with headline operating earnings (excluding supplemental additions to general risk provisions and prudent write-downs in respect of central Johannesburg properties of £94 million, but including income from associates) increasing from £287 million to £309 million. Earnings per share at Nedcor increased by 25% and average total assets increased by 13% over the year.

Retail banking had a particularly satisfactory year, with market share growth experienced in home loans, credit cards and investment products. Nedcor's cost to income ratio reduced from 56.2% to an industry-leading standard in South Africa of 51.7%. The hangover effects of the high interest rate environment were reflected in a 130% increase in provisions compared to the previous year.

The bank remains well capitalised. Exceptional gains of £66 million in total were realised on the disposal of Nedcor's travel business and the sale of 15% of Nedcor Investment Bank (NIB) upon its listing, assisting Nedcor to achieve a capital adequacy ratio target of 12% during the year.

NIB contributed £50 million to Nedcor's bottom line results for 1999, which was 25% higher than the previous year, in spite of a general slowdown in corporate activity.

Operational highlights

During the year Nedcor made an approach to Standard Bank to propose a merger at a ratio of one Nedcor share for 5.5 Stanbic shares. Nedcor is awaiting the outcome of its application for regulatory approval and of an action in the South African courts relating to regulatory jurisdiction before making an offer to Standard Bank's shareholders. Old Mutual continues to support this proposal.

Investment in strategic alliances continued during the year, with Nedcor commencing a joint venture with Capital One in the US, aimed at exploiting electronic technology to sell additional products. In September Nedcor invested a further £140 million in Dimension Data International.

Nedcor also floated 15% of its interest in NIB on the Johannesburg and Namibian stock exchanges which raised £100 million in new capital. The float provides NIB with a significant brand building opportunity, whilst enabling NIB to provide a share option incentive mechanism for key staff.

In December, NIB acquired the commercial division of Edward Nathan & Friedland, a leading corporate law firm in South Africa, which represents NIB's strategic response to the convergence of corporate advisory services in the South African market place. This transaction gives NIB a significant tier-one corporate finance capability.

Nedcor managed to add to its market share in home loans, credit cards, and investment products.

General Insurance

Operating Review continued

Market and environment

The general insurance market in South Africa continues to suffer from the effects of intense competition, deteriorating claims experience and higher claims costs, which have led to a decline in underwriting profitability across all classes of business. Fraudulent claims, coupled with high costs of crime and rising accident and fire claims costs, have had adverse consequences for the South African general insurance industry.

Strategic overview

The policy of Mutual & Federal, which is one of the leaders in the industry with a 12% market share, is to strive for growth in its chosen markets by enhancing business efficiencies with targeted intermediary distribution channels, to bring competitively priced products to the market without sacrificing profitability.

1999 performance

Mutual & Federal's underwriting results were disappointing this year, relative to past performance. A programme to raise premium rates during the year was partially successful in restoring underwriting profitability by year end, but margin pressures remain. Underwriting performance continues to be favourable by international standards and market share was retained, despite growing competition. Strict control over supplier costs ensured that increases in the average claims costs were held below the headline South African inflation rate of 8%.

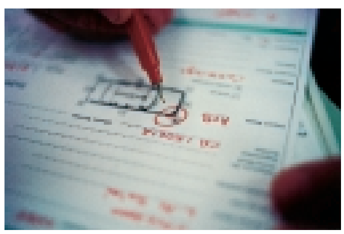
Operational highlights

Mutual & Federal was named as Commercial Insurer of the Year for 1999 by the South African Financial Services Intermediaries Association. In mid-1999, Duff & Phelps rating agency confirmed Mutual & Federal's AAA credit rating.

During the year, Mutual & Federal's "fast-track claims" facility, which had proved successful for personal lines claims, was offered to commercial clients. This facility, for claims of less than R5,000, has been widely used by small and medium-sized businesses.

Managing key people in agency networks is a key task for Mutual & Federal.

New technology for claims processing, payments, and premium collection plus new "fast-track" claims systems at Mutual & Federal.



Performance Highlights	1999	Pro forma 1998	% change
Embedded value	£5.4bn	£3.1bn	74
Embedded value per share	£1.57	£1.16	35
New business profit	£75m		
Operating profit before tax (based on a long term rate of return)	£656m	£534m	23
Profit/(loss) after tax and minorities	£1,066m	(£101m)	
Adjusted earnings per share (based on a long term rate of return)	12.2p	10.1p	21
Dividend per share	2p		
Total funds under management	£44.9bn	£34.8bn	29

This year has seen considerable developments from a strategic financial perspective, with the demutualisation and listing enabling the Group to raise substantial funds outside South Africa and providing access to more liquid and sizeable capital markets at a lower cost of capital for the Group. Importantly, key financial management processes have been refined to drive a value-added culture, supporting our financial objective to maximise returns to shareholders through higher profitability and effective capital and risk management.

As predominantly a life assurance group, profitability is determined by the two different conventions in use by the industry. The modified statutory basis of accounting defines our operating profit and an embedded value methodology determines our embedded value profit. Each is described below.

KEY PROFIT MEASURES

Operating profit

Operating profits for the life assurance and general insurance companies are reported on the basis of a long term investment rate of return, which smoothes out the impact of short term fluctuations in investment returns on shareholders' funds. This basis also adopts modified statutory methods in valuing technical liabilities which exclude the future profitability of in-force and new life assurance business. Operating results for the Group's listed banking and general insurance subsidiaries before minorities, and our asset management results are also included.

Embedded value profit

Embedded value profit is a realistic method of profit reporting and more accurately reflects the underlying performance of the Group's life assurance business by providing an actuarially determined estimate of the economic value of the life assurance operations. It represents the sum of the shareholders' net assets (including holdings in listed subsidiaries) at market value and the present value of the future after tax profit from the life business written and in force at the valuation date, adjusted for the cost of holding an appropriate amount of solvency capital. The change in the embedded value over the period, adjusted for any capital raised and dividend provided for, gives an economic measure of performance.

OVERVIEW OF GROUP RESULTS – STATUTORY BASIS

	Year to 31 December 1999 £m	Pro forma year to 31 December 1998 £m
Summary profit and loss account		
Continuing operations	426	289
Discontinued operations	(50)	(118)
Life assurance (based on a long term investment return)	376	171
Banking	210	287
Asset management	48	23
General insurance business (based on a long term investment return)	59	86
Other shareholders' income/(expenses)	(37)	(33)
Operating profit before short term fluctuations in investment return	**656**	**534**
Short term fluctuations in investment return	778	(477)
Non-operating items	54	–
Profit on ordinary activities before tax	**1,488**	**57**
Tax on profit on ordinary activities	(165)	(85)
Profit/(loss) on ordinary activities after tax	**1,323**	**(28)**
Minority interests	(257)	(73)
Profit/(loss) attributable to shareholders	**1,066**	**(101)**
Dividend proposed	(69)	–
Retained profit/(loss) for the financial period	**997**	**(101)**

FINANCIAL PERFORMANCE

Operating profit before short term fluctuations in investment return, tax and minorities increased 23% to £656 million, benefiting in particular from an outstanding performance from the Group's core life assurance operations, where operating profits from continuing operations of £426 million represented an increase of 47% over pro forma 1998. The profit and loss account in Sterling includes the impact of an 8.2% fall in the average Rand/Sterling exchange rate for 1999 when compared to 1998.

Overall, life operating profits, before tax and based on a long term rate of return, increased by 120% to £376 million. Our focus on new business pricing, the elimination of unprofitable business, and cost containment have all contributed significantly to the improved result. Profits were also boosted by one-off items totalling approximately £50 million, resulting primarily from investment market conditions in the year, which offset the loss of £50 million in respect of our discontinued UK life business. Life operating profit is equivalent to 1.5% of insurance funds at 31 December 1999, which compares favourably with similar companies around the world. Insurance funds, a primary driver of profits, grew by 30% to £24 billion at the year end.

In December 1999 the Group reached agreement to dispose of its UK life assurance company to Century Group, following the reinsurance of its annuity portfolio with XL Mid Ocean. The results of this business in both 1998 and 1999 (treated separately as a discontinued operation), were adversely impacted by provisions against pensions mis-selling and improved annuitant mortality rates on the annuity book. The Group has retained provisions of £38 million against warranties provided to the purchaser in respect of pensions mis-selling, over and above the provisions held in the company disposed of. The sale and reinsurance agreements have resulted in a gain of £15 million on book value in 1999, although this was equivalent to a loss of £12 million in embedded value terms.

The asset management businesses made a strong contribution to operating profits, with the overall result of £48 million representing an increase of 109% over 1998's £23 million. 1999 profits benefited both from a strong performance of OMAM (SA), which added £1.6 billion funds under management during the year, and cost savings of £16 million achieved in the integration of the UK private client businesses, Capel-Cure Myers and Albert E Sharp. Funds under management for the Group totalled £45 billion at 31 December 1999. This represents a 29% increase over the position at 31 December 1998. Of this amount OMAM Group managed funds of £27.1 billion, including £19.3 billion of life funds, third party institutional funds of £5.1 billion and unit trusts of £2.7 billion.

The acquisition of Gerrard Group plc brings an additional £12 billion of funds under management. Following this acquisition, out of the total of £57 billion of funds under management within the Group, approximately 51% will be sourced outside South Africa.

Nedcor's underlying results were strong at £309 million. Underlying operating profits before tax and minorities exclude both the gain on the sale of NedTravel (£20 million) and the gain on listing of 15% of investment banking subsidiary NIB (£46 million), which were carried below the line by Nedcor as exceptional items, together with net of tax deductions for general provisions and property portfolio writedowns. These latter deductions have been grossed up for related tax in the Group's results under UK GAAP and charged to operating profit to arrive at a banking pre-tax profit of £210 million (1998: £287 million).

Nedcor's reserves for bad and doubtful debts now stand at 3% of average advances. In addition, retention of profit meant that Nedcor's capital ratio was 12% at year end, making Nedcor one of the best capitalised banks in South Africa. Start-up losses of £5 million were incurred in the development of Old Mutual Bank and these have been included in the Group's banking results.

Mutual & Federal's results before minorities, at £59 million, were 31% below the pro forma 1998 results of £86 million, primarily as a consequence of lower investible assets included in the calculation of the long term rate of investment return at 1 January 1999 compared with 1 January 1998. Although a small underwriting loss was recorded for the year, management action to increase premium rates earlier in the year helped generate an underwriting profit in the second half. In September 1999, Mutual & Federal declared a special dividend of £144 million from excess capital.

Other shareholders' income/expenses comprise the smoothed investment return on the shareholders' funds outside life assurance and general insurance companies, plus returns on funds raised at listing, together with corporate costs and operating results from a number of our other financial services businesses.

High investment returns in South Africa have resulted in short term fluctuations being strongly positive. Total short term fluctuations for the Group amounted to £778 million in 1999.

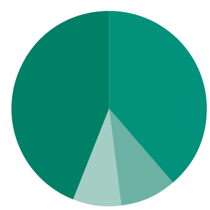
Profit before tax is stated before crediting or charging certain non-operating items. These are described in detail in note 11 to the financial statements.

The Group's effective tax rate in 1999 was 25%. The Four Funds basis of life taxation in South Africa was modified with effect from 1 January 2000. The changes included a reduction in the deductibility of expenses for tax in the policyholders' life funds and the deductibility of transfers of profit from policyholders' funds to shareholders' funds. The impact of both changes is expected to increase the effective rate of tax in the South African life business in future years to about 28%. The 1999 result includes a transitional charge in respect of the move to the new basis of taxation of £61 million.

Profit after tax attributable to shareholders exceeded the £1 billion mark for the year at £1,066 million.

The directors have proposed a final dividend for 1999 of 2.0p per share. On an annualised basis, the 4.0p per share dividend represents an increase of 33% over the notional annual dividend of 3.0p per share indicated in our prospectus. Compared with adjusted EPS based on a long term rate of investment return, dividend cover is three times.

New business profits 1999



EMBEDDED VALUE PROFIT

Excluding capital raised and dividends provided for, the Group's embedded value increased during 1999 by £1,434 million. Most of this growth arose from investment returns on the adjusted net worth, which benefited from high investment returns on shareholder investments, particularly in South Africa.

Profits from new business written during the year were £75 million, including the expected return to the end of the year, benefiting in particular from a strong second half performance.

Positive new business embedded value profits were generated by all the South African life businesses. This improvement was aided by a recovery from the adverse circumstances that affected our new business in the second half of 1998 and the first half of 1999. *Investment Frontiers, Platinum Pensions,* and investment in the Guaranteed Fund by some retirement funds of the proceeds of sale of their free demutualisation shares contributed to improved single premium volumes. A focus on new business cost containment and the introduction of more profitable new products also made a positive contribution. A split of new business embedded value profit determined at the point of sale is included in the adjacent chart.

The change in the South African tax basis, however, had a negative impact of £121 million on embedded value profit. This charge includes provision for the additional tax of £61 million that will be payable at the end of 2000 on transition from the old to the new basis. The remaining £60 million includes the capitalised value of future additional tax expected to be paid by shareholders, after making allowance for amounts to be borne by policyholders.

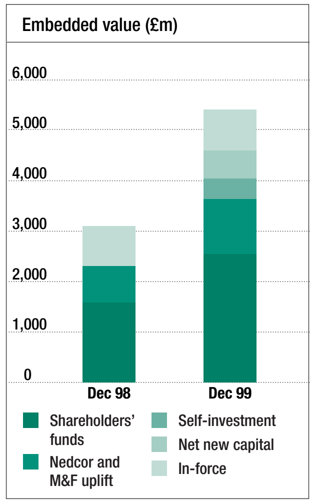
Experience variances (other than additional provisions for pensions mis-selling reported at mid-year) and investment variances were both positive. Exchange rate impacts result from movement in the average Rand/Sterling exchange rate.

EMBEDDED VALUE

During 1999 the Group's embedded value rose 74% from £3.1 billion to £5.4 billion. This included additional capital of £963 million, £404 million from policyholder self-investment transactions at the beginning of the year, and £559 million raised in the course of listing in the middle of the year. The chart at the top of the next page shows the growth in and composition of embedded value in 1999.

The value of in-force business has increased from £771 million to £806 million. This increase would have been greater but for the adverse impact of the discontinued UK life operations and the new South African tax basis.

At 31 December 1999 the embedded value per share was 157 pence. The embedded value does not take into account any excess of the market value over the net asset value of our asset management subsidiaries (including such business written through the life assurance companies), nor of any other in-force non-life business of the Group. We have continued to maintain a 1% margin between our discount rate and the assumed equity return rate.



SHAREHOLDERS' FUNDS

The following table sets out the composition of the Group's adjusted net worth at 31 December 1999:

	%
Strategic holdings:	
Nedcor	37
Mutual & Federal	4
	41
South African equities	33
International equities	11
Rest of Africa	4
Unlisted subsidiaries	4
Cash and short term deposits	7
	100

The Group derives competitive advantage from the financial strength of its life businesses in South Africa. Retention of capital in excess of the minimum statutory requirements for the life business enables shareholders' funds to be invested in a diversified portfolio of equity investments, which in addition to current beneficial tax treatment, enhances returns to shareholders in the long term. The proposed introduction of Capital Gains Tax in South Africa from 1 April 2001 may to some extent reduce the tax advantage of equities. We will continue to evaluate the optimal mix of our shareholder portfolio investments, to ensure that they deliver maximum value for shareholders.

CAPITAL MANAGEMENT

Internal targets were set in 1999 for the return on capital for life assurance businesses based on a prudent internal measure of required solvency capital. Accordingly, the life business units have reviewed their capital requirements to ensure efficient use of capital, and particular attention is being paid to designing and developing new products that have lower capital requirements and provide a higher return on capital. It is envisaged that, over time, capital will be generated in excess of that required for the life businesses, and that this excess capital could be gradually released for redeployment elsewhere in the Group.

The Group has also sought to re-allocate capital from less productive activities and to liberate excess capital in parts of the business to enable the Group to develop businesses expected to have higher growth and greater return on equity for shareholders. The sale of the Group's UK life business, which has underperformed for a number of years, is expected to release £65 million of capital when successfully completed. In keeping with this overall Group philosophy of optimal capital utilisation, Mutual & Federal declared a special dividend of £144 million to shareholders from excess funds in September 1999.

The raising of £559 million new equity capital at listing and the syndication of a £300 million revolving credit facility at very competitive rates during the year demonstrate the value to the Group of access to lower-cost international capital markets.

The acquisition of Gerrard Group will be financed largely from internal cash resources, except insofar as loan notes have been taken up by Gerrard Group's shareholders. Following this acquisition, the Group retains the capability to mobilise internal and external resources to make further acquisitions which fit our established strategic criteria and meet our required rate of return.

Resolutions will be put at the Annual General Meeting of the Company to grant authorities to make market purchases of Old Mutual shares on the London Stock Exchange, to reduce the Company's share premium account in order to create reserves in the accounts and to authorise the buy back of shares on the four southern African stock exchanges on which the Company's shares are currently listed. Further details of the proposed resolutions and the contingent purchase contracts through which purchases would be made in the African territories are set out in the Notice of Annual General Meeting and accompanying notes on pages 105 to 110 below.

TREASURY MANAGEMENT

The Group's central treasury function is responsible for managing Old Mutual's internal and external financing requirements and related interest rate exposure, the management of foreign currency exposures, and the development of best practice within the Group for co-ordinating and managing financial risk.

Group Treasury also maintains and develops Old Mutual's banking relationships in order to ensure transactional and funding needs are met at all times.

DEBT AND DEBT FACILITIES

Old Mutual plc is the principal financing vehicle for the Group. It currently has a £300 million syndicated credit facility maturing in August 2002 and access to substantial internal resources. Looking forward, the Group will seek to increase and diversify its sources of funds in order to support its acquisition strategy and reduce its weighted cost of capital.

In selecting the most appropriate funding sources at any point in time, such factors as market conditions, interest rate levels, liquidity needs and maturity profile objectives are considered. Further, in order to manage interest rate, currency and other risks associated with the above borrowings, the Group may enter into various derivative transactions.

As at 31 December 1999 the Group's total external borrowings (excluding the Nedcor group) were £6 million.

DERIVATIVES

The Group makes limited use of derivative instruments outside regulated entities and then only for the purposes of risk reduction or efficient portfolio management. Speculative activity is not permitted and all transactions must be fully covered by cash or by corresponding assets and liabilities. The total volume of all outstanding derivative instruments outside regulated entities is not material to the Group.

Following the acquisition of Gerrard Group plc, Gerrard & King Limited and GNI have now joined the Group. These companies make extensive use of derivatives in the ordinary course of their business.

FOREIGN EXCHANGE

Substantial proportions of the Group's operations are accounted for in currencies other than pounds Sterling, principally the Rand. As a result, fluctuations in the relative value of Sterling to the Rand and other currencies may be significant to the Group and its shareholders because, among other things, they affect the translation of the results of the non-UK operations into Sterling. Given the size of these exposures, and the lack of deep and liquid exchange markets in many Group trading currencies, the Group does not hedge the translation exposure to the balance sheet or profit and loss account arising from changes of value in its overseas subsidiaries.

However, action may be taken to hedge the foreign exchange exposure arising from specific forecast cash flows, for example, the payment of dividends from Old Mutual South Africa to Old Mutual plc.

RISK MANAGEMENT

The Group is committed to ensuring that there is an effective system of internal controls to manage its exposures to risk. The Group's businesses comprise predominantly operations in wholly-owned life and asset management businesses, as well as controlling stakes in two listed South African companies, Nedcor, a 54.5% owned banking subsidiary, and Mutual & Federal, a 51% owned general insurance subsidiary. We comment below on some of the particular aspects of the risk management process within these principal entities.

Life assurance

Life assurance risks can be placed into two general categories: risks which can be managed through processes and procedures established by management such as actuarial, underwriting or operating risks (business risks), and market risks which are outside the direct control of management such as equity price risk, interest rate risk and credit risk (market risks). The life assurance businesses have generally maintained a strong capital position against any unexpected adverse changes in the insurance industry or market conditions. This position has been considerably strengthened by the outstanding performance of South African and international equity markets during 1999. The Corporate Governance statement on pages 42 to 45 describes the overall system of internal controls, which establishes processes and procedures at different levels throughout the Group to manage these business and market risks.

Business risks

The Group controls its exposures through underwriting and re-pricing procedures and authorities to determine whether cover can be provided and the pricing of such risk. Underwriting practice relies on regular review procedures to analyse actual mortality, morbidity and expense experience. This analysis is used to set premium rates which are approved by the Chief Actuary.

Many of the Group's policies in the area of life assurance are designed to reduce long term underwriting risk through the incorporation of re-pricing options in the light of changes in experience. Reinsurance of the UK life company's annuity business to XL Mid Ocean reduces the Group's overall exposure to the risk of adverse mortality experience in the case of non-profit annuities, where the risk exists that the annuitants may live longer than was envisaged at the time when the annuity was provided.

The incidence of HIV/AIDS in southern Africa is high and forecast to increase over the next decade. Certain estimates predict that 20% of the adult population in South Africa could be infected with the HIV/AIDS virus by the year 2005. The Group has taken a number of steps to minimise the effect of AIDS on its business. Where appropriate, products allow re-pricing of premiums for in-force business on a regular basis or are priced to include expected escalation in mortality due to AIDS. The Group also conducts HIV tests in respect of any lives insured above specific values and supplies policies with reduced premium rates for persons who are willing to submit to regular HIV testing. Overall, the Group's projections for the spread of AIDS in South Africa over the last ten years have been accurate. On the basis of experience to date, management believes that it will continue to be able to take effective steps to minimise the risk effects from the spread of AIDS for the foreseeable future.

Market risks

Non-profit policies

In South Africa the investment risk in respect of non-profit policies is carried by the shareholders. The biggest class of such business is guaranteed non-profit annuities. These are backed by closely matching gilt and semi-gilt investments. The portfolio is actively managed and the degree of matching is continuously monitored. The investment risk in respect of other non-profit business is minimised by investing in appropriate assets. The potential for loss in respect of non-profit business is therefore considered to be low.

With profit policies

The investment risk in respect of with profit policies is low, as in the normal course of events, assets and liabilities in respect of smoothed bonus policies are matched. This is because bonuses are declared out of the surplus assets backing the smoothed bonus business and because the undistributed balance in the bonus smoothing account is treated as a policyholder liability. Apart from the diversification of the equity portfolio through the holding of some foreign equities (in South Africa by way of asset swaps), assets and liabilities are substantially matched by currency. Where guarantees are involved, a minimum proportion is held in fixed interest assets to back the guarantees.

While a material reduction in the value of the assets would have potentially serious implications for the solvency of the policyholders' funds, which is increased by the fact that a high percentage of the assets are invested in equities, there is considerable flexibility to deal with such events through reducing or passing bonuses, and the claw-back of non-vested bonuses. This enables the policyholders' funds to withstand substantial fluctuations in asset values without having to have recourse to shareholders' funds. Any amounts drawn from shareholders' funds would be recoverable in the event of a subsequent improvement in market values.

Equity price risk

Equity price risk is the potential loss arising from changes in the value of equity securities. The Group's investment portfolio consists primarily of equity securities with additional investments in fixed income assets and property. A substantial part of the Group's South African policyholders' funds equity portfolio consists of JSE-listed companies. Over the long term the performance of the South African economy should, in turn, be reflected in the performance of the JSE. Furthermore, movements in both short term and long term interest rates affect the level of gains on securities held in the Group's various South African life assurance portfolios.

The strength of the Group's capital position enables it to retain a substantial exposure to equities within its shareholders' funds as described in the table on page 31.

Interest rate risk and credit risk

Interest rate risk represents the price sensitivity of a fixed income security or interest-carrying asset to changes in interest rates. The Group considers interest rate risk within the overall context of asset and liability management and in managing its investment portfolio (see section on Treasury Management on page 32).

Credit risk represents the risk that any counterparty may not be able to pay its obligations to the Group when due. Credit risk is monitored by credit committees covering life and third party funds through a process of establishing limits for exposure and monitoring that exposure.

Banking

Financial instruments are fundamental to the operations of the Nedcor group and such instruments are frequently used to create, alter or reduce the risks that that group is exposed to in the course of its normal operations. Risks relating to non-trading and trading activities are managed through a comprehensive framework of policies, methods and independent monitoring committees as described below.

Asset and liability management

In common with other global banking institutions, Nedcor has an established Asset and Liability Management Committee (ALCO) structure which monitors the levels of acceptable financial risk (excluding credit and operational risks) and the management thereof. ALCO meets monthly and is responsible for determining and monitoring the overall group risk strategy and compliance and is subject to review by the Nedcor Group Finance Committee.

Asset and liability management at Nedcor is not heavily reliant on trading securities and derivatives, as focus is generally placed on using on-balance sheet mechanisms. Foreign currency interest rate risk positions are reviewed daily and reported twice monthly to ALCO.

An aggregate risk exposure limit of 5% of capital and reserves has been approved by the Nedcor board for interest rate, liquidity, trading and foreign exchange risks.

Interest rate risk

Interest rate risk is defined as the exposure of the Group's net interest income to adverse movements in interest rates which arise as a result of mismatches in the re-pricing term characteristics of assets and liabilities.

Interest rate risk is assessed through the use of traditional gap analysis and earnings at risk modelling techniques. Gap analysis measures the volumes of assets and liabilities subject to re-pricing within a given period. For this purpose, assets and liabilities are classified according to their contractual re-pricing characteristics and, through the use of balance sheet stress testing and net interest income simulations in different scenarios, impacts are measured.

Liquidity risk

Liquidity risk is defined as the risk of being unable to raise funds at market-related prices to meet commitments as they fall due or to satisfy client demands for funds. At Nedcor, liquidity risk is managed by keeping adequate capital to back activity in target markets, performing sophisticated cash flow forecasting and strategic planning, maintaining an adequate pool of high quality marketable assets and ensuring appropriate diversity in liabilities. The lending activities of foreign currency entities are mainly conducted on a fully matched basis.

Credit risk

Lending across the Nedcor group is governed by credit policy guidelines approved by Nedcor's directors and administered by the Group Credit Risk Monitoring Committee (GCRMC). The GCRMC consists of a mix of non-executive (who are in the majority) and executive directors and meets at least four times a year to approve all facilities in excess of 10% of the Nedcor group's capital together with other large exposures, risk limits, provisions and non-performing loans. Each division of the Nedcor group operates its own credit policy and credit risk is managed on a daily basis.

Concentrations in country credit risk are managed by an active limit-setting infrastructure and collateral assessment procedures, controlled by the Group Sovereign and Counterparty Risk Committee, which meets weekly.

Trading risk

Nedcor trades primarily in foreign exchange and interest rate markets using interest rate swaps, forward rate agreements, bonds and bond options. Currency options, equities and equity derivatives are also traded on a limited basis.

The market risk exposure that arises from this trading activity is the risk that changes in interest rates, exchange rates between currencies or the value of financial instruments will result in an adverse impact on earnings. Market risk trading exposures are measured by three different methods; sensitivity analysis, value at risk, and scenario testing. Sensitivity analysis is used to establish exposure limits and measures the impact on earnings of specified moves in interest rates, prices and exchange rates. Value at risk estimates the largest potential loss in pre-tax profit over a given holding period for a specified confidence level and takes account of offsetting positions and correlations between products and markets. Since no single measure can capture all of the dimensions of market risk, value at risk analysis is supplemented by scenario analysis which models extreme moves in market prices based on hypothetical scenarios or historic events.

The ultimate responsibility for capital allocation and aggregate market risk limits resides with the Nedcor board; however, the Group Finance Committee, consisting of non-executive directors, is actively involved in interpreting potential exposures. Nedcor's market risk management function also plays a critical role in ensuring that trading limits are compatible with the level of risk/reward ratio acceptable to its board. Independent oversight of trading risk is performed by the Group Trading Risk Control Unit, which is accountable to the Nedcor board.

Credit risks arising from trading activity are monitored by a separate Treasury Trading Credit Risk Management team.

General insurance

Business risks

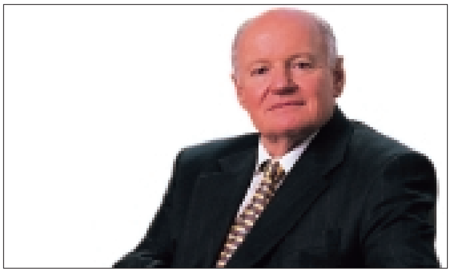
Underwriting risks are controlled through a framework of underwriting parameters that are formally communicated to all operating areas of the Mutual & Federal group and reviewed regularly. Deviations from these set parameters are only permitted following full disclosure and discussion with senior management. Retention levels on reinsurance contracts are set conservatively in line with approved underwriting standards. Parameters are regularly updated to take account of underwriting performance and market factors.

Market risks

Policyholders' funds are invested primarily in cash deposits and preference shares and are therefore not exposed to significant equity price risk. Shareholders' funds are, however, invested in equities, which are actively managed within approved guidelines set by the Mutual & Federal board. Exposure to interest rate risk is small, as the Mutual & Federal group does not rely on investment income from underwriting activities to meet its underwriting obligations.

Board of Directors

The Board comprises three executive and six non-executive directors. Mr Levett had been Chief Executive of the Group's South African life company (which was the parent company of the Group prior to demutualisation) since 1985 and has worked for the Group since 1959. Mr Anstee and Mr Sutcliffe each have considerable experience relevant to their executive responsibilities with the Group, as demonstrated by their brief biographical details set out below. The non-executive directors, three of whom are UK and three South African based, provide strong support, with their diverse backgrounds, including a significant element of knowledge and experience of other international financial services and industrial groups.



Michael Levett
B. Com, D. Econ. Sc (hc), FIA, FFA, FASSA, is the Chairman and Chief Executive.
He is also a director of Barlow Ltd, Central Africa Building Society, Mutual & Federal Insurance Company Ltd, Nedcor Limited, Safmarine and Rennies Holdings Ltd, South African Breweries plc and Old Mutual South Africa Trust plc.

Eric Anstee
FCA, is the Group Finance Director.
He was previously Finance Director of The Energy Group PLC. Prior to that he was Group Finance Director of Eastern Group plc between 1993 and 1997. Before joining Eastern, he was a senior partner with Ernst & Young. He is a member of the Senate of the Institute of Chartered Accountants in England and Wales. He is a non-executive director of Nedcor Limited, Mutual & Federal Insurance Company Limited and Severn Trent plc.

James Sutcliffe
BSc, FIA, was appointed to the Board as Chief Executive, Life, on 24 January 2000.
He was formerly Deputy Chairman of Liberty International plc, having previously been Chief Executive, UK, of Prudential plc and Chief Operating Officer of Jackson National, Prudential's US subsidiary.

Norman Broadhurst
FCA, FCT, is a non-executive director and Chairman of the Audit Committee.
He has recently retired from his position as Group Finance Director of Railtrack plc which he had held since 1994. From 1990 to 1994 he was the Finance Director and then Deputy Chief Executive (Finance/Commercial) for VSEL Consortium PLC.
His other current non-executive directorships include Chloride Group plc, Clubhaus plc and United Utilities PLC.

Warren Clewlow
OMSG, CA (SA), D. Econ. (hc), is a non-executive director and Chairman of the Compliance Committee.
He has been Chairman of Barlow Ltd since 1991.
He was previously Chief Executive of the Barlow group and has managed many of its diverse divisions.
He is also a non-executive director of Sasol Ltd and Iscor Ltd.

Christopher Collins
FCA, is a non-executive director and Chairman of the Remuneration Committee.
He was appointed Chairman of Hanson PLC in 1998, having been Vice-Chairman since 1995. His international experience includes working as a Hanson PLC representative in Australia.
He is also a non-executive director of The Go-Ahead Group PLC.

Peter Joubert
BA, DPWM, is a non-executive director.
He is also Chairman of Delta Motor Corporation (Pty) Ltd, Delta Electrical Industries Ltd, Foodcorp Holdings (Pty) Ltd, Munich Reinsurance of Africa Ltd and NEI Africa Holdings Ltd and a director of Impala Platinum Holdings Ltd, Malbak Ltd, Murray & Roberts Holdings Ltd and Nedcor Limited. He is a past Managing Director and Chairman of African Oxygen Ltd.

Chris Liebenberg
CAIB(SA), FIBSA, AMP (Harvard), is a non-executive director.
He is also Chairman of Nedcor Limited and a former Minister of Finance in the South African Government of National Unity. He is a past Chief Executive of Nedcor Limited and past Chairman of Hoechst SA. He is also a director of Mutual & Federal Insurance Company Limited, Development Bank of Southern Africa and Anglovaal Industrial Holdings Ltd.

Murray Stuart
CBE, MA, LLB, CA, FCT, is the senior non-executive director and Chairman of the Nomination Committee.
He has been Chairman of ScottishPower plc since 1992. He is also non-executive Chairman of Intermediate Capital Group plc and a non-executive director of The Royal Bank of Scotland Group plc and of CMG plc. He was previously Deputy Managing Director of ICL and Chief Executive of Metal Box. He has also been a non-executive director of Clerical Medical Investment Group and a Vice-Chairman of Hill Samuel Bank Ltd.

Directors' Report

The directors of Old Mutual plc submit their report and the audited financial statements of the Group for the year ended 31 December 1999.

Principal activities

The Company is the holding company of the Old Mutual Group of companies, whose principal activities are life assurance (including retirement savings), asset management (including unit trusts and portfolio management and services), banking and general insurance.

Share capital

The Company's issued share capital as at 31 December 1999 was £344,462,423 divided into 3,444,624,230 ordinary shares of 10p each (1998: £50,000 divided into 500,000 ordinary shares of 10p each). During the year 316,301,616 ordinary shares, which had been conditionally allotted on 11 December 1998, were issued to life assurance companies in South Africa, Malawi, Namibia and Zimbabwe, which are now wholly-owned subsidiaries of the Company; 2,654,477,800 ordinary shares were issued on 11 May 1999 upon demutualisation; 297,127,942 ordinary shares were issued on 10 July 1999 and a further 176,216,872 ordinary shares were issued on 19 July 1999 pursuant to the offers made in connection with the Company's listing on the London and various African stock exchanges. An authority from the shareholders for the Company to purchase up to 326 million of its own shares was in force at 31 December 1999.

Review of the year and future developments

The Chairman's Statement and the Operating Review beginning on page 2 contain a review of the year and future developments of the Group. The Group's profit, appropriations and financial position are shown in the financial statements.

Dividend

The directors recommend a final dividend of 2p per share for payment on 31 May 2000 to holders of ordinary shares on the UK register (other than its Namibian section) at the close of business on 14 April 2000 and to holders of ordinary shares on the South African, Malawi and Zimbabwe branch registers and the Namibian section of the UK register at the close of business on 7 April 2000. This is the Company's maiden dividend, following its admission to listing as a publicly quoted company on 12 July 1999.

If approved, this dividend will be paid to shareholders on the South African, Malawi and Zimbabwe branch registers and the Namibian section of the UK register in the respective local currency of those territories, by reference to the relevant exchange rates prevailing on 7 April 2000. The equivalent of the recommended Sterling dividend in the other currencies will be announced by the Company on 10 April 2000. It is expected that payment will be made via dividend access trust mechanisms in each country concerned. This means that holders of shares on the South African branch register will receive dividends from a domestic entity and are not, therefore, expected (based on the Company's current understanding) to be subject to the tax on foreign dividends announced in the South African budget on 23 February 2000.

For future dividends, the Board intends to follow a policy to achieve stable returns to shareholders over time reflecting the Group's long term rate of return and the cash flow requirements of its businesses. It expects to declare an interim dividend for the current year in September 2000, payable in November 2000, representing approximately one third of the expected full dividend for the year. With a view to further enhancing returns to shareholders, the Board is to seek powers at the forthcoming Annual General Meeting (see Notice and explanatory notes on pages 105 to 110) to initiate a share buyback programme as part of its prudent capital management proposals.

Directors

The Board currently has nine members, consisting of three executive and six non-executive directors. The Chairman and Chief Executive (Mr M J Levett) and the Group Finance Director (Mr E E Anstee) were both in office as at 1 January 1999. The six non-executive directors (Mr N N Broadhurst, Mr W A M Clewlow, Mr C D Collins, Mr P G Joubert, Mr C F Liebenberg and Mr C M Stuart) were all appointed on 25 March 1999. Mr J H Sutcliffe was appointed as an executive director and Chief Executive, Life, on 24 January 2000.

Directors' interests

Details of the directors' interests (within the meaning of section 346 of the Companies Act 1985, including interests of connected persons) in the share capital of the Company and its quoted subsidiaries are set out in the table below, whilst their interests in share options are described in the section of the Remuneration Report entitled "Directors' share options". No director had a material interest in any significant contract with the Company or any of its subsidiaries during the year.

	Old Mutual plc number of shares	Nedcor Limited number of shares	Mutual & Federal Insurance Company Limited number of shares
At 31 December 1999			
M J Levett	184,000	100	864,100
E E Anstee	47,508	100	500
N N Broadhurst	2,416	–	–
W A M Clewlow	30,700	–	–
C D Collins	5,541	–	–
P G Joubert	4,500	15,000	–
C F Liebenberg	600	20,459	40,500
C M Stuart	5,541	–	–
At 1 January 1999			
M J Levett	–	101	864,100
P G Joubert	–	15,000	–
C F Liebenberg	–	20,459	40,500

Included in the above interests are the following non-beneficial interests held as qualification shares: M J Levett (101 shares in Nedcor Limited at 1 January 1999, 100 shares in Nedcor Limited at 31 December 1999, and 500 shares in Mutual & Federal Insurance Company Limited at both 1 January and 31 December 1999); E E Anstee (100 shares in Nedcor Limited and 500 shares in Mutual & Federal Insurance Company Limited at 31 December 1999); and C F Liebenberg (500 shares in Mutual & Federal Insurance Company Limited at both 1 January and 31 December 1999).

Corporate governance

A statement on corporate governance appears on pages 42 to 45.

Substantial interests in shares

As at 15 March 2000, the following substantial share interest had been declared to the Company in accordance with Part VI of the Companies Act 1985:

Name	No. of shares	% of total issued shares
Old Mutual Life Assurance Company (South Africa) Limited	300,000,000	8.7%

Employment policies

The employment policies of the Group have been created to attract, retain, develop and motivate high quality personnel at all levels of its operations. These policies have been developed in the context of local and regional employment law and practice.

In compliance with the South African Employment Equity Act, which became law during 1999, Old Mutual South Africa has:

- conducted an analysis of its employment policies, practices and procedures and the working environment in order to ensure that there are no employment barriers which adversely affect people from designated groups, namely Africans, Coloureds, Indians, women and people with disabilities;
- appointed a senior manager in each business to be responsible for employment equity matters as well as an overall Employment Equity Co-ordinator;
- consulted staff and their union representatives in the preparation of Employment Equity Plans;
- arranged for each business to prepare an Employment Equity Plan including analysing the current workforce profile and setting numerical goals where under-representation has been identified;
- adopted procedures to monitor and evaluate the implementation of those plans as well as internal procedures to resolve disputes about the plans.

A summary of the Group's Employment Equity Plans will be the basis of the Employment Equity Report, which is required to be submitted to the South African Department of Labour by 31 May 2000.

It is the policy of the Group to give fair consideration to applications for employment from people with disabilities and to continue the employment of those individuals who become disabled, having due regard in each case to the nature of the position concerned.

The Group recognises the benefits of effective communication and consultation with, and training of, its employees. Policies and procedures in these areas are developed by each subsidiary company according to its own circumstances.

Supplier payment policy

In most cases a supplier of goods or services does so under standard terms of contract which lay down terms of payment. In other cases, specific terms are agreed beforehand. It is the Group's policy to ensure that the terms of payment are notified in advance and adhered to. The total outstanding indebtedness of the Company (and its service company subsidiary, Old Mutual Berkeley Square Limited) to trade creditors as at 31 December 1999 amounted to £1.6 million, corresponding to 17.5 days' payments when averaged over the period from May 1999 (when the Company became the ultimate holding company of the Group) to December 1999.

Charitable and political contributions

The Company and its subsidiaries in the UK made charitable donations of £211,241 and made no political donations during the year.

Social investment and environmental activities

A description of the Group's social investment and environmental activities is set out in the Corporate Responsibilities section of this document on page 46.

Year 2000

Group businesses completed their extensive testing and rectification programmes well in advance of 1 January 2000. There were no material impacts from the date change. The Group is continuing to monitor its own internal systems and processes as well as those which impact on customers and suppliers in order to identify any Year 2000-related problems should they occur.

Auditors

KPMG Audit Plc have expressed their willingness to continue in office as auditors of the Company and a resolution proposing their re-appointment will be put to the Annual General Meeting.

By order of the Board
Martin C Murray
Group Company Secretary
London, 15 March 2000

Corporate Governance

The Group is committed to the objective of achieving high standards of corporate governance. In the period commencing from the date of demutualisation (11 May 1999), when the Company became the holding company of the Group, to 31 December 1999, and in the preparation of the Annual Report and Accounts for the year ended 31 December 1999, the Company has complied with Section 1 of the Combined Code on Corporate Governance of the London Stock Exchange (the "Combined Code") in the following manner.

Board of directors

The Board meets eight times a year (including sessions devoted to strategy and business planning) and reserves specific matters to itself for decision. Directors, on appointment, and regularly thereafter, are briefed in writing and orally by the executive management and may take independent professional advice at the Company's expense, if necessary, for the furtherance of their duties.

The Board currently comprises three executive and six non-executive directors, as identified on page 37 of this document. Mr Liebenberg is chairman of the Company's subsidiary, Nedcor Limited. The other non-executive directors are considered to be free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Mr Levett currently serves as both Chairman and Chief Executive, a role which he previously fulfilled at the Group's principal South African business before demutualisation. The continuity achieved by his assumption of a similar role with the Company was a key feature in ensuring its successful demutualisation and listing. The executive element of the Board is balanced by a strong independent group of non-executive directors. A senior independent non-executive director, Mr Stuart, has been appointed.

The Nomination Committee, chaired by Mr Stuart, meets as required and makes recommendations to the Board in relation to the appointment of directors and the structure of the Board. The committee members comprise all of the non-executive directors, together with the Chairman and Chief Executive.

The Articles of Association of the Company require that one third of the directors (excluding those appointed by the Board during the year), shall retire each year by rotation. This reflects the principle of the Combined Code that directors should submit themselves for re-election at regular intervals and at least every three years. Proposals for re-election to the Board are considered by the Nomination Committee and are not automatic.

The Audit Committee of the Board, chaired by Mr Broadhurst, meets at least three times a year. Its terms of reference enable it to take an independent view of the appropriateness of the Group's accounting policies and practices for the preparation of the Report and Accounts, the effectiveness of the Group's internal control system (including financial, operational, and risk management controls), and the conduct of internal audit functions. The members of this committee currently comprise all of the non-executive directors except for Mr Joubert, who will be joining the committee as from 1 April 2000.

The Audit Committee reviews annually the remit, authority, resources and scope of work of internal audit. It considers the appointment of, and fees (both audit and non-audit) for, the external auditors, who have unrestricted access to it. It also monitors internal and external auditors' performance against expectations.

The Remuneration Committee, chaired by Mr Collins, comprises all six of the non-executive directors and meets at least three times a year. Details of how the Company has applied the provisions of the Combined Code in respect of directors' remuneration are provided in the Remuneration Report on pages 47 to 51 of this document.

The Group Compliance Committee, chaired by Mr Clewlow, reviews compliance risks within the Group's wholly-owned operations, with a view to ensuring that appropriate controls are in place to address those risks. Responsibility for the day-to-day control of compliance remains, however, primarily with the management of the underlying operations. The supervision of compliance within the Group's regulated subsidiaries, Nedcor Limited and Mutual & Federal Insurance Company Limited, which are each listed in their own right on the Johannesburg Stock Exchange, is currently devolved primarily to the boards of their respective parent companies.

Internal control environment

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The internal control systems are designed to meet the particular needs of the Group and its individual businesses and the risks to which they are exposed. However, these systems can only provide reasonable but not absolute assurance against material misstatement or loss, since they are designed to manage rather than eliminate the risks of pursuing chosen business objectives.

The Combined Code introduced a requirement that the directors review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management. In 1999, in accordance with the London Stock Exchange transitional rules in implementing Internal Control: Guidance for Directors on the Combined Code (the "Turnbull Guidance") published in September 1999, the Board has reviewed and reported on the effectiveness of the Group's internal financial controls.

During 1999 the internal control system has been reviewed and in a number of areas significantly enhanced. This included the creation of reporting and control structures appropriate to, and consequent upon, the restructuring of the Group in the context of its demutualisation and listing as a public company. In particular, new arrangements were introduced from May 1999 for financial controls to be centrally administered by the Company as the holding company of the Group. Control risk assessment procedures have been introduced in the areas of risk management and compliance, and budgeting and financial control arrangements have been strengthened. The Board believes that the necessary procedures will be in place to comply with the Turnbull Guidance for the accounting period ending 31 December 2000. The key components of the Group's overall system of internal controls currently in operation and the process of review by the directors are set out below.

Management structures

The Group has an appropriate organisational structure for planning, executing, controlling and monitoring its business operations in order to achieve its objectives. Within the overall strategic and financial objectives for the Group, agreed by the Board, the management of the Group as a whole is delegated to the executive directors in accordance with a Scheme of Delegated Authority, which also governs the conduct of the executive managers of the underlying wholly-owned operations of the Group. These executive managers are accountable for the control, conduct and performance of their businesses, within the agreed business strategy.

Each of the Company's separately quoted subsidiaries, Nedcor Limited, Nedcor Investment Bank Holdings Limited and Mutual & Federal Insurance Company Limited, have boards that comprise executive and non-executive directors. Each board is responsible for compliance with good corporate governance and codes of conduct applicable to listed South African companies (such as the King Report) which are broadly equivalent to the Combined Code. In addition, as regulated businesses, all three of these entities are subject to rigorous scrutiny to comply with regulatory requirements in their sectors.

At the time of demutualisation, the former mutual society in South Africa was incorporated with a board of directors including a strong element of non-executive director representation. This board ensures compliance in all respects with good governance and particularly with the regulatory requirements of the Financial Services Board of South Africa. In addition this board, acting through its non-executive directors, is specifically charged with reviewing the protection of policyholders' interests, a function it has discharged during the past year in a number of important areas.

The Group's strategic direction is regularly reviewed by the Board, and the executive directors consider the strategy for individual businesses with executive management on a disciplined basis. Annual budgets and three-year strategic plans are prepared, with performance targets for each business set by the executive directors in conjunction with executive managers. The overall Group plan is then reviewed in total by the Board in the light of the Group's objectives. Performance against plan is actively monitored at Board level.

The executive directors receive monthly summaries of financial results from each business and the Group summary of these reports is supplied monthly to all members of the Board. Additionally, the executive directors in conjunction with executive management formally review the progress of the businesses on a quarterly basis including a review of key risk factors. The Group and its business units have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud.

Risk management

Executive managers are responsible for the identification and evaluation of key risks applicable to their areas of business. An internal control self-appraisal system is in place in each business to assess systematically the internal business and financial controls and to report regularly on their effectiveness. Improvements are made where necessary. A Group Risk Management Committee has been established, responsible for overseeing and reporting to the Group Audit Committee on the overall Group risk profile. This regularly evaluates the key risks to the achievement of the Group's objectives as business activities change in response to market and technology developments. It also reviews and evaluates business unit reporting utilising a risk-based approach.

In relation to the life assurance business, the Chief Actuary is responsible for ensuring that sound risk management practices are employed on a consistent basis within the Group and financial soundness is maintained by the life assurance operations with regard to the actuarial, underwriting, investment and operating risks. He reports directly and has unrestricted access to the Audit Committee. The Chief Actuary also reports three times a year to an Actuarial Review Committee, which comprises senior actuaries and executive management of the Group, on the integrity of the actuarial valuation results and his satisfaction with overall financial discipline. External auditors and consulting actuaries also attend each meeting.

Monitoring of controls

The Group's internal audit function operates on a global basis and carries out regular reviews of operational and control procedures. The internal audit function operates independently of executive management, reporting to the Group Finance Director, with unrestricted access to the Chairman and the Audit Committee. An Internal Audit Charter, approved by the Audit Committee, governs audit activity within the Group. The audit work programme is integrated with the work of the external auditors to enhance the combined effectiveness of their respective functions. A formal report is prepared for each audit assignment and corrective actions agreed with management in response to its recommendations. Key findings are provided to the Audit Committee.

Investor relations

The Company is committed to a process of continuing dialogue with its investors. When major issues arise, the Company makes appropriate contact with institutional investors and their representative bodies. A presentation on the Group's results and its plans for the future will be made at the Annual General Meeting when shareholders who are present may put questions to the directors. For shareholders who are unable to attend the Company's Annual General Meeting on 18 May 2000 in person, it is intended that a transcript of the proceedings of the meeting will be put on the Company's website (www.oldmutual.com) as soon as practicable after that meeting has taken place.

Going concern

The Board has satisfied itself that the Group has adequate resources to continue in operation for the foreseeable future. The Group's financial statements have accordingly been prepared on a going concern basis.

By order of the Board
Martin C Murray
Group Company Secretary
London, 15 March 2000

Corporate Responsibilities

Social investment

For many years the Group has operated a charitable donations programme and a social investment programme through a commitment to the regions in which the Group's principal businesses operate.

On demutualisation in May 1999, the Company established Old Mutual Foundations in South Africa, Zimbabwe, Bermuda, Malawi and Namibia. The Foundations were each separately endowed with Old Mutual shares, issued at the time of the demutualisation. It is intended to use the income stream generated from dividends paid on the Old Mutual shares held by the Foundations, and other support funding, to fund programmes that continue the Group's social and community policies and that the Foundations will assume responsibility for the charitable donations programme and the social investment programme in the future.

During 1999 the Foundations contributed some £65 million to demutualisation levies to fund specific social development programmes. In South Africa the beneficiary was the government-sponsored job creation (Umsobomvu) fund.

The policy priorities chosen for the Old Mutual social investment programme are Education; Health & Welfare, particularly programmes on HIV/AIDS; local economic development; and matching funds for staff community initiatives.

In addition to the central activities of the Old Mutual Foundations, it is the policy of the Group to support specific programmes developed by its individual business units in the context in which each business operates.

Economic development

Old Mutual's business units implement Group policy designed to ensure sustainable economic development in each of the territories and regions in which it operates. Major efforts are devoted to encouraging the economic empowerment of disadvantaged majorities in southern Africa, through the transfer of skills, assets, and wealth and the creation of sustainable employment.

As a responsible investment institution, the Group endeavours to support important infrastructure development activities such as the Maputo Corridor, the Bulawayo railway, and rural electrification projects. Old Mutual Asset Managers entered into a joint venture in 1999 with Unity Incorporation, a trade union-led consortium, to launch the Infrastructural Development and Environmental Assets (IDEAs) Fund.

Environment

Conservation and environmental projects, including water schemes, are an important objective for Old Mutual support programmes. In South Africa the Group is widely known for its work with Kirstenbosch Royal Botanical Society for initiatives to preserve and enhance the ecology of southern Africa and other bodies for the preservation of threatened fauna and flora.

Remuneration Report

The salary and other benefits of the executive directors are determined by the Remuneration Committee on behalf of the Board. The Remuneration Committee also reviews and monitors share incentive arrangements (including option schemes) of the Company.

Remuneration policy

The Remuneration Committee's objective is to set remuneration to attract and retain high calibre executives by offering above average levels of reward for consistently superior business performance.

The Remuneration Committee's current policy is to relate basic salaries to comparable international financial services companies based in the UK. The Company aims to encourage and reward outstanding performance by means of short term and long term incentive schemes. In framing its policy, the Committee has taken into account the relevant provisions of the Combined Code of the London Stock Exchange.

The individual salary, incentive and benefit levels of the executive directors are reviewed annually by the Remuneration Committee, having regard to individual responsibilities and performance.

Directors' remuneration

Remuneration for the executive directors comprises a basic salary, an allowance (described in more detail under "Benefit allowance" below) in lieu of pension or other benefits in kind, an annual bonus based on the performance of the individual and the Group, and participation in the Group's executive share incentive schemes. Details of individual directors' remuneration and share options are set out later in this Remuneration Report.

The annual bonus plan for the executive directors who held office in 1999 had three constituent parts: 30% of bonus was attributable to the successful completion of the demutualisation and listing project, a further 30% was based upon achievement of the "Project 500" cost-saving programme, and the remaining 40% was based upon the Group's results for the year exceeding preset targets. All three aspects of the annual bonus plan were fully achieved to the satisfaction of the Remuneration Committee. The executive directors accordingly received the maximum bonus, of 50% of annual salary, for 1999.

Under the annual bonus plan for 2000, Mr Levett and Mr Anstee may be awarded up to 50% of basic salary if personal and Group performance objectives set by the Remuneration Committee are met. The bonus for Mr Levett will be based entirely on Group financial performance. The bonus for Mr Anstee will be based as to 80% of the maximum on overall Group financial performance and as to 20% on the attainment of strategic objectives relevant to his specific areas of responsibility. Mr Sutcliffe's bonus for 2000, equal to the time pro-rated equivalent of 50% of his basic salary from his date of appointment, has been guaranteed as part of his terms of recruitment; his basic salary for the year ending 31 December 2000 is £385,000 per annum.

The Remuneration Committee has concluded that an executive share option scheme currently remains the most appropriate long term incentive for the Group, but also operates a restricted share plan as an adjunct thereto, in order to secure and retain senior employees, where considered appropriate. Grants of options under the executive share option scheme will be targeted in order to reward the operational performance of management in a manner that aligns the interests of management and shareholders, while assisting in the attraction, retention and motivation of key employees for the long term benefit of the Group. To the extent that the level of options exceeds four times salary, these grants will be funded by way of shares purchased in the market, which will be retained in a trust.

Directors' share options

No directors received or were entitled to receive any benefits under long term incentive schemes in the year under review, apart from continuing participation in the Old Mutual Group Achievements Limited ("OMGA") Share Incentive Scheme, which was in existence before the demutualisation and listing of the Group. As stated in the Company's prospectus, on 16 April 1999 Mr Levett waived options over certain OMGA shares, as part of the restructuring of his total remuneration package, and on 26 April 1999 his remaining rights over OMGA shares were converted, on an appraised basis, into rights over a total of 5,128,488 shares in the Company at an average acquisition cost of R9.06 per Company share. On 26 April 1999, Mr Anstee's OMGA share options were converted, on an appraised basis, into rights over OMGA shares linked to shares in the Company equivalent to a total of 2,137,536 shares in the Company at an average equivalent exercise price of R9.21 per Company share.

Options under the OMGA Share Incentive Scheme were awarded on the basis of the performance of the individuals, but are not linked to future performance criteria. Exercise of the options (in the case of Mr Anstee) and delivery or disposal of the shares (in the case of Mr Levett) is only permitted at the earliest, as to one-third at the end of each of three, four and five years following the date of grant of the relevant option. Exercise of the options (in the case of Mr Anstee) or delivery of the shares (in the case of Mr Levett) must in any event take place within six years of the grant of the option concerned.

Further details of the directors' share interests arising from the OMGA scheme and now outstanding are set out below.

	Date of grant	No. of options over OMGA shares	Date exercised	Date of conversion	No. of Company shares (equivalent*)	(Equivalent*) price per Company share
M J Levett	01.01.97	470,200	16.04.99	26.04.99	507,816	R9.17
	15.05.97	654,100	23.07.97	26.04.99	706,428	R9.17
	01.10.98	876,300	22.10.98	26.04.99	946,404	R8.98
	01.10.98	1,939,800	01.10.98	26.04.99	2,094,984	R9.07
	01.10.98	200	22.10.98	26.04.99	216	R9.07
	01.10.98	808,000	16.04.99	26.04.99	872,640	R8.98
E E Anstee	01.11.98	1,979,200	N/A	26.04.99	2,137,536*	R9.21*

The market price of the Company's shares was £1.68 at 31 December 1999, ranging from a low of £1.21 to a high of £1.68 during the period from 12 July 1999 (when the shares were first admitted to listing) to 31 December 1999.

Gains on share options

The following gain arose on the exercise of OMGA share options, although delivery of shares is deferred as mentioned above.

	Date	Number of options exercised	R000
M J Levett	16.04.99	1,278,200	**1,785**

The following options and rights over Company shares were granted under the Company's share option schemes on 14 March 2000.

	No of shares	Exercise price	Date exercisable or receivable
E E Anstee	886,800	130.25p	14.03.03[1] – 14.03.06
M J Levett	1,007,700	130.25p	14.03.03[1] – 14.03.06[2]
J H Sutcliffe	517,300	130.25p	14.03.03[1] – 14.03.06
J H Sutcliffe	460,700	–	24.01.03[3]

Notes:

[1] Subject to the fulfilment of performance targets prescribed by the Remuneration Committee, under which these will only be exercisable if the Company's earnings per share increase by prescribed factors in excess of UK RPI over the period between 1 January 2000 and 31 December 2002, which the Remuneration Committee considers to be stretching targets, having regard to the currencies in which most of the Group's revenues are currently earned.

[2] Subject to curtailment to 12 months after Mr Levett's retirement date.

[3] Restricted shares, which are to be released on the third anniversary of Mr Sutcliffe's appointment, subject to his still being in employment with the Group on that date.

Benefit allowance

The Company has adopted a cash based package approach for executive directors and other senior executives of the Group. The total cash package comprises a basic salary and a benefit allowance, which was 25% of the basic salary during 1999. The benefit allowance is provided in lieu of contributions to retirement funds, life, disability and medical cover as well as other fringe benefits which are usual at this level such as car or travel allowances. The executive directors may use the benefit allowance to purchase benefits appropriate to their needs from independent suppliers of their choice or, if they wish, they may participate in certain benefit arrangements established for Group employees in the UK. Participation in any Group defined contribution arrangement is on a commercial basis which must be fully funded from the benefit allowance.

Mr Levett's contract of service includes the provision of residential accommodation in the UK at the Company's expense. The Company has leased appropriate accommodation in London since May 1999 for this purpose.

Directors' service contracts

Directors holding executive office have service contracts, the terms of which are considered by the Remuneration Committee to provide a proper balance of duties and security between the respective parties.

Mr Anstee and Mr Levett have service contracts terminable on 12 months' notice, save that until 12 July 2001 (being two years from the date on which the Company's shares were first listed) the period of notice required to be given by the Company is 24 months. Mr Sutcliffe has a service contract terminable on 12 months' notice, save that until 24 January 2001 (being the first anniversary of the commencement of his employment) the period of notice required to be given by the Company is 24 months. In the case of all executive directors, dismissal by the employer, without notice and in the absence of specific grounds, may require a payment (after an allowance for mitigation) equal to three-quarters of the aggregate of his salary, contractual benefits and a sum equal to 25% of his salary for the period concerned in respect of potential annual bonuses. If not terminated, the contract can continue until the director attains the age of 60 (in the case of Mr Anstee and Mr Sutcliffe) or until 30 June 2003 (his normal retirement date, in the case of Mr Levett).

Non-executive directors

The non-executive directors of the Company do not have service contracts and are not entitled to bonus payments or pension arrangements. Remuneration of the non-executive directors as directors of the Company is set by the Board as a whole.

Directors' emoluments

1. Remuneration

Remuneration for the financial year ended 30 June 1998, for the six months ended 31 December 1998 and the 12 months ended 31 December 1999 (including remuneration from offices held with the Company's subsidiaries, Nedcor Ltd and Mutual & Federal Insurance Company Ltd, where relevant) was as follows:

	Salary & fees £000	Bonus £000	Benefit & benefit allowance £000	Pension £000	Total £000
Year to 30 June 1998[1]					
M J Levett	318	98[2]	58	38	512
W A M Clewlow	13	–	–	–	13
P G Joubert	22	–	–	–	22
C F Liebenberg	162	–	–	–	162
Six months to 31 December 1998[1]					
M J Levett	164	191	139	20	514
E E Anstee	50	25	13	–	88[3]
W A M Clewlow	9	–	–	–	9
P G Joubert	17	–	–	–	17
C F Liebenberg	67	–	–	–	67
Year to 31 December 1999					
M J Levett	428	417[4]	207[5]	–	1,052
E E Anstee	300	150	75	–	525
W A M Clewlow	31[6]	–	–	–	31[6]
P G Joubert	46	–	–	–	46
C F Liebenberg	162	–	–	–	162
N N Broadhurst	31	–	–	–	31
C D Collins	31	–	–	–	31
C M Stuart	33	–	–	–	33

Notes:

[1] The financial year end was changed from June to December in 1998: the comparative figures for periods prior to 1 January 1999 are therefore shown as 12 months to June 1998 and 6 months to December 1998, consistent with the Company's Prospectus dated 19 May 1999.

[2] Included in the bonus received by Mr Levett was £86,000, which was taken as OMGA deferred delivery shares in lieu of cash.

[3] Mr Anstee was first employed by the Group in November 1998 and his emoluments for 1998 accordingly related to service in November and December 1998.

[4] In April 1999 Mr Levett was awarded £192,500 by way of bonus for his services to the Group for the previous two years. This amount is included in the figures for the year to 31 December 1999.

[5] Inclusive of cost of London accommodation provided by the Company.

[6] Mr Clewlow waived £12,000 of these fees in favour of Barlow Limited in the period ended 31 July 1999.

2. Pension benefits

Mr Levett has accrued pension fund benefits under his previous service with the South African Mutual Life Assurance Society. His accrued benefits from previous contributions are held in the Old Mutual Staff Retirement Fund and the Old Mutual Offshore Retirement Savings Plan. Both of these are defined contribution funds and the growth in value in 1999 is based on investment returns only. There were no contributions specific to Mr Levett to either of these funds during 1999.

His accrued benefit from contributions to the South African Retirement Fund arrangement has been retained in the Old Mutual Staff Retirement Fund as a paid-up benefit since December 1998. No further contributions were made to the fund from this date. The benefit accrues final fund interest annually, as declared by the Management Board of the fund. The fund financial year runs from 1 July to 30 June, with the final fund interest declared for this period in October of the following year.

The benefit as at 31 December 1999 therefore includes both the final rate of fund interest for the period 1 July 1998 to 30 June 1999 and the interim rate of fund interest from 1 July 1999 to 31 December 1999. The actual growth in the benefit may therefore differ from the amount provided as at 31 December 1999 when the final fund interest rate for the period 1 July 1999 to 30 June 2000 is declared in October 2000.

	Date of birth	Actual service to year end	Increase in accrued pension fund value during the year £000	Accumulated total accrued pension fund value at 31 December 1999 £000
M J Levett	6 June 1939	41 yrs	482	5,563

Mr Anstee has no accrued pension fund benefits in any Group pension funds and did not contribute to any Group pension fund during 1999.

C D Collins
Chairman of Remuneration Committee, on behalf of the Board
London, 15 March 2000

Statement of Directors' Responsibilities

In respect of the preparation of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditors' Report to the members of Old Mutual plc

for the year ended 31 December 1999

We have audited the financial statements on pages 54 to 99, except for the pro forma information and related notes on pages 54 to 99.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 52, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law, and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 42 to 45 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

We have reviewed, without audit, the pro forma consolidated profit and loss account and related notes for the year ended 31 December 1998 which are included in the financial statements. In our opinion these pro forma statements have, so far as the calculations are concerned, been properly compiled on the basis set out in note 1.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

15 March 2000

Consolidated Profit and Loss Account

for the year ended 31 December 1999

Notes	Technical account – long term business	£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
	Earned premiums, net of reinsurance				
	Gross premiums written				
	Continuing operations	**3,301**	3,328	**32,546**	30,306
	Discontinued operations	**33**	37	**325**	337
2(a)		**3,334**	3,365	**32,871**	30,643
	Outward reinsurance premiums	**(5)**	(20)	**(49)**	(182)
		3,329	3,345	**32,822**	30,461
3	Investment income	**2,995**	2,507	**29,527**	22,829
	Unrealised gains on investments	**3,783**	–	**37,296**	–
	Other technical income, net of reinsurance	**35**	4	**345**	32
		10,142	5,856	**99,990**	53,322
	Claims incurred, net of reinsurance				
	Claims paid				
	Gross amount	**(3,360)**	(2,970)	**(33,126)**	(27,046)
	Reinsurers' share	**35**	56	**345**	514
		(3,325)	(2,914)	**(32,781)**	(26,532)
	Change in the provision for claims, net of reinsurance	**(67)**	(31)	**(661)**	(280)
		(3,392)	(2,945)	**(33,442)**	(26,812)
	Changes in other technical provisions, net of reinsurance				
	Long term business provision, net of reinsurance				
	Gross amount	**(3,670)**	448	**(36,182)**	4,084
	Reinsurers' share	**(30)**	(12)	**(296)**	(108)
		(3,700)	436	**(36,478)**	3,976
	Change in technical provisions for linked liabilities, net of reinsurance	**(1,519)**	260	**(14,976)**	2,369
		(5,219)	696	**(51,454)**	6,345
6	Net operating expenses	**(552)**	(543)	**(5,442)**	(4,942)
4	Investment expenses and charges	**(28)**	(26)	**(276)**	(241)
	Unrealised losses on investments	**–**	(3,147)	**–**	(28,660)
12(a)	Tax attributable to the long term business	**(116)**	(50)	**(1,144)**	(458)
5(a)	Allocated investment return transferred (to)/from the non-technical account	**(543)**	312	**(5,353)**	2,840
	Balance on the technical account – long term business	**292**	153	**2,879**	1,394
	Analysed between:				
	Continuing operations	**342**	271	**3,372**	2,471
15(b)	Discontinued operations	**(50)**	(118)	**(493)**	(1,077)
		292	153	**2,879**	1,394

Analysis of balance on technical account – long term business

Notes		£m 1999	£m 1998	Rm 1999	Rm 1998
	Long term business result before investment return	**105**	21	**1,035**	190
5(a)	Long term investment return	**187**	132	**1,844**	1,204
	Balance on the technical account – long term business	**292**	153	**2,879**	1,394

Notes	Technical account – general business	£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
	Earned premiums, net of reinsurance				
	Gross premiums written (continuing operations)	**291**	292	**2,869**	2,659
	Outward reinsurance premiums	**(33)**	(39)	**(325)**	(357)
2(g)		**258**	253	**2,544**	2,302
	Change in the provision for unearned premiums, net of reinsurance				
	Gross amount	**2**	7	**20**	68
	Reinsurers' share	**(1)**	–	**(10)**	–
		259	260	**2,554**	2,370
5(a)	**Allocated investment return transferred from the non-technical account**	**56**	79	**552**	715
	Claims incurred, net of reinsurance				
	Claims paid				
	Gross amount	**(223)**	(226)	**(2,199)**	(2,057)
	Reinsurers' share	**21**	35	**207**	320
		(202)	(191)	**(1,992)**	(1,737)
	Change in the provisions for claims, net of reinsurance				
	Gross amount	**8**	(4)	**79**	(36)
	Reinsurers' share	**(5)**	–	**(49)**	–
		3	(4)	**30**	(36)
2(g)		**(199)**	(195)	**(1,962)**	(1,773)
6	Net operating expenses	**(57)**	(58)	**(562)**	(530)
2(c)	**Balance on the technical account – general business**	**59**	86	**582**	782
	General business result before long term investment return	**3**	7	**30**	67
5(a)	Long term investment return	**56**	79	**552**	715
	Balance on the technical account – general business	**59**	86	**582**	782

Non-technical account – insurance and asset management activities

Notes		£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
	Balance on the technical account – long term business	**292**	153	**2,879**	1,394
12(b)	Tax attributable to shareholders' profits on long term business	**84**	18	**828**	159
	Profit from long term business before tax	**376**	171	**3,707**	1,553
	Balance on the technical account – general business	**59**	86	**582**	782
3	Investment income	**267**	81	**2,632**	737
	Unrealised gains on investments	**64**	–	**631**	–
5(a)	Allocated investment return transferred from/(to) the long term business technical account	**543**	(312)	**5,353**	(2,840)
4	Investment expenses and charges	**(33)**	(2)	**(325)**	(20)
	Unrealised losses on investments	**–**	(167)	**–**	(1,517)
5(a)	Allocated investment return transferred to the general business technical account	**(56)**	(79)	**(552)**	(715)
	Other income	**242**	124	**2,385**	1,134
	Other charges	**(238)**	(132)	**(2,346)**	(1,203)
	Insurance profit/(loss) on ordinary activities before tax	**1,224**	(230)	**12,067**	(2,089)
	Analysed between:				
	Continuing operations	**1,274**	(112)	**12,560**	(1,012)
	Discontinued operations	**(50)**	(118)	**(493)**	(1,077)
		1,224	(230)	**12,067**	(2,089)

Consolidated Profit and Loss Account

for the year ended 31 December 1999

Notes	Non-technical account – banking activities	£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
	Interest receivable	**1,652**	1,940	**16,287**	17,668
	Interest payable	**(1,208)**	(1,507)	**(11,909)**	(13,723)
2(e)	**Net interest income**	**444**	433	**4,378**	3,945
2(e)	Dividend income	**6**	9	**59**	79
2(e)	Fees and commissions receivable	**229**	242	**2,258**	2,207
2(e)	Dealing profits	**88**	74	**868**	670
2(e)	Other operating income	**7**	32	**69**	292
2(e)	**Operating income**	**774**	790	**7,632**	7,193
	Administrative expenses	**(223)**	(233)	**(2,199)**	(2,123)
	Depreciation and amortisation	**(34)**	(26)	**(335)**	(241)
	Fees and commissions payable	**(33)**	(6)	**(325)**	(55)
	Other operating charges	**(124)**	(173)	**(1,222)**	(1,572)
	Operating profit before provisions	**360**	352	**3,551**	3,202
	Provisions	**(163)**	(71)	**(1,607)**	(647)
	Operating profit	**197**	281	**1,944**	2,555
	Share of associated undertakings' profit	**13**	6	**128**	55
2(f)	**Banking profit on ordinary activities before tax**	**210**	287	**2,072**	2,610

Non-technical account – insurance, asset management and banking activities

Notes		£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
	Insurance and asset management profit/(loss) on ordinary activities before tax and non-operating items	**1,224**	(230)	**12,067**	(2,089)
	Banking profit on ordinary activities before tax and non-operating items	**210**	287	**2,072**	2,610
	Profit on ordinary activities before tax and non-operating items	**1,434**	57	**14,139**	521
11	**Non-operating items**	**54**	–	**532**	–
	Profit on sale of businesses – continuing operations	**46**	–	**453**	–
	– discontinued operations	**31**	–	**306**	–
	Cost of free share selling service offered to policyholders on demutualisation – continuing operations	**(23)**	–	**(227)**	–
2(c), 8	**Profit on ordinary activities before tax**	**1,488**	57	**14,671**	521
12(b)	Tax on profit on ordinary activities	**(165)**	(85)	**(1,627)**	(772)
	Profit/(loss) on ordinary activities after tax	**1,323**	(28)	**13,044**	(251)
	Minority interests	**(257)**	(73)	**(2,534)**	(669)
	Profit/(loss) on ordinary activities after tax and minority interests	**1,066**	(101)	**10,510**	(920)
14	Dividend proposed	**(69)**	–	**(680)**	–
	Retained profit/(loss) for the year	**997**	(101)	**9,830**	(920)

Notes	Earnings and dividend per share attributable to equity shareholders	p Year to 31 Dec 1999	p Pro forma year to 31 Dec 1998	c Year to 31 Dec 1999	c Pro forma year to 31 Dec 1998
13	Basic earnings per share	**34.1**	(3.4)	**336.2**	(31.0)
13	Diluted earnings per share	**33.9**	(3.4)	**334.2**	(27.3)
13	Earnings per share based on a long term investment return	**12.2**	10.1	**120.3**	92.0
14	Dividend per share	**2.0**	–	**19.7**	–

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 1999

Notes		£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
	Profit/(loss) on ordinary activities after tax and minority interests	**1,066**	(101)	**10,510**	(920)
	Foreign exchange movements	**(35)**	(87)	**241**	(797)
	Total recognised gains and losses for the year	**1,031**	(188)	**10,751**	(1,717)

Reconciliation of Movements in Consolidated Equity Shareholders' Funds

for the year ended 31 December 1999

Notes		£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
	Total recognised gains and losses for the year	**1,031**	(188)	**10,751**	(1,717)
14	Dividend proposed	**(69)**	–	**(680)**	–
	Retained profit/(loss) for the financial year	**962**	(188)	**10,071**	(1,717)
	Issue of new capital on policyholder self-investment	**404**	–	**3,954**	–
	Issue of new capital on listing	**559**	–	**5,355**	–
	Net addition to/(reduction in) equity shareholders' funds	**1,925**	(188)	**19,380**	(1,717)
	Equity shareholders' funds at the beginning of the year	**1,588**	1,776	**15,527**	17,244
	Equity shareholders' funds at the end of the year	**3,513**	1,588	**34,907**	15,527

Consolidated Balance Sheet

at 31 December 1999

Notes	Insurance assets	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
	Intangible assets				
16	Goodwill	**164**	100	**1,629**	981
	Investments				
17	Land and buildings	**914**	885	**9,081**	8,649
18	Other financial investments	**17,167**	12,398	**170,577**	121,202
		18,081	13,283	**179,658**	129,851
18	Assets held to cover linked liabilities	**5,916**	5,121	**58,784**	50,067
2(i)		**23,997**	18,404	**238,442**	179,918
	Reinsurers' share of technical provisions				
	Long term business provision	**140**	172	**1,391**	1,690
	Claims outstanding	**16**	19	**159**	181
	Provision for unearned premiums	**5**	5	**50**	46
27		**161**	196	**1,600**	1,917
21	Debtors	**524**	210	**5,207**	2,055
22	Other assets	**133**	89	**1,322**	872
	Cash at bank and in hand	**443**	176	**4,402**	1,716
24	Prepayments and accrued income	**317**	335	**3,150**	3,272
		1,417	810	**14,081**	7,915
	Total insurance assets	**25,739**	19,510	**255,752**	190,731
	Banking assets				
	Cash and balances at central banks	**760**	537	**7,552**	5,250
20(a)	Treasury bills and other eligible bills	**744**	732	**7,393**	7,154
20(b)	Loans and advances to banks	**613**	137	**6,091**	1,338
20(c)	Loans and advances to customers	**9,704**	9,361	**96,423**	91,512
20(f)	Debt securities	**629**	412	**6,250**	4,023
20(g)	Equity securities	**145**	131	**1,441**	1,280
20(h)	Interest in associated undertakings	**179**	109	**1,779**	1,077
23	Tangible fixed assets	**98**	92	**974**	895
17	Land and buildings	**89**	101	**884**	983
22	Other assets	**88**	95	**874**	919
	Prepayments and accrued income	**168**	252	**1,669**	2,467
	Total banking assets	**13,217**	11,959	**131,330**	116,898
	Total assets	**38,956**	31,469	**387,082**	307,629

Notes	Liabilities	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
	Capital and reserves				
25	Called up share capital	**344**	–	**3,418**	–
25	Share premium account	**868**	–	**8,625**	–
25	Profit and loss account	**2,301**	–	**22,864**	–
25	Fund for future appropriations	**–**	1,588	**–**	15,527
	Equity shareholders' funds	**3,513**	1,588	**34,907**	15,527
	Minority interests	**857**	808	**8,515**	7,901
	Fund for future appropriations	**–**	6	**–**	57
	Insurance liabilities				
	Technical provisions				
	Long term business provision	**14,767**	11,716	**146,731**	114,545
	Claims outstanding	**319**	261	**3,170**	2,547
	Provision for unearned premiums	**43**	41	**427**	400
27		**15,129**	12,018	**150,328**	117,492
	Technical provisions for linked liabilities	**5,916**	5,121	**58,784**	50,062
28	Provisions for other risks and charges	**317**	423	**3,150**	4,134
29	Creditors	**1,093**	372	**10,860**	3,632
	Accruals and deferred income	**43**	44	**427**	428
	Total insurance liabilities	**22,498**	17,978	**223,549**	175,748
	Banking liabilities				
32	Deposits by banks	**798**	1,223	**7,929**	11,954
33	Customer accounts	**9,343**	8,345	**92,836**	81,580
34	Debt securities in issue	**1,194**	896	**11,864**	8,764
30	Other liabilities	**609**	493	**6,048**	4,815
31	Provisions for liabilities and charges	**76**	72	**755**	700
37	Subordinated liabilities	**68**	60	**679**	583
	Total banking liabilities	**12,088**	11,089	**120,111**	108,396
	Total liabilities	**38,956**	31,469	**387,082**	307,629
	Memorandum items				
35	Commitments	**244**	738	**2,422**	7,215
36	Contingent liabilities	**863**	882	**8,584**	8,624

These financial statements were approved by the Board of directors on 15 March 2000 and were signed on its behalf by

Eric E Anstee
Group Finance Director

Company Balance Sheet

at 31 December 1999

Notes		£m At 31 Dec 1999	Rm At 31 Dec 1999
	Fixed assets		
	Investments		
	Fixed interest securities	43	427
19	Shares in group undertakings	679	6,747
19	Loans due from group undertakings	264	2,623
		986	9,797
	Current assets		
	Debtors		
	Amounts owed by group undertakings	95	945
	Other debtors	1	10
	Cash at bank and in hand	279	2,773
		375	3,728
	Creditors: amounts falling due within one year		
	Amounts owed to group undertakings	68	676
	Other creditors including taxation and social security	5	50
14	Dividend proposed	21	209
		94	935
	Net current assets	281	2,793
	Total assets less current liabilities	1,267	12,590

Capital and reserves

Notes		£m	Rm
25	Called up share capital	344	3,418
25	Share premium account	868	8,625
26	Profit and loss account	55	547
	Equity shareholders' funds	1,267	12,590

The Company balance sheet at 31 December 1998 consisted of cash of £25,000 (R244,000) and called up share capital and premium of £25,000 (R244,000).

These financial statements were approved by the Board of directors on 15 March 2000 and were signed on its behalf by

Eric E Anstee
Group Finance Director

Consolidated Cash Flow Statement

for the year ended 31 December 1999

Notes		£m Year to 31 Dec 1999	Rm Year to 31 Dec 1999
	Operating activities		
40	Net cash inflow from insurance operating activities	**495**	**4,880**
40	Net cash inflow from banking operating activities	**257**	**2,534**
	Net cash inflow before financing activities	**752**	**7,414**
40(a)	Net cash outflow from returns on investments and servicing of finance	**(124)**	**(1,223)**
40(a)	Total taxation paid	**(70)**	**(690)**
40(a)	Net cash outflow from capital expenditure and financial investment	**(84)**	**(828)**
40(a)	Net cash inflow from acquisitions and disposals	**66**	**650**
	Net cash inflow before financing activities	**540**	**5,323**
40(a)	Net cash inflow from financing activities	**547**	**5,391**
	Net cash inflow of the Group excluding long term business	**1,087**	**10,714**
	Cash flows relating to insurance activities were invested as follows:		
40(b), 40(c)	Increase in cash holdings	**122**	**1,202**
40(b)	Increase in net portfolio investments	**732**	**7,215**
		854	**8,417**
	Cash flows relating to banking activities were invested as follows:		
40(d)	Increase in cash and balances at central banks	**233**	**2,297**
	Net cash inflow of the Group excluding long term business	**1,087**	**10,714**

The cash flows presented in this statement relate to shareholder and general business transactions only.

1 Accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with the provisions of Section 255A of, and Schedules 9A and 9 to, the Companies Act 1985, applicable United Kingdom accounting standards, and the Statement of Recommended Practice "Accounting for Insurance Business" issued by the Association of British Insurers (ABI SORP) in December 1998.

In order to present a true and fair view of the Group's insurance and banking operations, the directors have prepared these financial statements using Schedule 9A and 9 formats respectively. Had a Schedule 9A format been used solely, banking activities would be summarised in appropriate income and expense lines within the non-technical account, and banking assets and liabilities would be shown together with insurance assets and liabilities in the balance sheet.

The balance sheet and the pro forma profit and loss account for the year ended 31 December 1998 have been substantially derived from the financial information contained in Parts 7 and 8 of the Group's Prospectus dated 19 May 1999. In preparation for demutualisation and listing, the Group decided to change its year end to 31 December and prepared financial statements for the six months then ended. Comparative profit and loss account information for the year ended 31 December 1999 has therefore been presented on a pro forma basis, combining the actual results for the six months from 1 July to 31 December 1998 with half of the results for the year ended 30 June 1998 derived on a time apportionment basis. Certain reclassifications have been made to the pro forma information in the Prospectus to accord with the format adopted in these financial statements.

No comparative cash flow has been presented, as it is not considered practicable or meaningful in a pre-demutualisation environment.

The Company's balance sheet has been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985. As permitted by Section 230 of the Companies Act 1985, no profit or loss account of the Company is presented.

In accordance with the amendment to FRS 3, no note of historical cost profits has been prepared as the Group's only material gains or losses on assets relate to the holding and disposal of insurance company investments.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings up to 31 December 1999. The demutualisation of the South African Mutual Life Assurance Society in May 1999 and subsequent Group reorganisations were accounted for in accordance with merger accounting principles, as if Old Mutual plc had been the parent undertaking of the Group throughout the period covered by these statements. Otherwise, subsidiaries of the Group have been consolidated using acquisition accounting principles, whereby the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Associated undertakings outside of the long term business fund are accounted for using the equity method of accounting. Investments in associates attributable to the long term business, or otherwise held as part of the Group's investment portfolio, are accounted for as investments.

Investments

(i) Insurance

Investments, including those classified under assets held to cover linked liabilities, are stated at their market value. Listed investments are stated at mid-market value. Unlisted investments are valued, on a prudent basis, by the directors having regard to their likely realisable value.

Land and buildings are treated as investment properties and valued at a market valuation primarily by internal professional valuers. The Group has commenced a programme whereby properties will be valued by independent external valuers on a cyclical basis such that the full portfolio will be covered within five years. In accordance with UK SSAP 19, no depreciation is provided on the properties as the directors consider that these properties are held for investment and to depreciate them would not give a true or fair view.

Securities borrowed and lent that are collateralised by cash are included in the balance sheet at amounts equal to the collateral advanced or received.

Shares in subsidiary undertakings are included in the Company balance sheet at historical cost, adjusted for any permanent impairment.

(ii) Banking

Securities which are intended to be held to maturity are stated at cost, adjusted for differences between cost and redemption value which are amortised over the periods to redemption. Securities held for trading purposes are marked to market value and the related gains/losses are taken directly to the banking non-technical profit and loss account as they arise.

Where securities are sold under agreements to repurchase securities at future dates, the securities are recorded in the financial statements with the corresponding liability to repurchase those securities. Securities purchased under agreements to resell those securities at future dates are treated as secured loans and reflected on the balance sheet. Profits and losses arising from these transactions are accounted for over the periods of the contracts.

1 Accounting policies (continued)

Acceptances, promissory notes, trade and other bills drawn by customers and discounted by banking subsidiaries are included under advances. Amounts rediscounted are included under the contra items for acceptances.

Freehold land and buildings are treated as investment properties and are not depreciated, although they are assessed for impairment on a regular basis.

Properties in possession are included under advances and valued at the lower of cost or net realisable value. Cost includes advances, interest and other charges.

Financial futures and options contracts held for trading purposes are valued daily at fair value and capital gains and losses resulting from these valuations are accounted for in the capital value of the funds to which they relate. Margin deposits are included in current assets.

Investment return

Dividends on equity investments are accrued on an "ex-dividend" basis. Interest on fixed income securities, net rental income from property investments and investment expenses are recorded on an accruals basis.

Realised gains and losses represent the difference between net sales proceeds and purchase price. Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and their original cost. Movements in unrealised gains and losses are recorded in the profit and loss account.

Income arising from the securities lending and borrowing business is recognised in the non-technical profit and loss account on an accrual basis.

For long term business, an allocation is made from the long term business technical account to the non-technical account representing the difference between the long term investment return and the actual return on investments of the long term business which are directly attributable to shareholders. The long term investment return is an estimate of the long term trend investment return for the relevant category of investments having regard to past performance, current trends and future expectations.

The long term investment return on investments supporting general insurance technical provisions and related shareholders' funds is allocated from the non-technical account to the general business technical account.

Long term business

Long term business results have been prepared on a modified statutory solvency basis. The main features of this basis are outlined below.

(i) Premiums

Premiums and annuity considerations are stated gross of commission, exclude taxes and levies and are accounted for when due for payment, except for unit-linked premiums, which are accounted for when the liability is established. Outward reinsurance premiums are accounted for on a payable basis.

(ii) Claims

Maturity and annuity claims are recorded as they fall due for payment. Death claims and surrenders are accounted for when notified.

(iii) Long term business provisions

Long term business provisions for South African and other African businesses have been computed using a gross premium valuation. Provisions in respect of South African business have been prepared in accordance with the Financial Soundness Valuation basis as set out in the guidelines issued by the Actuarial Society of South Africa in Prudential Guidance Note ("PGN") 103 (1998). Under this guideline, the provisions are valued using realistic expectations of future experience with prescribed margins for prudence and deferral of profit emergence. This method makes implicit allowance for deferred acquisition costs.

Technical provisions supporting linked policies reflect the market value of assets supporting these liabilities.

For other territories, the valuation bases adopted are in accordance with the local actuarial practices and methodologies.

(iv) Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the sale of insurance contracts. As the gross premium valuation method used in South Africa and other African territories to determine the long term business provision makes implicit allowance for the deferral of acquisition costs, no explicit deferred acquisition cost asset has been included in the balance sheet for these territories. Deferral of costs on other business is limited to the extent that there are available future margins.

General insurance business

(i) Premiums

Premiums are stated gross of commissions, exclude taxes and levies and are accounted for in the period in which the risk commences.
The proportion of the premiums written relating to periods of risk after the balance sheet date is carried forward to subsequent accounting periods as unearned premiums, so that earned premiums relate to risks carried during the accounting period.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance.

1 Accounting policies (continued)

(ii) Claims
Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to but not paid at the end of the accounting period whether reported or not.

(iii) Acquisition costs
Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

Banking

(i) Banking income
Interest receivable and payable is recognised in the banking non-technical account as it accrues.

Fee and other income is recognised in the banking non-technical account when receivable, except where it is charged to cover the costs of a continuing service to, or risk borne for, the customer. In these cases, the income is recognised on an appropriate basis over the relevant period.

Other operating income is derived from township development and computer related services, including distribution and servicing of equipment.

(ii) Derivative instruments
Trading positions on financial futures, option contracts and forward rate agreements are marked to market value and the resultant profits and losses are accounted for in the non-technical account. Fair values are based on quoted market prices when available. Where no quoted prices are available for a particular derivative, its fair value is determined by reference to quoted market prices for its component parts. Fair values reflect adjustments for credit risk and market risk.

A derivative is designated as a hedge if its purpose is to match or eliminate the risk inherent in the Group's non-trading assets, liabilities and cash flows arising from potential movements in interest rates, exchange rates and market values.

Profits and losses on contracts entered into for the purpose of hedging are recognised in the banking non-technical account on the same basis and cover the same accounting period as those of the hedged items to which they relate. Once a hedge ceases to be effective, it is transferred to the trading book at fair value.

(iii) Loans and advances and doubtful debts
Specific provisions for bad and doubtful debts are made against identified doubtful advances, including amounts in respect of interest that is not serviced, and are deducted from advances. When there is no longer any prospect of recovery, the outstanding debt is written off.

In addition, a general provision is maintained against banking exposures, which are not separately identified, but known from experience to exist in any portfolio of banking relationships. The provision is deducted from advances. The provisions, both specific and general, made during the year, less recoveries of advances previously written off, are charged to the banking non-technical account.

(iv) Instalment transactions
Instalment credit agreements are regarded as financing transactions and total instalments, less unearned finance charges, are included in advances and other accounts in the banking balance sheet.

Lease income and finance charges are computed at the commencement of the contractual periods and are recognised in income in proportion to the net cash investment capital balances outstanding. Unearned lease income and finance charges are carried forward as deferred income and deducted from advances in the banking balance sheet.

(v) Debt securities in issue and subordinated debt instruments issued
Premiums and discounts incurred in the issue of fixed rate subordinated liabilities are accounted for as an adjustment to the amount of the liability and amortised over the relevant period to maturity.

Taxation and deferred taxation

Taxation is charged on all taxable profits arising during the year. Deferred taxation is calculated on the liability method and is provided only to the extent that it is probable that a liability will crystallise in the foreseeable future.

1 Accounting policies (continued)

Foreign currencies

The information contained in the financial statements is expressed in both Sterling and South African Rand. This is in order to meet both the legal requirements of Schedule 9A of the Companies Act 1985 and to provide the users of the accounts in South Africa with illustrative information. Rates of exchange used to translate Rand-based amounts into Sterling were:

	Year ended 31 Dec 1999	Year ended 31 Dec 1998
Profit and loss account (weighted average rate)	**9.8588**	9.1060
Balance sheet (year end rate)	**9.9364**	9.7763

Foreign currency revenue transactions are translated at weighted average exchange rates for the year. Foreign currency assets and liabilities are translated at year end exchange rates. Exchange differences arising from the translation of net investments in foreign subsidiary undertakings, are taken to the consolidated statement of total recognised gains and losses. Other exchange differences are included in the profit and loss account as part of unrealised gains and losses on investments.

Income arising from the securities lending and borrowing business is recognised in the non-technical profit and loss account on an accrual basis.

Goodwill

Purchased goodwill arising on consolidation in respect of acquisitions since 1 January 1998 has been capitalised and amortised over its estimated useful life, normally 20 years. Gains or losses on subsequent disposals of subsidiary or associated undertakings will include any attributable goodwill previously written off directly to reserves.

Tangible fixed assets

Tangible assets, principally computer equipment, motor vehicles, fixtures and furniture, are capitalised and depreciated by equal annual instalments over their estimated useful lives between three and seven years.

Pension costs and post retirement liabilities

Pension costs in respect of the Group's defined benefit schemes are charged to the profit and loss account so as to spread the related charges over the service lives of employees. Contributions in respect of defined contribution schemes are recognised when incurred.

Certain Group Companies make provision for post retirement medical and housing benefits for eligible employees. The expected costs of post retirement benefits are charged over the expected working lives of eligible employees.

2 Segmental analysis

2(a) Long term business – gross premiums written

	£m South Africa	£m Rest of Africa	£m Rest of world	£m Total	Rm South Africa	Rm Rest of Africa	Rm Rest of world	Rm Total
Single premiums								
Year to 31 December 1999								
Individual business								
Life/endowment/other	565	4	168	**737**	5,572	39	1,656	**7,267**
Retirement and immediate annuities	173	9	–	**182**	1,706	89	–	**1,795**
	738	13	168	**919**	7,278	128	1,656	**9,062**
Group business	912	19	2	**933**	8,991	187	20	**9,198**
Total continuing operations	1,650	32	170	**1,852**	16,269	315	1,676	**18,260**
Discontinued operations	–	–	6	**6**	–	–	59	**59**
Total	1,650	32	176	**1,858**	16,269	315	1,735	**18,319**
Single premiums								
Pro forma year to 31 December 1998								
Individual business								
Life/endowment/other	273	6	167	**446**	2,502	53	1,473	**4,028**
Retirement and immediate annuities	315	7	–	**322**	2,864	61	41	**2,966**
	588	13	167	**768**	5,366	114	1,514	**6,994**
Group business	956	13	–	**969**	8,707	114	–	**8,821**
Total continuing operations	1,544	26	167	**1,737**	14,073	228	1,514	**15,815**
Discontinued operations	–	–	8	**8**	–	–	73	**73**
Total	1,544	26	175	**1,745**	14,073	228	1,587	**15,888**
Recurring premiums								
Year to 31 December 1999								
Individual business								
Life/endowment/other	650	34	69	**753**	6,410	335	680	**7,425**
Retirement and other annuities	163	13	–	**176**	1,607	128	–	**1,735**
Affinity groups	119	–	–	**119**	1,173	–	–	**1,173**
	932	47	69	**1,048**	9,190	463	680	**10,333**
Group business	347	54	–	**401**	3,421	532	–	**3,953**
Total continuing operations	1,279	101	69	**1,449**	12,611	995	680	**14,286**
Discontinued operations	–	–	27	**27**	–	–	266	**266**
Total	1,279	101	96	**1,476**	12,611	995	946	**14,552**
Recurring premiums								
Pro forma year to 31 December 1998								
Individual business								
Life/endowment/other	727	33	51	**811**	6,622	303	324	**7,249**
Retirement and other annuities	165	7	–	**172**	1,506	66	135	**1,707**
Affinity groups	116	5	–	**121**	1,052	48	–	**1,100**
	1,008	45	51	**1,104**	9,180	417	459	**10,056**
Group business	426	61	–	**487**	3,882	553	–	**4,435**
Total continuing operations	1,434	106	51	**1,591**	13,062	970	459	**14,491**
Discontinued operations	–	–	29	**29**	–	–	264	**264**
Total	1,434	106	80	**1,620**	13,062	970	723	**14,755**

2 Segmental analysis (continued)

2(b) Long term business – new business premiums

	£m				Rm			
	South Africa	Rest of Africa	Rest of world	**Total**	South Africa	Rest of Africa	Rest of world	**Total**
Continuing operations								
Single premiums								
Year to 31 December 1999								
Individual business	738	13	168	**919**	7,278	128	1,656	**9,062**
Group business	912	19	2	**933**	8,991	187	20	**9,198**
Total	1,650	32	170	**1,852**	16,269	315	1,676	**18,260**
Single premiums								
Pro forma year to 31 December 1998								
Individual business	588	13	167	**768**	5,366	114	1,514	**6,994**
Group business	956	13	–	**969**	8,707	114	–	**8,821**
Total	1,544	26	167	**1,737**	14,073	228	1,514	**15,815**
Recurring premiums								
Year to 31 December 1999								
Individual business	182	14	15	**211**	1,794	138	148	**2,080**
Group business	22	7	–	**29**	217	69	–	**286**
Total	204	21	15	**240**	2,011	207	148	**2,366**
Recurring premiums								
Pro forma year to 31 December 1998								
Individual business	233	17	14	**264**	2,119	151	131	**2,401**
Group business	66	1	–	**67**	602	8	–	**610**
Total	299	18	14	**331**	2,721	159	131	**3,011**

Single premiums are those premiums arising on contracts where there is no expectation of future premiums. Additional single premiums are permitted on most contracts of this type and these are also classified as single premiums. Individual recurring premiums are those where there is a contractual obligation to pay on a regular basis. Group business recurring premiums are those received during the financial year in respect of new risk contracts and fund management schemes. Flows into and out of the investment products for group business are dependent on the arrangements in place with individual retirement funds and will vary considerably from year to year.

	South Africa £m	Rest of Africa £m	Rest of world £m	**Total £m**	South Africa Rm	Rest of Africa Rm	Rest of world Rm	**Total Rm**
Equivalent annual premium								
Year to 31 December 1999								
Individual business	256	15	32	**303**	2,521	151	314	**2,986**
Group business	113	9	–	**122**	1,116	88	2	**1,206**
Total	369	24	32	**425**	3,637	239	316	**4,192**
Equivalent annual premium								
Pro forma year to 31 December 1998								
Individual business	292	18	31	**341**	2,654	163	283	**3,100**
Group business	162	2	–	**164**	1,473	20	–	**1,493**
Total	454	20	31	**505**	4,127	183	283	**4,593**

Equivalent annual premiums are defined as one tenth of single premiums plus recurring premiums.

2 Segmental analysis (continued)

2(c) Profit/(loss) on ordinary activities before tax

£m

	South Africa	Rest of Africa	Rest of world	**Year to 31 Dec 1999**	Pro forma Year to 31 Dec 1998
Year to 31 December 1999					
Operating profit					
Life assurance (based on a long term investment return)					
Continuing operations	402	26	(2)	**426**	289
Discontinued operations	–	–	(50)	**(50)**	(118)
Banking	191	8	11	**210**	287
Asset management	30	–	18	**48**	23
General insurance business (based on a long term investment return)	59	–	–	**59**	86
Other shareholders' income/(expenses) (note 7)	(18)	–	(19)	**(37)**	(33)
Operating profit before short term fluctuations in investment return	664	34	(42)	**656**	534
Short term fluctuations in investment return	795	(20)	3	**778**	(477)
Non-operating items	43	–	11	**54**	–
Profit/(loss) on ordinary activities before tax	1,502	14	(28)	**1,488**	57

Rm

	South Africa	Rest of Africa	Rest of world	**Year to 31 Dec 1999**	Pro forma Year to 31 Dec 1998
Year to 31 December 1999					
Operating profit					
Life assurance (based on a long term investment return)					
Continuing operations	3,964	256	(20)	**4,200**	2,628
Discontinued operations	–	–	(493)	**(493)**	(1,075)
Banking	1,885	79	108	**2,072**	2,610
Asset management	296	–	177	**473**	207
General insurance business (based on a long term investment return)	582	–	–	**582**	782
Other shareholders' income/(expenses) (note 7)	(178)	–	(187)	**(365)**	(302)
Operating profit before short term fluctuations in investment return	6,549	335	(415)	**6,469**	4,850
Short term fluctuations in investment return	7,837	(197)	30	**7,670**	(4,329)
Non-operating items	424	–	108	**532**	–
Profit/(loss) on ordinary activities before tax	14,810	138	(277)	**14,671**	521

2(d) Analysis of life operating profit – continuing operations

	£m Year to 31 Dec 1999	**Rm Year to 31 Dec 1999**
Individual business	**168**	**1,656**
Group business	**67**	**661**
Rest of world	**4**	**39**
Life technical result from continuing operations	**239**	**2,356**
Long term investment return	**187**	**1,844**
Total life operating profit from continuing operations	**426**	**4,200**

2 Segmental analysis (continued)

2(e) Banking operating income

	£m South Africa	£m Rest of Africa	£m Rest of world	£m Total	Rm South Africa	Rm Rest of Africa	Rm Rest of world	Rm Total
Year to 31 December 1999								
Net interest income	422	11	11	**444**	4,162	108	108	**4,378**
Dividend income	6	–	–	**6**	59	–	–	**59**
Fees and commissions receivable	220	2	7	**229**	2,169	20	69	**2,258**
Dealing profits	85	–	3	**88**	838	–	30	**868**
Other operating income	6	–	1	**7**	59	–	10	**69**
Operating income	739	13	22	**774**	7,287	128	217	**7,632**
Pro forma year to 31 December 1998								
Net interest income	409	9	15	**433**	3,728	83	134	**3,945**
Dividend income	10	–	(1)	**9**	84	–	(5)	**79**
Fees and commissions receivable	230	3	9	**242**	2,102	27	78	**2,207**
Dealing profits	68	1	5	**74**	610	10	50	**670**
Other operating income	26	–	6	**32**	242	–	50	**292**
Operating income	743	13	34	**790**	6,766	120	307	**7,193**

2(f) Banking profit on ordinary activities before tax

In the year to 31 December 1999, the profit of £66 million on the sale of NedTravel and listing of 15 per cent. of Nedcor Investment Bank has been treated as a non-operating item in the consolidated profit and loss account (see note 11). Non-recurring increases in general risk provisions of £71 million and property portfolio write-downs of £23 million charged by Nedcor in its financial statements have been grossed up for tax and deducted from operating earnings in these financial statements to arrive at a banking profit on ordinary activities before tax of £210 million.

2(g) Analysis of general insurance result by class of business

	£m Premiums written net of reinsurance	£m Claims incurred net of reinsurance	Rm Premiums written net of reinsurance	Rm Claims incurred net of reinsurance
Year to 31 December 1999				
Motor	123	98	1,213	967
Fire	40	70	394	690
Accident	86	26	848	256
Other	9	5	89	49
	258	**199**	**2,544**	**1,962**
Pro forma year to 31 December 1998				
Motor	119	96	1,083	873
Fire	33	26	300	237
Accident	96	69	873	627
Other	5	4	46	36
	253	195	2,302	1,773

2 Segmental analysis (continued)

2(h) Net assets

	£m South Africa	£m Rest of Africa	£m Rest of world	£m Total	Rm South Africa	Rm Rest of Africa	Rm Rest of world	Rm Total
31 December 1999								
Life assurance	1,810	122	48	**1,980**	17,986	1,212	477	**19,675**
Banking	513	7	72	**592**	5,097	70	715	**5,882**
Asset management	36	1	127	**164**	358	10	1,262	**1,630**
General insurance business	189	10	–	**199**	1,878	99	–	**1,977**
Other	139	87	352	**578**	1,381	864	3,498	**5,743**
Net assets	2,687	227	599	**3,513**	26,700	2,255	5,952	**34,907**
31 December 1998								
Life assurance	601	66	297	**964**	5,882	642	2,907	**9,431**
Banking	388	5	59	**452**	3,794	49	576	**4,419**
General insurance business	163	9	–	**172**	1,591	86	–	**1,677**
Net assets	1,152	80	356	**1,588**	11,267	777	3,483	**15,527**

Asset management and other are included under life assurance in the comparative figures.

2(i) Funds under management

	£m South Africa	£m Rest of Africa	£m Rest of world	£m Total	Rm South Africa	Rm Rest of Africa	Rm Rest of world	Rm Total
31 December 1999								
Investments including assets held to cover linked liabilities	16,998	833	6,166	**23,997**	168,897	8,277	61,268	**238,442**
Unit trusts								
Capel Cure Sharp	–	–	1,111	**1,111**	–	–	11,039	**11,039**
Old Mutual Asset Managers	1,941	69	676	**2,686**	19,287	686	6,717	**26,690**
Nedcor Investment Bank Asset Managers	757	2	276	**1,035**	7,522	20	2,742	**10,284**
	2,698	71	2,063	**4,832**	26,809	706	20,498	**48,013**
Third party								
Capel Cure Sharp	–	–	8,538	**8,538**	–	–	84,837	**84,837**
Old Mutual Asset Managers	4,708	237	162	**5,107**	46,781	2,355	1,610	**50,746**
Nedcor Investment Bank Asset Managers	2,360	–	35	**2,395**	23,450	–	348	**23,798**
	7,068	237	8,735	**16,040**	70,231	2,355	86,795	**159,381**
Total funds under management	26,764	1,141	16,964	**44,869**	265,937	11,338	168,561	**445,836**
31 December 1998								
Investments including assets held to cover linked liabilities	12,994	125	5,285	**18,404**	127,028	1,222	51,668	**179,918**
Unit trusts								
Capel Cure Sharp	–	–	804	**804**	–	–	7,989	**7,989**
Old Mutual Asset Managers	982	8	989	**1,979**	9,758	79	9,827	**19,664**
Nedcor Investment Bank Asset Managers	671	1	185	**857**	6,667	10	1,838	**8,515**
	1,653	9	1,978	**3,640**	16,425	89	19,654	**36,168**
Third party								
Capel Cure Sharp	–	–	8,412	**8,412**	–	–	83,585	**83,585**
Old Mutual Asset Managers	1,870	19	211	**2,100**	18,581	189	2,097	**20,867**
Nedcor Investment Bank Asset Managers	2,176	–	48	**2,224**	21,622	–	477	**22,099**
	4,046	19	8,671	**12,736**	40,203	189	86,159	**126,551**
Total funds under management	18,693	153	15,934	**34,780**	183,656	1,500	157,481	**342,637**

2 Segmental analysis (continued)

2(j) Banking business average assets

	£m		Rm	
	At 31 Dec 1999	At 31 Dec 1998	**At 31 Dec 1999**	At 31 Dec 1998
Retail	**4,014**	4,331	**39,885**	42,770
Commercial	**1,360**	799	**13,514**	7,889
Corporate	**2,806**	1,471	**27,882**	14,524
Investment merchant banking	**2,180**	1,942	**21,661**	19,174
International	**992**	2,015	**9,857**	19,891
Other	**1,217**	1,048	**12,093**	10,351
	12,569	11,606	**124,892**	114,599
Average interest-earning assets	**12,173**	10,949	**120,956**	108,105
	%	%	**%**	%
Net interest margin (based on average assets)	**3.65**	3.95	**3.65**	3.95

3 Insurance investment income

	£m		Rm	
	Year to 31 Dec 1999	Pro forma year to 31 Dec 1998	**Year to 31 Dec 1999**	Pro forma year to 31 Dec 1998
Technical account – long term business				
Income from investment properties	**79**	77	**779**	702
Income from other financial investments	**1,109**	1,185	**10,933**	10,792
Gains on the realisation of investments	**1,807**	1,245	**17,815**	11,335
	2,995	2,507	**29,527**	22,829
Non-technical account – insurance and asset activities				
Income from land and buildings	**–**	7	**–**	59
Income from other financial investments	**89**	59	**877**	539
Gains on the realisation of investments	**178**	15	**1,755**	139
	267	81	**2,632**	737

4 Insurance investment expenses and charges

	£m		Rm	
	Year to 31 Dec 1999	Pro forma year to 31 Dec 1998	**Year to 31 Dec 1999**	Pro forma year to 31 Dec 1998
Technical account – long term business				
Investment management expenses, including interest	**23**	25	**227**	236
Other	**5**	1	**49**	5
	28	26	**276**	241
Non-technical account – insurance and asset management activities				
Investment management expenses, including interest	**30**	2	**295**	20
Other	**3**	–	**30**	–
	33	2	**325**	20

5 Insurance long term investment return

Group operating profit is stated after allocating an investment return earned by insurance businesses based on a long term investment return. The long term investment return is based on achieved real rates of return adjusted for current inflation expectations, and consensus economic and investment forecasts. The return is applied to assets held in the shareholders' funds for life assurance and general insurance businesses and other appropriate shareholders' funds held outside of life assurance entities. Short term fluctuations in investment return represent the difference between actual return and the long term investment return and are included in the non-technical account.

The long term investment rate of return used in South Africa is 14 per cent. (1998: 14 per cent.). The directors are of the opinion that this rate of return is prudent and has been selected with a view to ensuring that returns credited to operating earnings are not inconsistent with the actual returns expected to be earned over the long term.

5(a) Analysis of short term fluctuations in investment return

	£m		Rm	
	Year to 31 Dec 1999	Pro forma year to 31 Dec 1998	Year to 31 Dec 1999	Pro forma year to 31 Dec 1998
Technical account – long term business				
Actual return attributable to shareholders	**730**	(180)	**7,197**	(1,636)
Long term return credited to operating results	**187**	132	**1,844**	1,204
	543	(312)	**5,353**	(2,840)
Technical account – general business				
Actual return attributable to shareholders	**230**	(86)	**2,268**	(774)
Long term return credited to operating results	**56**	79	**552**	715
	174	(165)	**1,716**	(1,489)
Non-technical account – insurance and asset management activities				
Actual return attributable to shareholders	**82**	–	**808**	–
Long term return credited to operating results	**21**	–	**207**	–
	61	–	**601**	–
Excess/(deficit) of actual return over long term return	**778**	(477)	**7,670**	(4,329)

5(b) Comparison of insurance long term investment return with actual return

	1994-1999		1993-1998	
	£m	Rm	£m	Rm
Technical account – long term business				
Actual return attributable to shareholders	**2,686**	**18,686**	2,147	12,417
Long term return credited to operating results	**1,853**	**12,676**	1,912	12,037
	833	**6,010**	235	380
Technical account – general business				
Actual return attributable to shareholders	**645**	**4,532**	457	2,468
Long term return credited to operating results	**499**	**3,411**	496	3,121
	146	**1,121**	(39)	(653)
Non-technical account – insurance and asset management activities				
Actual return attributable to shareholders	**82**	**808**	–	–
Long term return credited to operating results	**21**	**207**	–	–
	61	**601**	–	–
Excess/(deficit) of actual return over long term return	**1,040**	**7,732**	196	(273)

6 Insurance net operating expenses

	£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
Technical account – long term business				
Acquisition costs	**227**	252	**2,233**	2,293
Administration expenses	**325**	291	**3,209**	2,649
	552	543	**5,442**	4,942
Technical account – general business				
Acquisition costs	**39**	37	**385**	340
Administration expenses	**18**	21	**177**	190
	57	58	**562**	530

7 Other income/expenses

Included in other income and charges in the non-technical account – insurance and asset management activities are the amounts described as other shareholder income/expenses in note 2(c). An analysis of other shareholder income/expenses is provided in the table below.

	£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
Investment return based on a long term investment return	**21**	N/A	**207**	N/A
Other investment income	**19**	N/A	**187**	N/A
Other income	**11**	4	**108**	36
Other charges	**(88)**	(37)	**(867)**	(338)
	(37)	(33)	**(365)**	(302)

8 Profit on ordinary activities before tax

	£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
Profit/(loss) on ordinary activities before tax is stated:				
After crediting				
Aggregate rentals receivable under:				
Finance leases	**159**	215	**1,568**	1,959
Operating leases	**10**	7	**99**	63
Income from listed investments	**685**	708	**6,753**	6,450
Gains on the disposal of investment securities – banking	**43**	13	**424**	115
After charging				
Depreciation	**58**	52	**572**	477
Rental charges – operating leases and similar hire purchase	**7**	20	**69**	185
Other operating leases	**23**	4	**227**	37
Auditors' remuneration	**5**	13	**49**	118

8(a) Auditors' remuneration

	£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
For audit services	**3**	4	**30**	31
For other services				
Reporting accountants	**–**	7	**–**	67
Consultancy	**2**	2	**19**	20
	2	9	**19**	87
	5	13	**49**	118

The above figures include £0.1 million (1998: £Nil) in respect of audit fees payable by the Company.

Non-audit related remuneration in 1998 was primarily related to work associated with the Group's demutualisation and listing.

9 Remuneration expenses

	£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
The aggregate remuneration payable in respect of employees during the year was:				
Wages and salaries	**394**	387	**3,884**	3,528
Social security costs	**15**	30	**148**	277
Pension costs	**24**	29	**237**	262
	433	446	**4,269**	4,067

9(a) Particulars of staff

	Year to 31 Dec 1999	Pro forma year to 31 Dec 1998
The average number of employees employed during the year was:		
Insurance and asset management	**18,989**	23,103
Banking	**17,010**	18,246
	35,999	41,349

10 Profit for the financial year

As permitted by section 230(4) of the Companies Act 1985, no profit or loss account is presented for the parent Company. The Company's profit for the financial year was £55 million (R547 million).

11 Non-operating items

	£m Year to 31 Dec 1999	Rm Year to 31 Dec 1999
Profit attributable to shareholders for the year ended 31 December 1999 is stated after (charging)/crediting the following non-recurring items:		
Profit on sale of NedTravel	**20**	**197**
Profit on flotation of Nedcor Investment Bank	**46**	**453**
Profit on sale of UK life assurance operations	**15**	**148**
Provision for costs associated with the withdrawal of the Group from its UK life assurance operations	**(4)**	**(39)**
Profit on sale of businesses	**77**	**759**
Cost of free share selling service offered to policyholders on demutualisation	**(23)**	**(227)**
Non-operating items before tax and minorities	**54**	**532**
Taxation	**–**	**–**
Non-operating items after tax and before minorities	**54**	**532**
Minority interests	**(35)**	**(345)**
Non-operating items after tax and minorities	**19**	**187**

	£m		Rm	
12 Tax on profit on ordinary activities	**Year to 31 Dec 1999**	Pro forma year to 31 Dec 1998	**Year to 31 Dec 1999**	Pro forma year to 31 Dec 1998
12(a) Technical account – long term business				
UK corporation tax	**5**	2	**49**	21
South African tax	**54**	44	**534**	398
Rest of world	**4**	–	**39**	–
Deferred tax	**58**	–	**572**	–
Prior year overprovision/(underprovision)	**(5)**	4	**(50)**	39
	116	50	**1,144**	458

The charge for deferred tax in 1999 includes a transitional tax cost of £61 million (R601 million) arising from a change in South African income tax legislation for life assurers.

12(b) Non-technical account – insurance and banking activities

	£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
UK corporation tax	**7**	1	**69**	11
South African tax				
Insurance	**33**	20	**326**	176
Banking	**22**	36	**217**	333
Rest of world				
Insurance	**1**	–	**10**	–
Banking	**1**	–	**10**	–
Deferred tax				
Insurance	**(2)**	–	**(20)**	2
Banking	**18**	10	**177**	91
Prior period adjustment	**1**	–	**10**	–
Tax for the year	**81**	67	**799**	613
Tax attributable to shareholders' profits on long term business	**84**	18	**828**	159
Charge to non-technical account – insurance and banking activities	**165**	85	**1,627**	772

12(c) Reconciliation of tax charge to standard rate

	£m Year to 31 Dec 1999	£m Pro forma year to 31 Dec 1998	Rm Year to 31 Dec 1999	Rm Pro forma year to 31 Dec 1998
Tax at UK rate of 30.25 per cent. (1998: 31.00 per cent.) on profit on ordinary activities before tax	**450**	18	**4,436**	164
Tax exempt investment return	**(252)**	–	**(2,484)**	–
Disallowable expenditure	**(25)**	(4)	**(246)**	(36)
Other	**(8)**	71	**(79)**	644
Reported tax charge	**165**	85	**1,627**	772

13 Earnings per share

The basic earnings per share shown in the profit and loss account is calculated by reference to the earned profit/(loss) attributable to shareholders of £1,066 million (R10,510 million) for the year ended 31 December 1999 (1998: loss of £101 million (R920 million)) and a weighted average number of shares in issue of 3,127 million (1998: 2,971 million). In accordance with merger accounting principles, it has been assumed that the number of shares issued as a result of the policyholder self-investment and demutualisation during 1999 were in issue throughout the year. The diluted earnings per share calculation reflects the impact of shares in an Employee Share Ownership Trust, which on vesting will have an anticipated dilution effect of 13 million shares.

Old Mutual plc shares held by policyholders' funds (316 million) are included in the earnings per share calculation reflecting the policyholders' economic interest in these shares.

	£m		Rm	
Reconciliation of basic earnings per share	**Year to 31 Dec 1999**	Pro forma year to 31 Dec 1998	**Year to 31 Dec 1999**	Pro forma year to 31 Dec 1998
Profit/(loss) on ordinary activities after tax and minority interests	**1,066**	(101)	**10,510**	(920)
Short term fluctuations net of minority interest	**(667)**	401	**(6,576)**	3,641
Non-operating items net of minority interest	**(19)**	–	**(187)**	–
Adjusted profit before short term fluctuations in investment return	**380**	300	**3,747**	2,721

	p		c	
Basic earnings per share	**34.1**	(3.4)	**336.2**	(31.0)
Short term fluctuations net of minority interest	**(21.3)**	13.5	**(210.0)**	123.0
Non-operating items net of minority interest	**(0.6)**	–	**(5.9)**	–
Adjusted earnings per share based on a long term investment return	**12.2**	10.1	**120.3**	92.0

	Date of issue	Number of shares millions
Shares in issue at 1 January 1999		**1**
Policyholder self-investment	February/March 1999	**316**
Issue of shares on demutualisation	11 May 1999	**2,654**
Additional capital raised on listing	July 1999	**473**
Shares in issue at 31 December 1999		**3,444**

Included in the issue of shares on demutualisation were 69 million shares in an ESOP trust which waived its right to dividends. These shares have been excluded from the basic earnings per share calculation.

14 Dividends per share

	£m		Rm	
	Year to 31 Dec 1999	Pro forma year to 31 Dec 1998	**Year to 31 Dec 1999**	Pro forma year to 31 Dec 1998
Equity: ordinary				
Group final dividend proposed: 2p per 10p share	**69**	–	**680**	–
Company final dividend proposed: 2p per 10p share	**21**	–	**209**	–

Provision has been made in the Group financial statements for a final dividend of 2p per share calculated using the 3,444 million shares in issue at 31 December 1999.

As a consequence of the exchange control arrangements in place in South Africa and other relevant African territories, dividends to shareholders on the branch registers in those countries (or in the case of Namibia, the Namibian section of the principal register) are settled through Dividend Access Trusts established for that purpose. The dividend payable by the Company represents only the proportion of the Group dividend payable to shareholders on the principal register (other than its Namibian section) and is calculated based on the directors' estimate of the number of shares that will be on the share registers on 7 April 2000 and 14 April 2000 for the African and UK territories respectively, being the respective record dates for the dividend.

15 Acquisitions and disposals

15(a) Acquisitions

On 30 December 1999, the Group acquired the commercial division of Edward Nathan & Friedland for £40 million (R400 million).There were no material adjustments to fair value arising from this acquisition. The impact of acquisitions on operating profit and balance sheet of the Group are shown in the following tables:

	£m		Rm	
	Year to 31 Dec 1999	Pro forma year to 31 Dec 1998	**Year to 31 Dec 1999**	Pro forma year to 31 Dec 1998
Other income	**5**	21	**49**	178
Gross operating expenses	**–**	(23)	**–**	(210)
	5	(2)	**49**	(32)

	£m		Rm	
	At 31 Dec 1999	At 31 Dec 1998	**At 31 Dec 1999**	At 31 Dec 1998
Assets	**–**	23	**–**	225
Liabilities	**–**	(22)	**–**	(208)
Net assets	**–**	1	**–**	17
Consideration paid and associated costs	**40**	51	**400**	508
Goodwill arising on acquisition	**40**	50	**400**	491

15(b) Disposals

In December 1999, the Group announced the sale of its UK life assurance company, Old Mutual Life Assurance Company Limited (OMLA), to the Century Group. The results of OMLA for the year ended 31 December 1999 and 1998 have been disclosed as discontinued operations in the Group's long term business technical account.

An analysis of the long term business technical account between continuing and discontinued operations for the year ended 31 December 1999 is set out below.

	£m			Rm		
	Continuing operations year to 31 Dec 1999	**Discontinued operations year to 31 Dec 1999**	**Total year to 31 Dec 1999**	Continuing operations year to 31 Dec 1999	Discontinued operations year to 31 Dec 1999	Total year to 31 Dec 1999
Earned premiums, net of reinsurance	**3,283**	**46**	**3,329**	32,369	453	32,822
Investment, other income and unrealised gains	**6,694**	**119**	**6,813**	65,995	1,173	67,168
	9,977	**165**	**10,142**	98,364	1,626	99,990
Claims incurred, net of reinsurance	**(3,300)**	**(92)**	**(3,392)**	(32,535)	(907)	(33,442)
	6,677	**73**	**6,750**	65,829	719	66,548
Long term business provision, net of reinsurance	**(3,791)**	**91**	**(3,700)**	(37,375)	897	(36,478)
Change in technical provisions for linked liabilities, net of reinsurance	**(1,428)**	**(91)**	**(1,519)**	(14,079)	(897)	(14,976)
	(5,219)	**–**	**(5,219)**	(51,454)	–	(51,454)
Net operating expenses	**(466)**	**(114)**	**(580)**	(4,594)	(1,124)	(5,718)
Tax attributable to the long term business	**(111)**	**(5)**	**(116)**	(1,095)	(49)	(1,144)
Allocated investment return transferred (to)/from the non-technical account	**(539)**	**(4)**	**(543)**	(5,314)	(39)	(5,353)
Balance on the technical account – long term business	**342**	**(50)**	**292**	3,372	(493)	2,879

16 Intangible assets

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Goodwill				
At beginning of year	**100**	52	**981**	504
Additions arising on acquisitions in the period (note 15(a))	**40**	50	**400**	491
Amounts arising on listing of NIB	**23**	–	**227**	–
Adjustment in respect of prior year acquisitions	**8**	–	**78**	–
Amortisation for year	**(5)**	(2)	**(50)**	(18)
Exchange movements	**(2)**	–	**(7)**	4
At end of year	**164**	100	**1,629**	981

17 Land and buildings

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Insurance				
Market value				
Freehold	**894**	884	**8,882**	8,636
Long and short leasehold	**20**	1	**199**	13
	914	885	**9,081**	8,649
Cost				
Freehold	**667**	611	**6,628**	5,973
Long and short leasehold	**17**	1	**169**	5
	684	612	**6,797**	5,978
Market value of land and buildings occupied for own use	**123**	116	**1,222**	1,138
Cost of land and buildings occupied for own use	**96**	82	**954**	799
Banking				
Market value				
Freehold	**85**	97	**844**	907
Long and short leasehold	**4**	4	**40**	76
	89	101	**884**	983
Market value of land and buildings occupied for own use	**28**	60	**278**	586
Cost				
Freehold	**106**	97	**1,048**	940
Long and short leasehold	**10**	4	**96**	43
	116	101	**1,144**	983
Cost of land and buildings occupied for own use	**32**	70	**318**	686

18 Insurance – other financial investments

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Market value				
Shares and other variable yield securities and units in unit trusts	**11,831**	7,984	**117,557**	78,055
Debt securities and other fixed income securities	**3,099**	3,028	**30,792**	29,603
Other loans	**250**	163	**2,484**	1,591
Deposits with credit institutions	**1,987**	1,217	**19,744**	11,897
Other investments	**–**	6	**–**	56
	17,167	12,398	**170,577**	121,202
Included in the above were investments:				
Listed on London exchanges	**1,447**	193	**14,378**	1,887
Listed on recognised southern African investment exchanges	**9,890**	6,464	**98,271**	63,192
Listed on other investment exchanges	**1,103**	1,157	**10,960**	11,314
	12,440	7,814	**123,609**	76,393
Cost/book value				
Shares and other variable yield securities and units in unit trusts	**10,307**	8,198	**102,414**	80,143
Debt securities and other fixed income securities	**2,937**	2,882	**29,183**	28,173
Other loans	**304**	163	**3,021**	1,596
Deposits with credit institutions	**1,593**	1,210	**15,829**	11,828
Other investments	**–**	6	**–**	56
	15,141	12,459	**150,447**	121,796
Assets held to cover linked liabilities				
Cost	**5,079**	4,823	**50,467**	47,147

19 Investments – Company

	£m Shares in subsidiaries 1999	£m Loans to subsidiaries 1999	£m Total 1999	Rm Shares in subsidiaries 1999	Rm Loans to subsidiaries 1999	Rm Total 1999
At beginning of year	–	–	**–**	–	–	**–**
Acquisitions	679	–	**679**	6,747	–	**6,747**
Net amount advanced during year	–	264	**264**	–	2,623	**2,623**
At end of year	679	264	**943**	6,747	2,623	**9,370**

The Company's principal subsidiaries at 31 December 1999 are set out in note 38 on page 91.

20 Banking investments

20(a) Treasury bills and other eligible bills

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Investment securities				
Treasury bills and similar securities	**577**	359	**5,734**	3,514
Other eligible bills	**67**	37	**665**	351
	644	396	**6,399**	3,865
Other securities	**100**	336	**994**	3,289
	744	732	**7,393**	7,154
The movement in the book value of Treasury bills and other eligible bills held for investment purposes was as follows:				
At beginning of year	**396**	390	**3,865**	3,795
Net additions/(disposals)	**253**	(15)	**2,492**	(149)
Amortisation of discounts and premiums	**–**	23	**–**	227
Exchange and other movements	**(5)**	(2)	**42**	(8)
At end of year	**644**	396	**6,399**	3,865

Investment securities are those intended for use on a continuing basis in the activities of the Group and not for dealing purposes.

20(b) Loans and advances to banks

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Remittances in transit	**12**	18	**121**	179
Other/loans to other banks	**601**	119	**5,970**	1,159
Total loans and advances to banks	**613**	137	**6,091**	1,338

All loans and advances to banks are repayable on demand.

20(c) Loans and advances to customers

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Advances secured on residential properties	**2,960**	2,873	**29,413**	28,092
Leases and instalment debtors	**1,068**	1,063	**10,614**	10,392
Factoring accounts	**32**	23	**317**	226
Preference shares and debentures	**463**	321	**4,596**	3,135
Other loans and overdrafts	**5,257**	5,125	**52,232**	50,103
Loans granted under resale agreements	**81**	23	**804**	229
Other	**128**	124	**1,279**	1,203
Total loans and advances before provisions	**9,989**	9,552	**99,255**	93,380
Provision for bad and doubtful debts	**(285)**	(191)	**(2,832)**	(1,868)
	9,704	9,361	**96,423**	91,512
Maturity profile				
Repayable on demand or at short notice	**1,754**	2,918	**17,425**	28,525
Three months or less but not repayable on demand or at short notice	**1,108**	1,010	**11,012**	9,781
One year or less but over three months	**882**	705	**8,765**	6,989
Five years or less but over one year	**3,135**	2,542	**31,155**	24,847
Over five years	**3,110**	2,377	**30,898**	23,238
Provision for bad and doubtful debts	**(285)**	(191)	**(2,832)**	(1,868)
Loans and advances to customers	**9,704**	9,361	**96,423**	91,512

20 Banking investments (continued)

20(d) Loans and advances to customers – provision for bad and doubtful debts

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Non-performing loans				
Value of non-performing loans before specific provisions	**350**	270	**3,515**	2,640
Specific provisions	**182**	148	**1,804**	1,449
Value of non-performing loans after specific provisions	**168**	122	**1,711**	1,191
Specific provisions				
At beginning of year	**148**	140	**1,449**	1,370
Charge to profit and loss account	**98**	33	**964**	317
Amounts written off in year	**(94)**	(42)	**(930)**	(411)
Recoveries of advances written off in previous years	**10**	4	**95**	44
Interest suspended during the year	**23**	9	**226**	85
Exchange and other movements	**(3)**	4	**–**	44
At end of year	**182**	148	**1,804**	1,449
General provisions				
At beginning of year	**43**	49	**419**	469
Charge to profit and loss account	**62**	–	**609**	4
Exchange and other movements	**(2)**	(6)	**–**	(54)
At end of year	**103**	43	**1,028**	419
Total provision for bad and doubtful debts	**285**	191	**2,832**	1,868

20(e) Loans and advances to customers – concentrations of exposure

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Loans and advances before provisions				
Individuals	**4,015**	3,986	**39,894**	38,973
Manufacturing	**1,644**	1,222	**16,336**	11,942
Financial services, insurance and real estate	**2,005**	1,778	**19,922**	17,385
Other	**2,325**	2,566	**23,103**	25,080
Loans and advances to customers before provisions	**9,989**	9,552	**99,255**	93,380
Specific provisions				
Individuals	**57**	43	**565**	422
Manufacturing	**16**	11	**159**	111
Financial services, insurance and real estate	**34**	16	**334**	156
Other	**75**	78	**746**	760
Specific provisions against loans and other advances to customers	**182**	148	**1,804**	1,449

20 Banking investments (continued)
20(f) Debt securities

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Book value				
Investment securities				
Government securities	**293**	310	**2,909**	3,028
Other securities				
Government securities	**244**	66	**2,426**	640
Other public sector securities	**92**	36	**915**	355
	336	102	**3,341**	995
	629	412	**6,250**	4,023
Investment securities analysed by listing status				
Listed on recognised southern African investment exchanges	**276**	301	**2,745**	2,940
Unlisted	**17**	9	**164**	88
	293	310	**2,909**	3,028

All other debt securities are listed on recognised southern African investment exchanges.

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Maturity profile – book value				
Due within one year	**235**	69	**2,335**	676
Due after one year	**394**	343	**3,915**	3,347
	629	412	**6,250**	4,023

The movement in the book value of debt securities held for investment purposes was as follows:

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
At beginning of year	**310**	256	**3,028**	2,491
Additions	**470**	1,668	**4,638**	16,465
Disposals	**(412)**	(1,614)	**(4,058)**	(15,929)
Exchange movement	**(75)**	–	**(699)**	1
At end of year	**293**	310	**2,909**	3,028

20(g) Equity securities

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Book value				
Investment securities				
Listed on recognised southern African investment exchanges	**54**	59	**533**	578
Unlisted	**91**	72	**908**	702
	145	131	**1,441**	1,280
Market value				
Investment securities				
Listed on recognised southern African investment exchanges	**59**	66	**587**	646
Unlisted	**95**	80	**944**	781
	154	146	**1,531**	1,427

The movement in the book value of equity securities held for investment purposes was as follows:

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
At beginning of year	**131**	96	**1,280**	941
Additions	**14**	35	**161**	339
At end of year	**145**	131	**1,441**	1,280

20 Banking investments (continued)
20(h) Interest in associated undertakings

	£m		Rm	
	At 31 Dec 1999	At 31 Dec 1998	At 31 Dec 1999	At 31 Dec 1998
At beginning of year	**109**	4	**1,077**	33
Share of associated undertakings' profit	**13**	7	**130**	66
Net additions	**56**	102	**556**	969
Foreign exchange movements	**1**	(4)	**16**	9
Balance at end of year	**179**	109	**1,779**	1,077

21 Insurance debtors

	£m		Rm	
	At 31 Dec 1999	At 31 Dec 1998	At 31 Dec 1999	At 31 Dec 1998
Debtors arising from direct insurance operations				
Amounts owed by policyholders	**30**	56	**298**	554
Amounts owed by intermediaries	**17**	21	**169**	202
Other	**477**	133	**4,740**	1,299
	524	210	**5,207**	2,055

22 Other assets

	£m		Rm	
	At 31 Dec 1999	At 31 Dec 1998	At 31 Dec 1999	At 31 Dec 1998
Insurance				
Tangible fixed assets (note 23)	**58**	87	**576**	858
Other	**75**	2	**746**	14
	133	89	**1,322**	872
Banking				
Customer indebtedness for acceptances	**88**	95	**874**	919

23 Tangible fixed assets

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Insurance				
Computer and other equipment, fixtures and vehicles				
Cost				
At beginning of year	**196**	189	**1,922**	1,846
Additions	**32**	24	**318**	235
Disposals	**(78)**	(11)	**(775)**	(112)
Exchange movements	**(15)**	(6)	**(124)**	(47)
At end of year	**135**	196	**1,341**	1,922
Accumulated depreciation				
At beginning of year	**(109)**	(105)	**(1,064)**	(1,024)
Charge for year	**(29)**	(13)	**(288)**	(128)
Disposals	**57**	7	**566**	65
Exchange movements	**4**	2	**21**	23
At end of year	**(77)**	(109)	**(765)**	(1,064)
Net book value				
At end of year	**58**	87	**576**	858
Banking				
Computer and other equipment, fixtures and vehicles				
Cost				
At beginning of year	**200**	201	**1,952**	1,962
Additions	**47**	16	**462**	158
Disposals	**(42)**	(17)	**(412)**	(168)
Exchange movements	**(3)**	–	**(24)**	–
At end of year	**202**	200	**1,978**	1,952
Accumulated depreciation				
At beginning of year	**(108)**	(112)	**(1,057)**	(1,091)
Charge for year	**(32)**	(12)	**(315)**	(118)
Disposals	**37**	15	**365**	152
Exchange movements	**(1)**	1	**3**	–
At end of year	**(104)**	(108)	**(1,004)**	(1,057)
Net book value				
At end of year	**98**	92	**974**	895

24 Insurance prepayments and accrued income

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Accrued interest and rent	**228**	219	**2,266**	2,136
Other prepayments and accrued income	**89**	116	**884**	1,136
	317	335	**3,150**	3,272

25 Equity shareholders' funds

	£m At 31 Dec 1999	At 31 Dec 1998
Authorised		
6,000,000,000 ordinary shares of 10p each	**600**	50

The effect of the demutualisation on equity shareholders' funds together with other movements in the period is shown below.

£m

Allotted, called up and fully paid 3,444 million shares of 10p each	Number of shares m	Opening equity shareholders funds	Share capital	Share premium	Profit & loss	Total
Funds for future appropriations	1	1,588	–	–	–	1,588
Policyholder self-investment	316	–	32	24	348	404
Issue of shares on demutualisation	2,654	(1,588)	265	332	991	–
Additional capital raised on listing	473	–	47	512	–	559
Retained profit for the period	–	–	–	–	997	997
Foreign exchange	–	–	–	–	(35)	(35)
Closing equity shareholders' funds	**3,444**	**–**	**344**	**868**	**2,301**	**3,513**

Rm

	Number of shares m	Opening equity shareholders funds	Share capital	Share premium	Profit & loss	Total
Funds for future appropriations	1	15,527	–	–	–	15,527
Policyholder self-investment	316	–	318	235	3,401	3,954
Issue of shares on demutualisation	2,654	(15,527)	2,646	3,489	9,392	–
Additional capital raised on listing	473	–	454	4,901	–	5,355
Retained profit for the period	–	–	–	–	9,830	9,830
Foreign exchange	–	–	–	–	241	241
Closing equity shareholders' funds	**3,444**	**–**	**3,418**	**8,625**	**22,864**	**34,907**

The policyholder self-investment relates to the issue of shares by Old Mutual plc in exchange for equity investments previously held for the benefit of policyholders.

On demutualisation of the South African Mutual Life Assurance Society on 11 May 1999, Old Mutual plc issued 2,654 million shares of 10p each, credited as fully paid up, to eligible policyholders in consideration for a proprietary interest in the Old Mutual Group.

On 10 and 19 July 1999, Old Mutual plc issued a further 297 million and 176 million ordinary shares respectively at an aggregate premium of £512 million, net of issue costs of £10 million, to institutional investors, pursuant to the offers made in connection with the Company's listing on the London and various African Stock Exchanges.

All ordinary shares in issue carry the same right to receive dividends and other distributions paid by the Company, except for certain shares held by an Employee Share Ownership Trust where dividends have been waived by the trustees.

26 Company profit and loss account

	£m Year to 31 Dec 1999	Rm Year to 31 Dec 1998
Company		
At beginning of year	**–**	**–**
Retained profit for the year	**55**	**547**
At end of year	**55**	**547**

27 Technical provisions

	£m Gross	£m Reinsurance	£m Net	Rm Gross	Rm Reinsurance	Rm Net
31 December 1999						
Long term business technical provision	**14,767**	**(140)**	**14,627**	**146,731**	**(1,391)**	**145,340**
Outstanding claims – long term business	**197**	**–**	**197**	**1,958**	**–**	**1,958**
Outstanding claims – general business	**122**	**(16)**	**106**	**1,212**	**(159)**	**1,053**
Provision for unearned premiums	**43**	**(5)**	**38**	**427**	**(50)**	**377**
	15,129	**(161)**	**14,968**	**150,328**	**(1,600)**	**148,728**
31 December 1998						
Long term business technical provision	11,716	(172)	11,544	114,545	(1,690)	112,855
Outstanding claims – long term business	132	–	132	1,287	–	1,287
Outstanding claims – general business	129	(19)	110	1,260	(181)	1,079
Provision for unearned premiums	41	(5)	36	400	(46)	354
	12,018	(196)	11,822	117,492	(1,917)	115,575

Valuation methods and assumptions: South Africa

The valuation was performed in accordance with the “Financial Soundness Valuation” method, in accordance with the applicable professional guidance notes issued by the Actuarial Society of South Africa (ASSA). The technical provisions are based on realistic expectations of future experience with prescribed margins for prudence and deferring the emergence of profit.

Where applicable, allowance has been made for bonuses already declared, as well as future bonuses still to be declared at rates consistent with the assumed valuation interest rates. These bonuses include both vested bonuses and non-vested (terminal) bonuses.

The principal assumptions used at 31 December 1999 and 31 December 1998 for South Africa are set out below.

Rates of interest (gross of tax and charges)

Non-profit annuities – discounted on appropriate spot yield curve
With-profit annuities – interest rate on which premium rates were based
Assurances – 14 per cent. per annum for all years

The gross interest rates were reduced as follows, where applicable:

- to allow for tax, the December 1999 assumptions reflect the new tax basis applicable from 1 January 2000;
- to allow for the minimum margin of 0.25 percentage points per annum, as prescribed by ASSA; and
- in the case of smoothed bonus business, by an additional margin equal to the excess over the 0.25 percentage points of the capital charges applicable to the business. This second tier margin is incorporated to ensure that the value of capital charges emerge as profit over the full duration of the policy.

Mortality tables

Non-profit annuities – a90 rated down 5 years
With-profit annuities – PA90 rated down 1 year (adjusted for own experience)
Assurances – table derived from own experience with allowance for increasing AIDS claims

For assurances, the above underlying mortality rates were further increased by the prescribed ASSA margin of 7.5 per cent. For annuities, the mortality rates were reduced by the prescribed ASSA margin of 7.5 per cent.

Renewal expenses

Renewal expense assumptions (including renewal commissions) have been based on recent experience inflating at 11 per cent. per annum.

The December 1999 assumptions have been changed to reflect the new tax basis applicable from 1 January 2000.

In terms of the prescribed ASSA margins, the underlying expense assumption was increased by 10 per cent., and the expense inflation assumption was increased to 12.1 per cent.

Surrenders/lapses

Where appropriate, allowance has been made for surrenders and lapses at rates consistent with past experience.

The underlying lapse rates were then increased by the prescribed ASSA margin of 25 per cent. Surrender rates were increased or decreased by the prescribed ASSA margin of 10 per cent., depending on which alternative gave rise to an increase in liabilities.

27 Technical provisions (continued)

Valuation method and assumptions outside of southern Africa

Technical provisions have been calculated using generally accepted actuarial methods for the territory in question, and using interest rates and actuarial tables appropriate to the territory in question.

27(a) Pensions mis-selling

The terms of the sale of Old Mutual Life Assurance Company Ltd, agreed in December, included a warranty by the Group in respect of the costs of mis-sold pension business such that, if related costs exceeded the provisions passed to the purchaser, the Group would remain liable. Provisions of £38 million (R380 million) at 31 December 1999 have been retained by the Group in accordance with Personal Investment Authority guidelines to cover for this eventuality.

28 Insurance – provisions for other risks and charges

	£m				Rm			
	At beginning of year	Charge to the profit and loss account	Exchange and other movements	At end of year	At beginning of year	Charge to the profit and loss account	Exchange and other movements	At end of year
31 December 1999								
Provision for deferred tax	**–**	**58**	**–**	**58**	**3**	**572**	**1**	**576**
Provision for pensions and other obligations	**75**	**29**	**(30)**	**74**	**734**	**274**	**(276)**	**732**
Other provisions	**348**	**119**	**(282)**	**185**	**3,397**	**1,173**	**(2,728)**	**1,842**
	423	**206**	**(312)**	**317**	**4,134**	**2,019**	**(3,003)**	**3,150**
31 December 1998								
Provision for deferred tax	–	–	–	–	2	–	1	3
Provision for pensions and other obligations	74	22	(21)	75	559	206	(31)	734
Other provisions	67	293	(12)	348	499	2,863	35	3,397
	141	315	(33)	423	1,060	3,069	5	4,134

Deferred taxation comprises short term timing differences. Material movements in deferred taxation arose during the year ended 31 December 1999 from the change in tax basis in South Africa, resulting in a transitional tax charge of £61 million (R601 million).

Other provisions at 31 December 1999 relate primarily to provisions for impairment in various life operations within the Group.

The potential liability for deferred tax provided in the financial statements is as follows:

	£m		Rm	
	At 31 Dec 1999	At 31 Dec 1998	**At 31 Dec 1999**	At 31 Dec 1998
Liability provided in the balance sheet				
Insurance funds	**(60)**	–	**(596)**	(3)
Short term timing differences	**3**	–	**30**	–
Prepayment of pension contributions	**(1)**	–	**(10)**	–
	(58)	–	**(576)**	(3)

There were no unprovided deferred tax liabilities at the end of the above reporting periods.

29 Creditors

	£m		Rm	
	At 31 Dec 1999	At 31 Dec 1998	At 31 Dec 1999	At 31 Dec 1998
Creditors arising from direct insurance operations	94	52	934	507
Other creditors including taxation and social security				
Falling due within one year	989	251	9,827	2,450
Falling due after one year	10	69	99	675
	1,093	372	10,860	3,632

29(a) Other creditors – falling due within one year

	£m		Rm	
	At 31 Dec 1999	At 31 Dec 1998	At 31 Dec 1999	At 31 Dec 1998
Current taxation	42	10	417	95
Proposed dividend	69	–	680	–
Other creditors including taxation and social security	878	241	8,730	2,355
	989	251	9,827	2,450

30 Banking – other liabilities

	£m		Rm	
	At 31 Dec 1999	At 31 Dec 1998	At 31 Dec 1999	At 31 Dec 1998
Trade creditors	238	235	2,361	2,298
Other liabilities falling due within one year	371	258	3,687	2,517
	609	493	6,048	4,815

30(a) Other banking liabilities – falling due within one year

Current taxation	2	47	20	460
Other liabilities, including accrued interest	281	117	2,793	1,144
Liabilities under acceptances	88	94	874	913
	371	258	3,687	2,517

31 Banking – provision for liabilities and charges

	£m		Rm	
	At 31 Dec 1999	At 31 Dec 1998	At 31 Dec 1999	At 31 Dec 1998
Provision for deferred taxation	72	67	712	653
Other provisions	4	5	43	47
	76	72	755	700

31(a) Deferred tax – banking

At beginning of year	67	66	653	647
Charge to profit and loss account	18	8	179	80
Exchange and other movements	(13)	(7)	(120)	(74)
At end of year	72	67	712	653
Comprising:				
Short term timing differences	43	37	424	361
Leasing transactions	29	30	288	292
	72	67	712	653

There were no unprovided deferred tax liabilities at the end of the above reporting periods.

32 Deposits by banks

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Items in the course of transmission to other banks	**31**	26	**308**	255
Other deposits	**767**	1,197	**7,621**	11,699
	798	1,223	**7,929**	11,954

All deposits by banks are repayable on demand.

33 Customer accounts, maturity profile

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Repayable on demand	**5,138**	4,707	**51,063**	46,011
With agreed maturity dates or years of notice, by remaining maturity, of:				
Three months or less but not repayable on demand	**2,097**	2,228	**20,832**	21,782
One year or less but over three months	**1,303**	1,076	**12,945**	10,524
Five years or less but over one year	**745**	334	**7,397**	3,263
Over five years	**60**	–	**599**	–
	9,343	8,345	**92,836**	81,580

34 Debt securities in issue

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Bonds and medium term notes	**1,157**	723	**11,496**	7,066
Other debt securities in issue	**37**	173	**368**	1,698
	1,194	896	**11,864**	8,764

34(a) Bonds and medium term notes, maturity profile

Repayable:				
Within one year	**983**	575	**9,768**	5,626
Between one and two years	**102**	145	**1,009**	1,414
Between two and five years	**72**	3	**719**	26
	1,157	723	**11,496**	7,066

All other debt securities in issue are repayable between one and two years.

35 Commitments

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Undrawn formal standby facilities, credit lines and other commitments to lend	**172**	652	**1,707**	6,378
Capital and other commitments	**72**	86	**715**	837
	244	738	**2,422**	7,215

36 Contingent liabilities

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Guarantees and assets pledged as collateral security	**588**	596	**5,845**	5,826
Irrevocable letters of credit	**214**	149	**2,125**	1,454
Other contingent liabilities	**61**	137	**614**	1,344
	863	882	**8,584**	8,624

37 Subordinated liabilities

	£m At 31 Dec 1999	£m At 31 Dec 1998	Rm At 31 Dec 1999	Rm At 31 Dec 1998
Subordinated debt instruments are repayable:				
Between two and five years	**29**	29	**291**	284
Over five years	**39**	31	**388**	299
	68	60	**679**	583
The total subordinated debt instruments of the Group are as follows:				
R80 million repayable 15 May 2001	**8**	8	**78**	77
R80 million repayable 15 May 2002	**8**	8	**77**	76
R140 million repayable 15 May 2003	**13**	13	**133**	131
US$40 million repayable 17 April 2008	**24**	24	**245**	235
US$18 million repayable 31 August 2009	**11**	–	**111**	–
R200 million repayable 30 November 2029	**4**	6	**35**	59
R17 million repayable 15 September 2030	**–**	1	**–**	5
	68	60	**679**	583

The instruments repayable between 15 May 2001, 2002 and 2003 bear interest at the rate of 14 per cent. per annum on the nominal value and are guaranteed by Nedcor Limited. The instruments repayable in US dollars on 17 April 2008 and 31 August 2009 bear interest at the rate of 5 per cent. per annum on the nominal value. The subordinated unsecured debentures, repayable on 30 November 2029, bear interest at the rate of 16 per cent. per annum until 15 September 2000 and are, thereafter, free of interest. Coupon holders are entitled, in the event of interest default, to sell the coupon covering such interest payment to Nedcor Limited.

38 Principal Group and associated undertakings

The principal Group and associated undertakings whose results are included in the consolidated financial statements (all of which are held indirectly by the Company and all shares of which are ordinary shares) are:

Name	Nature of business	Percentage holding[1]	Country of incorporation	Year end
Old Mutual Asset Managers (South Africa) (Pty) Ltd	Asset management	100	South Africa	31 December
Old Mutual Asset Managers (Bermuda) Ltd	Asset management	100	Bermuda	31 December
Old Mutual International Asset Managers (Bermuda) Ltd	Asset management	100	Bermuda	31 December
Old Mutual Asset Managers (UK) Ltd	Asset management	100	England and Wales	31 December
Old Mutual Investment Advisers, Inc	Asset management	100	United States of America	31 December
Old Mutual Bank Ltd	Banking	100	South Africa	31 December
Galaxy Portfolio Services Ltd	Financial services	100	South Africa	31 December
Old Mutual Group Ltd	Financial services	100	Bermuda	31 December
Old Mutual Specialised Finance (Pty) Ltd	Financial services	100	South Africa	31 December
Old Mutual Healthcare (Pty) Ltd	Health insurance	100	South Africa	31 December
Old Mutual Health Insurance Ltd	Health insurance	100	South Africa	31 December
Ashtree Investments Ltd	Investment holding	100	South Africa	31 December
Capital Securities Ltd	Investment holding	100	South Africa	31 December
OM Portfolio Holdings (South Africa) (Pty) Ltd	Investment holding	100	South Africa	31 December
Rodina Investments Ltd	Investment holding	100	South Africa	31 December
Old Mutual Fund Holdings (Bermuda) Ltd	Investment holding	100	Bermuda	31 December
Old Mutual Life Assurance Company (South Africa) Ltd	Life assurance	100	South Africa	31 December
Old Mutual Life Assurance Company (Namibia) Ltd	Life assurance	100	Namibia	31 December
Old Mutual Life Assurance Company Zimbabwe Ltd	Life assurance	100	Zimbabwe	31 December
Old Mutual Life Assurance Company (Malawi) Ltd	Life assurance	100	Malawi	31 December
Old Mutual Life Assurance Company (Bermuda) Ltd	Life assurance	100	Bermuda	31 December
Old Mutual International (Guernsey) Ltd	Life assurance	100	Guernsey	31 December
Old Mutual International (Ireland) Ltd	Life assurance	100	Ireland	31 December
Old Mutual International (Isle of Man) Ltd	Life assurance	100	Isle of Man	30 June
Old Mutual Life Assurance Company Ltd	Life assurance	61	Kenya	31 December
Albert E Sharp Ltd	Private client fund management	100	England and Wales	31 December
Capel-Cure Myers Capital Management Ltd	Private client fund management	100	England and Wales	31 December
Barprop Ltd	Property holding	100	South Africa	31 December
Old Mutual Property Investment Corporation (Pvt) Ltd	Property holding	100	Zimbabwe	31 December
Old Mutual Properties (Pty) Ltd	Property management	100	South Africa	31 December
Old Mutual Trust Ltd	Trust administration	100	South Africa	31 December
Fairbairn Trust Company Ltd	Trust administration	100	Guernsey	31 December
Old Mutual Unit Trust Managers Ltd	Unit trust management	100	South Africa	31 December
Old Mutual Unit Trust Management Company (Namibia) Ltd	Unit trust management	100	Namibia	31 December
Old Mutual Fund Managers (Ireland) Ltd	Unit trust management	100	Ireland	31 December
Old Mutual International Fund Managers (Isle of Man) Ltd	Unit trust management	100	Isle of Man	30 June
Capel Cure Sharp Fund Managers Ltd	Unit trust management	100	England and Wales	31 December
Old Mutual Fund Managers Ltd	Unit trust management	100	England and Wales	31 December
Ridgefield Unit Trust Administration Ltd	Unit trust management	100	England and Wales	31 December
Mutual & Federal Insurance Company Ltd	General Insurance	51	South Africa	31 December
Nedcor Ltd	Banking	54.5	South Africa	31 December
Nedcor Bank Ltd	Banking	54.5	South Africa	31 December
Cape of Good Hope Bank Ltd	Banking	54.5	South Africa	31 December
Nedcor Investment Bank Holdings Ltd	Banking	51.3	South Africa	31 December
Nedcor Asia Ltd	Banking	54.5	South Africa	31 December
Dimension Data International Ltd	Technology	25[2]	South Africa	31 December

Note:

[1] Percentage holding of issued shares at 31 December 1999.

[2] Nedcor Group interest.

A complete list of subsidiaries is included in the annual return.

39 Banking financial instruments

Notwithstanding the exemption available to insurance groups from the scope of FRS 13, the table below sets out at 31 December 1999 details of derivative financial instruments in respect of the banking activities of the Group.

The Group uses off-balance sheet financial instruments (derivatives) to meet customers' requirements for proprietary trading and to hedge interest rate risk, foreign exchange risk and other market risks. Contracts used for hedging purposes, undertaken as part of the Group's risk management strategy, are classified as "other contracts" in the table below.

39(a) Summary

	Contracts held for trading purposes						Other contracts	
	Notional principal		Positive value		Negative value		Notional principal	
	At 31 Dec 1999 £m	At 31 Dec 1999 Rm	At 31 Dec 1999 £m	At 31 Dec 1999 Rm	At 31 Dec 1999 £m	At 31 Dec 1999 Rm	At 31 Dec 1999 £m	At 31 Dec 1999 Rm
The notional principal amount of trading instruments entered into with third parties was as follows:								
Exchange rate contracts								
Spot, forwards and futures	84	841	45	449	39	392	18,430	183,125
Currency swaps	309	3,071	159	1,577	150	1,494	5	51
Options purchased	40	398	17	170	23	228	4	40
Options written	26	250	20	194	6	56	4	40
	459	4,560	241	2,390	218	2,170	18,443	183,256
Interest rate contracts								
Interest rate swaps	7,327	72,810	3,500	34,780	3,827	38,030	949	9,434
Forward rate agreements	4,498	44,695	1,925	19,125	2,573	25,570	–	–
Options purchased	154	1,531	154	1,531	–	–	–	–
Options written	257	2,556	–	–	257	2,556	3	31
Futures	449	4,460	280	2,780	169	1,680	38	382
	12,685	126,052	5,859	58,216	6,826	67,836	990	9,847
Balances arising from off-balance sheet financial instruments	13,144	130,612	6,100	60,606	7,044	70,006	19,433	193,103
Fair value assets/(liabilities)								
The fair value of trading instruments entered into with third parties was as follows:								
Exchange rate contracts								
Spot, forwards and futures	–	–	–	2	–	2	(1)	(7)
Currency swaps	31	306	167	1,661	136	1,355	–	–
Options purchased/written	(1)	(2)	–	4	1	6	–	–
	30	304	167	1,667	137	1,363	(1)	(7)
Interest rate contracts								
Interest rate swaps	(13)	(123)	65	648	78	771	(2)	(15)
Forward rate agreements	2	20	4	43	2	23	–	–
Options purchased/written	(41)	(408)	20	197	61	605	–	–
	(52)	(511)	89	888	141	1,399	(2)	(15)
Balances arising from off-balance sheet financial instruments	(22)	(207)	256	2,555	278	2,762	(3)	(22)

These figures do not demonstrate the exposure of the Group to interest rate, foreign exchange or commodity market risks, since they include only off-balance sheet instruments. The market risk exposure arising from such instruments may be increased or offset by on-balance sheet transactions.

There were no material unrecognised gains or losses on "other contracts" for the year.

39 Banking financial instruments (continued)

39(b) Trading

	Exchange rate contracts		Interest rate contracts		Total	
	At 31 Dec 1999 £m	At 31 Dec 1999 Rm	At 31 Dec 1999 £m	At 31 Dec 1999 Rm	At 31 Dec 1999 £m	At 31 Dec 1999 Rm
Replacement cost of OTC derivatives						
Maturity analysis						
Under one year	19	191	29	289	48	480
One to five years	30	301	45	450	75	751
Over five years	118	1,175	15	149	133	1,324
	167	1,667	89	888	256	2,555
Counterparty analysis						
Financial institutions	157	1,564	83	828	240	2,392
Non-financial institutions	10	103	6	60	16	163
	167	1,667	89	888	256	2,555
Notional principal of OTC derivatives						
Maturity analysis						
Under one year	182	1,807	8,646	85,926	8,828	87,733
One to five years	86	855	3,118	30,979	3,204	31,834
Over five years	191	1,898	921	9,147	1,112	11,045
	459	4,560	12,685	126,052	13,144	130,612
Counterparty analysis						
Financial institutions	389	3,869	12,400	123,222	12,789	127,091
Non-financial institutions	70	691	285	2,830	355	3,521
	459	4,560	12,685	126,052	13,144	130,612

39(c) Non-trading

	£m Year to 31 Dec 1999	Rm Year to 31 Dec 1999
Notional principal		
The notional principal amounts of non-trading instruments entered into with third parties were as follows:		
Exchange rate contracts	18,443	183,256
Interest rate contracts	990	9,847
	19,433	193,103
The maturity of the notional principal amounts and replacement cost of instruments entered into with third parties was:		
Exchange rate contracts		
Under one year	9,736	96,736
One to five years	8,647	85,920
Over five years	60	600
	18,443	183,256
Interest rate contracts		
Under one year	359	3,582
One to five years	305	3,026
Over five years	326	3,239
	990	9,847

39 Banking financial instruments (continued)
Non-trading book interest rate risk

The Group holds interest rate exposure in the non-trading book. At 31 December 1999, non-trading book interest risk, after taking account of off-balance sheet hedges, comprises:

£m

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non-interest bearing	Total
Cash and balances at central banks	–	–	–	–	–	760	760
Treasury bills and other eligible bills	706	26	11	1	–	–	744
Loans and advances to banks	613	–	–	–	–	–	613
Loans and advances to customers	6,934	514	467	1,391	–	398	9,704
Debt securities	192	86	28	165	158	–	629
Equity securities	–	–	–	–	–	324	324
Tangible fixed assets	–	–	–	–	–	98	98
Land and buildings	–	–	–	–	–	89	89
Other assets	–	–	–	–	–	88	88
Prepayments and accrued income	–	–	–	–	–	168	168
Total assets	**8,445**	**626**	**506**	**1,557**	**158**	**1,925**	**13,217**
Deposits by banks	798	–	–	–	–	–	798
Customer accounts	6,641	265	333	1,680	126	298	9,343
Debt securities in issue	876	186	81	51	–	–	1,194
Provision for liabilities and charges	–	–	–	–	–	76	76
Other liabilities	–	–	–	–	–	1,738	1,738
Subordinated liabilities	–	–	–	–	–	68	68
Total liabilities	**8,315**	**451**	**414**	**1,731**	**126**	**2,180**	**13,217**
Off-balance sheet items	**373**	**(23)**	**(4)**	**(346)**	**–**	**–**	**–**
Interest rate sensitivity gap	**503**	**152**	**88**	**(520)**	**32**	**(255)**	**–**
Cumulative gap	**503**	**655**	**743**	**223**	**255**	**–**	**–**

Rm

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non-interest bearing	Total
Cash and balances at central banks	–	–	–	–	–	7,552	7,552
Treasury bills and other eligible bills	7,012	259	108	14	–	–	7,393
Loans and advances to banks	6,091	–	–	–	–	–	6,091
Loans and advances to customers	68,903	5,111	4,642	13,816	–	3,951	96,423
Debt securities	1,910	858	277	1,644	1,561	–	6,250
Equity securities	–	–	–	–	–	3,220	3,220
Tangible fixed assets	–	–	–	–	–	974	974
Land and buildings	–	–	–	–	–	884	884
Other assets	–	–	–	–	–	874	874
Prepayments and accrued income	–	–	–	–	–	1,669	1,669
Total assets	**83,916**	**6,228**	**5,027**	**15,474**	**1,561**	**19,124**	**131,330**
Deposits by banks	7,929	–	–	–	–	–	7,929
Customer accounts	65,993	2,636	3,313	16,692	1,240	2,962	92,836
Debt securities in issue	8,700	1,853	808	503	–	–	11,864
Provision for liabilities and charges	–	–	–	–	–	755	755
Other liabilities	–	–	–	–	–	17,267	17,267
Subordinated liabilities	–	–	–	–	–	679	679
Total liabilities	**82,622**	**4,489**	**4,121**	**17,195**	**1,240**	**21,663**	**131,330**
Off-balance sheet items	**3,715**	**(231)**	**(43)**	**(3,441)**	**–**	**–**	**–**
Interest rate sensitivity gap	**5,009**	**1,508**	**863**	**(5,162)**	**321**	**(2,539)**	**–**
Cumulative gap	**5,009**	**6,517**	**7,380**	**2,218**	**2,539**	**–**	**–**

39 Banking financial instruments (continued)

39(d) Fair value disclosure

	£m Book Value At 31 Dec 1999	£m Fair Value At 31 Dec 1999	Rm Book Value At 31 Dec 1999	Rm Fair Value At 31 Dec 1999
The fair value of the financial assets and liabilities of the Group's banking subsidiaries comprises:				
Trading book financial assets and liabilities				
Assets				
Cash and balances at central banks	760	760	7,552	7,552
Treasury bills and other eligible bills	137	137	1,357	1,357
Loans and advances to banks	613	613	6,091	6,091
Loans and advances to customers	9,704	9,704	96,423	96,423
Debt securities	340	340	3,377	3,377
Tangible fixed assets	98	98	974	974
Land and buildings	89	100	884	992
Other assets	88	88	874	874
Prepayments and accrued income	168	168	1,669	1,669
Off balance sheet financial instruments – positive value	256	256	2,555	2,555
Liabilities				
Deposits by banks	(798)	(798)	(7,929)	(7,929)
Customer accounts	(9,343)	(9,343)	(92,836)	(92,836)
Debt securities in issue	(1,194)	(1,194)	(11,864)	(11,864)
Provision for liabilities and charges	(76)	(76)	(755)	(755)
Other liabilities	(1,738)	(1,738)	(17,267)	(17,267)
Subordinated liabilities	(68)	(68)	(679)	(679)
Off balance sheet financial instruments – negative value	(278)	(278)	(2,763)	(2,763)
Non-trading book financial assets and liabilities				
Derivative financial instruments	(3)	(3)	(22)	(22)
Assets for which an active liquid market exists				
Marketable assets	607	607	6,036	6,036
Debt securities	289	289	2,873	2,873
Equity shares	324	618	3,220	6,141
Liabilities for which an active and liquid market exists				
Debt securities in issue	–	–	–	–

All financial assets and liabilities held or issued for trading purposes are carried in the financial statements at fair value. For those financial assets and liabilities in the non-trading book, fair values have been determined by valuation against mid-market prices or by discounting forward cash flows.

40 Reconciliation of operating profit to net operating cash flows

	£m Year to 31 Dec 1999	Rm Year to 31 Dec 1999
Profit from insurance and asset management activities before tax and non-operating items	**1,224**	12,067
Depreciation and amortisation of goodwill	**13**	128
Unrealised investment gains	**(416)**	(4,101)
Profits relating to the long term business	**(376)**	(3,707)
Long term investment return in the life business	**187**	1,844
Decrease in provisions for other risks and charges	**(8)**	(79)
Decrease in insurance technical provision net of reinsurance	**(3)**	(30)
Other (including amounts reinvested in long term business operations)	**(126)**	(1,242)
Net cash flow from insurance operating activities	**495**	4,880
Profit from banking activities before tax and non-operating items	**210**	2,072
Decrease in accrued income and prepayments	**82**	808
Provision for bad and doubtful debts	**263**	2,593
Depreciation and amortisation	**33**	325
Other	**(75)**	(740)
Net cash flow from banking trading activities	**513**	5,058
Net decrease in collections/transmissions	**11**	108
Net increase in loans and advances to banks and customers	**(1,233)**	(12,156)
Net increase in deposits by banks and customer accounts	**788**	7,769
Net increase in debt securities in issue	**306**	3,017
Net increase in other assets	**(229)**	(2,258)
Net increase in other liabilities	**101**	996
Net cash flow from banking operating activities	**257**	2,534

40(a) Analysis of cash flow statement

	£m	Rm
Returns on investment and servicing of finance		
Net interest paid	**(6)**	(59)
Dividends paid to minority interests	**(111)**	(1,095)
Finance costs of debt and non-equity share capital	**(7)**	(69)
Net cash outflow from returns on investments and servicing of finance	**(124)**	(1,223)
Taxation		
United Kingdom corporation tax paid	**(30)**	(296)
Overseas tax paid	**(40)**	(394)
Total taxation paid	**(70)**	(690)
Capital expenditure and financial investment		
Net purchase of banking investment securities	**(22)**	(217)
Net purchase of tangible fixed assets	**(62)**	(611)
Net cash outflow from capital expenditure and financial investment	**(84)**	(828)
Acquisitions and disposals		
Acquisition of interests in subsidiary undertakings	**(64)**	(631)
Disposal of interests in subsidiary undertakings	**130**	1,281
Net cash inflow from acquisitions and disposals	**66**	650
Financing		
Issue of ordinary share capital net of costs	**559**	5,509
Issue of ordinary share capital of subsidiary undertakings to minority interests	**23**	227
Decrease in borrowings	**(35)**	(345)
Net cash inflow from financing activities	**547**	5,391

40 Reconciliation of operating profit to net operating cash flows (continued)

40(b) Movement in opening and closing insurance portfolio investments, net of financing

	£m Year to 31 Dec 1999	Rm Year to 31 Dec 1999
Net cash inflow for the period	122	1,202
Cash flow (excluding long term business)		
Portfolio investments	732	7,215
Movement arising from cash flow	854	8,417
Movement in long term business	3,521	34,730
Disposed with subsidiary	(22)	(217)
Changes in market values and exchange rates	712	9,563
Total movement in portfolio investments, net of financing	5,065	52,493
Portfolio investments, net of financing at beginning of year	13,459	131,567
Portfolio investments, net of financing at end of year	18,524	184,060

40(c) Movement in insurance cash, portfolio investments and financing

£m

	At start of year	Cash flow	Changes in long term business	Disposed with subsidiary	Changes to market value and currencies	At end of year
Year to 31 December 1999						
Cash at bank and in hand	176	122	147	–	(2)	443
Investment properties	885	–	26	–	3	914
Other financial investments	12,398	732	3,348	(22)	711	17,167
	13,459	854	3,521	(22)	712	18,524

Rm

	At start of year	Cash flow	Changes in long term business	Disposed with subsidiary	Changes to market value and currencies	At end of year
Year to 31 December 1999						
Cash at bank and in hand	1,716	1,202	1,470	–	14	4,402
Investment properties	8,649	–	253	–	179	9,081
Other financial investments	121,202	7,215	33,007	(217)	9,370	170,577
	131,567	8,417	34,730	(217)	9,563	184,060

40(d) Analysis of banking cash balances and changes in financing during the period

	£m At start of year	£m Cash flow	£m Other changes	£m At end of year	Rm At start of year	Rm Cash flow	Rm Other changes	Rm At end of year
Year to 31 December 1999								
Cash and balances at central banks	537	233	(10)	760	5,250	2,297	5	7,552
Bank financing								
Share premium	115	23	(1)	137	1,125	227	12	1,364
Share capital	24	–	–	24	233	2	2	237
Subordinated liabilities	60	10	(2)	68	583	102	(6)	679
	199	33	(3)	229	1,941	331	8	2,280

41 Directors' emoluments and interests

The remuneration payable to the directors of the Company for their services to the Group including the estimated money value of benefits in kind for the year ended 31 December 1999 is shown in the Remuneration Report on pages 47 to 51 of this document.

The interests of directors of the Company in shares of the Company and its quoted subsidiaries are shown in the Directors' Report on page 39 of this document.

42 Related party transactions

The Group provides certain pension fund, insurance, banking and financial services to related third parties as defined by FRS 8. These are conducted on similar terms to third party transactions and are not material to the Group's results. In accordance with FRS 8, transactions or balances with Group entities that have been eliminated on consolidation are not reported.

No director had a material interest in any contract of significance with the Company or any of its subsidiaries during 1999.

43 Post-balance sheet events

In January 2000, the Group made an offer to purchase the entire share capital of Gerrard Group plc for approximately £546 million. The offer was declared wholly unconditional on 10 March 2000.

44 Staff pension plans

The Group operates a number of pension schemes around the world. These schemes have been designed and are administered in accordance with the local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The pension costs relating to these schemes are assessed in accordance with the advice of qualified actuaries; the schemes are reviewed at least on a triennial basis or in accordance with local practice and regulations. In the intervening years, the actuary reviews the continuing appropriateness of the assumptions applied. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they operate.

The most recent valuation of the largest defined benefit fund, which is in respect of the South African life and asset management businesses in the Group, was made on 1 July 1997 by an independent qualified actuary. The projected unit method was used and the principal actuarial assumptions adopted were an investment return of 15 per cent., salary increases of 14 per cent. and pensions in payment increases of 10.9 per cent. The market value of scheme assets at that date was £25 million (R251 million) and the actuarial value of the assets represented 157 per cent. of the benefits accrued to members, after allowing for expected future increases in earnings.

The costs of providing pension schemes operated for employees are charged to the profit and loss account so as to spread the cost over the expected service lives of the eligible employees within the Group. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme. Any difference between the cumulative amounts charged against profits and contribution amounts paid is included as a prepayment or provision in the balance sheet.

At 31 December 1999, the provision for pension contributions held in the Group's balance sheet amounted to £7 million (R69 million) (1998: £Nil (R1 million)). The charge to the technical account represents the regular pension cost, offset by the investment return on the surplus scheme assets, and variations from regular cost arising from the scheme's surplus being amortised on a straight line basis over the average expected remaining service lives of current employees.

	£m		Rm	
	Year to 31 Dec 1999	Pro forma year to 31 Dec 1998	**Year to 31 Dec 1999**	Pro forma year to 31 Dec 1998
Pension cost charge				
Regular cost	**36**	29	**344**	272
Variations from regular cost	**(7)**	(7)	**(70)**	(66)
Profit and loss charge	**29**	22	**274**	206

44 Staff pension plans (continued)

44(a) Post retirement costs

Certain Group subsidiary undertakings provide medical and mortgage bond benefits to qualifying employees beyond the date of retirement. A liability has been raised for the expected cost of these benefits in accordance with the advice of qualified actuaries and has been charged to the profit and loss account accordingly.

	£m		Rm	
	Year to 31 Dec 1999	Pro forma year to 31 Dec 1998	**Year to 31 Dec 1999**	Pro forma year to 31 Dec 1998
Post retirement cost	**–**	9	**6**	81
Post retirement liability	**67**	75	**663**	734

44(b) Employee share ownership plan

The Group has an employee share ownership plan (ESOP) which purchases ordinary shares in the parent Company in the market and holds such shares for delivery to executive directors and senior management. Funding for the share purchases by the ESOP was provided primarily by loans from the South African life company and other Group companies.

The assets, liabilities, income and expenses of the ESOP are incorporated into the financial statements.

The shares in the trust are put under option to employees at their value on the date the options are granted. The difference between the shares' value at the date of grant and their residual value is charged as an operating expense to the profit and loss account. This charge is spread over the employees' period of service in respect of which the options have been granted. The total amount charged to the profit and loss account for the year ended 31 December 1999 was £4 million (R37 million).

The number and market value of the investment of the Group's ESOP in the ordinary shares at 31 December was 68,580,222 and £111 million (R1,108 million) respectively. Dividends on these shares have been waived by the ESOP trust. The shares held by the ESOP trust are held for the continuing benefit of the Group's business. These shares are recognised as fixed assets in the balance sheet and amortised over the vesting period, until they vest unconditionally with the employees.

Embedded Value Information

1 Embedded value

The embedded value of Old Mutual plc at 31 December 1999 is set out below, together with the corresponding position at 31 December 1998.

	£m 31 Dec 1999	£m 31 Dec 1998	Rm 31 Dec 1999	Rm 31 Dec 1998
Equity shareholders' funds	**3,513**	1,588	**34,907**	15,527
Excess of market value of listed subsidiaries over their net asset value	**1,114**	748	**11,069**	7,317
Adjustment to include UK and offshore life subsidiaries on a statutory solvency basis	**(19)**	(21)	**(185)**	(211)
Adjusted net worth	**4,608**	2,315	**45,791**	22,633
Value of in-force business before cost of solvency capital	**884**	849	**8,781**	8,300
Cost of solvency capital	**(78)**	(78)	**(778)**	(759)
Value of in-force business	**806**	771	**8,003**	7,541
Embedded value	**5,414**	3,086	**53,794**	30,174

An embedded value is an actuarially determined estimate of the economic value of a life assurance company, excluding any value that may be attributed to future new business. Old Mutual plc's embedded value is the sum of its adjusted net worth and the present value of the projected stream of future after-tax profits from its life assurance business in force at the valuation date, adjusted for the cost of holding solvency capital equal to 100% of the South African Statutory Capital Adequacy Requirement (or equivalent for non-African operations).

The adjusted net worth is equal to the consolidated equity shareholders' funds adjusted to reflect the Group's listed subsidiaries at market value, and UK and offshore life assurance subsidiaries on a statutory solvency basis.

The embedded value does not include a market valuation of the Group's asset management subsidiaries (including asset management business written through the life assurance companies), nor of any other in-force non-life business of the Group.

The basis of taxation of life assurance companies in South Africa changed with effect from 1 January 2000, and this has been fully taken into account in determining the embedded value at 31 December 1999. No account has been taken of the proposed capital gains tax to be introduced in South Africa with effect from 1 April 2001, as announced by the Minister of Finance in his Budget Speech on 23 February 2000.

The assumptions used to calculate the embedded value are set out in section 4.

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

	£m 31 Dec 1999	£m 31 Dec 1998	Rm 31 Dec 1999	Rm 31 Dec 1998
Individual business	**448**	456	**4,455**	4,457
Group business	**239**	176	**2,375**	1,721
South Africa	**687**	632	**6,830**	6,178
Rest of the world	**119**	139	**1,173**	1,363
Value of in-force business	**806**	771	**8,003**	7,541

The value of in-force business at 31 December 1999 excludes the value in respect of Old Mutual Life Assurance Company Limited in the UK, in relation to which agreements for sale were entered into towards the end of the year.

2 Embedded value profits

Embedded value profits represent the change in embedded value over the year, adjusted for any capital raised and dividends proposed. The after-tax embedded value profits for the 12 months to 31 December 1999 are set out below.

	£m Year to 31 Dec 1999	Rm Year to 31 Dec 1999
Embedded value at 31 December 1999	**5,414**	**53,794**
Embedded value at 1 January 1999	**3,086**	**30,174**
Increase in embedded value	**2,328**	**23,620**
Less capital raised	**963**	**9,309**
Self-investment transaction	**404**	**3,954**
Capital raised at listing	**559**	**5,355**
Plus dividend proposed	**69**	**680**
Embedded value profits	**1,434**	**14,991**

The components of the embedded value profits are set out below.

	£m Year to 31 Dec 1999	Rm Year to 31 Dec 1999
Point of sale	69	678
Expected return to end of year	6	63
Profits from new business (1999 SA tax basis)	75	741
Expected return	160	1,581
Experience variances	13	129
Additional pensions mis-selling provisions	(52)	(518)
Profits from existing business	121	1,192
Investment variances	99	972
Investment return on adjusted net worth	1,331	13,118
Impact of 2000 SA tax change	(121)	(1,190)
Sale of UK life operation	(12)	(118)
Exchange rate movements	(59)	276
Embedded value profits	1,434	14,991

The profits from new life assurance business comprise the value of new business written during the year, determined initially at the point of sale and then accumulated to the end of the year by applying the discount rate to the value of new business at the point of sale and adding back the expected cost of solvency capital between the point of sale and the end of the year.

The profits from existing life assurance business consist of the expected return on the in-force business and experience variances. The expected return is determined by applying the discount rate to the value of in-force business at the beginning of the year and adding back the expected cost of solvency capital over the year. The experience variances are caused by differences between the actual experience in the year and the assumptions used to calculate the value at the start of the year, as well as changes in assumptions regarding future experience.

The investment variances represent the differences between the actual returns in the year and the assumptions used to calculate the value at the start of the year, together with changes in future investment return and discount rate assumptions.

The investment return on adjusted net worth represents the actual investment return earned on the adjusted net worth (which includes the return on the market value of the shareholders' investments in Nedcor, Mutual & Federal and Nedcor Investment Bank), as well as the profits arising from other non-life businesses within the Group.

As mentioned above, the basis of taxation of life assurance companies in South Africa changed with effect from 1 January 2000. The amount shown represents the net effect of the increased tax payable by shareholders as a result of the new tax basis (including the tax payable on transition to the new system) after allowing for the portion thereof to be borne by policyholders.

Towards the end of the year, Old Mutual Life Assurance Company in the UK reinsured its annuity portfolio of some £400 million (R4 billion) with XL Mid Ocean Reinsurance Ltd and was sold to Century Life plc, arising in a gain in net asset value of £15 million (R148 million). The embedded value loss on the sale of the company of £12 million (R118 million) shown above includes the gain in net asset value of £15 million (R148 million).

3 Value of new business

The value of new business written in the year is the present value, at the point of sale, of the projected stream of after-tax profits from that business, adjusted for the cost of holding solvency capital.

The tables below set out a geographical analysis of the value of new business, based on both the 1999 South African tax basis, and the 2000 South African tax basis. The value shown on the 2000 tax basis reflects the net effect of the increased tax payable by shareholders after allowing for the portion thereof to be borne by new policies. The amounts of new recurring and single premiums written during the year are also shown.

	£m				Rm			
	12 months to 31 Dec 1999				12 months to 31 Dec 1999			
	New premiums		Value of new business		New premiums		Value of new business	
	Recurring	Single	1999 SA tax basis	2000 SA tax basis	Recurring	Single	1999 SA tax basis	2000 SA tax basis
Individual business	141	697	33	25	1,390	6,873	321	248
Group business	21	521	29	29	207	5,134	290	290
South Africa	162	1,218	62	54	1,597	12,007	611	538
Rest of the world	36	172	7	7	355	1,696	67	67
Total	198	1,390	69*	61*	1,952	13,703	678*	605*

*Net of cost of solvency capital of £7 million (R65 million).

The value of new business for Employee Benefits includes £7.2 million (R71 million) in respect of the proceeds of free shares issued to retirement funds at demutualisation, and re-invested with Old Mutual.

The value of new business excludes the value of new Group market-linked and unit trust business, the profits on which arise in the asset management subsidiaries. It also excludes premium increases arising from indexation arrangements in respect of existing business, as these are already included in the value of in-force business. The value of new business however includes the value of new Investment Frontiers business that originated from existing policies that matured. A reconciliation of the new business premiums shown above to those shown in note 2(b) to the financial statements is set out below:

	£m		Rm	
	Recurring premiums £m	Single premiums £m	Recurring premiums Rm	Single premiums Rm
New business premiums as per the embedded value report	198	1,390	1,952	13,703
Add:				
– group market-linked business not valued	1	427	10	4,213
– unit trust business not valued	–	137	–	1,350
– new business premiums arising from premium indexation	41	–	404	–
Less transfer of maturing policies to Investment Frontiers	–	(96)	–	(947)
Less discontinued operations	–	(6)	–	(59)
New business premiums in note 2(b) to the financial statements	240	1,852	2,366	18,260

The assumptions used to calculate the value of new business are set out in section 4.

4 Assumptions

The principal assumptions used in the calculation of the value of in-force business and the value of new business are set out below.

The pre-tax investment and economic assumptions used for South African business were as follows:

South Africa	% 31 Dec 1999	% 31 Dec 1998
Fixed interest return	**14.0**	16.5
Equity and property return	**17.0**	19.5
Inflation	**10.0**	12.5
Risk discount rate	**18.0**	20.5

For the non-South African operations, appropriate investment and economic assumptions were chosen on bases consistent with those adopted in South Africa.

Rates of future bonuses have been set at levels consistent with the investment return assumptions.

For the in-force business, projected company taxation is based on the new tax basis that applies to South African life assurers, and includes an estimate of secondary tax on companies that may be payable in South Africa.

For the in-force business, assumed future policy charges are based on the policy charges that will apply in 2000 as a result of the new tax basis in South Africa.

The assumed future mortality, morbidity and voluntary discontinuance rates have been based as far as possible on analyses of recent operating experience. Allowance has been made where appropriate for the effect of expected AIDS-related claims.

The management expenses attributable to life assurance business have been split between expenses relating to the acquisition of new business and the maintenance of business in force. Assumed future expenses were based on current levels of expenses. Expense savings arising from Project 500 have been only partially taken into account. Further savings are expected to materialise in 2000, and will be reflected in subsequent valuations. The future expenses attributable to life assurance business do not include Group expenses incurred at the holding company level.

Future investment expenses were based on the current scales of fees payable by the life assurance companies to the asset management subsidiaries. To the extent that these fees include profit margins for the asset management subsidiaries, these margins have not been included in the value of in-force business or the value of new business.

The effect of increases in premiums over the period for policies in force as at 31 December 1998 has been included in the value of in-force business only where such increases are associated with indexation arrangements. Other increases in premiums of existing policies are included in the value of new business.

Conversions between Rand and Sterling were carried out at the following exchange rates:

Exchange rates	Rand per Sterling
At 31 December 1999	**9.9364**
At 31 December 1998	**9.7763**
12 months to 31 December 1999 (average)	**9.8588**

5 Alternative assumptions

The discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risks associated with the realisation of future profits. To illustrate the effect of using different discount rates, the table below shows the embedded value of Old Mutual plc at 31 December 1999 at alternative discount rates. The next table shows the corresponding impact on the value of new business. In determining the values at different discount rates, all other assumptions have been left unchanged. The sensitivity of the value of in-force business and value of new business to changes in other assumptions is shown later.

			£m			Rm
	12 months to 31 Dec 1999			12 months to 31 Dec 1999		
	Value at central discount rate -1%	Value at central discount rate	Value at central discount rate +1%	Value at central discount rate -1%	Value at central discount rate	Value at central discount rate +1%
Adjusted net worth	4,608	4,608	4,608	45,791	45,791	45,791
Value of in-force business	930	806	693	9,236	8,003	6,884
Value before cost of capital	932	884	839	9,257	8,781	8,332
Cost of solvency capital	(2)	(78)	(146)	(21)	(778)	(1,448)
Embedded value	5,538	5,414	5,301	55,027	53,794	52,675

The table below sets out the value of new life assurance business on the 2000 South African tax basis for the 12 months to 31 December 1999 at alternative discount rates.

			£m			Rm
	12 months to 31 Dec 1999			12 months to 31 Dec 1999		
	Value at central discount rate -1%	Value at central discount rate	Value at central discount rate +1%	Value at central discount rate -1%	Value at central discount rate	Value at central discount rate +1%
Value before cost of capital	73	68	63	715	670	622
Cost of solvency capital	–	(7)	(13)	(1)	(65)	(124)
Value of new business	73	61	50	714	605	498

The table below shows the sensitivity of the value of in-force business at 31 December 1999 and the value of new business on the 2000 South African tax basis for the 12 months to 31 December 1999 to changes in key assumptions. All of the sensitivities have been determined at the central discount rates and for each sensitivity illustrated, all other assumptions have been left unchanged.

		£m		Rm
	Value of in-force business at 31 Dec 1999	Value of new life business for year to 31 Dec 1999	Value of in-force business at 31 Dec 1999	Value of new life business for year to 31 Dec 1999
Central assumptions	806	61	8,003	605
Effect of:				
Decreasing the pre-tax investment return assumptions by 1% with bonus rates changing commensurately	(109)	(10)	(1,087)	(94)
Voluntary discontinuance rates increasing by 25%	(35)	(9)	(347)	(87)
Maintenance expense levels increasing by 20% with no corresponding increase in policy charges	(87)	(8)	(860)	(81)
Increasing the inflation assumption by 1%	(11)	(2)	(112)	(18)

6 External review

These results have been reviewed by Tillinghast-Towers Perrin, who have confirmed to the directors that the methodology and assumptions used to determine the embedded value are reasonable and that the embedded value profits are reasonable in the context of the operating performance and experience of the life assurance business during the 12 months to 31 December 1999.

Notice of Annual General Meeting

The Annual General Meeting of Old Mutual plc (the "Company") will be held in The Great Room, The Grosvenor House Hotel, Park Lane, London W1A 3AA on Thursday 18 May 2000 at 11.00 a.m. for the following purposes:

1 To receive and adopt the directors' report and audited financial statements of the Group for the year ended 31 December 1999.

2 To declare a final dividend of 2p per ordinary share subject to:

(i) the payment of not less than the Sterling equivalent of £20 million in aggregate by way of dividend by subsidiaries of the Company to Dividend Access Trusts (as defined in the Articles of Association of the Company) on behalf of those shareholders who are entitled to receive all or part of such payment from such Dividend Access Trusts; and

(ii) the entitlement of such shareholders in respect of the final dividend so declared by the Company being reduced in accordance with the provisions of Article 129 of the Articles of Association of the Company.

3 (i) to re-appoint Mr E E Anstee as a director of the Company;

(ii) to re-appoint Mr N N Broadhurst as a director of the Company;

(iii) to re-appoint Mr W A M Clewlow as a director of the Company; and

(iv) to re-appoint Mr J H Sutcliffe as a director of the Company.

4 To re-appoint KPMG Audit Plc as auditors to the Company.

5 To authorise the directors of the Company to settle the remuneration of the auditors.

As special business, to consider and, if thought fit, pass the following resolutions, that numbered 6 as an Ordinary Resolution and those numbered 7, 8, 9(i) to (iv), 10 and 11 as Special Resolutions:

Ordinary Resolution

6 That, pursuant to section 80 of the Companies Act 1985, and in substitution for any previously existing authority under that section insofar as not already used, the directors be and they are hereby authorised generally and unconditionally to allot relevant securities (as defined in the said section 80) up to an aggregate nominal amount of £114,820,807.60 provided that:

(i) this authority shall expire at the end of the next Annual General Meeting of the Company; and

(ii) the Company may before such expiry make one or more offers or agreements which would or might require securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or agreements as if the authority hereby conferred had not expired.

Special Resolutions

7 That, subject to the passing of the immediately preceding resolution, the directors be and they are hereby authorised to allot equity securities, within the meaning of section 94 of the Companies Act 1985, up to a maximum nominal aggregate amount of £17,223,121 for cash, as if section 89(1) of that Act did not apply to any such allotment. This authority shall expire at the end of the next Annual General Meeting of the Company, save that the Company may before such expiry make one or more offers or agreements which would or might require securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

8 That the Company be and is hereby authorised in accordance with section 166 of the Companies Act 1985 to purchase Ordinary Shares of 10p each in the Company ("Ordinary Shares") by way of market purchase (as defined in section 163(3) of the Companies Act 1985) upon and subject to the following conditions:

(i) the maximum number of such Ordinary Shares which may be purchased pursuant to this authority (when aggregated with any purchases made pursuant to any of the contingent purchase contracts referred to in Resolution 9 below) shall be 344,462,423;

(ii) the minimum price which may be paid for any Ordinary Share is 10p and the maximum price (exclusive of expenses) which may be paid for such Ordinary Share is not more than 5% above the average of the middle market values taken from the London Stock Exchange Daily Official List for the five business days before the date on which such Ordinary Share is contracted to be purchased;

(iii) such authority shall continue for a period of 12 months from the date hereof (or until the conclusion of the Company's Annual General Meeting in 2001 whichever is the earlier), provided that any contract for the purchase of any such Ordinary Shares which is concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires; and

(iv) all Ordinary Shares purchased pursuant to the said authority shall be cancelled immediately upon completion of the purchase.

9 That the following contingent purchase contracts, in the respective forms produced to the meeting (or with any non-material amendments thereto which the directors may consider to be necessary or desirable), each be and is hereby approved in accordance with section 164 of the Companies Act 1985 and that the Company be and is hereby authorised to make off-market purchases of its shares pursuant to each such contract for a period of 12 months from the date hereof (or until the conclusion of the Company's Annual General Meeting in 2001, whichever is the earlier):

(i) contract between the Company and Merrill Lynch South Africa (Pty) Limited pursuant to which the Company may make off-market purchases from Merrill Lynch South Africa (Pty) Limited of up to a maximum of 344,462,423 Ordinary Shares of 10p each in the Company ("Ordinary Shares") in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 8 above or any of the other contingent purchase contracts referred to in this Resolution 9);

(ii) contract between the Company and ABN Amro Securities (Namibia) (Pty) Limited pursuant to which the Company may make off-market purchases from ABN Amro Securities (Namibia) (Pty) Limited of up to a maximum of 344,462,423 Ordinary Shares in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 8 above or any of the other contingent purchase contracts referred to in this Resolution 9);

(iii) contract between the Company and Fleming Martin Edwards Securities (Private) Ltd pursuant to which the Company may make off-market purchases from Fleming Martin Edwards Securities (Private) Ltd of up to a maximum of 344,462,423 Ordinary Shares in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 8 above or any of the other contingent purchase contracts referred to in this Resolution 9);

(iv) contract between the Company and Stockbrokers Malawi Limited pursuant to which the Company may make off-market purchases from Stockbrokers Malawi Limited of up to a maximum of 344,462,423 Ordinary Shares in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 8 above or any of the other contingent purchase contracts referred to in this Resolution 9).

10 That the Articles of Association of the Company be and are hereby amended as follows:

(i) by the deletion from Article 56 of the words: “At least 30 clear days’ notice of meetings must be given to members on a branch register if the notice is not despatched by the Company within the jurisdiction where the branch register is held.”;

(ii) by the insertion at the end of Article 56 (as amended by the deletion described in paragraph (i) above) of the words: “Notwithstanding anything else in the Articles, the requirement to give at least 14 or 21 days’ clear notice shall be calculated so as to exclude the day for which the meeting is called and, when given by post, so as to include the sixth and all subsequent days following that on which the notice is posted and in all other cases so as to include the first and all subsequent days following that on which the notice is given.”; and

(iii) by the deletion of the first sentence of Article 147 and the substitution of the following: “Subject to Article 56, a notice or document sent by post is treated as being delivered five days after it was posted.”

11 That, subject to the approval of the UK High Court, an amount equal to £500,000,000 standing to the credit of the share premium account of the Company be cancelled and the directors be and are hereby authorised to take all appropriate steps to give effect thereto.

By Order of the Board
Martin C Murray
Group Company Secretary

London, 15 March 2000

Registered Office:
3rd Floor
Lansdowne House
57 Berkeley Square
London W1X 5DH

Notes:

1 A member of the Company entitled to attend and vote at the meeting may appoint (a) proxy(ies) to attend and, on a poll, vote on his or her behalf or, in the case of a member who holds shares through Old Mutual Nominees, instruct the nominee company to vote on his or her behalf or request such nominee company to appoint him or her as proxy to enable him or her to attend the meeting in person. (Old Mutual Nominees is Old Mutual (South Africa) Nominees (Pty) Limited, Old Mutual (Namibia) Nominees (Pty) Limited, Old Mutual Zimbabwe Nominees (Private) Limited or Old Mutual (Blantyre) Nominees Limited if shares are held through the Group’s nominee on the South African, Namibian, Zimbabwean or Malawian register respectively). A proxy need not be a member of the Company.

2 Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company gives notice that only those shareholders entered on the register of members of the Company at 6.00 p.m. (UK time) on 16 May 2000 will be entitled to attend and to vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to the entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

3 To be effective, the form of proxy or, as the case may be, the voting instruction form for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be received at the return address specified on the enclosed postage-free envelope or by the Company’s registrar, Computershare Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 7NH by not later than 11.00 a.m. (UK time) on 16 May 2000.

4 The completion and return of a form of proxy or voting instruction form will not preclude a member entitled to attend and vote at the meeting from doing so if he or she wishes.

Documents available for inspection

Copies of the directors' service contracts, together with the register of directors' interests, the contingent purchase contracts referred to in Resolutions 9(i) to (iv) and the Articles of Association of the Company are available for inspection at the registered office of the Company in London; at Mutualpark, Jan Smuts Drive, Pinelands 7405, South Africa; at "1066", 4th Floor, 35 Pritchard Street, Johannesburg, South Africa; at Old Mutual Building, Glyn Jones Road, Blantyre, Malawi; at Mutual Platz, 5th Floor, Post Street Mall, Windhoek, Namibia; at Mutual Gardens, 100 The Chase (West), Emerald Hill, Harare, Zimbabwe; and at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB during normal business hours on each business day from the date of this notice until the Annual General Meeting and at The Great Room at The Grosvenor House Hotel, Park Lane, London W1A 3AA from at least 15 minutes prior to the Annual General Meeting until the conclusion of that meeting.

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

Resolution 2 – Dividend

A dividend of 2p per Ordinary Share is being recommended by the Board. Subject to the dividend being approved at the Annual General Meeting, it is expected that the relevant subsidiaries of the Company will declare to the trustees of the Dividend Access Trusts, which have been established in each of South Africa, Zimbabwe, Namibia and Malawi, an equivalent amount of dividend in relation to the estimated number of shares on those territories' respective registers in the respective local currencies of those territories (by reference to the exchange rate prevailing on 7 April 2000, as determined by the Board).

Shareholders on the branch registers (or, in the case of Namibia, the relevant section of the principal register) in the territories will then receive their dividend, in accordance with the provisions of the Company's Articles of Association, from the Dividend Access Trust concerned, rather than from the Company.

The resolution of the Company declaring the dividend is expressed to be conditional upon at least the Sterling equivalent of £20 million being paid via the Dividend Access Trusts because of technical requirements of UK company law relating to the distributable reserves in the Company's own balance sheet.

The equivalent amounts of the recommended dividend in each of the four other currencies will be notified by the Company to each of the stock exchanges on which the Company's shares are listed on 10 April 2000.

Resolutions 3 (i) to (iv) – Re-appointment of Directors

Mr Anstee, Mr Broadhurst and Mr Clewlow retire by rotation in accordance with Articles 95 and 96 of the Company's Articles of Association and will be seeking re-appointment at the Annual General Meeting.

Mr Sutcliffe, who has been appointed as a director since the last Annual General Meeting, automatically retires in accordance with Article 94 of the Company's Articles of Association and will seek re-appointment at the meeting.

Mr Anstee has a service contract terminable on 12 months' notice, save that until 12 July 2001 the period of notice required to be given by the Company is 24 months. Mr Sutcliffe has a service contract terminable on 12 months' notice, save that until 24 January 2001 the period of notice required to be given by the Company is 24 months. The appointments of Mr Broadhurst and Mr Clewlow as non-executive directors are each at the will of the parties, but are stated to be envisaged to last initially for three years from the date of listing of the Company's shares on the London Stock Exchange and thereafter to be reviewed annually prior to the Company's Annual General Meeting.

Brief biographical details of each of the above directors, and of the rest of the Board, are set out on page 37.

Resolutions 4 & 5 – Auditors

KPMG Audit Plc has indicated its willingness to continue in office and Resolution 4 proposes the re-appointment of KPMG Audit Plc as auditors. Resolution 5 proposes that the directors be authorised to determine the remuneration of the auditors.

Resolutions 6 & 7 – Authority to allot shares

In accordance with Section 80 of the UK Companies Act 1985 (the "Companies Act"), it is proposed to renew the authority for the directors to allot relevant securities up to an amount not exceeding 33⅓% of the current issued ordinary share capital as at 15 March 2000 without having to obtain prior approval from shareholders.

In accordance with Section 95 of the Companies Act, it is proposed to renew the authority of the directors to allot equity securities for cash without first being required to offer such securities pro rata to existing shareholders in accordance with the provisions of the Companies Act. This authority relates to up to 172,231,210 ordinary shares, being 5% of the issued ordinary share capital of the Company at 15 March 2000.

Resolutions 8 & 9 (i) to (iv) – Purchase of own shares

Under Resolution 8, the Board is seeking to renew the standard general authority from shareholders to make market purchases of up to 10% of the Company's issued ordinary shares. In addition, it is seeking shareholders' approval (under Resolutions 9(i) to (iv)) for four "contingent purchase contracts", the effect of which would be to enable the Company to repurchase its shares on the Johannesburg, Namibian, Zimbabwe and Malawi Stock Exchanges respectively. These authorities, if granted, would run in parallel with the general authority (under Resolution 8) to purchase shares on the London Stock Exchange and any purchases under any such authority would be aggregated for the purposes of monitoring the overall 10% limit on purchases.

The purchase price for any shares cannot be more than 5% above the average of the middle market quotations taken from the London Stock Exchange Daily Official List for the five business days preceding such purchase (translated, for the purposes of any purchases under any of the contingent purchase contracts described in Resolutions 9(i) to (iv), into the applicable local currency at the then prevailing exchange rate). Any shares purchased under the authority granted by Resolution 8 or pursuant to any of the contingent purchase contracts to be approved under Resolutions 9(i) to (iv) will be cancelled and not reissued.

The authorities under Resolutions 8 and 9(i) to (iv), if approved, will only be exercised if market conditions make it advantageous for the Company to do so and the Board considers this to be in the best interests of shareholders generally.

Resolution 10 – Changes to the Articles of Association

Resolution 10 would amend the Articles of Association of the Company as follows:

(i) remove the requirement in relation to shareholders' meetings for a 30-day notice period where the notice is not despatched to members on a branch register from the country where that branch register is held;

(ii) include the sixth and subsequent days after posting the notice of a shareholders' meeting as being within the 14 or 21 clear days' notice period required for the meeting; and

(iii) deem notices and other documents posted by the Company to its shareholders to be received after the expiry of five rather than seven days.

The background to these proposed changes is as follows. Under the rules of the Johannesburg Stock Exchange, specific requirements apply to the Company in relation to the giving of notice of meetings of its shareholders. In the light of those requirements, the Company's Articles of Association currently provide that at least 30 clear days' notice of meetings should be given to shareholders on a branch register if the notice is not despatched by the Company within the jurisdiction where the branch register is held.

It has been confirmed with the Johannesburg Stock Exchange that this requirement applies only if the notice is despatched from the United Kingdom to such shareholders otherwise than by airmail. Since the Articles of Association already provide that notices despatched from the United Kingdom to such shareholders must be sent by airmail, the further requirement for a 30-day notice period is unnecessary. It is in any event the current intention of the Board that circulars to shareholders (whether or not containing notices of general meetings) will be posted to shareholders whose registered addresses, as recorded in the register of members, are in Malawi, South Africa and Zimbabwe from within those countries and that circulars will be despatched from the United Kingdom (or, in some cases, from South Africa or Namibia) to shareholders whose registered addresses are in other countries.

The Articles of Association also currently treat notices and other documents posted by the Company to its shareholders (whether in relation to meetings of its shareholders or otherwise) as being received seven days after posting. This would mean that a further seven days would have to be added to the normal notice period to convene a shareholders' meeting, which is considered to be too onerous and impracticable. The proposed amendment, to allow for five days, reflects the delivery targets currently adopted by the South African Post Office.

Resolution 11 – Cancellation of share premium account

The purpose of Resolution 11 is to enable the Company, subject to the approval of the UK High Court, to convert £500 million out of the amount standing to the credit of the share premium account in its balance sheet to create reserves which would be available to fund dividends or out of which the Company would be able to repurchase its own shares. The passing of this resolution would assist the Group to manage its cash in a tax effective manner, by avoiding the incidence of taxes that would arise if such reserves were created by the payment of dividends. Accordingly, it is intended, if this Resolution is passed, that Old Mutual will petition the Court to confirm the reduction of share premium account in order to establish a reserve which may be treated as distributable. The Court will require protection for creditors of Old Mutual whose debts remain outstanding at the date on which the reduction becomes effective, unless the creditors consent otherwise. Appropriate arrangements will be made with the approval of the Court for the protection of these creditors.

Shareholder Information

The Company's shares were admitted to listing on the London, Johannesburg, Malawi, Namibian and Zimbabwe Stock Exchanges on 12 July 1999. A total of 3,444,624,230 ordinary shares of 10p each were in issue on completion of the demutualisation and listing process.

During the period from 12 July to 31 December 1999 the high and low prices at which the Company's shares are recorded by the various exchanges as having traded were as follows:

	High	Low
London Stock Exchange	168.5p	121.25p
Johannesburg Stock Exchange	R16.15	R12.10
Malawi Stock Exchange	MK115.0	MK79.5
Namibian Stock Exchange	N$16.05	N$12.10
Zimbabwe Stock Exchange	Z$102.25	Z$70.50

As at 31 December 1999, the geographical analysis and shareholder profile of the Company's share register were as follows:

	Total shares	% of whole	Number of shareholders
UK (principal) register	1,169,743,177	33.9	9,775
South African branch register	2,172,294,374	63.1	77,978[1]
Malawi branch register	6,983,300	0.2	7,144
Namibian section of register	19,711,458	0.6	1,462[1]
Zimbabwe branch register	75,891,921	2.2	61,745
	3,444,624,230	100	158,104

Size of shareholding	Number of holders
1 – 1,000	133,755
1,001 – 10,000	22,110
10,001 – 100,000	1,498
100,001 – 250,000	286
250,001 +	455[1]

Note 1: The registered shareholdings on the South African register include Old Mutual (South Africa) Nominees (Pty) Limited, which held a total of 873,127,633 shares as nominee for 787,725 underlying beneficial owners as at 31 December 1999. The registered shareholdings on the Namibian section of the register include Old Mutual (Namibia) Nominees (Pty) Limited, which held a total of 6,924,622 shares as nominee for 12,063 underlying beneficial owners as at 31 December 1999.

The Company's share register is administered by Computershare Services in conjunction with local representatives in various jurisdictions. The following are the contact details:

In the UK

Computershare Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 7NH
(PO Box 82, Bristol BS99 7NH)
Tel: (44) 870 702 0000

In Malawi

Nico Corporate Finance Limited
4th Floor, Unit House
Victoria Avenue, Blantyre
(PO Box 1396, Blantyre)
Tel: (265) 623 856

In Zimbabwe

Corpserve (Private) Ltd
4th Floor, UDC Centre
Corner 1st Street and
Union Avenue, Harare
Tel: (263) 912 34621-5

In South Africa

Computershare Services Limited
41 Fox Street, Johannesburg, 2001
(PO Box 61595, Marshalltown, 2107)
Tel: (27) 11 370 7777

In Namibia

Transfer Secretaries (Pty) Limited
Kaiserkrone Centre
Shop No.12, Windhoek
(PO Box 2401, Windhoek)
Tel: (264) 61 227 647

The Company's Shareholder Services, based in Cape Town, administer a number of shareholder support functions, including the following:

- telephone and postal sales (via the Share Sales Service) of shares held through Old Mutual (South Africa) Nominees (Pty) Ltd on the South African branch register and shares held through Old Mutual (Namibia) Nominees (Pty) Limited on the Namibian section of the register;
- dividend mandate arrangements;
- tracing of holders of unclaimed shares in the Company.

If you have any questions on any of the above matters, you may contact Shareholder Services on 08 60 60 9000 (International +27.21.504 8107) at any time between 8 a.m. and 5 p.m. (local time) Monday to Friday.

Websites

Further information on the Company can be found on the following websites:
www.oldmutual.com
www.oldmutual.co.za

The Company's financial calendar for the forthcoming year is as follows:

Record Date for Final Dividend in South Africa, Malawi, Namibia and Zimbabwe	7 April 2000
Currency conversion date for Final Dividend	7 April 2000
Announcement of currency equivalents of Final Dividend, as so converted	10 April 2000
Record Date for Final Dividend in United Kingdom	14 April 2000
Annual General Meeting	18 May 2000
Final Dividend Payment Date	31 May 2000
Interim Results	5 September 2000
Interim Dividend Payment Date	November 2000
Final Results for 2000	March 2001

Rule 144A ADRs

The Company has a Rule 144A American Depositary Receipt ("Rule 144A ADR") facility through The Bank of New York. Each Rule 144A ADR represents 10 ordinary shares in the Company. As at 31 December 1999 none of the Company's shares were held in the form of Rule 144A ADRs. Any enquiries about the Company's Rule 144A ADR facility should be addressed to The Bank of New York, 101 Barclay Street, New York, N.Y. 10286.