

THE STRENGTH OF DIVERSITY THE POWER OF FOCUS

ANNUAL REPORT AND ACCOUNTS 2003



THE STRENGTH OF

DIVERSITY

THE POWER OF

FOCUS

We are an international financial services group whose activities are focused on asset gathering and asset management. We offer a diverse range of financial services in three principal geographies, South Africa, the United States and the United Kingdom. We have a talented team across all of our regions, sharing skills to help deliver our vision.

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OUR CUSTOMER-FOCUSED BUSINESSES

WE ARE COMMITTED TO THE DELIVERY OF WORLD-CLASS SERVICE



BASED UPON OUR STRENGTHS IN THE SOUTH AFRICAN MARKET

WE ARE THE LARGEST FINANCIAL SERVICES GROUP IN SOUTH AFRICA

PROVIDE HIGH QUALITY INVESTMENT SKILLS

WE MANAGE THE ASSETS OF DIVERSE CUSTOMERS ACROSS THREE CONTINENTS

45,000
EMPLOYEES

£125 billion

FUNDS UNDER MANAGEMENT

AND CREATE SYNERGIES BETWEEN OUR REGIONS

TALENT AND KNOWLEDGE ARE SHARED AMONG OUR BUSINESSES

3 CORE REGIONS

SA

In South Africa, we are the largest financial services business, through our life assurance, asset management, banking and general insurance operations.

US

In the United States, we are one of the top ten fixed annuity businesses and our multi-style asset management business offers an array of specialist asset management skills.

UK

In the UK, we focus on wealth management, with Old Mutual Asset Managers and Selestia offering a range of investment products.

FINANCIAL HIGHLIGHTS FOR 2003

- > Adjusted operating profit* £650 million (2002: £724 million),
R8,041 million (2002: R11,431 million)
- > Operating profit £475 million (2002: £473 million**),
R5,884 million (2002: R7,453 million**)
- > Adjusted operating earnings per share* 10.0p (2002: 11.3p),
123.8c (2002: 179.0c)
- > Basic operating earnings per share 8.0p (2002: 5.9p**),
99.1c (2002: 93.5c**)
- > Life sales of £529 million on an Annual Premium Equivalent basis
- > Value of life assurance new business £105 million (after tax)
- > Net positive fund inflows of over \$4.7 billion in the USA
(including \$1.8 billion from our US life operations)
- > Adjusted embedded value £4,124 million (2002: £3,928 million),
R49,230 million (2002: R54,267 million)
- > Return on equity 13.9%
- > Final dividend unchanged at 3.1p***

Wherever the items asterisked in the Financial Highlights are used, whether in the Financial Highlights, the Chief Executive's Statement, the Group Financial Review or the Business Review, the following apply:

* Adjusted operating profit represents the directors' view of the underlying performance of the Group. For life assurance and general insurance businesses, adjusted operating profit is based on a long term investment return and includes investment returns on own shares held in policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and the transitional impact of the change in credit provisioning methodology. For all businesses, adjusted operating profit excludes goodwill amortisation and impairment.

Adjusted operating earnings per share is similarly based, but is stated after tax and minority interests, with the calculation of the weighted average number of shares including own shares held in policyholders' funds.

** Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 37 "Purchases and Sales of Own Shares".

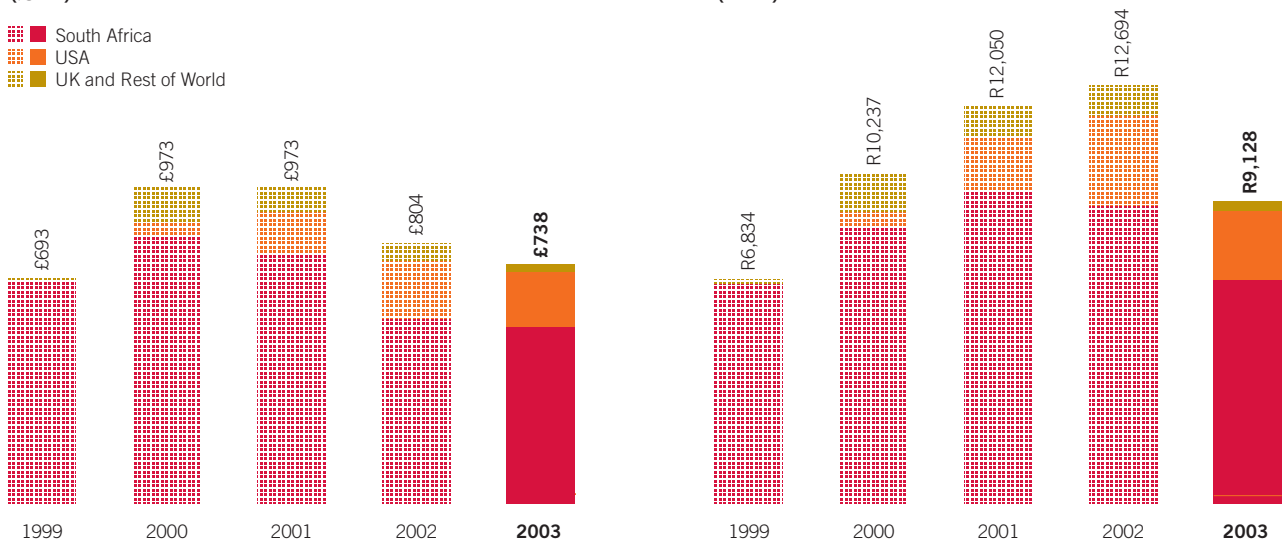
*** The dividend recommended (final 3.1p per share, making 4.8p per share for the year) will be converted, for payment to shareholders on the branch registers and the Namibian section of the principal register, into local currencies at exchange rates ruling on 1 April 2004.

ADJUSTED OPERATING PROFIT
(EXCLUDING DEBT SERVICE COSTS AND OTHER SHAREHOLDERS' INCOME/EXPENSES)

(£m)

(Rm)

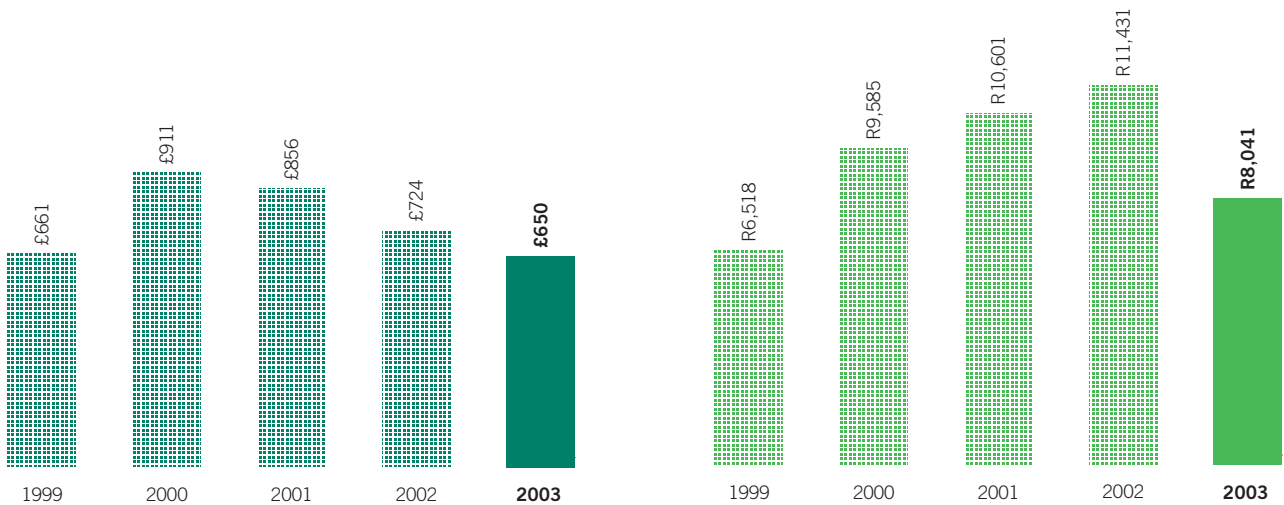
- South Africa
- USA
- UK and Rest of World



ADJUSTED OPERATING PROFIT

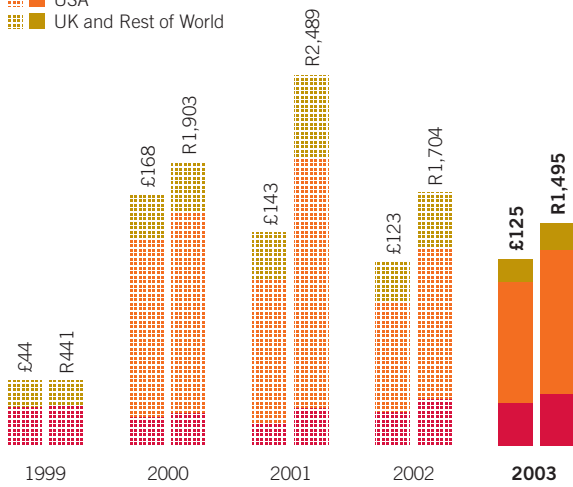
(£m)

(Rm)



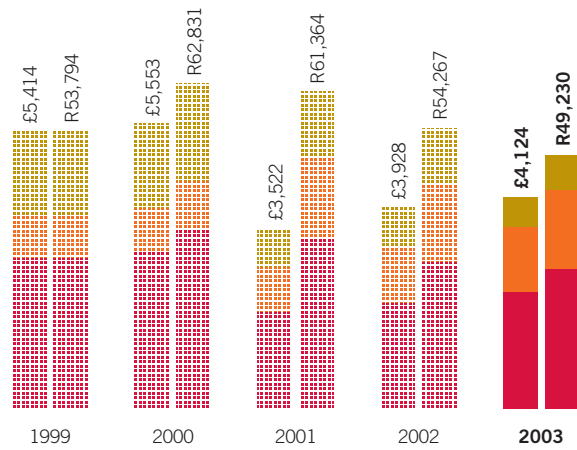
FUNDS UNDER MANAGEMENT* (£bn/Rbn)

- South Africa
- USA
- UK and Rest of World



ADJUSTED EMBEDDED VALUE* (£m/Rm)

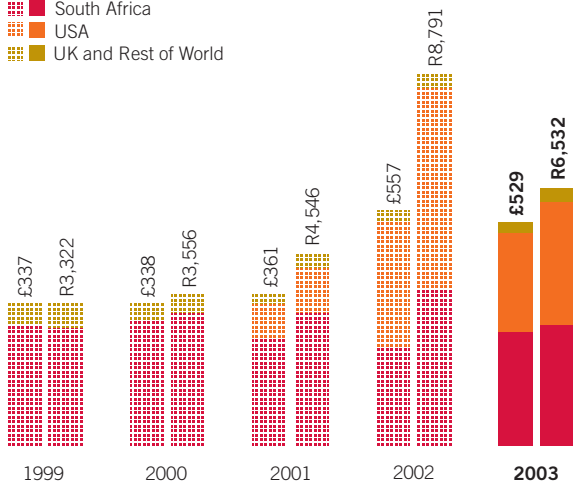
- Shareholders' adjusted net worth
- Value of in-force business
- Market value adjustments



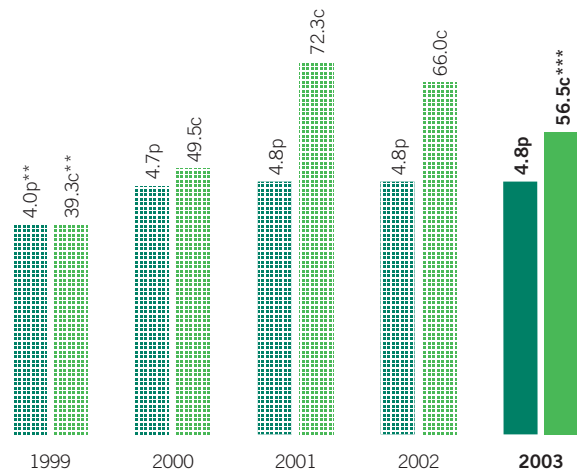
*Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 37 "Purchases and Sales of Own Shares".

NEW BUSINESS ANNUAL PREMIUM EQUIVALENT (£m/Rm)

- South Africa
- USA
- UK and Rest of World



DIVIDEND PER SHARE (p/c)



pro forma *indicative only



YOUR COMPANY IS WELL PLACED TO BENEFIT FROM AN IMPROVING ECONOMIC CLIMATE IN ITS KEY MARKETS IN 2004 MIKE LEVETT, CHAIRMAN

DEAR SHAREHOLDER,

Old Mutual's results from most of its businesses were satisfactory during 2003, but our overall performance was affected by disappointing results from our banking subsidiary, Nedcor.

We have shown our commitment to Nedcor by supporting its capital position. We are also reinforcing our strong base in South Africa through our purchase of a further 37.1% stake and proposed offer for the remaining minority interests in our general insurance business, Mutual & Federal Insurance Company Limited.

In the USA, our asset management business had a successful year, despite the issues that arose at Pilgrim Baxter & Associates, Ltd, and our life business continued to write a significant amount of new business, notwithstanding the low prevailing interest rate environment.

In the UK, we sold our private client stockbroking business, Gerrard, to Barclays plc for a good price and our asset management operations made good progress.

Your company is well placed to benefit from an improving economic climate in its key markets in 2004.

DIVIDEND

Your directors are proposing a maintained final dividend of 3.1p per share, making a total dividend for the year of 4.8p per share.

ANNUAL GENERAL MEETING 2004 AND PROPOSED SCHEME OF ARRANGEMENT

There are a number of items of special business included in the agenda for our AGM, which is to be held at our offices in London on 14 May 2004. The notice of the AGM is set out on pages 156 to 158. The accompanying explanatory notes on pages 159 to 161 and the enclosed description of a proposed scheme of arrangement provide further details of these matters.

We are proposing that the existing authorities for the Company to buy back its shares on the five exchanges where they are listed be renewed for a further year at the AGM, and that the Company be authorised to hold any shares that are bought back in treasury, in accordance with recent changes in UK company law, as an alternative to their being cancelled. The equivalent authorities were not activated during 2003, and we have no immediate plans to use them in the forthcoming year, but they do provide the Company with desirable flexibility in its capital management.

You will find enclosed with this Report a document describing proposals which your Board has developed for an extension of the arrangements for tracing unclaimed entitlements arising from the demutualisation of the Group in 1999. These were due to expire later in 2004, but your Board proposes to extend them (in modified form) for a further period. For technical legal reasons, this involves a scheme of arrangement under the UK Companies Act.

The directors recommend that you vote for all of the items of business at the AGM and for the proposal contained in the scheme of arrangement, as they intend to do in respect of their personal shareholdings in the Company.

BOARD AND MANAGEMENT

Mr Stuart and Mr Joubert retired from the Board of the Company during 2003 upon reaching the age of 70 and we are grateful to them both for their contribution to the Group. Mr Laubscher stepped down as an executive director of the Company in December, upon ceasing to be Chief Executive of Nedcor. Michael Marks joined the Board as an additional non-executive director in February 2004 and I am delighted to welcome him to the Board on your behalf. I am sure that his profound knowledge of international financial services markets will be of great value to the Company.

The composition of the Board continues to be kept under review to ensure the right mix of skills and experience and to comply with corporate governance expectations, including the recently revised Combined Code of the UK Listing Authority.

On behalf of the Board and all the Company's shareholders, I thank management and employees in all of our businesses for their continued dedication and commitment to the Group during 2003.

Mike Levett
Chairman
17 March 2004



RESPONDING TO CHANGE
WE RESPOND QUICKLY AND
EFFICIENTLY TO CONSTANTLY
EVOLVING MARKETS TO MEET
OUR CUSTOMERS' NEEDS

Solid profits in our core South African life assurance and general insurance businesses, as well as good growth in our US and UK operations, were offset by poor results at Nedcor, our South African banking subsidiary. Net fund inflows were strong and our general insurance business, Mutual & Federal, achieved improved underwriting margins. New management is now in place to address the problems of the past year at Nedcor.



GOOD RESULTS WERE ACHIEVED IN FIVE OF OUR SIX BUSINESSES IN 2003, AND IMPORTANT STEPS WERE TAKEN TOWARDS OUR STRATEGIC GOALS
JIM SUTCLIFFE, CHIEF EXECUTIVE

A YEAR OF SOLID PROGRESS

Group adjusted operating profit for 2003 was £650 million, equivalent to 10.0p per share (2002: £724 million and 11.3p respectively). Group adjusted operating profit in Rand terms was R8,041 million, equivalent to 123.8c per share (2002: R11,431 million and 179.0c respectively). Solid profits in our core South African life assurance business, good profit growth in our US and UK businesses, and excellent results from some of our smaller units were offset by a collapse in earnings at Nedcor. The strong Rand further boosted the Sterling results, but adversely affected the results when expressed in South African currency terms. Return on equity was disappointing at 13.9%. Our adjusted embedded value increased by 5% to £4,124 billion at 31 December 2003, equivalent to 107.5p per share.

Life assurance sales were 5% lower than in 2002 and the value of new business (after tax) at £105 million was 19% lower. Low consumer confidence led to a decline in the market for single premiums in South Africa, and the demand for fixed interest-based products returned to more normal levels in the USA.

We are confident we retained our market shares in both countries, and our US life sales were still more than double the level Fidelity & Guaranty Life achieved prior to our ownership. Margins at our South African and US life businesses improved strongly in the second half after a difficult first six months.

Net fund inflows were strong. Our US asset management business produced a good result (\$4.7 billion net inflow) and our two UK development businesses – Selestia and OMAM(UK) – made a significant impact for the first time, with £341 million of net external inflows. In South Africa, we were able to reduce the outflows within our Employee Benefits business, and the maturity bubble of the last few years started to reduce. With stronger equity markets and these net inflows, total assets under management, which form the basis for much of our revenue, grew 12%.

Our 51% owned South African general insurance business, Mutual & Federal, had a very good year, assisted by strong underwriting margins and positive claims experience.

Nedcor, our 52% owned South African banking subsidiary, produced very poor results in 2003, heavily impacted by the cost of holding excess US Dollars as the Rand strengthened. Margins were affected by fixed rate debt and deposits, which were expensive as interest rates declined. Tom Boardman was installed as Chief Executive in December and we deployed Bob Head, our director of Group Strategy, as acting Chief Financial Officer pending recruitment of a permanent replacement. Seven new Executive Committee members were also appointed. Together with the new management team at

Nedcor, we have conducted a thorough review of Nedcor's balance sheet, the results of which have impacted Nedcor's and Old Mutual's profits for the year.

Nedcor's new management has focused its energies on plans to ensure Nedcor returns to producing results commensurate with its status as a premier South African bank. These include achieving world-class service and expense benchmarks. To ensure the problems of 2003 are not repeated, plans are being put in place to address all areas of the business.

For Nedcor to trade optimally, it needs capital on a par with its peers, and we have therefore agreed to support its underwritten R5 billion rights issue¹ announced on 23 February 2004. That issue will be priced not later than 25 March 2004.

¹The securities offered in the rights issue will not be registered under the US Securities Act of 1933, and may not be offered or sold without registration or an applicable exemption from the registration requirements.

Prices and values of, and income from, Nedcor's shares may go down, as well as up, and an investor may not get back the amount invested. It should be noted that past performance is no guide to future performance. Persons needing advice should consult an independent adviser.

Nothing in this document constitutes an offering of securities in the United States, Canada, Australia or Japan or otherwise constitutes an invitation to any person to acquire securities in any company within the Group.



WE HAVE ANNOUNCED OUR PLANS TO LEAD NEDCOR TO RECOVERY

Nedcor is an important part of Old Mutual: decisive action has been taken to address its problems and management will not countenance any shortfall from the highest standards of integrity and transparency. New governance procedures have been introduced to ensure stronger oversight of the bank's affairs and to ensure the coherence of Nedcor with Old Mutual standards and strategy.

In December we presented to London-based investors our view on the South African Financial Sector Charter, which sets out objectives for involving previously disadvantaged individuals in that country in financial services businesses. We see many opportunities for South Africa and for Old Mutual arising from that Charter and will continue to inform the markets on our progress in addressing its objectives during 2004.

We took some important strategic steps during the year. Gerrard, having been put back on the path to profitability, was sold for an attractive price. We acquired Sage Life, a variable annuity

provider based in Bermuda, for a nominal amount, and it produced \$165 million in sales in eight months. In addition we provided capital to support the organic growth of our US life business, where assets grew by 27%, and our UK development businesses did well. In South Africa, we announced plans to acquire a further 37.1% of Mutual & Federal through a mechanism that includes an offer to all minority shareholders.

During 2003, we discovered the personal involvement of the principals of Pilgrim Baxter in market timing that had been halted in 2001, and they left the business. This matter remains the subject of legal process.

Our capital position at 31 December 2003 was strong. We raised preference capital during the year and this had a positive impact on our gearing, which was 19.4% at year end, well inside our limits. Strong South African equity markets in the second half provided additional capital, which has allowed us to support the Nedcor rights issue comfortably.

OUTLOOK

We have much to do to recover from poor 2003 results, but we enter 2004 with renewed determination, and with equity markets around the world at higher levels than last year. We have taken the necessary steps to put Nedcor on the path to recovery.

We will continue to apply top quality investment skills, be they in equity, lending, real estate or elsewhere, to help our clients build and protect their savings and investments. We expect our industry to grow as those savings and investments accumulate, and we intend to provide a correspondingly growing stream of earnings to our shareholders.

Jim Sutcliffe

Chief Executive
17 March 2004

- > WE WILL CONTINUE TO APPLY TOP QUALITY INVESTMENT SKILLS TO HELP OUR CLIENTS BUILD AND PROTECT THEIR SAVINGS AND INVESTMENTS
- > WE INTEND TO PROVIDE A GROWING STREAM OF EARNINGS TO OUR SHAREHOLDERS





**HARNESSING SKILLS
WITHIN OUR BUSINESS**
WE AIM TO BENCHMARK
OUR PERFORMANCE
INTERNATIONALLY TO
DELIVER WORLD-CLASS
CUSTOMER SERVICE

Asset growth, profitable sales and a strong capital position at the end of the past year have combined to provide a firm base for the future. Nedcor's governance procedures have been strengthened: integrity and transparency are of paramount importance to us across all our businesses. We foresee great potential for Old Mutual to capitalise on the current opportunities for growth in the South African financial services sector.

THE DIVERSITY OF OUR BUSINESSES



ASSET MANAGEMENT

VALUE EQUITY AND FIXED INCOME
Barrow, Hanley, Mewhinney & Strauss
First Pacific Advisors

VALUE EQUITY

Pacific Financial Research
Thompson, Siegel & Walmsley
Thomson, Horstmann & Bryant

GROWTH EQUITY

Pilgrim Baxter & Associates
Provident Investment Counsel
Sirach Capital Management

CORE EQUITY

Analytic Investment

INTERNATIONAL

Acadian Asset Management
Clay Finlay
Lincluden Management (Canada)

FIXED INCOME

Dwight Asset Management
Rogge Global Partners (UK)

ALTERNATIVE ASSETS

Heitman
L&B Realty Advisors
OSV
The Campbell Group

DISTRIBUTION AND OTHER BUSINESSES

eSecLending
Integra Capital (Canada)
Old Mutual Investment Partners
UAM (Japan)

The asset class categories represent the dominant, but not necessarily the only, investment styles of each manager.

LIFE ASSURANCE

Old Mutual Financial Network
> Americom Life
> Fidelity & Guaranty Life
> Fidelity & Guaranty Life of New York
Lifestar Financial Network
OMNIA Life (Bermuda)
Old Mutual Reassurance (Ireland)



UK

OLD MUTUAL FINANCIAL SERVICES

Bright Capital
 Old Mutual Asset Managers (UK)
 Palladyne Asset Management (Netherlands)
 Selestia

REST OF THE WORLD

OLD MUTUAL IN THE REST OF THE WORLD

(not a comprehensive list)

Namibia
 Zimbabwe
 Malawi
 Kenya
 Far East
 India

SA

OLD MUTUAL SOUTH AFRICA

LIFE ASSURANCE

Individual business

- > Individual Life
- > Fairbairn Capital
- > Group Schemes
- > Distribution Businesses
- > Old Mutual International (UK)

Group business

- > Employee Benefits
- > Old Mutual Healthcare
- > Old Mutual Investment Administrators

ASSET MANAGEMENT

Old Mutual Asset Managers (SA)
 Old Mutual Properties
 Old Mutual Specialised Finance
 Old Mutual Unit Trusts

NEDCOR

Nedbank
 BoE
 Gerrard Private Bank
 Imperial Bank
 Old Mutual Bank
 Peoples Bank

MUTUAL & FEDERAL

GENERAL INSURANCE

including:
 Accident
 Agriculture
 Crop
 Engineering
 Fire
 Marine
 Motor



THE GROUP IS WELL POSITIONED TO BENEFIT FROM THE MARKET RECOVERY AND IMPROVED CONSUMER CONFIDENCE IN 2004

JULIAN ROBERTS, GROUP FINANCE DIRECTOR

GROUP FINANCIAL REVIEW

OPERATING PROFIT AND EARNINGS PER SHARE

Asset growth and net fund inflows contributed to Old Mutual's solid performance during 2003, but there were disappointing results from the Group's 52% owned banking subsidiary, Nedcor Limited (Nedcor). Adjusted operating profit was £650 million, down 10% from 2002 (£724 million). After adjusting for goodwill amortisation and impairment, loss on disposal of the investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs, the change in credit provisioning methodology, short term fluctuations in investment return and the investment return on own shares held in policyholders' funds, operating profit on ordinary activities before tax was £475 million compared with £473 million (restated to reflect the adoption of Urgent Issues Taskforce (UITF) Abstract 37 "Purchases and Sales of Own Shares") in 2002. The goodwill amortisation and impairment charge includes a £49 million impairment of the goodwill that arose on the acquisition of BoE Limited (BoE).

Adjusted operating profit in Sterling terms was improved by the stronger Rand: Sterling average exchange rate (12.35 in 2003, compared to 15.79 in 2002), although marginally reduced by the US Dollar: Sterling average exchange rate (1.64 in 2003, compared to 1.50 in 2002).

The Group's results benefited from the market recovery in the second half of the year, particularly in the USA, where the S&P 500 and Nasdaq Composite indices rose 26% and 50% respectively during the year. In the Group's other markets, the FTSE 100 Index increased by 14% and the FTSE/JSE Africa

ALSI by 12% during the year, although the South African recovery came too late to boost consumer confidence significantly.

The Group's basic earnings per share was 8.0p in 2003, compared with 5.9p (restated to reflect the adoption of UITF Abstract 37) in 2002. Adjusted operating earnings per share of 10.0p in 2003 declined from 11.3p in 2002. Adjusted operating profit in the second half of the year of £255 million (adjusted operating earnings per share 4.4p) was down on the same period in 2002 (5.5p) and the first half of 2003 (5.6p). The second half result was adversely affected by Nedcor's poor performance. The Group's remaining businesses produced sound profit growth in 2003. Margins started to recover after a difficult first half, particularly in the Group's US life business, where sales volumes were boosted by expansion of its range of equity-indexed annuity products.

FUNDS UNDER MANAGEMENT AND FUND FLOWS

Strong net fund inflows, particularly in the USA, and improved equity markets have grown funds under management to £125 billion at 31 December 2003 from £123 billion at 31 December 2002, even though £12 billion was sold with Gerrard Management Services Limited (Gerrard).

The US asset management business benefited from the market upturn in the second half of 2003 and generated \$4.7 billion of net fund inflows (\$1.8 billion from US life) overall during 2003 compared to \$1.9 billion in the first half. This was achieved despite outflows of \$1.7 billion at Pilgrim Baxter & Associates, Ltd (PBA). Net fund inflows were spread across the rest of the asset management businesses, reflecting their diverse product offerings and strengthened distribution capabilities.

The US life business experienced a successful last quarter in 2003. New products attracted a favourable market response and significant premiums. Total life sales, on an Annual Premium Equivalent (APE) basis were \$389 million (2002: \$451 million).

Disappointing sales in the South African life business began to recover in the second half of the year, as local equity markets improved. Net customer fund outflows of R3.8 billion compared favourably to the R4.4 billion outflow during 2002, as a result of increased levels of retention and reinvestment.

ACHIEVED PROFITS

The Group's adjusted operating profit on an achieved profits basis of £707 million decreased by 18% from £862 million in 2002. Adjusted operating earnings per share on an achieved profits basis of 10.8p declined from 14.1p in 2002. Embedded value (adjusted for the market value uplift of listed subsidiaries and own shares held in policyholders' funds) of £4,124 million at 31 December 2003 improved by 5% from £3,928 million at 31 December 2002. Embedded value per share was 107.5p at 31 December 2003, compared to 103.8p at 31 December 2002.

ACQUISITIONS AND DISPOSALS

On 20 January 2004, the Group announced that it had made an offer to acquire 37.1% of the issued shares of Mutual & Federal Insurance Company Limited (Mutual & Federal), together with an offer for the remaining minority shareholdings. The total consideration payable in accordance with that proposal would be R1.9 billion.

The sale of the Group's private client stockbroking business, Gerrard, to Barclays plc was concluded in the fourth quarter for a consideration of £210 million payable in cash, generating a loss on sale of £3 million.

CAPITAL

The capital position of the Group benefited from the strength of the Rand, the sale proceeds of Gerrard and diversified funding sources. The Group's return on equity of 13.9% in 2003 compared to 18.1% in 2002. The lower return on equity reflects the disappointing performance at Nedcor during the year. Nedcor's recovery plan is focused on improving return on its equity to above 20%.

Capital is closely managed in each of the Group's businesses and there is sufficient capital in South Africa to meet local capital and funding requirements associated with the acquisition of the minority interests in Mutual & Federal, as well as the Group's commitment to the rights issue at Nedcor.

The Group's gearing* was 19% at 31 December 2003, compared with 32% (restated to reflect the adoption of UITF Abstract 37) at 31 December 2002. Gearing was improved by the issue of \$750 million of Guaranteed Cumulative Perpetual Preferred Securities in May 2003. The securities, which are redeemable at the Group's election from December 2008, provide core long term funding. The positive impact of the securities issue and the strong Rand on the Group's gearing was offset by impairments at Nedcor and a reduction in shareholders' equity as a result of own shares held by the policyholders' funds. The cash proceeds from the sale of Gerrard were not deducted from gross debt at year end. The Group's gearing level remains favourable, with headroom available for potential opportunities in 2004.

The solvency ratios of the Group's key businesses at 31 December 2003, all of which were above the minimum statutory requirements, were as follows: excess assets equivalent to 2.4 and 2.7 times statutory capital at the South African and US life businesses respectively; a capital adequacy ratio of 10.1% at Nedcor after a R2 billion injection of capital in December; and a solvency margin in excess of 61% at Mutual & Federal.

\$14 million of the Group's \$650 million convertible bond issue was redeemed by investors in May 2003. The balance of the issue is expected to remain outstanding until maturity in May 2005.

The Group's Euro Commercial Paper programme has continued to be well supported, while significant committed undrawn bank facilities have been maintained. This ensures that the Group retains a high degree of financial flexibility within an efficient and balanced capital structure. In 2004, the Group's financing activity will be centred around the consolidation of primary bank finance facilities.

On 23 February 2004, Nedcor announced a rights issue to raise R5 billion of additional ordinary share capital to ensure that it has sufficient capital for growth and to meet anticipated minimum capital requirements. Old Mutual has undertaken to take up its rights under the rights issue. The balance of the new shares to be issued has been fully underwritten.

TAXATION

The Group's effective tax rate (based on the tax charge as a proportion of adjusted operating profit) of 34.5% in 2003 increased from 26.9% in 2002. The increase in the effective rate was largely attributable to Nedcor, where non tax-deductible expenses were incurred. South African secondary tax on dividends also increased.

FINANCIAL/REGULATORY ISSUES

During 2003, in response to enquiries initiated by the Securities and Exchange Commission (SEC) and the office of the New York Attorney General (NYAG), PBA conducted an internal review which identified certain alleged market timing activities that had previously occurred, and which ceased in 2001, in some of the funds managed by PBA. During the course of its review, PBA learned of certain activities, now alleged to be improper, involving the former principals of that firm. PBA promptly notified the SEC and NYAG of its findings. The SEC and the NYAG have filed civil suits against PBA and the two former principals. In addition, there are several related private lawsuits arising from the facts alleged by the SEC and the NYAG.

As discussions with the regulators are still continuing and the related litigation is still at an early stage, it is not currently possible to say whether or not the amount of ultimate liability to be borne by the Group will be material. A provision of £10 million for legal, investigatory and other costs has been made in the financial statements.

UITF Abstract 37 requires own shares previously recognised as investment assets to be deducted from equity shareholders' funds. The effect has been to reduce the number of shares in issue by the 316 million shares owned by southern African policyholders' funds. Basic earnings per share also increased by 0.7p due to the reduction in the weighted average number of shares in issue used in the calculation, as well as the removal of the investment return earned by policyholders on these shares.

BLACK ECONOMIC EMPOWERMENT

The Group welcomed the publication in October 2003 of the Financial Sector Charter in respect of Black Economic Empowerment (BEE) in South Africa. Its South African businesses were actively involved in the establishment of the Charter. They have developed a balanced scorecard approach to monitor achievement against BEE targets and the Group foresees significant opportunities to add to the ventures already concluded under this initiative.

DIVIDEND

The Board recommends an unchanged final dividend of 3.1p per share, which will bring the total dividend per share for the year to 4.8p. The proposed dividend is covered 2.1 times by adjusted operating earnings per share (2002: 2.4 times).

The dividend, which is subject to shareholder approval at the Annual General Meeting on 14 May 2004, will be paid on 28 May 2004 to shareholders on the register at the close of business on 23 April 2004. The equivalent of this dividend in the local currencies of South Africa, Malawi, Namibia and Zimbabwe will be determined by the Company on 1 April 2004 and will be announced to the markets on 2 April 2004. The Company's shares will trade ex-dividend from the opening of business on 19 April 2004 on the JSE Securities Exchange South Africa and on the Malawi, Namibian and Zimbabwe Stock Exchanges, and from the opening of business on 21 April 2004 on the London Stock Exchange. The last dates to trade cum-dividend will therefore be 16 April 2004 in South Africa, Malawi, Namibia and Zimbabwe and 20 April 2004 in the UK.

No dematerialisation or rematerialisation of shares within the South African STRATE system may take place between 19 April 2004 and 23 April 2004 (both dates inclusive), nor may transfers between the South African registers and registers in the other countries take place between those dates.

OUTLOOK

The Group's overall strategy of managing risk through diversity remains unchanged. Capital has been strengthened by the sale of Gerrard, giving the Group the flexibility to pursue opportunities as they become available. In 2004, management will focus on optimising performance in, as well as realising synergies between, the Group's businesses.

The Group remains committed to building on its strong base in South Africa to create an international financial services company. It will be actively supporting Nedcor in turning around its business. The Group is well positioned to benefit from the market recovery and improved consumer confidence in 2004.

* Gearing is defined as core debt over core debt plus equity shareholders' funds. Core debt excludes debt from banking activities and is net of cash and short term investments which are immediately available to repay debt. Cash proceeds from the sale of Gerrard were not deducted from gross debt.

SA

**DURING 2003 OLD MUTUAL SOUTH AFRICA
AGAIN SHOWED ITS ABILITY TO DELIVER
A SOLID PERFORMANCE, EVEN IN A
TOUGH ENVIRONMENT**



REGIONAL DIVERSITY
STRONG PERFORMANCE
FROM OUR LIFE ASSURANCE
BUSINESS IN SOUTH AFRICA

SOUTH AFRICA BUSINESS REVIEW

LIFE ASSURANCE

FINANCIAL PERFORMANCE

Adjusted operating profit, excluding long term investment return, of R3,124 million at the Group's South African life business was 5% down on the R3,283 million achieved in 2002. Individual Business and Group Business contributed R2,260 million (2002: R2,352 million) and R864 million (2002: R931 million) respectively to this result. Reduced capital charges on lower levels of average policyholders' funds and assumption changes adversely impacted adjusted operating profit, but were offset by favourable mortality and retention experience.

Total life sales on an APE basis for the year were R3,329 million, 10% lower than in 2002, reflecting reduced single premium sales. The overall low savings ratio and stagnant pensions market resulted in low inflows from these sources and competition for fund inflows remained intense. However, APE in the second half of the year improved to R1,753 million, up 11% from the first half. Individual Business recurring premiums (R1,045 million) and Group Business single premiums (R3,197 million) increased 18% and 22% respectively between the first half and the second half.

Poor Individual Business single premiums were offset by recurring premium sales, up 7% from 2002. Sales of the market-leading *Greenlight* risk product were particularly strong and market reaction to re-priced products in Group Schemes was favourable. BoE Life, a joint venture with Nedcor, contributed 2% to new business APE. Bancassurance contributed R662 million of gross sales during 2003, an increase of 15% from 2002 (R575 million).

Group Business APE was down 22% from 2002, when single premiums benefited from one particularly large deal of R2 billion. Good with-profit annuity sales were achieved in the last quarter of 2003.

The value of new business declined by 26% as a consequence of APE being down 10% and the after-tax margin decreasing from 30% to 25%. The lower overall margin was due to a decrease in Group Business margin, as the proportion of with-profit annuity business returned to pre-2002 levels. Group Business's sales mix changed in 2003 from higher margin with-profit annuity business to lower margin, interest-bearing products and lower margin, less capital intensive, multi-manager business. New business margins remained stable at product level.

However, improved margins increased the value of new business after tax from R285 million in the first half to R543 million in the second half of the year. Individual Business's new business volumes increased and Group Business sold more higher margin with-profit annuities in the second half of the year.

The value of in-force business of R9,832 million at 31 December 2003 increased by 4% from R9,419 million at 31 December 2002. The life business cash outflow of R3.8 billion (R4.4 billion outflow during 2002) benefited from reductions in Individual Business maturities and Group Business terminations, but this positive effect was largely negated by the decrease in single premium sales.

Funds under management at the Group's South African life business at 31 December 2003 totalled R244 billion, an increase of 5% from 31 December 2002. The life company remains well capitalised at 2.4 times the required statutory capital. A satisfactory return on internal capital allocated of 22% was achieved and was at the same level as in 2002.

BUSINESS DEVELOPMENT

The *Symmetry* multi-manager offering was extended after the closure of NIB Investments and Edge Investments. New structured and preferred risk products were also launched. Investment in new administration systems continued in 2003, with migration of clients on to the new systems platform progressing in line with expectations.

OUTLOOK

In 2004, management focus is being directed towards maintaining market share, while continuing to grow the distribution force and assets under management. Following the customer segmentation initiative, the retail business is being restructured to create a single marketing team, product and service delivery business and product development team. The client-facing structure will enable the business to deliver an improved service to external clients.

In addition to supporting organic growth and generating sustainable and growing profits, the life business is creating the capacity to service administration contracts from selected offshore jurisdictions. The market recovery is expected to provide a better background for the Group's life business in 2004.

ASSET MANAGEMENT

FINANCIAL PERFORMANCE

Adjusted operating profit for the South African asset management business increased to R532 million (excluding Nedcor) in 2003, compared to R441 million in 2002. Operating profit was negatively impacted by lower average levels of funds under management, but this was more than offset by a movement to higher margin products and tight expense control.

Funds under management totalled R299 billion at 31 December 2003, which represented an increase of 18% over the position at 31 December 2002.

Total net fund inflows to the asset management businesses (Old Mutual Asset Managers (South Africa) (OMAM(SA)), Old Mutual Unit Trusts and Fairbairn Capital) were R1.7 billion during 2003. Flows were lower than expected, particularly due to the decision of the Mines Pension Fund to redistribute its Fixed Income Fund among a greater number of asset managers, which resulted in an outflow of R1.2 billion. Fund inflows included a



R2.1 billion investment from Mutual & Federal and a R1.5 billion investment following the acquisition of a share of the Community Growth Fund.

OMAM(SA)'s performance in 2003 sustained the good relative investment results achieved towards the end of 2002. Specialist equity mandates continued to perform well, with the majority being ahead of their respective benchmarks for the year ended 31 December 2003.

Adjusted operating profit of R124 million relating to Nedcor Unit Trusts and Portfolio Management was reclassified from banking to asset management business in 2003.

BANKING

NEDCOR

The results of Nedcor, the Group's 52% owned banking subsidiary, have been incorporated into the Group's accounts in accordance with UK GAAP. Nedcor has adopted a new accounting standard on the recognition and measurement of financial instruments (AC133) for local reporting requirements. AC133 adjustments have been excluded, except in relation to changes in credit provisioning methodology, which are acceptable under UK GAAP. This has led to a one-off increase of R1,074 million in specific provisions, resulting from the discounting of future cash flows from advances. This charge has been taken to the profit and loss account, but excluded from adjusted operating profit. In addition, the opportunity was taken to strengthen specific provisions, resulting in a R626 million charge to adjusted operating profit.

Nedcor's financial results for the years ended 31 December 2002 and 2003 are not directly comparable, as the 2002 results only included BoE for six months.

FINANCIAL PERFORMANCE

Nedcor's financial performance during 2003 was very disappointing.

The formal consolidation of the banking licences of BoE, Nedcor Investment Bank and Cape of Good Hope Bank into Nedbank and Peoples Bank took place on 1 January 2003. While the merger and restructuring process is progressing to plan, the long term funding raised since the acquisition of BoE had a negative impact on Nedcor's 2003 financial results.

The banking adjusted operating loss of R70 million was a substantially lower out-turn than the R3,489 million adjusted operating profit in 2002. The key factors influencing the result were the interest margin squeeze, lower profits from investment banking, expenses (which grew at a higher rate than revenues) and the strengthening of the Rand.

Low asset growth, combined with a squeeze in interest margins caused by the lower interest rate environment, funding issues relating to the acquisition of BoE, and more conservative accounting estimates resulted in Nedcor's net interest income of R6,754 million reflecting an increase of only 6% over 2002.

Non-interest revenue at R6,917 million was flat compared to 2002 (R6,931 million). This was impacted by a decline in exchange and securities trading revenues and by the reclassification of asset management income.

Operating expenses of R10,976 million, including translation losses of R1,356 million (2002: R1,011 million), were 28% higher than in 2002 (R8,573 million). The strengthening of the Rand:US Dollar exchange rate from R8.60 to R6.62 during 2003 resulted in the recognition of unrealised translation losses in the profit and loss account. These losses primarily reflected the effect of translating the net assets of Nedcor's integrated foreign

operations into Rand on consolidation of its financial investments. A significant amount of this increase was due to the inclusion of BoE for the whole of 2003. As a result of changes to employee incentive schemes during the year, a charge of R165 million was included in operating expenses. Several one-off items, expenses from subsidiaries consolidated for the first time and increased expenses in divisions with high income growth also contributed to higher operating expenses.

The credit climate held steady during the first half of 2003, despite the high interest rate environment, and improved during the second half following decreases in interest rates totalling 550 basis points.

The tax charge was impacted primarily by a provision of R261 million that was raised against specific tax industry issues. In addition, an amount of R583 million was raised for tax contingencies in respect of BoE acquisition items, which forms part of the increase in goodwill.




A review of the balance sheet, initiated by Old Mutual, resulted in additional write-downs which affected both earnings and capital.

CAPITAL

In September 2003, Nedcor raised R500 million in subordinated debt and R500 million in unsecured subordinated callable notes that qualified as Tier 3 and Tier 2 capital respectively. In October, the bank raised a further R825 million of qualifying Tier 1 preference share capital. Following the review of Nedcor's balance sheet, Old Mutual injected R2 billion of additional Tier 2 capital in the form of subordinated debt in December. This brought total statutory capital to R21.6 billion (2002: R27.7 billion) representing an overall capital adequacy ratio of 10.1% (2002: 11.0%), slightly above the statutory requirement of 10.0%.

NEW BUSINESS MARGINS (AFTER TAX)

(%)

 Overall margin
 Individual business margin
 Group business margin



On 23 February 2004, Nedcor launched a rights issue to raise R5 billion of additional ordinary share capital. Part of the net proceeds will be used to repay the R2 billion advanced by Old Mutual in December and other short term financing of R0.5 billion. This capital raising, together with active balance sheet management, is intended to enable Nedcor to meet the proposed 7.5% regulatory minimum for primary (Tier 1) capital by 31 December 2004.

MERGER AND RESTRUCTURING

The process of merging and restructuring Nedcor's various divisions, following its acquisitions in 2002, is proceeding according to plan and many of the targeted synergy benefits are being realised earlier than originally projected. The annual target for these benefits of R700 million is expected to be realised from 2006. Total integration expenditure incurred to the end of 2003 was R868 million.

BUSINESS DEVELOPMENT

After Tom Boardman was appointed Chief Executive designate in October, Nedcor's board endorsed a recovery programme to restore the business to a sustainable growth path. The key elements include the appointment of a new executive team, a strategic review of the business, the successful implementation of the merger and reorganisation programme, improved transparency and a clear focus on client service.

The relationship between Old Mutual and Nedcor strengthened over the past year, as seen by the Group's support for Nedcor's recovery programme, the provision of the R2 billion of additional capital in December, the secondment of Bob Head as acting Chief Financial Officer, and the support by Old Mutual for Nedcor's rights issue. Old Mutual and Nedcor have also recently entered into a formal relationship agreement for the first time, which sets out various details of the way in which the relationship will be conducted in the future.

OUTLOOK

Nedcor's strategic focus in 2004 will be on the operational performance of its core business. The newly appointed management team is actively addressing the structural and cultural issues and implementing measures to prevent a recurrence of the problems of the past. Management also recognises the imperative to reduce costs, and intends to provide stakeholders with a detailed plan to achieve a significant reduction in expenses when Nedcor announces its 2004 interim results.

The Group is confident that Nedcor's new executive team has the ability to deliver the desired results from the strategic recovery programme and to complete the merger and restructuring process successfully.

GENERAL INSURANCE

MUTUAL & FEDERAL

FINANCIAL PERFORMANCE

Adjusted operating profit of R909 million, including long term investment return, from the Group's 51% owned South African general insurance subsidiary, Mutual & Federal, represented an increase of 63% from R556 million in 2002.

This strong performance was mainly attributable to an improvement in the underwriting surplus to R329 million (2002: R2 million), representing an underwriting ratio of 6% to net earned premiums.

The improvement followed corrective action taken on poorly performing portfolios during 2002, a favourable trading environment in 2003, and an absence of severe weather-related claims.

Gross premium income of R6,486 million was 16% higher than in 2002 (R5,603 million). Organic growth in portfolios, primarily as a result of rate increases implemented during 2002 and 2003, contributed to this satisfactory performance.

Net claims rose by 10%, reflecting the impact of inflation. Most portfolios returned satisfactory results, but corrective action on large fire and engineering risks will continue to be needed due to increased reinsurance costs in recent years.

The solvency margin, being the ratio of net assets to net premiums, remained high and was in excess of 61%, well above the minimum required to support current operations.

OUTLOOK

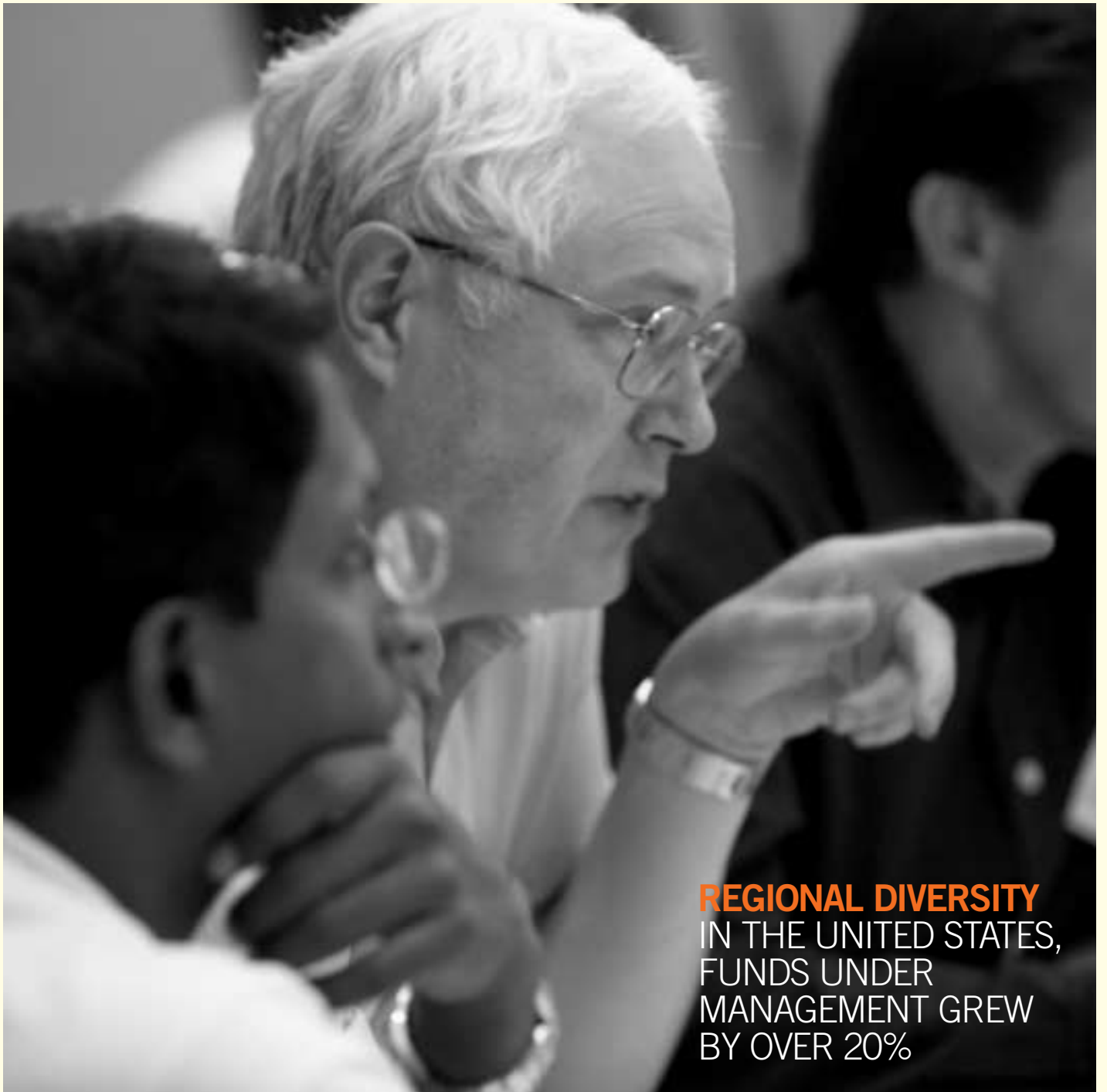
Looking to the year ahead, management of Mutual & Federal is cautiously optimistic, as market conditions remain conducive to achieving underwriting surpluses. Improvements to rating systems are expected to assist Mutual & Federal in continuing to produce a top-rated return on equity. An inflationary increase in claims costs requires ongoing focus on responsible underwriting standards.

Old Mutual is looking forward to working more closely with Mutual & Federal subsequent to the Group's offer to acquire Royal & Sun Alliance's 37.1% shareholding in Mutual & Federal and believes it will be in the best interests of the business, customers and staff.



US

OUR US ASSET MANAGEMENT BUSINESS
ENJOYED A STRONG YEAR IN 2003,
AIDED BY RESURGENT EQUITY MARKETS



REGIONAL DIVERSITY
IN THE UNITED STATES,
FUNDS UNDER
MANAGEMENT GREW
BY OVER 20%

UNITED STATES BUSINESS REVIEW

US LIFE

FINANCIAL PERFORMANCE

The macro-economic environment presented a number of challenges to the US life business during 2003, with interest rates falling to historic lows. These low interest rates, combined with improving equity return expectations, resulted in some movement of savings from fixed interest to equity-based products. Management responded to these challenges by developing a multiple distribution and product strategy aimed at stabilising sales volumes and maintaining profitability.

Adjusted operating profit of \$143 million increased by 15% over the \$124 million achieved in 2002, driven by the impact of profits from the strong sales of fixed annuities in 2002, and by improving spreads and continued growth in life sales in 2003.

Total APE for 2003, at \$389 million, was 14% lower than that achieved in 2002 (\$451 million). Gross sales of \$3.1 billion (2002: \$4.0 billion) in 2003 were, however, higher than in any year prior to the acquisition of Fidelity & Guaranty Life by Old Mutual. The value of new business at \$59 million was 30% lower than in 2002 (\$84 million). The average margin on new business after tax reduced from 19% of APE in 2002 to 15% of APE in 2003, which excludes the value added from the block of business acquired for a nominal amount with Sage Life (renamed OMNIA Life (Bermuda)). While interest rate spread compression negatively impacted the margin, this was partly offset by profitability and sales volumes being stabilised through the establishment of an alternative corporate to corporate channel.

The business continued to grow strongly, as new life assurance products launched during 2003 were positively received by the market and attracted significant premiums. Lower fixed annuity sales were offset by the favourable response to a new range of equity-indexed annuity products. As a result, Fidelity & Guaranty Life maintained its position as one of the top ten providers of fixed and equity-indexed annuity products in the USA. OMNIA Life (Bermuda) is an important new conduit to large international banks, offering US-style products to an international customer base and giving direct exposure to variable annuity products.

The value of in-force business of \$701 million at the end of 2003 increased by 28% from \$549 million at the beginning of the year.

Funds under management totalled \$13.3 billion at 31 December 2003, an increase of 27% over the year. \$110 million of capital was injected into the US life business during the year to support new business written, in line with plans.

BUSINESS DEVELOPMENT AND OUTLOOK

Having successfully stabilised sales volumes and profitability through competitive positioning, the business will continue to build on its strong relationships with key distributors and its multi-distribution channel strategy.

The transition of policy administration to a lower unit cost outsourcer is progressing and is designed to improve customer service levels. By year end, the new third party administrator was issuing 90% of all new policies. Economies of scale and planned process improvements should be evident in the financial results from 2005, after complete conversion of in-force and new business.

The business's bond portfolio, which is largely managed by fellow asset management subsidiary, Dwight, will continue to be managed actively, with tight controls on matching assets and liabilities, and no more than 10% concentrated in the high-yield corporate bond sector.

US ASSET MANAGEMENT

FINANCIAL PERFORMANCE

The Group's US asset management business delivered adjusted operating profit of \$134 million in 2003, a decrease of 6% on 2002 (\$142 million). However, when comparing the results on a like-for-like basis, after taking into account the impact of disposed entities, adjusted operating profit increased by 6% from \$126 million. The equity market rally in the second half of 2003 and strong net cash inflows were the key factors driving this positive result. Average asset levels for 2003 were \$136 billion, compared to \$126 billion (excluding disposed entities). The improvement in the equity-related component of total funds under management also had a positive impact on revenue margins.

Funds under management increased during 2003 by 21% from \$127 billion to \$154 billion. Affiliate divestitures of \$3.3 billion were offset by net client inflows of \$4.7 billion and positive market movements of \$25.7 billion. The net client inflows were spread across the large majority of the affiliates, highlighting the attractiveness and strength of the diverse range of products. These inflows included \$1.8 billion from the Group's US life business, and were

achieved despite the loss of \$1.7 billion at PBA in December, following the departures of the founders of that firm resulting from allegations of improper practice.

Good investment performance was maintained for institutional mandates, which outperformed their respective benchmarks over three and five years by 83% and 94% respectively. Top quartile performance, relative to their peers over the same periods, was achieved by 73% of these funds.

Investment performance by the business's mutual funds improved during 2003, with 72% delivering top quartile performance over the three-year period. On an asset-weighted basis, four- and five-star funds, as rated by Morningstar Inc., comprised 76% of the mutual fund portfolio at year end.

BUSINESS DEVELOPMENT

A successful year in executing an organic growth strategy was soured by the discovery of the personal involvement of the two founding members in alleged market timing irregularities at PBA during the period from 1999 to 2001. Old Mutual management took decisive steps immediately upon discovery of these matters to ensure that current and future interests of PBA's clients and shareholders were upheld, including the departure of the founders, and also conducted a review at the Group's other US mutual funds to ensure adherence to best practice governance policies. Succession plans at PBA, which had already been put in place, were accelerated and these have ensured business continuity and the prospect of future growth once all outstanding regulatory and legal matters are resolved.

OUTLOOK

Strengthening the presence of the Group's US asset management business in the higher margin retail market remains a key strategic objective. The diversity of styles and the strength of the individual firms' branding with third party distributors are being leveraged to provide institutional-quality products to retail investors.

Institutional fund management remains the core business. New investment performance systems, developed in 2003, will allow a broader range of product development opportunities to be exploited and will provide targeted marketing strategies to the sales teams. New opportunities to distribute alternative products and closed-end funds are being pursued, while the focus on sub-advisory investment mandate relationships continues.

UK

**OUR UK BUSINESSES HAVE SET
THEMSELVES CHALLENGING TARGETS
FOR 2004 AND THEIR PERFORMANCE
SO FAR HAS BEEN ENCOURAGING**



REGIONAL DIVERSITY

WE HAVE A CLEARLY FOCUSED
RANGE OF PRODUCTS FOR
THE UK MARKET

UNITED KINGDOM AND REST OF WORLD BUSINESS REVIEW

Adjusted operating profit from the Group's UK and Rest of World life assurance, asset management and banking businesses was £24 million in 2003, compared to £55 million in 2002. This result includes the adjusted operating profit of the Group's operations in the UK (£15 million loss), offshore operations (which include Old Mutual Asset Managers (Bermuda) (OMAM (Bermuda)), Old Mutual International and Old Mutual Fund Managers) (£19 million), southern Africa (excluding South Africa) (£15 million) and Nedcor's offshore banking and asset management operations (£5 million).

ASSET MANAGEMENT

Adjusted operating losses from the Group's UK and Rest of World asset management businesses of £4 million compared to a profit of £2 million in 2002. These include the results of Gerrard for the ten months to 31 October 2003, as well as full year results for Old Mutual Asset Managers (UK) (OMAM(UK)), Selestia, Palladyne Asset Management BV, OMAM (Bermuda), Bright Capital and Nedcor's offshore asset management operations. Selestia's adjusted operating loss of £14 million was included within the UK and Rest of World life assurance result in 2002.

The Group realised £240 million, including a £30 million release of capital, from the sale of Gerrard, following a successful restructuring of the business.

The Group's remaining UK asset management businesses continued to grow and develop through further penetration of their respective markets. OMAM(UK) delivered very good investment performance and strong new client fund flows, particularly in hedge fund products. Selestia achieved excellent momentum in attracting fund flows through its online offering during the year, and in November 2003 won the Best Fund Supermarket award in the B2B category of the 2003 Online Finance Awards. OMAM(UK) and Selestia generated positive fund flows of £400 million between them, a very solid performance.

LIFE ASSURANCE

The Group's life assurance operations in southern Africa (excluding South Africa) and Old Mutual International contributed £15 million and £9 million respectively to the UK and Rest of World results in 2003 (2002: £3 million loss). The increase was largely due to the sale of Old Mutual International's International Personal Portfolio Bond book, which released £4 million to profit.

Julian V F Roberts
Group Finance Director
17 March 2004

INTERNATIONAL FINANCIAL REPORTING STANDARDS

All EU listed companies are required by EU regulation to adopt International Financial Reporting Standards (IFRS) in their consolidated accounts from 1 January 2005. In order to meet this requirement, Old Mutual established a Group-wide project in July 2002 to address the impact of IFRS.

The project is on track and nearing the half-way point. The anticipated impact of IFRS, subject to the IASB issuing final standards in March 2004, is as follows:

- some investment-type business currently accounted for as insurance will be classified as financial instruments, which will reduce premium income;
- the investment return in the profit and loss account will be subject to greater volatility;
- options and other share-based payments issued to employees will require a charge to the profit and loss account and will be revalued at each balance sheet date;
- transactions between shareholders' funds and policyholders' funds will be eliminated under IFRS;
- an increased portion of financial instruments will be carried at fair value; and
- dividends will be recognised in the period during which they are paid.

The proposed IFRSs on Business Combinations and Insurance Contracts are expected to have an impact on the Group.

The estimated external resource cost at the Group level is expected to be in the range of £15 million to £25 million over the three years of the project, excluding the cost of any required systems work. The Group's businesses are also incurring additional costs to implement IFRS and this will vary depending on the impact IFRS has on each business.



CORPORATE CITIZENSHIP



HELPING LOCAL COMMUNITIES
THROUGH PROGRAMMES
SUCH AS OUR UK/SA
SCHOOLS INITIATIVE

DURING 2003 WE CONTINUED OUR INVOLVEMENT IN SOCIAL INVESTMENT BY SUPPORTING SELECTED CHARITIES AND CARRYING OUT OTHER COMMUNITY ACTIVITIES WHERE OUR BUSINESSES OPERATE

The Group's social investment programmes concentrated during 2003 on education, health and welfare, local economic development, the environment and the arts. In South Africa particular attention was given to Black Economic Empowerment and HIV/AIDS.

SOUTH AFRICA

OLD MUTUAL SOUTH AFRICA (OMSA)

OMSA is committed to growing and investing in socially responsible business activities, employment equity and diversity, skills development and affirmative procurement, as well as sustainable social investment projects and the active involvement of employees in social and community affairs. Its Corporate Citizenship programme recognises the value of non-financial performance and social accountability.

OMSA's social investment programme is mainly carried out through the Old Mutual (South Africa) Foundation (the OMSA Foundation), which in 2003 contributed some R20 million, R13.8 million of which was devoted to its flagship projects. The flagship projects focus on local and rural economic development, including the Rural Economic Development Initiative (REDI), education, including support for the development of mathematics programmes and the regeneration of schools, and Community Development. This includes establishing food gardens and running HIV/AIDS programmes. The Staff Community Builder Programme, through which staff volunteers support a range of community-based projects, is also a key part of OMSA's social investment programme.

OMSA also has a general donations programme. During the year R3 million was distributed among 37 educational projects and 14 donations in force also received annual allocations. A further R1.7 million was invested in community development projects.

REDI

REDI supports the economic development of 20 communities in six of the nine provinces of South Africa. Old Mutual spent a total of R28 million over the period 2001-2003 on rural economic development. These communities are linked to twenty individuals referred to as "champions". REDI is unique in focusing on the holistic development of rural communities, establishing new businesses and jobs that help villages to become more self-sufficient. As a result REDI is aligned closely with the South African government's integrated rural development strategy. REDI recently won the Mail & Guardian Investing in the Future Award for Corporations. During 2003 a total of 40 new businesses were funded, which brought the total number of new businesses established over the three-year period to 190, at a cost of R6 million.

Local economic development within REDI received significant support during the year and showed excellent growth. A total of R2 million was provided to support new businesses that applied for funding support.

REDI education invested its budget in two particular areas in 2003, a Primary School Mathematics and Science Development Programme and a Primary School Infrastructure Regeneration Programme. The Regeneration Programme contributed R2.2 million and helped 181 schools to purchase equipment, supply sanitation, water or electricity or to install perimeter security. The education service providers received funding of R1.5 million, enabling teachers from 263 schools to attend development workshops, and also funded the purchase of teacher/pupil resource materials.

The "Train a Trainer" Programme was successfully launched in 2003. Following the completion of REDI HIV/AIDS Community Mobilisation Training Workshops in July, trained groups in the REDI communities started their roll-out programmes. To date, an additional 14 workshops and roadshows have enabled 800 people to take HIV/AIDS education into the REDI communities. The demand for funding towards Community Food Gardens was so overwhelming during 2003 that it was decided to combine the Food Gardens budget of R0.4 million with the R1 million set aside for HIV/AIDS initiatives. An amount from this budget was also earmarked for the establishment of a community mobilisation centre, to care for AIDS Orphans in one of the REDI communities. Under a partnership with Tiger Brands all vulnerable children in the REDI communities will receive food parcels for a year.



STAFF VOLUNTEER PROGRAMME

The Staff Volunteer Programme consists of the Staff Community Builder Programme, "Adopt an Orphan" and the Staff Charity Fund.

The Staff Community Builder Programme has been running now for nine years and continues to grow in size. More staff members are adopting a hands-on approach to development in their communities and the programme helps by providing such projects with financial support. This programme won the 2003 Corporate Award for Staff Volunteerism in the Mail & Guardian Investing in the Future Awards.

Contributions of R0.65 million were provided under the Staff Charity Fund and the "Adopt an Orphan" programmes in 2003. "Adopt an Orphan" attracted monthly financial commitments from 255 staff members, which helped to support 355 orphans. The OMSA Foundation matched all staff contributions and the total monthly commitment went to Heartbeat, an organisation which has been retained to help with the programme. The Staff Charity Fund, supported by 179 staff members, raises funds matched by the OMSA Foundation for abused children, the elderly, HIV/AIDS home-based care programmes and animal welfare.

HIV/AIDS INITIATIVES

Old Mutual is committed to addressing the socially and economically crippling challenges caused by the HIV/AIDS epidemic in South Africa. A four-dimensional strategy has been adopted covering the workplace (employees), the broader community, financial services and advice (customers), and business impacts.

Under the AIDS Orphans Programme, R1.5 million was given to selected non-governmental organisations involved in the programme in five provinces.

In 2003, with the assistance of Old Mutual, Heartbeat assisted 1,225 orphaned and vulnerable children in Botshabelo, Bloemfontein, Katlehong and Thembisa. Heartbeat also distributed resources, lobbied for services and included children in activities and support groups.

BLACK ECONOMIC EMPOWERMENT (BEE)

The past year saw the introduction of the Financial Sector Charter which aims to empower black people who were previously excluded and disadvantaged. Old Mutual was actively involved in the process of compiling the Charter. OMSA's existing 10-point BEE framework coincides in many respects with the Charter and its scorecard. Old Mutual is already well advanced in the area of skills development and is progressing well in relation to equity employment, two of the areas which will be measured.

Old Mutual's objective is to meet the targets set by the Financial Sector Charter. On a weighted basis OMSA currently scores as an excellent contributor to empowerment and already exceeds the targets set in the Charter for corporate spending on social investment initiatives.

Old Mutual manages R3.8 billion in assets that have social objectives, including infrastructure development. It has also established a number of significant joint ventures in this area, including ones with Wiphold, Umbono Asset Managers and Setsing Financial Services.

OMSA will be publishing a more detailed report on its corporate citizenship activities in April 2004 which will be available on the Company's website www.oldmutual.com from May 2004. It will also be obtainable upon request from the Public Affairs Manager, Old Mutual (South Africa), PO Box 66, Cape Town 8000 and from the Director of Corporate Affairs, Old Mutual plc, 5th Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG.

NEDCOR

Nedcor's extensive involvement in corporate social investment in South Africa and neighbouring countries is funded by a contribution of net profit after tax from the Bank's operating divisions and business units. Support is provided for programmes involved in education, job creation, leadership development, welfare and health matters, including projects that support victims of HIV/AIDS. Funding for the last of these is directed at organisations caring for those infected, supporting income-generation for AIDS sufferers, assisting welfare programmes that care for victims and their dependants and providing assistance to the terminally ill.

Notable programmes of the Nedcor Foundation during 2003 included the continuing Nedcor Alexandra Development Programme, a series of educational interventions in the five high schools of Johannesburg's Alexandra township. Other prominent projects included the building of a school near Qumbu in the Eastern Cape and the erection of buildings to serve as small business training centres at Villiers in the Free State. There was also an environmentally-conscious skills development project benefiting unemployed rural women on the Mtentu Estuary of the KwaZulu-Natal south coast, substantial support for a national literacy campaign reaching all the country's 27,000 schools and financial backing for a national campaign against hunger.

In all, the Nedcor Foundation supported over 350 projects during 2003, with particular focus on welfare, community development and sustainable development.

A subsidiary of Nedcor, Nedbank, also donates money to independent trusts based on clients' usage of the bank's innovative affinity banking products. Through the Nedbank Arts, Green and Sport Affinities, Nedbank aims to give clients the opportunity to support causes that uplift South African communities. Nedbank's funding for the trusts is mostly generated by clients using their associated cheque books, credit cards and savings accounts.



A proactive proponent of the arts, the Arts & Culture Trust (ACT) demonstrated its new strategic direction in 2003 by focusing on various priorities in the community. These included job creation, improvement of creative and administrative skills, fostering of cross-cultural understanding and generation of cultural tourism. One of the projects supported by ACT was the conversion of Valley Song, a play by playwright Athol Fugard, into a groundbreaking opera with empowerment and employment equity spin-offs. Valley Song will be the first-ever South African opera putting a Coloured community in the Karoo on stage.

The Green Trust is a partnership between Nedbank and World Wide Fund for Nature (WWF-SA), the conservation organisation. Current projects include tree planting and food gardening in poorer urban environments and projects focusing on flagship species.

The Sports Trust focuses on providing and upgrading sporting facilities and equipment in underprivileged and outlying areas. Sports Trust projects in 2003 included the building of sport academies in towns such as Virginia and Mdantsane and the laying of sports fields at the Nolutshando School for the Deaf in Khayalitsha.

A community-focused initiative, Team Challenge, was introduced during 2003. This encourages employees to form teams and become actively involved in a community or environmental project. Teams vary in size from five to twenty employees and family members or friends can become involved as ancillary members. Involvements have ranged from adopting a school and maintenance of school sports fields to starting a soup kitchen. After six months working in the community the three projects that are deemed most successful will receive a financial award.

Following Nedcor's acquisition of BoE, BoE's corporate citizenship activities are being integrated with those of the Nedcor Group. The work of the BoE Charitable Trust and Education Foundation has nevertheless continued

throughout 2003. The NBS Centenary Foundation supported the Natal Early Learning Rescue Unit (Nelru) to continue its mentoring of pre-schools built by the Foundation.

Nedcor is publishing a Sustainability Report in April 2004 which will be available on its website www.nedcor.co.za. It will also be obtainable upon request from the Senior Manager, Corporate Governance and Sustainability, Nedcor Limited, PO Box 1144, Sandton 2196.

MUTUAL & FEDERAL

Mutual & Federal has for many years committed a portion of its resources to its corporate social responsibility programme.

It aims to improve the quality of life for people in specific areas of need through long-established programmes with organisations such as the READ Educational Trust, Nelson Mandela Children's Fund, the AIDS Foundation, the President's Award, Nicro and the World Wildlife Fund. The list of its partners is periodically amended to address new challenges that arise or needs that become particularly acute.

Consistent investment is made in areas such as education, health and welfare, road traffic safety, crime prevention and conservation or environmental projects. Within this broad strategic framework there is focus on specific challenges such as HIV/AIDS, the task of providing for the growing number of orphans and the effort to combat educational backlogs.

REST OF AFRICA

The Old Mutual (Namibia) Foundation strives to empower the communities in which the Group's Namibian businesses operate by supporting sustainable initiatives. Funding in 2003 was focused on health and welfare, community development, education, a community builder programme and a general donations programme.

In 2003 the Katutua Community Art Centre and the Onamulele Primary School received a large proportion of the education budget.

Four projects received funding from the health and welfare allocation, including the Michelle McLain Children Trust and a donation which enabled mosquito nets to be provided to malaria-stricken hospitals in the north of Namibia. The Otjomuise Brass Band received support through the 2003 Community Development budget and two members of staff received funding for their community builder projects.

Old Mutual Zimbabwe has a structured social responsibility programme, which is actively involved in the sponsorship of sport, education and health projects, among others.

Old Mutual continued to sponsor the Zimbabwe cricket team in 2003, covering home and away test matches, one-day internationals and overseas tours until 2005. In conjunction with this sponsorship, Old Mutual ran some cricket clinic trials during 2003. Under this initiative members of the Zimbabwe team and the marketing manager from Old Mutual Zimbabwe visited two local schools to teach pupils skills in batting and bowling.

Old Mutual supports the arts and culture through the Harare International Festival of the Arts. This has become a major event in the cultural calendar of Zimbabwe and is a prestigious platform for local and visiting artists. During 2003 Old Mutual was accredited to the Tumbuka Dance Group's performances, which were one of the festival's highlights.

Old Mutual continued to run the Mathematics Olympiad in conjunction with the University of Zimbabwe. This is a programme to discover and train mathematical talent in Zimbabwe. In 2003, 1,424 students from 77 schools participated in the competition.

The Bermuda Foundation made a donation of £5,000 to the Kenya Harambee Community Project to further its work in underdeveloped areas by introducing a fresh water supply to remote communities in Kenya.



USA

Old Mutual Asset Management in the USA (OMAM(US)) operates a Charitable Foundation which supports organisations on a local (Boston area) and national level. Its support in 2003 was focused on the community, healthcare, homelessness and emergency or crisis intervention.

The Foundation supports both local and national organisations such as City Year, Boys and Girls Club of America and The Pine Street Inn, a not-for-profit organisation committed to helping people in need of shelter, food and basic moral and material support.

Employee gifts to charitable organisations are matched by OMAM(US) through its matching programme on a dollar for dollar basis up to an annual limit of \$2,000. During 2003 the projects that were supported in this way included the Cystic Fibrosis Foundation, the American Red Cross, Muscular Dystrophy charities and several local colleges and universities.

OMAM(US) also supports employee involvement in charitable organisations, enabling them to provide direct support to fund-raising activities for events such as the Habitat for Humanity home building programme and the City Year's serve-a-thon, which restores parks and buildings in the local community.

A number of the Group's US asset management businesses have their own charitable support programmes. During 2003 these supported projects with the Samaritans, the Academy of Business Leadership, Make-a-Wish Foundation, the Phoenix House and a number of others, including colleges and universities.

The Group's US life business provided support during 2003 to the Red Cross of Central Maryland, which supports families whose homes have been destroyed by fire, flood or other disasters, and to The Baltimore Child Abuse Centre, which supports sexually abused children by providing mental and physical health programmes and assistance with housing. It also provided

sponsorship for a charity dinner held by the South African Development Community Ambassadors' Spouses Association to raise funds for women and children in South Africa who are victims of drought, floods and diseases.

UK

Old Mutual plc launched a major educational project in conjunction with the British Council in the UK and South Africa in 2003. The project, a linkage programme between UK and South African schools, will operate for three years and provide an opportunity for twelve primary schools (six from the London Borough of Southwark and six from the Western Cape) to enhance their learning processes and curricular activities. Particular focus will be paid to mathematics and science, to reflect Old Mutual's desire to see these skills developed.

The overall aims of this project are to provide professional development of teachers, add value for the ethos of the participating schools and improve overall performance. Enhancing the content of classroom teaching and interaction with a school from a different culture are intended to enable pupils to acquire new skills, attitudes and experience.

Two members of staff ran the London Marathon and raised over £10,000, after staff matching, for good causes including Mencap and a local community centre in Haslemere.

Companies within Old Mutual Financial Services made various donations to charitable projects during 2003. These included the Shooting Star Trust, an organisation that provides support for families with terminally ill children, under which £54,000 is being donated over three years to enable the building of a new hospice.

Old Mutual International continued to support the Guernsey Maths Challenge during 2003 and also raised money for cancer research.

Six members of Gerrard's staff raised £20,000 for The Outward Bound Trust by sponsorship associated with their participation in the London Marathon in April.

Other charitable activities included monies raised through staff participation in the Caledonian Challenge in June. Gerrard's team raised £2,000 for the Scottish Community Foundation, which gives grants to community groups and charities across Scotland. In July, a team of climbers from Gerrard successfully accomplished the Three Peaks Challenge when they climbed Ben Nevis, Scafell Pike and Snowdon within 24 hours. The team raised £3,000 for Action Research, which will go towards funding vital medical research into the prevention, treatment, management and alleviation of disabling diseases.

In October, Gerrard and Old Mutual plc participated in the 2003 Jeans for Genes Day. Organised by four national charities, Jeans for Genes raises funds for research into serious and life-threatening genetic disorders that affect children. Through the support of employees at Gerrard and Old Mutual, both companies raised over £2,000.

ENVIRONMENT

As a financial services provider the Group's primary aim is to meet the financial needs of its clients. In doing this, the Group recognises that it has a substantial impact on the environment, both directly through the running of its offices and indirectly through meeting the investment needs of its clients.

Following the introduction of the Group's environmental policy two years ago and the designation of Julian Roberts, the Group Finance Director, as the member of the Board responsible for the Group's environmental performance, objectives were set and individuals named at business unit level to oversee environmental issues. Monitoring and reporting against Key Performance Indicators (KPIs) also falls under these individuals' control and this is, where possible, being applied across the Group. The Group's KPIs and environmental targets are reviewed annually to ensure their continuing appropriateness.



The environmental objectives that the Group has set are:

- to ensure compliance at local, national and international levels;
- to minimise the consumption of energy, water and materials across operations;
- to minimise solid waste generation by waste re-use and recycling wherever possible;
- to avoid the use of materials that may cause harm to the environment;
- to promote internal awareness of environmental issues with staff; and
- to support environmentally-related initiatives by employees and relevant external groups.

These objectives are applied across the Group at the business unit level, using best practice in environmental management.

A proactive campaign of environmental awareness was supported around the Group during 2003. Baseline data have been collected and the first results have been seen. Natural resource use reduced across the Group and waste production also decreased. The introduction of Environmental Management Systems (EMSs) at key sites around the Group in 2003 also helped to identify areas where further reductions and improvements can be made. Through these systems Old Mutual commits to manage its impacts and improve its performance continually. These management systems also formalise targets at a site level and aid in the introduction of Group-wide data monitoring systems.

The data gathered from the units on compliance with the Group's environmental objectives are compiled and reported to the Board at least annually. Internal awareness of environmental issues increased during 2003, with the introduction of EMSs at several Old Mutual sites. A proactive approach to raising awareness will continue in 2004.

The Group has little contact with materials that could do great damage to the environment. It has ensured, where relevant, that it has avoided using materials that may cause harm.

Old Mutual is looking to finalise its commitment to the UK government scheme "Making a Corporate Commitment" (MACC2) early in 2004, along with the introduction of an EMS at its UK head office. It intends that, by joining MACC2, this will aid the tracking of environmental improvements and allow interested parties to learn what it is achieving.

Old Mutual participated in Business in the Community's Corporate Environmental Engagement Index for the second time in 2003. Participation helps the Group to assess how well it is managing environmental issues and to benchmark itself against other members of the financial services industry in the countries where it operates.

HEALTH AND SAFETY

The Group recognises its obligation to supply its employees with a safe and clean working environment. Data on health and safety compliance are collated and reported to the Board annually via Julian Roberts, the director responsible.

Nedcor is aware of the risk of robberies and attacks at its banking business and works continually to improve its systems to minimise the risk to its employees.

During 2003 there were no significant accidents, and no material health or safety issues at work were reported from around the Group.

FTSE4GOOD/JSE SRI INDICES

Old Mutual plc is a member of the FTSE4Good Index of the London Stock Exchange, the selection criteria for which include working towards environmental sustainability, developing positive relationships with stakeholders, and upholding and supporting universal human rights.

It has also recently qualified for inclusion in the JSE Securities Exchange South Africa's Socially Responsible Investment Index, which will be launched in the first half of 2004 and will measure participant companies' commitment and performance against a triple bottom line of sustainability in terms of the environment and of economic and social impacts.

CODE OF BUSINESS CONDUCT/ETHICS

The Old Mutual Group has adopted and aims to abide by a Code of Business Conduct/Ethics. Copies of this Code are available to staff on the Old Mutual intranet and may also be obtained from the Company Secretary at the registered office.

Martin C Murray
Group Company Secretary
17 March 2004



CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Group is committed to the objective of achieving high standards of corporate governance and internal control.

In the year ended 31 December 2003 and in the preparation of this Annual Report and Accounts, the Company has applied the principles set out in section 1 of the Combined Code (as applicable to the year ended 31 December 2003) (the Combined Code) and complied throughout the accounting period with the Combined Code provisions set out therein in the following manner.

BOARD OF DIRECTORS

The Board meets on a scheduled basis regularly during the year (including sessions devoted to strategy and business planning) and has specific matters reserved to it for decision. It also meets ad hoc, as and when required, between its scheduled meetings to deal with specific matters requiring Board consideration.

During 2003, the ten scheduled Board meetings were attended by all of the directors who were in office at the respective meeting dates, except for one from which Mr Stuart was absent, two from which Mr Broadhurst was absent and four from which Mr Laubscher was absent. The Board also met on one other occasion, on an ad hoc basis, which was attended by all of the directors.

Where directors are unable to attend Board meetings for any reason, every effort is made to obtain and communicate to the meeting any comments they may have on the items on the agenda.

Directors, on appointment and regularly thereafter, are briefed in writing and orally by executive management (including on social, environmental and ethical matters, where significant to the Group's businesses). They may take independent professional advice at the Company's expense if necessary for the furtherance of their duties.

The Company also ensures that newly appointed non-executive directors receive appropriate external training on their duties and on the responsibilities that they are expected to discharge, and that they are familiarised with the Group's main businesses as soon as practicable.

All directors have access to the Company Secretary.

The Board periodically conducts a self-assessment exercise to evaluate the effectiveness of its procedures. Following the last such exercise, which was carried out in 2002, a number of improvements were made to the planning and conduct of Board meetings. It is intended that this exercise will be repeated at appropriate intervals in the future.

The Board currently comprises two executive and eight non-executive directors, as described in more detail on pages 34 and 35. Mr Levett, the non-executive Chairman, was previously Chairman and Chief Executive of the Company. Mr Liebenberg is Chairman of the Company's subsidiary, Nedcor Limited, and was formerly Chief Executive of that company.

The other six non-executive directors (Messrs Andrews, Bogni, Broadhurst, Clewlow, Collins and Marks) are considered by the Board to be free from any business or other relationship that could materially interfere with the exercise of their independent judgement. During the year Mr Joubert and Mr Stuart left the Board on reaching their seventieth birthdays and Mr Laubscher ceased to be an executive director in December 2003 on stepping down as Chief Executive of Nedcor Limited.

The executive element of the Board is balanced by a strong independent group of non-executive directors. Mr Stuart served as the senior independent non-executive director until February 2003, when he was succeeded in that role by Mr Collins.

ROTATION/RE-ELECTION OF DIRECTORS

The Articles of Association of the Company require that at least one-third of the directors (excluding those appointed by the Board during the year) shall retire by rotation each year. This reflects the principle of the Combined Code and is applied in such a manner that each of the directors will submit himself for election or re-election at regular intervals and at least every three years.

Proposals for election or re-election to the Board are considered by the Nomination Committee, and are not automatic.

The Nomination Committee considered the candidates for election or re-election at this year's Annual General Meeting (as referred to in Ordinary Resolutions 3 (i) to (iv) in the Notice of Annual General Meeting on pages 156 to 158 of this document) at its meeting on 20 February 2004. It recommends to shareholders the election of Mr Marks and the re-election of Mr Bogni and Mr Broadhurst as non-executive directors based upon their professional qualifications, prior business experience and contribution (or, in the case of Mr Marks who only joined the Board in February 2004, prospective contribution) to the Board, and the re-election of Mr Roberts as Group Finance Director on the basis of his satisfactory performance in that role since joining the Group in August 2000.

COMMITTEES

EXECUTIVE COMMITTEE

The Executive Committee is a committee of the Board comprising the executive directors of the Company, to which executive control and decision-making are delegated, subject to reservation of matters that require approval by the Board itself.

NOMINATION COMMITTEE

The Nomination Committee makes recommendations to the Board in relation to the appointment of directors and the structure of the Board. It was chaired until February 2003 by Mr Stuart and thereafter by Mr Levett. Its other members during the year were Mr Bogni (from February 2003), Mr Broadhurst, Mr Clewlow, Mr Collins, Mr Joubert (until his retirement from the Board in June 2003), Mr Liebenberg and Mr Sutcliffe.

The Company Secretary acts as Secretary to the Nomination Committee. All six of its meetings during 2003 were attended by all the then members, except for one from which Mr Clewlow was absent.

REMUNERATION COMMITTEE

The Remuneration Committee, chaired by Mr Collins, comprises four of the non-executive directors, as described in the Remuneration Report on pages 40 to 50, all of whom are considered by the Board to be independent for the purposes of the Combined Code.

Details of how the Remuneration Committee and the Board have applied the principles of the Combined Code in respect of the executive directors' remuneration and other details of the role and activities of the Remuneration Committee are provided in the Remuneration Report.

GROUP AUDIT COMMITTEE

The Group Audit Committee is chaired by Mr Broadhurst, and other members who served during the year were Mr Andrews (from February 2003), Mr Bogni, Mr Clewlow, Mr Collins, Mr Joubert (until his retirement from the Board in June 2003) and Mr Stuart (until his retirement from the Board in July 2003). Mr Liebenberg was also a member of the Group Audit Committee until August 2003, when he stepped down so that the Committee would thenceforth comprise only independent non-executive directors in accordance with developing best practice. The Company Secretary acts as Secretary to the Committee.

The terms of reference of the Group Audit Committee were updated in the final quarter of 2003 to take account of revisions to the Combined Code and the Smith Guidance on the role and responsibilities of Audit Committees.

The Committee's terms of reference enable it to take an independent view of the appropriateness of the Group's accounting policies and practices for presentation of its interim and final results and the Report and Accounts and the effectiveness of the Group's internal control system (including financial, operational, compliance controls and risk management).

It also reviews annually the remit, authority, resources and scope of the work of internal audit, and 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 Group Audit Committee met five times during 2003 and all the members of the Committee were present at each meeting.

A number of audit or audit, risk and compliance committees operated at subsidiary level during 2003, including at Old Mutual Financial Services (UK) plc, Old Mutual Life Assurance Company (South Africa) Limited, Old Mutual (US) Holdings, Inc., Nedcor Limited and Mutual & Federal Insurance Company Limited, with terms of reference (in relation to the businesses under their respective remit) broadly equivalent to those of the Group Audit Committee. The Group Audit Committee receives minutes of the proceedings and reports from subsidiary audit committees on a regular basis.

GROUP COMPLIANCE AND RISK MANAGEMENT COMMITTEE

The Group Compliance and Risk Management Committee, chaired by Mr Clewlow, operated as a sub-committee of the Group Audit Committee during 2003. Other members of this committee were Mr Sutcliffe, Mr Broadhurst and, with effect from February 2003, Mr Liebenberg. The Committee met twice during the year. Its role was to review compliance and other significant risks within the Group's operations with a view to ensuring that appropriate controls were in place to address those risks. Responsibility for the day to day control of risk and compliance remained, however, primarily with the management of the underlying operations.

From January 2004 the role of the Group Compliance and Risk Management Committee will be undertaken by the Group Audit Committee and subsidiaries' own audit committees.

Each business has an executive director or directors responsible for the risk and compliance functions. An escalation process is in place which is designed to ensure that significant risk and compliance issues and significant control failures are reported to the Group Audit Committee.

GROUP CAPITAL MANAGEMENT COMMITTEE

The Group Capital Management Committee is a sub-committee of the Executive Committee. Its role is: (i) to set an appropriate framework and guidelines to ensure the appropriate management of the Group's capital; (ii) to allocate capital to the Group's various businesses based on twice yearly requests; and (iii) to monitor the return based on allocated capital per business relative to the hurdle rate and limiting the allocation of capital to under-performing businesses as appropriate.

In addition, it is tasked: (i) to ensure that the strategic investment goals of the Group are clearly disseminated; (ii) to consider and approve the overall investment strategy of the Group's shareholders' funds, including those supporting regulatory and solvency capital, in order that the shareholders' assets are managed prudently having regard to risk, liquidity, tax and the need to support the Group's businesses; and (iii) to consider projects referred to it and to approve (or, where appropriate, refer up for approval) those deemed most likely to support the Group's core strategies and to build shareholder value. Its current membership comprises the Chief Executive, the Group Finance Director, the Group Treasurer and the Group Accountant. It met twice during 2003.

ACTUARIAL REVIEW COMMITTEE

The Actuarial Review Committee is a sub-committee of the Group Audit Committee and covers the Group's life operations worldwide. It is chaired by Mr Bogni and its other members are Mr Roberts and Mr Levett. It met twice during 2003.

The role of the Actuarial Review Committee is: (i) to review the actuarial elements that affect the Group's externally published financial statements (annual and interim); (ii) to verify the appropriateness of the actuarial methods and assumptions used and changes thereto and the appropriateness of the financial results which depend on actuarial calculations; and (iii) to review the financial soundness of each of the life assurance companies within the Group.

CORPORATE GOVERNANCE AND INTERNAL CONTROL CONTINUED

TERMS OF REFERENCE

The terms of reference of each of the principal committees of the Board are available in the Corporate Governance section of the Company's website www.oldmutual.com and may also be obtained upon request from the Company Secretary at the registered office.

INTERNAL CONTROL ENVIRONMENT

The Board acknowledges its overall responsibility for the Group's system of internal control and for reviewing its effectiveness, whilst the role of executive management is to implement Board policies on risk and control.

Executive management have implemented an internal control system designed to facilitate the effective and efficient operation of the Group and its business units and aimed at enabling management to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the Group's business objectives. These include protecting policyholders' interests, safeguarding shareholders' investments, safeguarding assets from inappropriate use or from loss or fraud, ensuring that liabilities are identified and managed, and addressing any social, environmental or ethical matters that have significance for the Group's businesses.

The system of internal control also helps to ensure the quality of internal and external reporting, compliance with applicable laws and regulations, and internal policies with respect to the conduct of business.

During 2003 the Group's system of internal control was standardised through the creation of a Group policy for each major risk category which set high level principles for the management or mitigation of risk. Each subsidiary will align its own policies with these Group policies during 2004. Any exceptions between the Group's and subsidiaries' policy positions will be documented and agreed by the Group Audit Committee.

The Group's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board is of the view that there is a sufficient ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and that this process has been in place for the year ended 31 December 2003 and up to the date of approval of this Report. The process accords with the Turnbull guidance set out in "Internal Control Guidance for Directors on the Combined Code" and is regularly reviewed by the Board.

During 2003, Pilgrim Baxter & Associates, Ltd (PBA) conducted an internal review into alleged market timing activities in the period up to December 2001 in some of the funds managed by it. In the course of its review, PBA learned of certain activities involving the former principals of that firm. PBA promptly notified the Securities and Exchange Commission (SEC) and the office of the New York Attorney General (NYAG) of its findings, severed its relationship with the principals concerned and appointed new management.

The new management of PBA is committed to the best interests of the shareholders in PBA's funds and, with the help of outside experts, has adopted standards and controls that will further protect the interests of its shareholders. In addition, it has engaged KPMG LLP to perform a comprehensive review and test of the suitability of design controls and their operating effectiveness relating to investment management and administration of mutual fund assets.

The SEC and the NYAG have filed civil suits against PBA and the two former principals. In addition, there are several related private lawsuits pending that arise from the facts alleged by the SEC and the NYAG. As significant uncertainty remains over the quantum of any payment that might be required to be borne by the former principals personally or by PBA itself arising from these suits, it is not currently possible to say whether or not the amount of any financial impact on the Group will be material.

Nedcor's results in 2003 were affected by a number of adverse circumstances, as described in more detail in the Business Review. In response to a series of profit warnings issued by Nedcor in the second half of 2003, changes were made to senior executive management there.

The Company has also taken a number of other steps to improve its governance of Nedcor. These include the entry into a relationship agreement between Old Mutual and Nedcor on 20 February 2004. The agreement is also intended to enhance the co-ordination of business activities between Nedcor and Old Mutual. The full terms of the relationship agreement are available on the Company's website www.oldmutual.com.

Other key components of the Group's overall system of internal control currently in operation and the process of review by the directors are set out below.

BUSINESS PLANNING

The Board reviews the Group's strategic direction and the executive directors consider the strategy for individual businesses with executive management on a regular 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 management.

The overall Group plan is then reviewed by the Board in the light of the Group's objectives. Performance against plan is regularly monitored at Board level.

MANAGEMENT STRUCTURES

The Group has an appropriate organisational structure for planning, executing, controlling and monitoring its business operations in order to achieve the strategic business objectives approved 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 operations of the Group. These executive managers are accountable for the control, conduct and performance of their businesses within an agreed business strategy.

RISK MANAGEMENT

Members of executive management are responsible for the identification, evaluation and management of risks affecting their areas of business. The risk identification process commences during the business planning exercise. Each business identifies the risks that have the potential to prevent its business objectives from being achieved. Members of management then document how they will maintain the effectiveness of the controls or alternatively set out the action points necessary to improve the controls over the risk.

Thereafter, management report monthly on the status of the controls or action plans in their business review reports, thus ensuring the major risks to their business and the Group are regularly monitored. The monthly reports are updated for new risks or where risks are no longer *per se* a threat.

The Group risk function is responsible for maintaining and updating on a regular basis the Group's strategic risk profile and monitoring changes to it.

During 2003 the Group Compliance and Risk Management Committee reported to the Group Audit Committee on risks to the achievement of the Group's objectives and instances of significant control failures (status and accountability for resolution also being noted). It was supported by a Group risk function, which coordinated regular reports from the risk management and compliance (or equivalent) committees within the Group's subsidiaries or business units, whose terms of reference were aligned with those of the Group Compliance and Risk Management Committee.

MANAGEMENT OF SPECIFIC RISKS

At Company level, the principal risks are the volatility of the major currencies in which the Group operates (Rand and US\$) to Sterling and investment market movements.

Given the lack of deep and liquid markets for African trading currencies and the size of currency-related risks, the Group does not currently hedge translation risk for African currencies, although action may be taken to hedge specific forecast cash flows, such as the payment of dividends from South Africa.

In order to manage investment risk, the Group makes limited use of derivative contracts, outside regulated entities, 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 corresponding assets and liabilities. The total income from all derivative instruments outside regulated entities is not material to the Group.

The other principal risks managed by the Group's businesses are described below.

LIFE ASSURANCE

Underwriting risk is controlled by underwriting principles governing product repricing procedures and authority limits. The underwriting process takes into account actual and prospective mortality, morbidity and expense experience.

The impact of HIV/AIDS is mitigated wherever possible by writing products that allow for repricing on a regular basis or are priced to allow for the expected inflationary effects of AIDS. The Group also conducts HIV and other tests for lives insured above specific values and offers reduced premiums for those willing to undergo regular testing.

For fixed annuities, market risks are managed by investing in fixed interest securities with a duration closely corresponding to those liabilities. Market risks on policies where the terms are guaranteed in advance and the investment risk is carried by the shareholders, principally reside in the South African guaranteed non-profit annuity book, which is closely matched with gilts and semi-gilts. Other non-profit policies are also suitably matched through comprehensive investment guidelines.

Market risks on with-profit policies, where investment risk is shared, are minimised by appropriate bonus declaration practices.

Equity price risk and interest rate risk (on the value of securities) are modelled by the Group's risk-based capital practices, which require sufficient capital to be held by the life assurance company in excess of the statutory minimum to allow the Group to manage significant equity exposures. Credit risk is monitored by credit committees covering life and third party funds, which have established appropriate exposure limits by portfolio.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

CONTINUED

BANKING

Financial instruments are fundamental to the operations of Nedcor and such instruments are frequently used to manage the risks that Nedcor is exposed to in the course of its normal operations.

Risks relating to trading and non-trading activities are managed through a framework of policies, methods and independent monitoring committees.

Asset and liability management is conducted within a formal structure which monitors the levels of acceptable financial risk and the management thereof. Asset and liability management is not heavily reliant on trading securities and derivatives. The focus is on using on-balance sheet mechanisms.

Interest rate risk for Nedcor is its net income exposure to adverse movements in rates arising as a result of the mismatches in the repricing terms of assets and liabilities.

Prospective repricing of assets and liabilities is assessed using gap analysis and earnings at risk modelling techniques to assess the potential impact.

Liquidity risk is the risk of being unable to raise funds at market prices to meet commitments as they fall due or to satisfy client demands for funds. This risk is managed by the maintenance of adequate capital, combined with sophisticated cash flow forecasting and strategic planning, maintaining an adequate pool of high quality marketable assets and ensuring appropriate diversity in liabilities.

Credit risk is governed by policy guidelines and administered by an appropriately constituted committee at Nedcor, which approves large exposures, risk limits, provisions and non-performing loans. Concentrations in country credit risk are similarly managed.

Nedcor's trading in foreign exchange and interest rate markets primarily involves interest rate swaps, forward rate agreements, bonds and bond options. Currency options, equities and equity derivatives are also traded on a limited basis. Trading exposures are measured using sensitivity analysis, value at risk and scenario testing, and Nedcor operates a formal system of monitoring and oversight on market trading risk.

ASSET MANAGEMENT

The exposure of the Group's asset management businesses to market fluctuations arises from the potential impacts on revenue levels, which are a function of the value of client portfolios. Investment risk is principally borne by the client. Compliance risks faced by these businesses are monitored and reviewed by compliance and risk committees established for this purpose. The risk of loss of key employees is managed by the use of long term incentive schemes aligned with shareholder value targets, and by competition restrictions in employment agreements.

GENERAL INSURANCE

Underwriting risks are controlled through a formal system of parameters within Mutual & Federal, which is regularly updated and only deviated from following approval by senior management. Reinsurance cover is in place, with retentions set at conservative levels.

Equity price risk is covered by the capital strength of the Mutual & Federal group.

MONITORING OF CONTROLS

The Board has reviewed the effectiveness of the system of internal control during the year. The key processes supporting the Board's regular and annual review process are summarised below.

The Chief Executive Officers of the Group's principal subsidiaries and business units report to the Board on behalf of their respective executive committees on major changes in the business and external environment that affect the significant risks to the businesses.

The Group Finance Director provides the Board with monthly performance information which includes key performance and risk indicators.

As part of the Board's annual review process, each executive director is asked to complete a letter of assurance confirming compliance throughout the year and up to the date of approval of the Annual Report with the Group's Scheme of Delegated Authority and risk management and control policies. The results of these letters are reported to the Group Audit Committee. These letters of assurance are supported by regularly updated risk profiles of each subsidiary and business unit, combined with a process of control self-assessment.

Management teams in each subsidiary and business unit have applied the Criteria of Control Model (CoCo) developed by the Canadian Institute of Chartered Accountants, and have produced a control integrity profile for successive assurances given at increasingly higher levels of management and finally to the Group Audit Committee. This process is co-ordinated by the Group Compliance and Risk Management Committee and facilitated by the Group risk function.

Control failures are reported pursuant to an escalation protocol to the appropriate level of management board or committee, where rectification procedures and progress are closely monitored. Planned corrective actions are independently monitored for timely completion by internal audit and, as appropriate, the Group Audit Committee and Board.

The Group's internal audit function operates on a decentralised basis co-ordinated at Group level by the Group head of internal audit. It carries out regular risk-focused reviews of the system of internal control and reports to local executive management, with unrestricted access to the Chairman of the Group Audit Committee.

An internal audit charter, reviewed and approved by the Group Audit Committee, governs internal audit activity within the Group and is conducted in accordance with an annual audit plan. Progress against that plan is reported regularly to that Committee.

ASSOCIATES

The policyholders' funds of the Group's South African and Zimbabwean life assurance operations have holdings representing in aggregate in excess of 20% of the issued share capital of a number of major South African and Zimbabwean companies listed on the JSE Securities Exchange South Africa and the Zimbabwe Stock Exchange, respectively. These are held as investments and the companies concerned are not subject to the governance or control structures of the Group.

INVESTOR RELATIONS

The Company is committed to a process of continuing dialogue with its investors and has maintained a policy of proactive communication, appropriate disclosure, and transparency of information throughout the past year.

After each results declaration and following major corporate actions, the Company makes appropriate contact with investors and intermediaries, and issues news releases and other materials including electronic communications.

Formal presentations, webcasts and speeches are posted on the Company's website www.oldmutual.com, where they are accessible, subject to restrictions arising from the Financial Services and Markets Act 2000, by interested parties.

The Company's share registrars in the UK and each country where its shares are listed offer services to personal shareholders to deal with specific requests that they may have. The Company's brokers in each of the five markets where Old Mutual's shares are listed also maintain active communication with, and provide other services for, the Company's shareholders.

Group strategy and performance are communicated to financial markets through annual and interim reports, news releases, speeches, transcripts and presentations, using a wide spectrum of internal and external communication channels. Frequently asked questions are posted on the Company's website and the Company responds to many direct requests for information and also provides answers to specific queries. The Company's website offers a wide range of services for investors, which includes the Company's share price, details of dividends, procedures for electing to receive communications electronically and other relevant data for shareholders.

The Board monitors investor relations matters closely. The executive directors participate fully in specific investor programmes on an international basis.

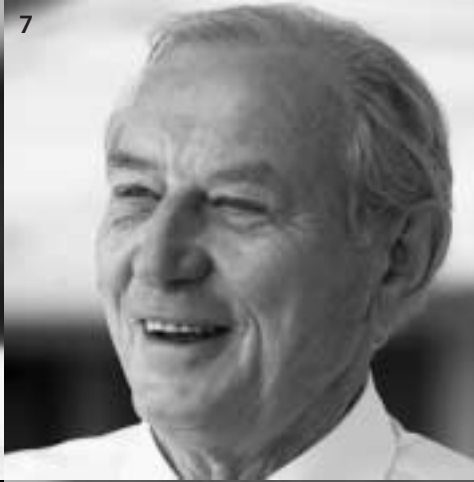
GOING CONCERN

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
17 March 2004

BOARD OF DIRECTORS



THE BOARD HAS TEN MEMBERS, WITH TWO EXECUTIVE AND EIGHT NON-EXECUTIVE DIRECTORS

1 MIKE LEVETT (64)²

B.Com., D.Econ.Sc. (hc), FIA, FFA, FASSA, is non-executive Chairman, having previously held the role of Chairman and Chief Executive until October 2001. He has also been Chairman of the Nomination Committee since February 2003. He joined the Group in 1959. He is a non-executive director of Barloworld Limited, Central Africa Building Society, Mutual & Federal Insurance Company Limited, Nedcor Limited, Old Mutual South Africa Trust plc and SABMiller plc.

2 JIM SUTCLIFFE (47)²

B.Sc., FIA, became Chief Executive in November 2001, having been appointed to the Board as Chief Executive of the Group's life businesses in January 2000. He is also a non-executive director of Nedcor Limited and of Nedbank Limited. Before joining the Group, he was Chief Executive, UK, of Prudential plc and Chief Operating Officer of Jackson National, Prudential's US subsidiary.

3 JULIAN ROBERTS (46)

B.A., FCA, MCT, is Group Finance Director, a position he has held since joining the Group in August 2000. He is also a non-executive director of Mutual & Federal Insurance Company Limited and of Nedcor Limited. He was formerly Group Finance Director of Sun Life & Provincial Holdings PLC. Before joining Sun Life & Provincial Holdings PLC, he was a director and Chief Financial Officer of Aon UK Holdings Limited.

4 NIGEL ANDREWS (56)^{1, 3}

B.Sc., MBA, was appointed as a non-executive director of the Company in June 2002. He is a non-executive director of the Company's principal US holding company, Old Mutual (US) Holdings, Inc. and chairs that company's Remuneration Committee. He is a member of the boards of Great Lakes Chemical Corporation and the Victory Funds and is a governor of the London Business School. Previously he was an Executive Vice President and member of the office of the CEO of GE Capital, having spent 13 years with The General Electric Company Inc.

5 RUDI BOGNI (56)^{1, 2}

D.Econ. (Bocconi), joined the Board of the Company as a non-executive director in February 2002. He chairs the Actuarial Review Committee. He is Chairman of Medinvest International SCA, Luxembourg and of the International Advisory Board of Oxford Analytica. He is also a member of the boards of the LGT Foundation, Common Purpose International Ltd, and Prospect Publishing, and of the governing council of the Centre for the Study of Financial Innovation. He served previously as a member of the Executive Board and Chief Executive, Private Banking of UBS AG, and before that he was Group Treasurer and a member of the Executive Committee of Midland Bank plc.

6 NORMAN BROADHURST (62)^{1, 2, 3}

FCA, FCT, has been a non-executive director of the Company since March 1999. He chairs the Group Audit Committee. He was Group Finance Director of Railtrack plc from 1994 to 2000. He is Chairman of Freightliner Limited and of Chloride Group plc. He is also a non-executive director of Cattles plc, Tomkins plc and United Utilities plc.

7 WARREN CLEWLOW (67)^{1, 2, 3}

OMSG, CA(SA), D.Econ. (hc), has been a non-executive director of the Company since March 1999. He has been Chairman of Barloworld Limited since 1991. He was previously Chief Executive of the Barloworld group and has managed many of its various divisions. He is Deputy Chairman and Chairman designate of Nedcor Limited and became Chairman of Nedcor's Audit Committee during 2003. He is also a non-executive director of Sasol Limited.

8 CHRISTOPHER COLLINS (64)^{1, 2, 3}

FCA, has been a non-executive director of the Company since March 1999 and became the senior non-executive director in February 2003. He chairs the Remuneration Committee. He has been Chairman of Hanson PLC since 1998, having previously been Vice-Chairman from 1995. His international experience includes working as a Hanson PLC representative in Australia. He is Chairman of Forth Ports PLC and a non-executive director of The Go-Ahead Group plc and of Alfred McAlpine PLC.

9 CHRIS LIEBENBERG (69)²

CAIB(SA), FIBSA, AMP (Harvard), D.Com. (hc), has been a non-executive director of the Company since March 1999. He is Chairman of Nedcor Limited. He was formerly Minister of Finance in the South African Government of National Unity and past Chief Executive of Nedcor. He is also a non-executive director of Old Mutual Life Assurance Company (South Africa) Limited, Mutual & Federal Insurance Company Limited and Macsteel Holdings (Proprietary) Ltd.

10 MICHAEL MARKS (62)

CBE, was appointed a non-executive director of the Company in February 2004. He is one of the founding partners of New Smith Capital Partners LLP. Until February 2003 he had held a number of senior roles with Merrill Lynch, including Executive Chairman of Merrill Lynch Europe, Middle East and Africa and Executive Vice-President of Merrill Lynch & Co. Prior to joining Merrill Lynch in 1995, he had been Chairman of Smith New Court PLC, having earlier been responsible for the international operations of that company in New York, Hong Kong, Singapore and South Africa. He is also a non-executive director of the London Stock Exchange and was formerly Chairman of the London Investment Banking Association and Vice-President of the British Bankers' Association.

KEY:

¹Member of the Group Audit Committee

²Member of the Nomination Committee

³Member of the Remuneration Committee

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 2003.

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 at 31 December 2003 was £383,689,581.10 divided into 3,836,895,811 Ordinary Shares of 10p each (2002: £378,250,637.20 divided into 3,782,506,372 Ordinary Shares of 10p each).

During the year ended 31 December 2003, a total of 4,869,439 shares in the Company were issued at an average price of 75p each under the Group's share option schemes and 49,520,000 shares were issued at a price of 74p each on 7 March 2003 under a placing in connection with the payment of an instalment due to the principals of Pilgrim Baxter & Associates, Ltd related to the restructuring of the revenue sharing arrangements at that firm.

Authorities from the shareholders for the Company to make market purchases of, and / or to purchase pursuant to contingent purchase contracts relating to each of the four African stock exchanges on which the Company's shares are listed, up to an aggregate of 378,253,948 of its own shares were in force at 31 December 2003. No purchases of shares were made pursuant to any of those authorities during the year then ended.

REVIEW OF THE YEAR AND FUTURE DEVELOPMENTS

The Chief Executive's Statement, the Group Financial Review and the Business Reviews contained in this document include a review of the year and the outlook for the Group. The Group's profit, appropriations and financial position are shown in the financial statements.

DIVIDEND

The directors recommend a final dividend of 3.1p per share for payment on 28 May 2004 to holders of Ordinary Shares on the register at the close of business on 23 April 2004.

If approved at the Annual General Meeting, 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 currencies of those territories, by reference to the relevant exchange rates prevailing on 1 April 2004, as determined by the Company. The equivalents of the recommended Sterling dividend in these currencies will be announced by the Company on 2 April 2004. 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 their dividend from a South African domestic entity and will therefore not be subject to the South African tax on foreign dividends in relation to it.

The Board's policy on dividends is to seek 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. The Board anticipates declaring an interim dividend for the current year in August 2004, for payment in November 2004.

DIRECTORS

The Board currently has ten members, consisting of two executive and eight non-executive directors. All of the current directors except for Mr M J P Marks (who was appointed to the Board on 1 February 2004) served throughout the year ended 31 December 2003. Mr P G Joubert and Mr C M Stuart retired from the Board as non-executive directors on 26 June 2003 and 28 July 2003 respectively, upon reaching their seventieth birthdays. Mr R C M Laubscher ceased to be an executive director on 8 December 2003 as a consequence of stepping down as Chief Executive of the Company's 52% owned banking subsidiary, Nedcor Limited.

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 quoted securities of its subsidiaries at the beginning and end of the year under review are set out in the following table, whilst their interests in share options and restricted share awards are described in the section of the Remuneration Report entitled "Directors' Interests Under Employee Share Plans". There have been no changes to any of these interests between 31 December 2003 and 1 March 2004 and Mr M J P Marks did not have any disclosable interests upon his date of appointment (1 February 2004) or at 1 March 2004.

	Old Mutual plc Number of shares	Old Mutual Capital Funding L.P. 8% Guaranteed Cumulative Perpetual Preferred Securities (\$ nominal amount held)	Nedcor Limited Number of shares	Non-cumulative, non-redeemable preference shares in Nedbank Limited	Mutual & Federal Insurance Company Limited Number of shares
At 31 December 2003					
N D T Andrews	–	–	–	–	–
R Bogni	19,000	–	–	–	–
N N Broadhurst	2,416	–	–	–	–
W A M Clewlow	30,700	–	2,000	–	–
C D Collins	5,541	–	–	–	–
M J Levett	4,159,518	–	12,333	–	864,100
C F Liebenberg	600	100,000	31,462	135,000	40,500
J V F Roberts	178,948	–	–	–	500
J H Sutcliffe	766,689	–	–	–	–

	Old Mutual plc Number of shares	Nedcor Limited Number of shares	Nedcor Investment Bank Holdings Limited Number of shares	Mutual & Federal Insurance Company Limited Number of shares
At 1 January 2003				
N D T Andrews	–	–	–	–
R Bogni	19,000	–	–	–
N N Broadhurst	2,416	–	–	–
W A M Clewlow	30,700	2,000	–	–
C D Collins	5,541	–	–	–
M J Levett	4,159,518	12,333	–	864,100
C F Liebenberg	600	31,462	135,000	40,500
J V F Roberts	87,258	–	–	500
J H Sutcliffe	212,478	–	–	–

Included in the above interests are non-beneficial interests in 500 shares in Mutual & Federal Insurance Company Limited held as qualification shares by each of M J Levett, C F Liebenberg and J V F Roberts at both 1 January and 31 December 2003.

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

CORPORATE GOVERNANCE AND INTERNAL CONTROL

A statement on corporate governance and internal control appears on pages 28 to 33.

SUBSTANTIAL INTERESTS IN SHARES

At 17 March 2004, the following substantial share interests had been declared to the Company in accordance with Part VI of the Companies Act 1985:

Name	Number of shares	% of total issued shares
Barclays plc	166,099,058	4.3%
Legal & General Investment Management Limited	128,217,673	3.3%
Old Mutual Life Assurance Company (South Africa) Limited	300,000,000	7.8%
Public Investment Commissioners of the Republic of South Africa	285,726,184	7.4%

DIRECTORS' REPORT CONTINUED

EMPLOYMENT MATTERS

1) EMPLOYMENT POLICIES

The Group's employment policies are designed to promote a working environment that supports the recruitment and retention of highly effective employees, improves productivity and fosters relationships free of discrimination. They are regularly reviewed and updated to ensure their appropriateness for the locations within which they apply. Whilst local employment policies and procedures are developed by each subsidiary company according to its own circumstances, the following key principles of employment are applied consistently throughout the Group:

- employees are recruited and promoted on the basis of their suitability for the job, without discrimination in terms of race, religion, national origin, colour, gender, age, marital status, sexual orientation or disability unrelated to the task at hand. In South Africa this principle is balanced with the requirement to address issues of employment equity, and the local businesses' practices take due account of this;
- clear goals are established, together with training and feedback on performance, to deliver the Group or business objectives and to provide a satisfying working environment for employees;
- a working environment is provided that meets the health and safety standards of the Group and local regulations and which allows employees to work to the best of their abilities, free from discrimination and harassment;
- employee involvement, consultation and communication are managed in various ways, including in-house publications, briefings, roadshows, and internet-based channels; and
- the efforts of employees in creating the success of the Group are appropriately recognised. Compensation systems are structured to recognise both the contribution of individuals and the performance of the sector of the business in which they work.

In addition to the above, a consistent set of policies, as the minimum standard of employment practice applicable to all employees throughout the Group, was agreed in 2003.

2) TALENT MANAGEMENT

Old Mutual recognises the pivotal role that talent management plays in the delivery of its international strategic ambitions. The key focus areas in achieving this are:

- employing high calibre leaders with international experience, who are able to contribute to the shaping and delivery of effective Group strategy as well as delivering regional business goals;
- establishing a set of core values to which everyone in the Group subscribes;
- building a strong base of international leadership expertise throughout the Group;
- building a performance culture in which the leadership owns the strategy, people are accountable for their performance and there is clear alignment between Group, business and individual goals; and
- ensuring proper implementation of world-class practices in support of talent management.

Engagement of the Top Leadership Group (TLG) with the twin goals of driving the delivery of their own business objectives and implementing the Group's strategic agenda has continued. Following the approval by the Board of the Group's strategy, workshops were held with the TLG in each region to promote their understanding of the Group strategy and what was required to implement this within their region. This understanding was further enhanced through the Top Leadership Forum that was held in South Africa in October 2003. The Forum brought together the top leadership from throughout the Group for the first time since demutualisation. The express purpose of the Forum was to identify opportunities for collaboration throughout the Group, and at the same time to recognise the scale and scope of Old Mutual's operations in the three regions. The work on harvesting synergies highlighted at the Forum continues and is being tracked through the business reporting channels managed by Group Finance.

Several commitments were made as a result of work done at the Forum, including:

- the development of a set of core values that will apply throughout the Group and that will work in tandem with the values which each of the regional businesses have developed. Work on defining these Group values is expected to be completed during the first half of 2004, which will be followed by a review of current management practices to ensure that the Group values are implemented throughout the businesses;
- the introduction of an internship programme to encourage the international management development of individuals with high potential throughout the Group. The compensation, development, support and performance management policies necessary to underpin international transfers have been reviewed and will be implemented during 2004.

3) DEVELOPMENTS IN EMPLOYMENT PRACTICE

The implementation of Human Resources strategy and policy is effected throughout the Group and monitored and reviewed in the various business units. The Group strives to be an employer of choice wherever it operates and has created centres of excellence in human resource practice in its larger and more established businesses. These centres of excellence support and assist the development and implementation of world-class practice in the Group's newer and smaller businesses. Some recent developments and achievements are outlined below.

- The Old Mutual Business School in Cape Town, which provides development programmes for leaders and managers throughout the Group, won two coveted international awards in 2003, the Corporate University Exchange award for innovation and excellence (the first time this award has been made to a non-American / European corporate university) and the Corporate University Best in Class award for overall excellence;
- Old Mutual's HIV/AIDS workplace programme in South Africa was ranked in the top ten in the world by the Global Business Initiative and Global Reporting Initiative and contributed to an increase in registered HIV cases, which allowed for improved access to counselling of employees and their families on HIV/AIDS-related issues.

The Group's South African businesses continued to play a leading role in that market. Key initiatives included:

- both the banking and life assurance businesses took an active role working in employer bodies which finalised proposals to the South African government on the Financial Sector Charter dealing with Black Economic Empowerment and employment equity;
- employment equity, management transformation and acceptance of cultural diversity was accelerated through cultural diversity programmes and a voluntary early retirement programme.

The above achievements illustrate the impact of the Group's approach to talent management, both in raising its profile as an employer of choice and also in gaining recognition for its contribution to the broader communities within which it operates.

SUPPLIER PAYMENT POLICY

In most cases suppliers of goods or services to the Group do 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 Company has signed the Better Payment Practice Code, an initiative promoted by the Department of Trade and Industry in the UK to encourage prompt settlement of invoices. The total outstanding indebtedness of the Company (and its service company subsidiary, Old Mutual Business Services Limited) to trade creditors at 31 December 2003 amounted to £955,000, corresponding to 16 days' payments when averaged over the year then ended.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company, its subsidiaries in the UK, and the Old Mutual Bermuda Foundation collectively made charitable donations of £222,000 during 2003 (2002: £421,000). The Group made no EU or other political donations during the year (2002: none). Details of the Group's wider involvement in charitable support are contained in the Corporate Citizenship section on pages 22 to 27 of this Report.

SOCIAL INVESTMENT AND ENVIRONMENTAL ACTIVITIES

A description of the Group's social investment and environmental activities is included in the Corporate Citizenship section on pages 22 to 27 of this Report.

AUDITORS

During the year ended 31 December 2003 fees paid by the Group to KPMG Audit Plc and its associates (KPMG), the Group's auditors, totalled £4.5 million for statutory audit services, £3.5 million for other audit and assurance services and £2.5 million for tax and other services. Included in the £4.5 million for statutory audit services was £1.6 million paid to KPMG by Nedcor; a further £1.6 million was paid by Nedcor to Deloitte & Touche in respect of joint audit arrangements.

The Group Audit Committee considered the balance of audit and non-audit remuneration paid to KPMG at its meeting on 17 February 2004 and declared itself satisfied that the non-audit work was awarded on arm's length terms and did not compromise the independence of KPMG Audit Plc as auditors to the Company.

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
 17 March 2004

REMUNERATION REPORT

This Remuneration Report has been prepared by the Remuneration Committee (referred to in this section as the Committee) and has been approved by the Board of the Company.

The figures included in the sections of this Remuneration Report headed “Directors’ Emoluments” and “Directors’ Interests Under Employee Share Plans” have been audited by KPMG Audit Plc as required by the Directors’ Remuneration Report Regulations 2002. Their audit report is set out on page 54 of this document.

MEMBERSHIP AND ROLE OF THE COMMITTEE

The Committee consists exclusively of non-executive directors who are considered by the Board to be independent. Mr C D Collins is Chairman of the Committee and the other members throughout 2003 were Mr N D T Andrews, Mr N N Broadhurst and Mr W A M Clewlow. Mr P G Joubert and Mr C M Stuart were also members of the Committee until 26 June 2003 and 28 July 2003, their respective dates of retirement from the Board. The Company Secretary, Mr M C Murray, acts as Secretary to the Committee.

The Committee meets at least twice a year and is responsible for:

- determining the remuneration, incentive arrangements and benefits, including pension rights and any compensation payments, of the executive directors;
- determining the remuneration of the Chairman of the Board and monitoring the level and structure of remuneration of certain other senior executive employees of the Group; and
- reviewing, monitoring and approving, or recommending for approval, share incentive arrangements (including option schemes) of the Company.

The full terms of reference of the Committee are published on the Company’s website www.oldmutual.com and are also available on request from the Company Secretary.

During the year under review, the Committee met on four occasions. The meetings were attended by all of the then members of the Committee, save for one from which Mr Clewlow was absent. The Board accepted the recommendations made by the Committee during the year without amendment.

The Committee appointed Hewitt Bacon & Woodrow, a leading firm of UK remuneration consultants, as its independent advisers in June 2003 and a representative of that firm is now a standing invitee to all meetings of the Committee so that the Committee may obtain immediate and impartial professional advice. Any work that the Company wishes Hewitt Bacon & Woodrow to do on its behalf, rather than for the Committee, now has to be pre-cleared with the Chairman of the Committee so as to ensure that no conflicts of interest arise. Hewitt Bacon & Woodrow advised the Company during the year in connection with its employee share plans and retirement benefit arrangements.

The Committee was also assisted during the year by Judy Gathercole, Stephen Mulliner and Kevin Stacey of the Group Human Resources department. This department is a specialist function within the head office of the Company and provides supporting materials for the matters that come before the Committee, including in particular comparative data and justifications for proposed salary, benefit, bonus and share awards and criteria for performance targets and appraisals against those targets. It uses the services of external advisers as necessary. The Chairman of the Committee has access to, and regular contact with, members of the Group Human Resources department independently of the executive directors.

REMUNERATION POLICY

The Company embraces the principles and complies with the provisions of the Combined Code relating to directors’ remuneration.

The guiding principles which the Committee has applied throughout the period since demutualisation of the Group in 1999, and which it intends to continue to apply in 2004 and future years, in setting the remuneration of the executive directors of the Company are as follows:

- to take account of benchmarks and comparators for remuneration appropriate to the person concerned, being, in the case of UK-based executive directors, other companies in the UK FTSE 100 Index;
- to make a significant percentage of potential maximum rewards conditional on both short and long term performance. These rewards include share-based incentives, in order to align the executive directors’ interests closely with those of the Company’s shareholders; and
- to provide an opportunity for overall remuneration packages to be in the upper quartile of the comparator group through payments under short and long term incentives if superior performance is delivered, while the fixed elements of remuneration remain benchmarked to median levels of peer companies.

The Committee's objective in setting the executive directors' remuneration has been to attract, retain and motivate individuals of the exceptional calibre needed to lead the development of the Group as it internationalises. Its policy has been influenced by the need to be competitive with other international financial services groups.

In calibrating the various components of the UK executive directors' remuneration packages, the Committee has adopted, for 2004, a broad guideline of some 35% of the maximum achievable being basic salary and benefit allowance, some 25% being short term performance-based annual bonus, and some 40% being long term share option and restricted share awards subject to performance targets. In valuing share option awards for this purpose, the Committee has regard to, but does not rely exclusively on, Black-Scholes modelling of share option values.

DIRECTORS' REMUNERATION PACKAGES

Remuneration during 2003 for Mr Roberts and Mr Sutcliffe comprised a basic salary, a benefit allowance, an annual performance-based bonus and participation in the Company's employee share plans.

Mr Laubscher ceased to be an executive director of the Company on 8 December 2003 upon stepping down as Chief Executive of the Company's banking subsidiary, Nedcor. He received, for his role as an executive director of the Company and in addition to his remuneration from Nedcor, a basic salary and participation in an annual Group performance-related bonus scheme and in certain of the Company's employee share plans. His remuneration from Nedcor comprised a guaranteed remuneration package which included employer contributions to Nedcor's defined contribution pension funds and participation in Nedcor's performance bonus scheme and share incentive arrangements.

Details of individual directors' remuneration and share options and of the termination arrangements for Mr Laubscher are set out later in this Remuneration Report.

BENEFITS AND BENEFIT ALLOWANCE

The Company has adopted a cash-based package approach for its UK-based executive directors and other senior UK executives. The benefit allowance (equal to 35% of basic salary for Mr Roberts and Mr Sutcliffe) is provided in lieu of contributions to retirement funds, full life and disability insurance and medical cover and certain other benefits that would be usual at their level, such as the provision of an expensed car. Recipients of the benefit allowance may use it to purchase benefits appropriate to their needs from independent suppliers of their choice or may, if they wish, participate at their own expense in certain benefit arrangements established for Group employees in the UK.

Participation in any Group defined contribution pension arrangement is on a commercial basis, which must be fully funded from the benefit allowance. Life cover up to four times the UK statutory earnings cap and disability cover up to the free cover limit were provided at the Company's expense during the year to Mr Roberts and Mr Sutcliffe as part of a Company-wide insurance policy.

ANNUAL BONUS

The executive directors' targets for annual bonus for 2003 had various constituent parts, together amounting to a maximum potential bonus equal to 100% of basic salary from the Company. Achievement of financial targets based on the Group's results for the year accounted for a potential maximum of 70% of basic salary for Mr Laubscher and Mr Roberts and 80% of basic salary for Mr Sutcliffe.

The financial performance targets were subdivided between adjusted earnings per share (EPS), which accounted for 70% of the financial targets component, and return on average equity (RoAE), which accounted for the other 30%. The EPS component was calibrated in such a way that the maximum payment would only be made upon the attainment of EPS of 15.1p, and no part of this element of the bonus would be paid if EPS was less than 11.3p (which was the EPS achieved in 2002). For RoAE, the range was 18.2% to 15.8%.

As EPS and RoAE for the year were each below the bottom of the bonusable range, none of the elements of bonus related to financial performance was paid.

The balance of the bonus targets (equal to a potential 30% of basic salary for Mr Laubscher and Mr Roberts and 20% of basic salary for Mr Sutcliffe) was based upon the fulfilment of certain specific individual personal and strategic objectives agreed by the Committee in advance, which were then subject to a formal performance appraisal process. These objectives were tailored to the specific priorities that the individuals were tasked to focus on during 2003.

REMUNERATION REPORT CONTINUED

Performance appraisals were conducted on each of Mr Laubscher, Mr Roberts and Mr Sutcliffe against the targets set in their respective performance statements and the results of these were reported to the Committee. Based on those reports, the Committee determined that, out of their maximum 30% performance-related bonuses, no bonus should be paid to Mr Laubscher and 20% to Mr Roberts and, out of his maximum 20% performance-related bonus, 16% should be paid to Mr Sutcliffe.

The Committee looks afresh at the make-up of bonus targets each year in the light of what it considers to be the key deliverables to be focused on by each member of executive management under its remit.

No bonus was paid to Mr Laubscher by Nedcor for the year ended 31 December 2003. The number reported in the Remuneration table for the year ended 31 December 2003 in Directors' Emoluments on page 43 below includes a payment to Mr Laubscher by Nedcor of bonus of R1,500,000 (£121,000) for the year ended 31 December 2002 which was only finalised in March 2003.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

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

The Company's policy is to fix notice periods for executive directors at a maximum of 12 months. Compensation for loss of office, where applicable, is tailored to reflect the Company's contractual obligations, but also to reflect the obligation on the part of the employee to mitigate loss.

Mr Sutcliffe and Mr Roberts have service contracts terminable by the Company on 12 months' notice. If not terminated, these contracts can continue until the director attains the age of 60 (i.e. until 20 April 2016 for Mr Sutcliffe and 7 June 2017 for Mr Roberts). Their current contracts are dated 6 February 2002 and 15 November 2002 respectively. Mr Roberts' contract contains a liquidated damages provision under which, if the Company terminates his employment other than for cause or if he is constructively dismissed, the Company is required to pay him compensation for the period of unexpired notice equal to three-quarters of his then salary and benefit allowance plus a further three-eighths of salary on account of potential bonus entitlement, this being agreed to constitute a genuine pre-estimate of his loss over the notice period after taking into account appropriate mitigation. Mr Sutcliffe's contract does not contain any provisions quantifying compensation that would be payable on early termination.

NON-EXECUTIVE DIRECTORS' TERMS OF ENGAGEMENT

The terms of engagement of the seven non-executive directors (other than the Chairman, Mr Levett) provide for their positions to be held at the will of the respective parties, i.e. on terms that they may be terminated by either side without notice. However, they also state that it is envisaged that they will remain in place on a three-year cycle, in order to provide assurance to both the Company and the non-executive director concerned that the appointment is likely to endure.

The first three-year cycles applicable to Messrs Broadhurst, Clewlow and Collins (all of whom were appointed as directors from 25 March 1999) expired during 2002 and were extended for a further three years (i.e. until 24 March 2005, when they will be further reviewed).

Mr Liebenberg's appointment (which began on 25 March 1999) was also renewed in 2002, but he is expected to retire on or before 2 October 2004, his seventieth birthday.

Mr Bogni's, Mr Andrews' and Mr Marks' appointments are each expected to last for an initial term of three years from their dates of appointment (i.e. until 31 January 2005, 31 May 2005 and 31 January 2007 respectively) and then be considered for renewal.

The Board has determined that, in the absence of exceptional circumstances, no non-executive director's cycle of appointment should be renewed more than twice, i.e. that non-executive directors should serve a maximum of nine years in that role, and that no non-executive director should continue in office beyond his seventieth birthday. The renewal of non-executive directors' terms for successive three-year cycles is not automatic and the continued suitability of each non-executive director is assessed by the Nomination Committee before renewal of his appointment takes place.

It was agreed, as part of the change in Mr Levett's role to non-executive Chairman from 1 November 2001, that his initial tenure of that new position would be until 30 June 2003 (the retirement date under his pre-existing contract as Chairman and Chief Executive). In conjunction with the Nomination Committee, the Board has now extended Mr Levett's chairmanship until the Annual General Meeting in 2005.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors' fees from the Company are reviewed by a sub-committee appointed for the purpose by the Board, on which none of the non-executive directors whose fees are being determined sits. The basic fee for non-executive directors (other than the Chairman) was £35,000 p.a. during 2003. A further £2,500 p.a. was paid during 2003 for membership of the three principal standing committees (Audit, Nomination and Remuneration) of the Board, a further £8,000 p.a. for the chairmanship of each of the Audit and Remuneration Committees and a further £1,500 p.a. for membership, and £5,000 p.a. for chairmanship, of the two standing sub-committees (Actuarial Review and Group Compliance and Risk Management) of the Audit Committee.

From 1 January 2004 certain of the Committee fees have increased to reflect the additional responsibilities of these Committees following recent corporate governance reforms. Chairmanship and membership of the Audit Committee and chairmanship and membership of the Remuneration Committee now attract fees of £14,000 p.a., £5,000 p.a., £9,000 p.a. and £3,000 p.a. respectively. The separate fees for the Group Compliance and Risk Management Committee have been discontinued from 1 January 2004 as a consequence of the role of that sub-committee now being reassigned to Audit Committees at Group and subsidiary levels.

Mr Levett's engagement as non-executive Chairman included the provision until 19 April 2003 of residential accommodation in the UK at the Company's expense. The Company had prepaid for the accommodation concerned for the period up to 19 April 2003 prior to Mr Levett's change of role. It was agreed as part of his new terms when he became non-executive Chairman that he would continue to be provided with this accommodation for the residue of the prepaid term, on the basis that it would be treated as having a value of £50,000 p.a. When the prepaid lease term of the flat ended, his cash fee was increased by £50,000 p.a. to £250,000 p.a.

DIRECTORS' EMOLUMENTS

1) REMUNERATION

Remuneration for the years ended 31 December 2003 and 31 December 2002 (including, in each case, remuneration from offices held with the Company's subsidiaries, Old Mutual (South Africa) Limited (OMSA), Old Mutual (US) Holdings, Inc. (OMUSH), Nedcor and Mutual & Federal Insurance Company Limited (Mutual & Federal) and their respective subsidiaries, where relevant) was as follows:

	Salary and fees £000	Bonus £000	Termination payment £000	Benefits and benefit allowance £000	Pension £000	Total £000
Year to 31 December 2003						
M J Levett	235	–	–	70 ^{1,2}	–	305
J V F Roberts	340	68 ³	–	106 ²	20 ⁴	534
J H Sutcliffe	500	80 ³	–	206 ²	18 ⁴	804
N D T Andrews	80 ⁵	–	–	19 ²	–	99
R Bogni	45	–	–	3 ²	–	48
N N Broadhurst	50	–	–	18 ²	–	68
W A M Clewlow	105 ⁶	–	–	–	–	105
C D Collins	48	–	–	10 ²	–	58
C F Liebenberg	251 ⁷	–	–	45 ²	–	296
Former directors						
R C M Laubscher	331	121 ⁹	127 ¹⁰	7 ²	42	628
P G Joubert	65 ⁸	–	–	–	–	65
C M Stuart	24	–	–	–	–	24
Year to 31 December 2002						
M J Levett	200	–	–	117 ^{1,2}	–	317
J V F Roberts	340	121 ¹¹	–	103 ²	20 ⁴	584
J H Sutcliffe	500	136 ¹¹	–	224 ²	18 ⁴	878
N D T Andrews	53 ⁵	–	–	–	–	53
R Bogni	33	–	–	8 ²	–	41
N N Broadhurst	48	–	–	5 ²	–	53
W A M Clewlow	82 ⁶	–	–	4 ²	–	86
C D Collins	48	–	–	8 ²	–	56
C F Liebenberg	132 ⁷	–	–	12	–	144
Former directors						
R C M Laubscher	235	207	–	8	27	477
P G Joubert	83 ⁸	–	–	–	–	83
C M Stuart	48	–	–	–	–	48

REMUNERATION REPORT

CONTINUED

NOTES:

- 1 Inclusive of the cost of accommodation in London provided by the Company until 19 April 2003.
- 2 Benefits include certain personal costs incurred by the Company such as subscriptions, chauffeurs' costs, and travel and accommodation costs for the director's spouse to accompany him to certain Board meetings or other corporate events of the Company and its major subsidiaries. The amount of this expenditure is reported to, and considered by, the Committee and procedures are in place for such costs to be authorised. The Committee is satisfied that such expenditure is reasonable and in the interests of the Company in enabling the directors concerned to fulfil their roles better. Any tax arising from the payment of these expenses is borne by the Company or the subsidiary concerned. The figures for these benefits in the table have been grossed up by 40% to reflect such tax.
- 3 Eligible for deferment, at the director's election, into a bonus matching arrangement under the Restricted Share Plan.
- 4 Pension contributions were deducted from the directors' benefit allowance.
- 5 Includes fees of £40,000 (2003) and £31,000 (2002) from OMUSH.
- 6 Includes fees of £34,000 (2003) and £26,000 (2002) from OMSA, and £23,000 (2003) and £13,000 (2002) from Nedcor.
- 7 Includes fees of £14,000 (2003) and £10,000 (2002) from OMSA, £191,000 (including £66,000 of entitlements arising from previous years) (2003) and £78,000 (2002) from Nedcor, and £5,000 (2003) and £4,000 (2002) from Mutual & Federal.
- 8 Includes fees of £19,000 (2003) and £15,000 (2002) from OMSA, and £25,000 (2003) and £25,000 (2002) from Nedcor.
- 9 Bonus paid by Nedcor to Mr Laubscher in March 2003, which related to the year ended 31 December 2002.
- 10 Further details of termination arrangements for Mr Laubscher are set out in section 2 below.
- 11 Used, net of tax, as to £61,000 gross (in the case of Mr Roberts) and as to £136,000 gross (in the case of Mr Sutcliffe) to purchase shares in the Company, which are held in trust for the director under the bonus matching arrangement under the Restricted Share Plan.

Certain of the directors waived in favour of the Company or its subsidiaries fees for non-executive directorships held in subsidiary companies totalling £81,000 during the year ended 30 December 2003. These waivers are expected to continue in effect in the future.

2) TERMINATION ARRANGEMENTS FOR MR LAUBSCHER

In connection with Mr Laubscher's stepping down as Chief Executive of Nedcor and consequently as an executive director of the Company from 8 December 2003, the following arrangements were agreed.

The Company paid Mr Laubscher his remuneration of £100,000 p.a. through to 31 December 2003 and agreed to honour his bonus for the year, in accordance with what he would have received if he had remained an executive director until year end (no bonus was in fact payable – see Annual Bonus above). The Committee also approved Mr Laubscher retaining his share options under the Company's Share Option and Deferred Delivery Plan until 30 December 2004 free from performance conditions. To the extent not exercised by that date, they will lapse.

Nedcor paid Mr Laubscher his remuneration of R3,042,575 (£246,000) p.a. through to 31 December 2003. No bonus was paid to him for that year. The Board of Nedcor, acting in conjunction with Nedcor's Remuneration Committee, also agreed to a payment of R1,566,860 (£127,000) to Mr Laubscher in recognition of his 32 years' service to the Nedcor group, the last ten as Chief Executive. A further payment of R328,436 (£27,000) was made to Mr Laubscher, in accordance with Nedcor employment terms, in relation to 33½ days of accrued holiday which he had not taken: this is included under "Salary and fees" in the Remuneration table in section 1 above. He was also permitted to retain his Nedcor share options for a maximum period until 30 June 2005, to remain a member of the Nedcor Medical Aid Scheme, and to retain cover under the Nedcor Limited Group Life Assurance Policy until he reaches the age of 60.

3) PENSION BENEFITS

Mr Roberts and Mr Sutcliffe continued to contribute from their benefit allowance to the Old Mutual Staff Pension Fund (which is a defined contribution scheme) during 2003. The accumulated value of Mr Roberts' funds in that scheme was £67,000 at 31 December 2003 (£37,000 at 31 December 2002) and the accumulated value of Mr Sutcliffe's funds in that scheme was £41,000 at 31 December 2003 (£17,000 at 31 December 2002).

Mr Laubscher had defined contribution retirement fund benefits in relation to his 32 years of service with Nedcor under its Defined Contribution Provident Fund and Executive Provident Fund totalling £1,497,000 at 31 December 2003 (£1,079,000 at 31 December 2002). He transferred his accrued funds of £1,379,000 (R16,456,000) out of the Defined Contribution Provident Fund on 12 January 2004 and his accrued funds of £138,000 (R1,648,000) out of the Executive Provident Fund on 27 January 2004 in order to purchase an immediate annuity from an Old Mutual Group company.

Save as mentioned above, none of the other directors of the Company had any accrued pension fund benefits in any Group pension fund at 31 December 2003 and none of them contributed to any Group pension fund during 2003.

DIRECTORS' INTERESTS UNDER EMPLOYEE SHARE PLANS

A) SHARE OPTION AND DEFERRED DELIVERY PLAN (SOP)

The SOP is generally used for the grant of executive options (or, in the case of South African participants, deferred delivery shares) to qualifying senior level employees around the Group. Regular annual grants were made under this plan in February 2003 and interim grants, for new appointments or promotions, were made in August 2003. Options and deferred delivery shares awarded during 2003 have a maximum life of six years.

All grants made under the SOP in 2003 were subject to (i) as to one half of the shares comprised in each grant, a Sterling-denominated EPS performance target linked to the UK Retail Price Index (UK RPI); and (ii) as to the other half of the shares comprised in each grant, a Rand-denominated EPS performance target linked to the South African Consumer Price Index (SA CPI). The minimum target specified, for option grants of up to 100% of salary, was that growth in EPS must exceed the accumulated growth in (i) as to one half of the shares, UK RPI over the three-year vesting period plus 9%; and (ii) as to the other half of the shares, SA CPI over the three-year vesting period plus 9%. Higher targets apply to grants in excess of 100% of salary, namely up to 12% above UK RPI/SA CPI for multiples of between 100% and 200% of salary and up to 15% above UK RPI/SA CPI for multiples (where applicable) of between 200% and 300% of salary. The Committee considers these to be demanding performance targets in the current market environment.

B) RESTRICTED SHARE PLAN (RSP)

The RSP is used (i) to assist in recruiting and retaining key individuals by making awards of shares which are restricted for three or more years and are subject to forfeiture in the event of early termination of employment, unless special circumstances apply; (ii) as an adjunct to the annual bonus arrangements for the executive directors, to provide contingent matching awards of shares, subject to performance targets and to some or all of their annual bonus being invested and retained for the three year matching period in shares in the Company; and (iii) to make contingent awards of shares subject to a three year holding period as an alternative to share options (based on value equivalence criteria approved by the Committee) for certain employees of the Group.

The Committee has determined that each of Mr Roberts and Mr Sutcliffe may elect to defer some or all of his entitlement to annual bonus for 2003 from the Company into shares in the Company for three years on terms that, provided (i) in relation to one half of the shares under the matching award, the Group's EPS in Sterling increases by a factor of at least 9% above UK RPI over that period and (ii) as to the other half of the matching award, the Group's EPS in Rand increases by a factor of at least 9% above SA CPI over that period, and subject to the participant remaining employed by the Group until the end of that three-year period, he will then receive free shares under the RSP to the value (at the date of grant) equal to the gross amount of the bonus deferred.

In choosing the performance targets for the SOP and the RSP, the Committee has considered the merits of EPS-based targets against alternative possibilities, such as comparative performance against a basket of other companies or growth in embedded value. The Committee has determined that EPS is currently the most appropriate criterion, as the Company's mix of businesses and geographical profile makes it difficult to establish a suitable basket of comparator businesses, and growth in embedded value would not, because of the way in which embedded value is calculated, reflect the full contribution to the Group's performance of its important asset management and banking activities. In 2002 and 2003, in recognition of the significant adverse impact on the achievability of Sterling EPS targets caused by the decline in the Rand in 2001, the Committee agreed that it would be more appropriate for EPS to be tested, for the purposes of performance targets applicable to awards made in those years, in both Sterling and Rand terms and awards were therefore split as to one half UK RPI-based and as to the other half SA CPI-based. The Committee intends to continue to apply this during 2004, but keeps the whole matter of the suitability and incentivising effect of performance target-linked share-based remuneration under periodic review. It also recognises that the application of International Accounting Standards (IAS) to the Group's results from 2005 onwards will affect reported EPS and the direct comparability between EPS for different years pre- and post-IAS, which it will need to consider in due course.

REMUNERATION REPORT CONTINUED

C) SAVINGS-RELATED SHARE OPTION SCHEME (SHARESAVE)

The Group operates a savings-related share option scheme, which provides a savings and investment opportunity for full-time and part-time employees of the Group's participating UK businesses. The options may normally be exercised after three or five years at a price equivalent to not less than 80% of the market value of the shares at the date of invitation to participate.

The following options and rights over shares in the Company were outstanding in favour of directors or former directors of the Company under the share schemes described in A) to C) above at 31 December 2003, those granted during the year then ended being highlighted in bold, and those that lapsed after the year end being printed in italics:

	Share plan	Date of grant	Number of shares	Exercise price	Date exercisable or receivable
M J Levett	<i>SOP</i>	<i>08.03.01</i>	<i>1,017,000</i>	<i>162.25p</i>	<i>Lapsed¹</i>
	<i>RSP</i>	<i>15.03.01</i>	<i>169,602</i>	<i>nil</i>	<i>Lapsed²</i>
J V F Roberts	RSP	08.09.00	100,400	nil	21.08.04 – 21.08.05 ³
	<i>SOP</i>	<i>08.03.01</i>	<i>582,500</i>	<i>162.25p</i>	<i>Lapsed¹</i>
	<i>RSP</i>	<i>15.03.01</i>	<i>51,688</i>	<i>nil</i>	<i>Lapsed²</i>
	SOP	04.03.02	714,000	95.25p	04.03.05 ⁴ – 04.03.08
	RSP	05.03.02	78,357	nil	05.03.05 ⁴
	Sharesave	05.04.02	11,445	83.0p ⁵	01.06.05 – 30.11.05
	SOP	26.02.03	788,406	86.25p⁶	26.02.06⁴ – 26.02.09
RSP	26.02.03	69,151	nil⁷	26.02.06⁴	
J H Sutcliffe	<i>SOP</i>	<i>08.03.01</i>	<i>739,600</i>	<i>162.25p</i>	<i>Lapsed¹</i>
	<i>RSP</i>	<i>15.03.01</i>	<i>116,869</i>	<i>nil</i>	<i>Lapsed²</i>
	SOP	04.03.02	1,049,900	95.25p	04.03.05 ⁴ – 04.03.08
	RSP	05.03.02	137,262	nil	05.03.05 ⁴
	Sharesave	05.04.02	19,939	83.0p ⁵	01.06.07 – 30.11.07
	SOP	26.02.03	1,159,421	86.25p⁶	26.02.06⁴ – 26.02.09
RSP	26.02.03	155,853	nil⁷	26.02.06⁴	
Former director					
R C M Laubscher	SOP	08.03.01	92,500	162.25p	until 30.12.04 ⁸
	SOP	04.03.02	210,000	95.25p	until 30.12.04 ⁸
	SOP	26.02.03	231,885	86.25p⁶	until 30.12.04⁸

Save as mentioned in the table above, there were no changes in the directors' interests in any of the Group's employee share plans between 31 December 2003 and 1 March 2004.

NOTES:

- 1 Options granted under the SOP on 8 March 2001 lapsed on 23 February 2004 because the performance condition (relating to growth in the Company's EPS between 2000 and 2003) was not fulfilled.
- 2 Restricted share awards made on 15 March 2001, which related to matching of annual bonus for the year ended 31 December 2000 invested into shares in the Company, lapsed on 23 February 2004 because the performance condition (based on growth in the Company's EPS between 2000 and 2003) was not fulfilled.
- 3 Restricted shares, which are to be released in equal tranches on the fourth and fifth anniversaries of Mr Roberts' appointment (i.e. on 21 August 2004 and 2005), subject to his still being in employment with the Group on those dates. Mr Roberts is entitled to the dividends on these shares, pending vesting.
- 4 Subject to the fulfilment of performance targets prescribed by the Committee, under which:
 - options granted on 4 March 2002 will only be exercisable if the Company's EPS in the year ending 31 December 2004 increases by prescribed factors of between at least 9% and at least 15% in excess of as to one half, UK RPI, and as to the other half, SA CPI, in comparison to EPS for the year ended 31 December 2001. The basic factor of at least 9% over UK RPI/SA CPI applies to multiples of up to one times basic salary, with a sliding scale up to at least 15% applicable to multiples between one and three times basic salary;
 - restricted shares awarded on 5 March 2002, in conjunction with the investment by the director concerned of his net bonus for 2001 in shares in the Company, will only be released if the Company's EPS in the year ending 31 December 2004 increases by at least 9% in excess of as to one half, UK RPI, and as to the other half, SA CPI, in comparison to EPS for the year ended 31 December 2001. No entitlement to dividends applies to these restricted shares, pending vesting;
 - options granted on 26 February 2003 will only be exercisable if the Company's EPS in the year ending 31 December 2005 increases by prescribed factors of between at least 9% and at least 15% in excess of as to one half, UK RPI, and as to the other half, SA CPI, in comparison to EPS for the year ended 31 December 2002. The basic factor of at least 9% over UK RPI/SA CPI applies to multiples of up to one times basic salary, with a sliding scale up to at least 15% applicable to multiples between one and three times basic salary;
 - restricted shares awarded on 26 February 2003, in conjunction with the investment by the director concerned of some or all of his net bonus for 2002 in shares in the Company, will only be released if the Company's EPS in the year ending 31 December 2005 increases by at least 9% in excess of as to one half, UK RPI, and as to the other half, SA CPI, in comparison to EPS for the year ended 31 December 2002. No entitlement to dividends applies to these restricted shares, pending vesting.
- 5 The Sharesave option price was determined as 20% below the average of the Company's share price on 7, 8 and 11 March 2002 (103.75p). The Company's share price at the date of grant (5 April 2002) was 109p.
- 6 Options granted under the SOP on 26 February 2003 were based on the middle market price at which the Company's shares had traded on the London Stock Exchange on the preceding trading day (25 February 2003).
- 7 The numbers of shares awarded under the RSP on 26 February 2003 were calculated by reference to a price of 87.25p per share, being the price at which shares were bought for the account of the director concerned with some or all of his net of tax bonus for the year ended 31 December 2002.
- 8 As part of his termination arrangements, Mr Laubscher has been allowed to retain these options until 30 December 2004 and the performance conditions no longer apply.

REMUNERATION REPORT CONTINUED

During the year the following restricted shares that were awarded as joining grants under the RSP were released. In each case the recipient paid the associated tax arising from their receipt out of his own funds, enabling him to retain all of the shares.

	Date of release	Number of shares	Share price at date of release	Gross value at date of release
J V F Roberts	21.08.03	50,200	98.25p	£49,321
J H Sutcliffe	24.01.03	460,700	79.25p	£365,105

D) OLD MUTUAL GROUP ACHIEVEMENTS SHARE INCENTIVE SCHEME

Prior to demutualisation, the Group operated a share incentive scheme using shares in a subsidiary company, Old Mutual Group Achievements Limited (OMGA). Most entitlements to OMGA shares outstanding at the date of demutualisation have been converted into entitlements linked to Old Mutual plc shares and those entitlements continue to be governed by the OMGA rules. Rights under the OMGA Share Incentive Scheme were awarded on the basis of the performance of the grantee, but were not linked to future performance criteria.

Details of directors' share interests arising from the OMGA Share Incentive Scheme and outstanding at 31 December 2003 are set out below:

	Date of grant	Number of Company shares	Price per Company share	Date of expiry
M J Levett	01.10.98	607,068	R8.98	30.09.04
	01.10.98	698,544	R9.07	30.09.04

E) SUBSIDIARIES' SHARE INCENTIVE SCHEMES

The Company's separately listed subsidiaries, Nedcor and Mutual & Federal Insurance Company, have their own share incentive schemes which are under the control of the remuneration committees of their respective boards.

A former director, Mr Laubscher, had the following options over shares in Nedcor under the terms of the Nedcor Group (1994) Employee Incentive Scheme at 31 December 2003, those granted during the year then ended being highlighted in bold below:

	Date of grant	Number of Nedcor shares	Price per share R	Expiry date
R C M Laubscher	01.03.94	38,000	26.50	01.03.04
	08.11.94	70,000	35.25	08.11.04
	14.08.98	66,924	98.75	14.08.04
	14.08.98	34,476	98.75	14.08.04
	01.06.99	36,300	125.00	01.06.05
	01.06.99	36,300	125.00	01.06.05
	01.06.99	37,400	125.00	01.06.05
	06.11.01	21,500	131.00	30.06.05 ¹
	06.11.01	21,500	131.00	30.06.05 ¹
	15.04.02	20,300	125.00	30.06.05 ¹
	15.04.02	20,300	125.00	30.06.05 ¹
	11.06.03	11,250	94.00	30.06.05¹
	11.06.03	11,250	94.00	30.06.05¹

NOTE:

1 Under the termination arrangements agreed with Nedcor, Mr Laubscher has been allowed to retain the above options on terms that, if not exercised by whichever is the earlier of their prescribed expiry dates and 30 June 2005, they will then lapse. The performance conditions previously applicable to the awards made in 2001, 2002 and 2003 no longer apply.

On 6 August 2003 options over 50,000 Nedcor shares at R95.00 each, which had been granted to Mr Laubscher under the Nedcor Group (1994) Employee Incentive Scheme on 6 August 1997, lapsed.

The share price of Nedcor at 31 December 2003 was R62.05 and the range within which Nedcor shares traded during 2003 was between R56.40 and R118.50.

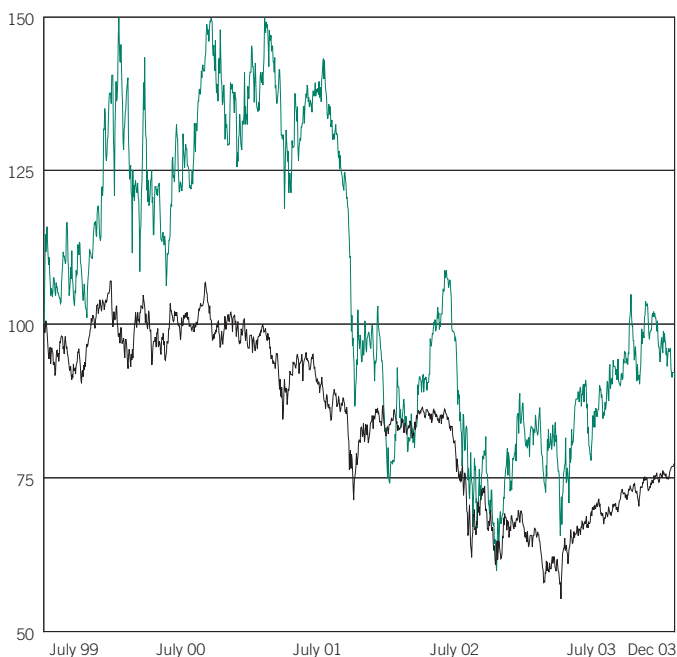
None of the directors of the Company exercised any options under any of the Group's share option schemes during 2003.

REMUNERATION REPORT CONTINUED

COMPANY SHARE PRICE PERFORMANCE

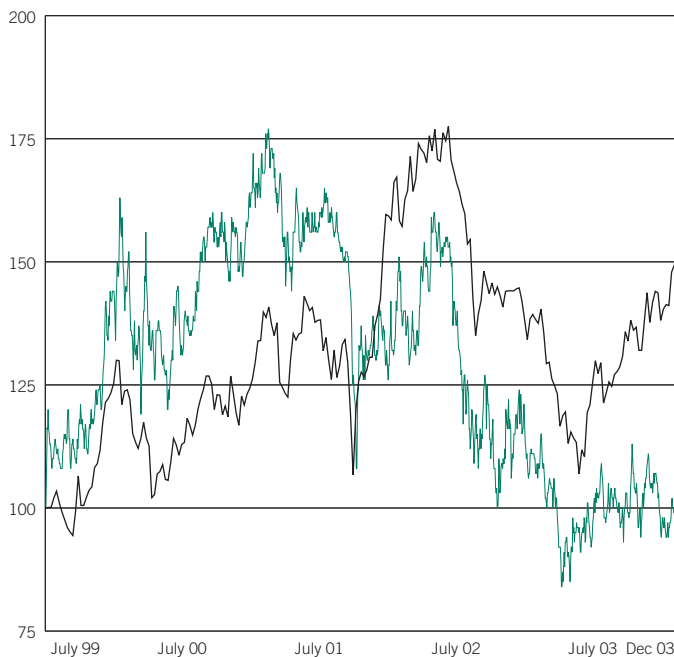
The market price of the Company's shares was 92.0p (R11.13) at 31 December 2003, ranging from a low of 70p (R9.10) to a high of 108p (R13.30) during the year then ended. The graphs below show the total shareholder return on the Company's shares (in green) over the period from 12 July 1999, when the Company's shares were first listed, to 31 December 2003, firstly in Sterling on the London Stock Exchange, compared to the average total shareholder return of other members of the FTSE 100 Index, and secondly in Rand on the JSE Securities Exchange South Africa, compared to the other members of the J200T Index of 40 leading companies listed on that exchange (the J200T Index). The Company's opening share price has been re-based to 100 in each case for the purposes of these graphs.

— Old Mutual (LSE listing) total shareholder return
— Total shareholder return of the FTSE 100 Index



Source: Bloomberg

— Old Mutual (JSE listing) total shareholder return
— Total shareholder return of the J200T Index



Source: Bloomberg and i-Net Bridge

The Company's total shareholder return outperformed that of both the FTSE 100 Index and the J200T Index until the third quarter of 2001, when the aftermath of the events of 11 September 2001 and the severe weakening of the Rand against Sterling in the last quarter of 2001 caused the Company's share price to fall back more than the overall declines in each index. During 2002 and 2003, helped by significant appreciation of the Rand against Sterling, the total shareholder return on the Company's shares outperformed that of the FTSE 100 Index, whilst underperforming that of the J200T Index.

In the opinion of the directors, the FTSE 100 Index and the J200T Index are the most appropriate indices against which to measure total shareholder return of the Company, as they are indices of which Old Mutual plc is in each case a member and relate to the two markets where most of the Company's shares are held and traded.

SHAREHOLDER APPROVAL OF THE REMUNERATION REPORT

An advisory vote on the Remuneration Report will be put to shareholders at this year's Annual General Meeting in accordance with the Directors' Remuneration Report Regulations 2002.

Christopher Collins

Chairman of the Remuneration Committee,
on behalf of the Board
17 March 2004

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.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company 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.

SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

The following table summarises the Group's results in the profit and loss accounts on pages 55 to 57. This summary does not form part of the statutory financial statements.

	Notes	£m		Rm	
		Year to 31 December 2003	Year to 31 December 2002 (Restated)***	Year to 31 December 2003	Year to 31 December 2002 (Restated)***
South Africa					
Life assurance					
Technical result		253	208	3,124	3,283
Long term investment return		178	135	2,198	2,131
		431	343	5,322	5,414
Asset management	5(b)(iii)	53	28	656	441
Banking	5(c)(i)	(10)	165	(118)	2,605
General insurance	5(d)(i)	73	35	909	556
		547	571	6,769	9,016
United States					
Life assurance	5(b)(iii)	86	83	1,062	1,310
Asset management	5(c)(i)	81	95	1,000	1,500
		167	178	2,062	2,810
United Kingdom and Rest of World					
Life assurance	5(b)(iii)	24	(3)	297	(47)
Asset management	5(c)(i)	(4)	2	(48)	31
Banking	5(d)(i)	4	56	48	884
		24	55	297	868
		738	804	9,128	12,694
Other shareholders' income/expenses	5(f)	(40)	(22)	(494)	(347)
Debt service costs	7	(48)	(58)	(593)	(916)
Adjusted operating profit*		650	724	8,041	11,431
Goodwill amortisation and impairment	18	(206)	(120)	(2,544)	(1,895)
Loss on disposal/write-down of investment in Dimension Data Holdings plc	11	(5)	(68)	(60)	(1,080)
Nedcor restructuring and integration costs	5(d)(ii)	(32)	(14)	(394)	(227)
Change in credit provisioning methodology	5(d)(iii)	(87)	–	(1,074)	–
Short term fluctuations in investment return	8(a)	143	(91)	1,767	(1,439)
Investment return adjustment for own shares held in policyholders' funds	5(b)(iv)	12	42	148	663
Operating profit on ordinary activities before tax		475	473	5,884	7,453
Non-operating items	17(b)	(32)	(6)	(404)	(88)
Profit on ordinary activities before tax		443	467	5,480	7,365
Tax on profit on ordinary activities	15(b)	(241)	(224)	(2,976)	(3,535)
Profit on ordinary activities after tax		202	243	2,504	3,830
Minority interests – equity	29(a)	117	(44)	1,445	(695)
– non-equity		(46)	–	(568)	–
Profit for the financial year		273	199	3,381	3,135
Dividends paid and proposed	4	(166)	(161)	(2,006)	(2,319)
Retained profit for the financial year		107	38	1,375	816

The adjusted operating profit on an after-tax and minority interests basis is determined as follows:

	Notes	£m		Rm	
		Year to 31 December 2003	Year to 31 December 2002 (Restated)***	Year to 31 December 2003	Year to 31 December 2002 (Restated)***
Adjusted operating profit		650	724	8,041	11,431
Tax on adjusted operating profit	15(b)	(224)	(195)	(2,763)	(3,082)
Minority interests – equity	29(a)	426	529	5,278	8,349
– non-equity		(7)	(113)	(96)	(1,780)
		(46)	–	(568)	–
Adjusted operating profit after tax and minority interests		373	416	4,614	6,569

	Notes	p		c	
		Year to 31 December 2003	Year to 31 December 2002 (Restated)***	Year to 31 December 2003	Year to 31 December 2002 (Restated)***
Earnings and dividend per share attributable to equity shareholders					
Earnings per share					
Adjusted operating earnings per share	3	10.0	11.3	123.8	179.0
Basic earnings per share	3	8.0	5.9	99.1	93.5
Diluted earnings per share	3	8.0	5.9	99.1	93.5
Dividend per share (Rand dividend indicative only for 2003)**	4	4.8	4.8	56.5	66.0
Adjusted weighted average number of shares – millions	3	3,727	3,670	3,727	3,670
Weighted average number of shares – millions	3	3,411	3,354	3,411	3,354

* Adjusted operating profit represents the directors' view of the underlying performance of the Group. For life assurance and general insurance businesses, adjusted operating profit is based on a long term investment return and includes investment returns on own shares held in policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and the transitional impact of the change in credit provisioning methodology. For all businesses, adjusted operating profit excludes goodwill amortisation and impairment.

Adjusted operating earnings per share is similarly based, but is stated after tax and minority interests, with the calculation of the weighted average number of shares including own shares held in policyholders' funds.

** The actual amount of the final dividend per share in Rand will be determined by reference to the exchange rate prevailing on 1 April 2004 and will be announced by the Company on 2 April 2004.

*** Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 37 "Purchases and Sales of Own Shares". Details of the changes are set out in notes 1, 3, 4, 5(b)(iv), 6 and 27.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OLD MUTUAL PLC FOR THE YEAR ENDED 31 DECEMBER 2003

We have audited the financial statements set out on pages 55 to 135. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 51, 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 Financial Services Authority, 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 whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. 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 regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 28 to 33 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 the unaudited part of the directors' remuneration report, 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 and the part of the directors' remuneration report to be audited. 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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

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 2003 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
8 Salisbury Square
London EC4Y 8BB

17 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	£m		Rm	
		Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Technical account – long term business					
Earned premiums, net of reinsurance					
Premiums written					
Gross amount	5(b)(i)	4,577	5,060	56,520	79,887
Outward reinsurance premiums		(44)	(32)	(543)	(505)
		4,533	5,028	55,977	79,382
Investment income	6	1,984	1,717	24,499	27,113
Unrealised gains on investments		1,078	–	13,312	–
Other technical income, net of reinsurance					
General business technical result	5(e)(i)	73	35	909	556
Other technical income	5(e)(iii)	94	62	1,161	979
		7,762	6,842	95,858	108,030
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(3,580)	(3,129)	(44,208)	(49,400)
Reinsurers' share		62	19	766	300
		(3,518)	(3,110)	(43,442)	(49,100)
Change in the provision for claims, net of reinsurance		(15)	1	(185)	16
		(3,533)	(3,109)	(43,627)	(49,084)
Changes in other technical provisions, net of reinsurance					
Long term business provision, net of reinsurance					
Gross amount		(2,445)	(1,692)	(30,193)	(26,713)
Reinsurers' share		46	(17)	568	(268)
		(2,399)	(1,709)	(29,625)	(26,981)
Change in technical provisions for linked liabilities, net of reinsurance		(401)	835	(4,952)	13,183
		(2,800)	(874)	(34,577)	(13,798)
Net operating expenses	9	(498)	(346)	(6,149)	(5,463)
Investment expenses and charges	7	(34)	(33)	(419)	(521)
Unrealised losses on investments		–	(1,937)	–	(30,586)
Other technical charges		(88)	(68)	(1,087)	(1,074)
Tax attributable to the long term business	15(a)	(227)	(185)	(2,802)	(2,920)
Long term business allocated investment return transferred (to)/from the non-technical account	8(a)	(143)	83	(1,766)	1,311
Balance on the technical account		439	373	5,431	5,895
Analysis of balance on the technical account – long term business					
Long term business					
Technical result before investment return		183	199	2,262	3,145
Long term investment return on shareholders' funds	8(a)	183	139	2,260	2,194
		366	338	4,522	5,339
General business					
Technical result before investment return		26	–	329	2
Long term investment return on shareholders' funds	8(a)	47	35	580	554
		73	35	909	556
Balance on the technical account		439	373	5,431	5,895

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

	Notes	£m		Rm	
		Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Non-technical account – banking business					
Interest receivable		2,270	1,514	28,030	23,903
Interest payable		(1,723)	(1,111)	(21,276)	(17,540)
Net interest income		547	403	6,754	6,363
Dividend income	5(d)(i)	12	11	152	174
Fees and commissions receivable		415	306	5,120	4,831
Fees and commissions payable		(38)	(11)	(473)	(174)
Dealing profits		1	76	12	1,200
Other operating income		170	57	2,106	900
Operating income		1,107	842	13,671	13,294
Administrative expenses	5(d)(i)	(675)	(419)	(8,335)	(6,602)
Depreciation		(81)	(37)	(1,000)	(597)
Goodwill amortisation and impairment	18	(146)	(25)	(1,803)	(395)
Loss on disposal/write-down of investment in Dimension Data Holdings plc	11	(5)	(68)	(60)	(1,080)
Nedcor restructuring and integration costs	5(d)(ii)	(32)	(14)	(394)	(227)
Other net operating charges		(133)	(87)	(1,642)	(1,374)
Banking result before provisions		35	192	437	3,019
Provisions (including impact of change in credit provisioning methodology)	26	(321)	(88)	(3,960)	(1,390)
		(286)	104	(3,523)	1,629
Share of associated undertakings' operating profit	5(d)(i)	10	10	121	158
Banking operating (loss) / profit		(276)	114	(3,402)	1,787

	Notes	£m		Rm	
		Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Non-technical account – insurance, asset management and banking businesses					
Technical account – long term business		439	373	5,431	5,895
Tax attributable to shareholders' profits on long term business	15(b)	185	127	2,284	2,001
		624	500	7,715	7,896
Banking operating (loss) / profit		(276)	114	(3,402)	1,787
Asset management result before goodwill amortisation	5(c)(i)	130	125	1,608	1,972
Other non-technical account					
Investment income	6	41	45	506	710
Unrealised gains/(losses) on investments		15	(45)	186	(710)
Allocated investment returns transferred to/(from) the technical account					
Long term business		143	(83)	1,766	(1,311)
General business		(47)	(35)	(580)	(554)
Investment expenses and charges	7	(48)	(58)	(593)	(916)
Other income		2	15	25	242
Other charges		(49)	(10)	(606)	(163)
Goodwill amortisation (insurance and asset management)	18	(60)	(95)	(741)	(1,500)
Operating profit on ordinary activities before tax		475	473	5,884	7,453
Non-operating items	17(b)	(32)	(6)	(404)	(88)
Profit on ordinary activities before tax	10	443	467	5,480	7,365
Tax on profit on ordinary activities	15(b)	(241)	(224)	(2,976)	(3,535)
Profit on ordinary activities after tax		202	243	2,504	3,830
Minority interests – equity	29(a)	117	(44)	1,445	(695)
– non-equity		(46)	–	(568)	–
Profit for the financial year		273	199	3,381	3,135
Dividends paid and proposed	4	(166)	(161)	(2,006)	(2,319)
Retained profit for the financial year		107	38	1,375	816
Earnings and dividend per share attributable to equity shareholders					
	Notes	p		c	
		Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Earnings per share					
Adjusted operating earnings per share after tax and minority interests	3	10.0	11.3	123.8	179.0
Basic earnings per share	3	8.0	5.9	99.1	93.5
Diluted earnings per share	3	8.0	5.9	99.1	93.5
Dividend per share (Rand dividend indicative only for 2003)	4	4.8	4.8	56.5	66.0
Adjusted weighted average number of shares – millions	3	3,727	3,670	3,727	3,670
Weighted average number of shares – millions	3	3,411	3,354	3,411	3,354

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	£m		Rm	
		Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Profit for the financial year		273	199	3,381	3,135
Foreign exchange movements	27	191	295	(2,574)	(7,174)
Total recognised gains and losses for the year		464	494	807	(4,039)
Prior period adjustment	1,27	139		290	
Total recognised gains and losses since last annual report		603		1,097	

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	£m		Rm	
		Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Total recognised gains and losses for the year		464	494	807	(4,039)
Dividends paid and proposed	4	(166)	(161)	(2,006)	(2,319)
		298	333	(1,199)	(6,358)
Issue of new capital	27	37	39	457	619
Shares issued under option schemes	27	4	1	49	16
Net increase / (decrease) in equity shareholders' funds		339	373	(693)	(5,723)
Equity shareholders' funds at the beginning of the year (originally £2,786 million (R38,486 million) before prior year adjustment of £262 million (R3,618 million))	27	2,524	2,151	34,868	40,591
Equity shareholders' funds at the end of the year		2,863	2,524	34,175	34,868

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2003

	Notes	£m		Rm	
		At 31 December 2003	At 31 December 2002 (Restated)	At 31 December 2003	At 31 December 2002 (Restated)
Intangible assets					
Goodwill	18	1,264	1,598	15,088	22,075
Insurance and other assets					
Investments					
Land and buildings	19	677	600	8,081	8,288
Other financial investments	20	22,756	18,640	271,631	257,496
		23,433	19,240	279,712	265,784
Assets held to cover linked liabilities	20	5,860	4,317	69,949	59,635
	5(i)	29,293	23,557	349,661	325,419
Reinsurers' share of technical provisions					
Provision for unearned premiums		19	21	227	290
Long term business provision		301	305	3,593	4,213
Claims outstanding		54	44	645	608
	31	374	370	4,465	5,111
Debtors					
Debtors arising from direct insurance operations	21	225	179	2,686	2,472
Debtors arising from reinsurance operations		7	12	84	166
Other debtors		470	238	5,610	3,287
		702	429	8,380	5,925
Other assets					
Tangible fixed assets	22	81	97	966	1,340
Cash at bank and in hand		695	565	8,296	7,805
Investment in own shares by ESOP Trusts	27	109	115	1,301	1,589
Present value of acquired in-force business	23	194	255	2,315	3,523
Other assets	24	332	378	3,963	5,222
		1,411	1,410	16,841	19,479
Prepayments and accrued income					
Accrued interest and rent		184	128	2,196	1,768
Deferred acquisition costs	25	427	284	5,097	3,924
Other prepayments and accrued income		127	153	1,516	2,114
		738	565	8,809	7,806
Total insurance and other assets		32,518	26,331	388,156	363,740
Banking assets					
Cash and balances at central banks		1,025	1,202	12,235	16,607
Treasury bills and other eligible bills	26(a)	888	1,085	10,600	14,987
Loans and advances to banks	26(b)	2,092	1,228	24,972	16,963
Loans and advances to customers	26(c)	15,136	12,854	180,674	177,566
Debt securities	26(f)	1,420	1,061	16,952	14,647
Equity shares and other variable yield securities	26(g)	317	965	3,784	13,331
Interests in associated undertakings	26(h)	144	124	1,719	1,713
Tangible fixed assets	22	221	158	2,638	2,182
Land and buildings	19	141	131	1,683	1,806
Other assets	24	2,396	2,095	28,602	28,941
Prepayments and accrued income		262	474	3,126	6,548
Total banking assets		24,042	21,377	286,985	295,291
Total assets		57,824	49,306	690,229	681,106

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2003 CONTINUED

	Notes	£m		Rm	
		At 31 December 2003	At 31 December 2002 (Restated)	At 31 December 2003	At 31 December 2002 (Restated)
Capital and reserves					
Called up share capital	27	384	378	4,584	5,222
Share premium account	27	587	552	7,007	7,625
Merger reserve	27	184	184	2,196	2,542
Profit and loss account	27	2,109	1,811	24,296	23,387
		3,264	2,925	38,083	38,776
Reserve in respect of own shares held in policyholders' funds	1,27	(401)	(401)	(3,908)	(3,908)
		2,863	2,524	34,175	34,868
Equity shareholders' funds					
Minority interests					
Equity	29(a)	652	783	7,783	10,816
Non-equity	29(b)	658	144	7,854	1,992
		1,310	927	15,637	12,808
Subordinated liabilities					
	30	15	18	179	249
Insurance and other liabilities					
Technical provisions					
Provision for unearned premiums		80	79	955	1,091
Long term business provision		20,660	17,241	246,612	238,169
Claims outstanding		417	335	4,978	4,628
	31	21,157	17,655	252,545	243,888
Technical provisions for linked liabilities		5,860	4,317	69,949	59,635
Provisions for other risks and charges	32	551	486	6,576	6,714
Creditors					
Creditors arising from direct insurance operations	33(a)	478	326	5,706	4,503
Creditors arising from reinsurance operations		3	7	36	97
Other creditors including tax and social security	33(b)	1,806	1,456	21,550	20,110
Amounts owed to credit institutions	34	377	767	4,501	10,596
Convertible loan stock	34(a)	357	404	4,261	5,581
		3,021	2,960	36,054	40,887
Accruals and deferred income		135	184	1,611	2,542
Total insurance and other liabilities		30,724	25,602	366,735	353,666
Banking liabilities					
Deposits by banks	35	4,381	2,110	52,295	29,148
Customer accounts	36	13,976	12,070	166,827	166,735
Debt securities in issue	37	468	2,266	5,586	31,303
Other liabilities	38	3,200	3,149	38,199	43,487
Provisions for liabilities and charges	39	229	105	2,732	1,450
Subordinated liabilities	30	648	521	7,745	7,197
Convertible loan stock	34(a)	10	14	119	195
		22,912	20,235	273,503	279,515
Total banking liabilities		22,912	20,235	273,503	279,515
Total liabilities		57,824	49,306	690,229	681,106
Memorandum items					
Commitments	44	1,017	754	12,144	10,415
Contingent liabilities	45	2,422	1,382	28,910	19,091

COMPANY BALANCE SHEET

AT 31 DECEMBER 2003

	Notes	£m		Rm	
		At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Fixed assets					
Investments					
Shares in Group undertakings	40	722	1,183	8,618	16,342
Loans due from Group undertakings	40	2,014	1,859	24,041	25,680
Shares in associated companies		15	13	179	180
Shares and other variable yield securities		23	18	275	249
Fixed interest securities		–	1	–	14
Deposits with credit institutions		45	3	537	41
		2,819	3,077	33,650	42,506
Current assets					
Debtors					
Amounts owed by Group undertakings		5	49	60	677
Other prepayments and accrued income		4	7	48	97
Investment in own shares by ESOP Trusts		5	15	60	207
Cash at bank and in hand		12	–	143	–
		26	71	311	981
Creditors: amounts falling due within one year					
Amounts owed to credit institutions	34	28	407	334	5,623
Amounts owed to Group undertakings		1,169	953	13,954	13,165
Other creditors including tax and social security		52	27	621	373
Accruals and deferred income		11	15	131	207
Dividend payable	4	49	45	585	622
		1,309	1,447	15,625	19,990
Net current liabilities		(1,283)	(1,376)	(15,314)	(19,009)
Total assets less current liabilities		1,536	1,701	18,336	23,497
Creditors: amounts falling due after one year					
Amounts owed to credit institutions	34	(295)	(314)	(3,522)	(4,338)
Provisions for liabilities and charges	32(b)	(26)	(38)	(310)	(525)
Net assets		1,215	1,349	14,504	18,634
Capital and reserves					
Called up share capital	27	384	378	4,584	5,222
Share premium account	27	587	552	7,007	7,625
Profit and loss account	28	244	419	2,913	5,787
Equity shareholders' funds		1,215	1,349	14,504	18,634

These financial statements were approved by the Executive Committee of the Board pursuant to authority delegated by the Board on 17 March 2004 and were signed on behalf of the Board by:

Julian V F Roberts
Group Finance Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	£m		Rm	
		Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Operating activities					
Net cash inflow from insurance and other operating activities	47	916	858	11,312	13,537
Net cash (outflow) / inflow from banking operating activities	47	(679)	349	(8,387)	5,510
Net cash inflow from operating activities		237	1,207	2,925	19,047
Net cash outflow from returns on investments and servicing of finance	47(a)	(128)	(93)	(1,580)	(1,468)
Total tax paid	47(a)	(174)	(132)	(2,149)	(2,084)
Net cash inflow/(outflow) from capital expenditure and financial investment	47(a)	227	(26)	2,804	(411)
Net cash inflow/(outflow) from acquisitions and disposals	47(a)	83	(160)	1,025	(2,526)
Equity dividends paid		(178)	(175)	(2,198)	(2,763)
Net cash inflow before financing activities		67	621	827	9,795
Net cash inflow from financing activities	47(a)	231	260	2,851	4,108
Net cash inflow excluding long term business		298	881	3,678	13,903
Cash flows relating to insurance and other activities were invested as follows:					
Increase in cash holdings	47(b),(c)	36	41	445	647
Increase in net portfolio investments	47(b),(c)	616	483	7,605	7,631
		652	524	8,050	8,278
Cash flows relating to banking activities were invested as follows:					
(Decrease)/increase in cash and balances at central banks	47(d)	(354)	357	(4,372)	5,625
Net cash inflow excluding long term business		298	881	3,678	13,903

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 ACCOUNTING POLICIES

BASIS OF PREPARATION – GROUP

The Group's consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as required by the Companies Act 1985 and applicable accounting standards. A summary of the significant Group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on adoption of new accounting standards issued during the year.

The accounting policies adopted reflect applicable accounting standards under UK Generally Accepted Accounting Practice (UK GAAP) which includes UK accounting standards, Urgent Issues Task Force (UITF) Abstracts and companies legislation.

The Group's operations include life assurance, general insurance, asset management and banking. Due to the diverse nature of the operations, these are separately disclosed where it is considered appropriate.

The results and balance sheet of the Group's insurance and asset management operations have been prepared in accordance with the provisions of Section 225A of, and the special provisions relating to insurance companies of Schedule 9A to, the Companies Act 1985 and with the Statement of Recommended Practice issued by the Association of British Insurers in December 1998 (the ABI SORP).

The results of the Group's banking operations have been prepared in accordance with the requirements of Schedule 9 (Special Provisions for Banking Companies and Groups) to the Companies Act 1985 and the British Bankers' Association Statements of Recommended Practice (SORPs) on Advances (1997), Securities (1990), Derivatives (2001), Contingent Liabilities and Commitments (1996) and Segmental Reporting (1993). This disclosure takes the form of the non-technical banking profit and loss account, separation of banking items within the consolidated balance sheet and appropriate notes to the financial statements.

CHANGES IN ACCOUNTING POLICIES

Comparative figures have been restated to reflect the adoption of UITF Abstract 37 "Purchases and Sales of Own Shares". The abstract requires the Group's holdings of its own shares to be accounted for as a deduction in arriving at equity shareholders' funds, rather than to be recorded as an asset. In addition, purchases and sales of own shares should be shown as changes in equity shareholders' funds such that no profit or loss is recognised in respect of dealings in those shares. The Group holds shares in the Company through a number of its long term business funds for the benefit of policyholders. These shares were previously included within "Other financial investments" at market value. Dividends paid have been restated to exclude any dividends in respect of own shares.

This change has resulted in an increase in operating profit after tax for the year to 31 December 2002 of £42 million (R663 million) representing net investment losses on own shares held in policyholders' funds. Basic earnings per share has been restated to reflect a reduction in the weighted average number of shares in issue of 316 million during 2002. The reduction in equity shareholders' funds at 31 December 2002 as a result of the new policy was £262 million (R3,618 million), made up of the original cost of the shares on demutualisation of £401 million (R3,908 million) and the cumulative investment loss and foreign exchange movements on the shares to the end of 2002 of £139 million (R290 million). In addition, dividends paid have been restated to exclude dividends in respect of own shares, resulting in an overall increase in retained profit for the year to 31 December 2002 of £57 million (R900 million). Full details of the changes are set out in notes 3, 4, 5(b)(iv), 6 and 27.

BASIS OF CONSOLIDATION

The Group accounts include the assets, liabilities and results of the Company and its subsidiary undertakings. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, 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. All intercompany transactions are eliminated on consolidation, except for certain fees negotiated on an arm's length basis between operationally and functionally distinct segments of the Group. Elimination of these fees would result in a misleading presentation of the segmental results. These fees are described in more detail in note 42.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The Group's share of the profits less losses of associates outside the long term business fund is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet. Investments in associated undertakings attributable to long term business are accounted for as investments.

The results of the Group's US life assurance subsidiaries are determined initially using United States Generally Accepted Accounting Practice (US GAAP) bases of accounting with subsequent adjustments where necessary to comply with the Group's accounting and other business policies. In accordance with the ABI SORP, policyholder liabilities of the Group's US life subsidiaries are incorporated into the Group's accounts on a US GAAP basis. For investment accounting, however, the US GAAP results are adjusted to comply with UK GAAP.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

1 ACCOUNTING POLICIES *continued*

SEGMENTAL ANALYSIS

The segmental disclosure of results by geography is determined by the origin of business transacted. This is not materially different to the segmental disclosure determined by market destination. Business transacted with South African residents in terms of their personal offshore allowances is conducted by the Group's offshore companies and is therefore disclosed under the Rest of World segment.

BASIS OF PREPARATION – COMPANY

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, the Company has taken advantage of the exemption from presenting its own profit and loss account.

No note of historical cost profits and losses has been prepared, as the Company's only material gains or losses on assets relate to the holding and disposal of Company investments.

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

INSURANCE BUSINESS

(i) Investments

Investments, including those classified under assets held to cover linked liabilities, are stated at their current value. Listed investments are stated at year-end market value. Unlisted investments are valued, on a prudent basis, by the directors having regard to their likely realisable value. Investments in own shares held in policyholders' funds have been deducted from equity shareholders' funds.

Investment properties are accounted for in accordance with Statement of Standard Accounting Practice 19 as follows:

- a) Investment properties are revalued annually at open market values by internal professional valuers. Surpluses and deficits arising are taken to the profit and loss account for the year.
- b) No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Group's investment properties, may be a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption, but for investment, and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

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

(ii) Investment return

Investment return comprises investment income, realised gains and losses and changes in unrealised gains and losses, net of investment expenses and charges, excluding net investment return on investment in own shares held in policyholders' funds.

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, or if they have been previously valued, their valuation at the last balance sheet date. Movements in unrealised gains and losses are recorded in the profit and loss account, and include an adjustment for previously recognised unrealised gains and losses on investments disposed during the reporting period.

Income arising from securities lending and borrowing is recognised in the non-technical account on an accruals basis over the term of the related loans.

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 shareholder assets supporting the long term business. The long term investment return for relevant categories of investments takes into account past performance, current trends and future expectations.

1 ACCOUNTING POLICIES *continued*

For the US long term business, due to the nature of its products, investment risk is borne by the shareholders. Therefore, in determining the operating profit for the business, the investment return earned by the whole of the portfolio is smoothed on the basis of a market rate appropriate to the portfolio of investments, management philosophy and US market conditions for each reporting period.

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

The results are prepared on a modified statutory solvency basis, as set out in the ABI SORP. 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

Claims paid include maturities, annuities, surrenders, death and disability.

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

Reinsurance recoveries are accounted for in the same period as the related claim.

(iii) Long term business provision

Long term business provisions for South African and other African businesses have been computed using a gross premium valuation method. Provisions in respect of South African business have been made 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) 104 (2001). Under this guideline, 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 the US business, the long term business provision is calculated using the net premium method, based on assumptions as to investment yields, mortality, withdrawals and policyholder dividends. Assumptions are set at the time the contract is issued.

Universal life and deferred annuity reserves are computed on the retrospective deposit method, which produces reserves equal to the cash value of the contracts.

Reserves on immediate annuities and guaranteed payments are computed on the prospective deposit method, which produces reserves equal to the present value of future benefit payments.

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

Whilst the directors consider that the gross long term business provision and the related reinsurance recovery are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

The provision estimation techniques and assumptions are periodically reviewed, with any changes in estimates reflected in the long term business technical account as they occur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

1 ACCOUNTING POLICIES *continued*

LONG TERM BUSINESS *continued*

(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 businesses.

For the US life business, an explicit deferred acquisition costs asset has been established in the balance sheet. Deferred acquisition costs are amortised over the period that profits on the related insurance policies are expected to emerge. Acquisition costs are deferred to the extent that they are deemed recoverable from available future profit margins.

Deferral of costs on other long term business is limited to the extent that there are available future margins.

(v) Present value of acquired in-force business

The present value of acquired in-force business is calculated by performing a cash flow projection of the long term fund and the in-force policies in order to estimate future after-tax profits attributable to shareholders. These profits are then discounted at a rate of return allowing for the risk of uncertainty of the future cash flows. This calculation is particularly sensitive to the assumptions regarding discount rate, future investment returns and the rate at which policies discontinue.

The present value of acquired in-force business is capitalised in the consolidated balance sheet as an asset and amortised over the expected profit recognition period on a systematic basis over the anticipated lives of the related contracts which the directors consider to be 30 years. The amortisation charge is stated net of any unwind in the discount rate used to calculate the asset.

The carrying value of the asset is reviewed annually for impairment.

The amortisation charge and any adjustments to reflect impairments are recorded in the long term business technical account under "Other technical charges".

GENERAL INSURANCE BUSINESS

All classes of general insurance business are accounted for on an annual basis.

(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.

(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.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events, and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used and estimates made are reviewed regularly.

(iii) Acquisition costs

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

1 ACCOUNTING POLICIES *continued*

BANKING BUSINESS

i) Banking income

Interest receivable and payable are recognised in the banking non-technical account as they accrue.

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 over the relevant period.

Other operating income is derived from township development and computer-related services, including distribution and servicing of equipment. The net income from these activities is accounted for on the accruals basis and included within "Other operating income".

(ii) Advances and provisions for doubtful debts

Certain advances are held for trading purposes and are not held to maturity. Such advances are held in the balance sheet at fair value and any change in the fair value of these instruments is accounted for through the profit and loss account.

All operating companies make provisions for bad and doubtful debts where required on a prudent basis. Advances are designated as non-performing based on credit risk management tools and indicators as well as management judgement as to the ultimate collectability of the principal or interest. When an advance is designated as non-performing, interest is suspended and specific provisions raised where required.

There are two basic types of provision, specific and general, each of which is assessed in terms of the charge and the amount outstanding. The provisions made during the year, less recoveries of advances previously written off, are charged to the profit and loss account.

During the year, the Group implemented a revised methodology for the calculation of credit provisions for loans and advances as set out in note 5(d)(iii). The accounting policies below incorporate the revised methodology.

The Group creates a specific provision for impairment when there is objective evidence that it will not be able to collect all amounts due. The amount of such impairment is the difference between the carrying amount and the recoverable amount, calculated as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the effective interest rate of the advance.

The Group creates an additional general provision where there is objective evidence that components of the advances portfolio contain probable losses at the balance sheet date, which will only be identified in the future. The estimated probable losses are based on historical information and take into account historical patterns of losses in each component, the credit ratings allocated to the borrowers and the current economic climate in which the borrowers operate.

Provisions are deducted from advances in the balance sheet.

Interest on non-performing loans is charged to the customer's account and recorded as income, provided that there is a realistic prospect of interest being paid at some future date. However, where interest to be recovered is considered to be doubtful, the interest is suspended and is not credited to income but to an interest reserve account in the balance sheet, which is included as part of specific provisions and deducted from advances in the balance sheet. Where the probability of receiving interest payments is remote, interest is no longer accrued.

(iii) Instalment transactions

Instalment credit agreements are regarded as financing transactions and total instalments, less unearned finance charges, are included in loans and advances.

Lease income and finance charges are determined 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.

(iv) Investments

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 period to redemption date. Securities held for trading purposes are marked to market value and the related gains and losses are taken directly to the banking non-technical profit and loss account as they arise. Other investments are stated at cost and provision is made where, in the opinion of the directors, there has been a permanent impairment in value.

Freehold and leasehold buildings and buildings occupied for own use are depreciated over their estimated useful lives. Land is not depreciated.

Unsold properties in possession are included under advances and valued at the lower of cost or net realisable value. Cost includes the outstanding balance on repossession, which may or may not include capitalised interest incurred by the client, together with other charges relating to the repossession.

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

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 liabilities under acceptances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

1 ACCOUNTING POLICIES *continued*

BANKING BUSINESS *continued*

(v) Debt securities in issue and subordinated debt instruments issued

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

(vi) Financial instruments

Financial instruments on the balance sheet include cash and bank balances, investments, receivables and trade creditors. These instruments are generally carried at fair value and the accounting treatment for each is disclosed in the accounting policy note for that particular balance.

In addition the banking business uses a variety of derivative financial instruments including forwards, swaps, options and exchange traded financial futures. Transactions in the foreign exchange, interest rate and equity markets are negotiated directly with customers, with the banking business acting as a counterparty, or can be dealt directly through exchanges.

Accounting for financial instruments is dependent on whether the transactions are undertaken for trading or non-trading purposes:

(a) Trading activities

Trading transactions include transactions undertaken for market-making, to service customers' needs and for propriety purposes, as well as any related hedges.

Transactions undertaken for trading purposes are measured at fair value, including an allowance for credit and market risk, and the resulting 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.

(b) Non-trading activities

Non-trading transactions are those that are held for hedging purposes as part of the banking business's overall risk management strategy as a means of managing exposure to price, foreign currency and interest rate risk. To qualify as a hedge:

- a) the transaction must be reasonably expected to match or eliminate a significant proportion of the risk inherent in the assets, liabilities, other positions or cashflows being hedged and which results from potential movements in interest rates, exchange rates and market values, both at the inception and over the life of the contract;
- b) adequate evidence of the intention to hedge and linkage with the underlying risk inherent in the assets, liabilities, other positions or cashflows being hedged, must be established at the start of the transaction; and
- c) there must be a continual assessment of whether the market value of the hedge instrument matches the market value of the hedged item.

If these criteria are met, the derivative is accounted for in the non-technical account on the same basis and over the same period as the underlying hedged item to which it relates.

Qualifying hedges, which cease to be effective or are terminated prior to the end of the life of the underlying hedged item, are measured at fair value and transferred to the trading portfolio. Any resulting gain or loss is deferred and amortised to earnings over the original life of the underlying item.

Off balance sheet financial instruments are measured on a basis consistent with on balance sheet instruments. Potential losses arising on these instruments are recognised as contingent liabilities.

Where the banking business has entered into legally binding contracts with a counterparty that permits offsets, positive and negative values of derivatives are offset within the balance sheet totals.

ASSET MANAGEMENT BUSINESS

Asset management revenue includes gross fees and commissions which are credited as earned.

Performance fees are recognised once all contractual obligations have been satisfied and the fees are expected to be collected. Any fees collected in advance are deferred and recognised as income over the period earned.

Expenses are recognised as they are incurred.

1 ACCOUNTING POLICIES *continued*

ALL BUSINESSES

(i) Tax

Tax is charged on all taxable profits arising during the year and is determined in accordance with the relevant tax legislation.

The tax charge attributable to long term business includes the tax expense for both policyholders and shareholders, at rates applicable to those parties.

The tax attributable to shareholders' profits on long term business, calculated at the effective tax rate of the underlying businesses, is added to the balance on the long term business technical account to present life assurance profits on a pre-tax basis, and is then included in the tax expense on profit on ordinary activities in the non-technical account.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. Deferred tax liabilities are fully recognised and deferred tax assets are recognised when the Group believes it is more likely than not that the asset will be recoverable. Deferred tax assets and liabilities are recognised on an undiscounted basis.

(ii) Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given for acquired businesses and associated costs over the fair value of net assets acquired) is capitalised and amortised to nil by equal annual instalments over its estimated useful life, normally 20 years.

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

The carrying value of goodwill is reviewed periodically for indicators of impairment in value. In determining if any impairment is required, recoverable amounts are assessed on a value in use basis. Where businesses are acquired as part of the same investment, these are combined for the purposes of determining recoverability of the related goodwill. Adjustments to reflect an impairment in value are recognised in the non-technical account in the period in which the impairment is determined.

(iii) Tangible fixed assets

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

(iv) General provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted and the discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(v) Pension plans and post retirement benefits

Defined benefit and defined contribution schemes have been established for eligible employees of the Group with the assets held in separate trustee administered funds.

For defined benefit schemes, pension costs are charged to the profit and loss account so as to spread the related charges over the service lives of employees and are determined by independent qualified actuaries undertaking formal actuarial valuations at least every three years. 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 amounts charged against profits and the amounts contributed to schemes is included as a prepayment or provision in the balance sheet.

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.

(vi) Employee share ownership plans

The Group offers share award and option plans to management and certain key employees. The Group offers Save As You Earn plans for all UK-based employees of participating Group companies. Further details are provided in the Remuneration Report.

The assets, liabilities, income and expenses of employee share ownership plans (ESOPs) are incorporated into the financial statements. Own shares held in ESOP Trusts are recognised as current assets in the balance sheet and amortised over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

2 FOREIGN CURRENCIES

The information contained in these financial statements is expressed in both Sterling and South African Rand. This is in order both to meet the legal requirements of the UK Companies Act 1985 and to provide the users of the accounts in South Africa with illustrative information.

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

	Rand		US\$	
	2003	2002	2003	2002
Profit and loss account (average rate)	12.3487	15.7878	1.6354	1.5030
Balance sheet (closing rate)	11.9367	13.8141	1.7833	1.6105

Foreign currency revenue transactions are translated at 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. Exchange differences arising on the translation of foreign integrated operations are taken through the non-technical account. Exchange differences on trading activities are included in the profit and loss account.

3 EARNINGS AND EARNINGS PER SHARE

Basic earnings per share is calculated based upon the profit after tax attributable to equity shareholders.

The directors' view is that adjusted operating earnings per share derived from adjusted operating profit or loss after tax and minority interests provides a better indication of the underlying performance of the Group. For life assurance and general insurance businesses, adjusted operating profit is based on a long term investment return and includes investment returns on own shares held in policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and the transitional impact of the change in credit provisioning methodology. For all businesses, adjusted operating profit excludes goodwill amortisation and impairment.

Adjusted operating earnings per share is similarly based, but is stated after tax and minority interests, with the calculation of the weighted average number of shares including own shares held in policyholders' funds.

A table reconciling operating profit on ordinary activities after tax and minority interests to adjusted operating profit and tax and minority interests is set out below.

	Notes	£m		Rm	
		Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Profit on ordinary activities after tax and minority interests		273	199	3,381	3,135
Goodwill amortisation and impairment net of minority interests		128	104	1,581	1,646
Loss on disposal/write-down of investment in Dimension Data Holdings plc net of tax and minority interests	11	3	29	30	467
Nedcor restructuring and integration costs net of tax and minority interests	5(d)(ii)	13	7	160	104
Change in credit provisioning methodology net of tax and minority interests	5(d)(iii)	31	–	376	–
Short term fluctuations in investment returns net of tax and minority interests		(95)	75	(1,170)	1,192
Investment return adjustment for own shares held in policyholders' funds	5(b)(iv)	(12)	(42)	(148)	(663)
Non-operating items net of tax	17(b)	32	44	404	688
Adjusted operating profit after tax and minority interests		373	416	4,614	6,569

3 EARNINGS AND EARNINGS PER SHARE continued

	p		c	
	Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Basic earnings per share after tax and minority interests	8.0	5.9	99.1	93.5
Impact of exclusion of own shares held in policyholders' funds on weighted average number of shares	(0.7)	(0.5)	(8.4)	(8.1)
	7.3	5.4	90.7	85.4
Goodwill amortisation and impairment net of minority interests	3.4	2.8	42.4	44.9
Loss on disposal/write-down of investment in Dimension Data Holdings plc net of tax and minority interests	0.1	0.8	0.8	12.7
Nedcor restructuring and integration costs net of tax and minority interests	0.3	0.2	4.3	2.8
Change in credit provisioning methodology net of tax and minority interests	0.8	–	10.1	–
Short term fluctuations in investment return net of tax and minority interests	(2.5)	2.0	(31.3)	32.5
Investment return adjustment for own shares held in policyholders' funds	(0.3)	(1.1)	(4.0)	(18.0)
Non-operating items net of tax	0.9	1.2	10.8	18.7
Adjusted operating earnings per share after tax and minority interests	10.0	11.3	123.8	179.0

Basic earnings per share is calculated by reference to the profit on ordinary activities after tax and minority interests of £273 million (R3,381 million) for the year ended 31 December 2003 (2002 (restated): £199 million (R3,135 million)) and a weighted average number of shares in issue of 3,411 million (2002 (restated): 3,354 million). The weighted average number of shares is calculated as follows:

	millions	
	At 31 December 2003	At 31 December 2002 (Restated)
Total weighted average number of shares in issue	3,824	3,767
Shares held in ESOP Trusts	(97)	(97)
Adjusted weighted average number of shares	3,727	3,670
Shares held in policyholders' funds	(316)	(316)
Weighted average number of shares	3,411	3,354

The diluted earnings per share calculation reflects the issue of shares in respect of the ESOP Trusts and the US Dollar Guaranteed Convertible Bond.

Restatement of earnings and earnings per share

As described in note 1, in accordance with UITF Abstract 37 "Purchases and Sales of Own Shares", shares in the Company held in policyholders' funds are no longer included in the weighted average number of shares used in basic earnings per share calculations. The weighted average number of shares excluded as a result is 316 million (2002: 316 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

4 DIVIDEND

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Group				
Final dividend proposed: 3.1p (37.0c*) (2002: 3.1p (38.3c)) per 10p share	106	104	1,265	1,424
Interim dividend paid: 1.7p (19.5c) (2002: 1.7p (27.7c)) per 10p share	60	57	741	895
	166	161	2,006	2,319
Company				
Final dividend proposed: 3.1p (37.0c*) (2002: 3.1p (38.3c)) per 10p share	49	45	585	622
Interim dividend paid: 1.7p (19.5c) (2002: 1.7p (27.7c)) per 10p share	26	25	321	395
	75	70	906	1,017

Provision has been made in the Group financial statements for a final dividend of 3.1p (37.0c*) per share calculated using the number of shares in issue at 31 December 2003 of 3,837 million (2002: 3,783 million) less 97 million (2002: 97 million) shares in Employee Share Ownership Plans, which have waived their rights to dividends and 316 million (2002: 316 million) shares held in policyholders' funds of Group companies.

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 at close of business on 23 April 2004, being the record date for the dividend.

*Indicative only – the actual amount of the dividend per share in Rand will be determined by reference to the exchange rate prevailing on 1 April 2004 and announced by the Company on 2 April 2004.

Restatement of dividend

As described in note 1, in accordance with UITF Abstract 37 "Purchases and Sales of Own Shares", dividends on shares in the Company held in policyholders' funds are no longer included in dividends paid. The reduction in dividend for the year to 31 December 2002 resulting from this change was £15 million (R232 million).

5 SEGMENTAL ANALYSIS

		£m				Rm			
5(a) Summary of operating profit on ordinary activities before tax		South Africa	United States	UK and Rest of World	Total	South Africa	United States	UK and Rest of World	Total
	Notes								
Year to 31 December 2003									
Life assurance	5b(iii)	431	86	24	541	5,322	1,062	297	6,681
Asset management	5(c)(i)	53	81	(4)	130	656	1,000	(48)	1,608
Banking	5(d)(i)	(10)	–	4	(6)	(118)	–	48	(70)
General insurance business	5(e)(i)	73	–	–	73	909	–	–	909
Other shareholders' income /expenses	5(f)	–	–	(40)	(40)	–	–	(494)	(494)
Debt service costs	7	(4)	–	(44)	(48)	(49)	–	(544)	(593)
Adjusted operating profit		543	167	(60)	650	6,720	2,062	(741)	8,041
Goodwill amortisation and impairment	18	(140)	(57)	(9)	(206)	(1,729)	(703)	(111)	(2,543)
Loss on disposal of investment in Dimension Data Holdings plc	11	(5)	–	–	(5)	(60)	–	–	(60)
Nedcor restructuring and integration costs	5(d)(ii)	(32)	–	–	(32)	(394)	–	–	(394)
Change in credit provisioning methodology	5(d)(iii)	(87)	–	–	(87)	(1,074)	–	–	(1,074)
Short term fluctuations in investment return	8(a)	(37)	196	(16)	143	(457)	2,420	(197)	1,766
Investment return adjustment for own shares held in policyholders' funds	5(b)(iv)	12	–	–	12	148	–	–	148
Operating profit / (loss) on ordinary activities before tax		254	306	(85)	475	3,154	3,779	(1,049)	5,884
Analysed as:									
Life assurance		402	278	12	692	4,964	3,433	149	8,546
Asset management		53	28	(13)	68	656	346	(159)	843
Banking		(272)	–	4	(268)	(3,350)	–	48	(3,302)
General insurance business		75	–	–	75	933	–	–	933
Other shareholders' income /expenses		–	–	(44)	(44)	–	–	(543)	(543)
Debt service costs		(4)	–	(44)	(48)	(49)	–	(544)	(593)
Operating profit / (loss) on ordinary activities before tax		254	306	(85)	475	3,154	3,779	(1,049)	5,884

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

5 SEGMENTAL ANALYSIS continued

5(a) Summary of operating profit on ordinary activities before tax continued		£m				Rm			
		Notes	South Africa	United States	UK and Rest of World	Total	South Africa	United States	UK and Rest of World
Year to 31 December 2002 (restated)									
Life assurance	5b(iii)	343	83	(3)	423	5,414	1,310	(47)	6,677
Asset management	5(c)(i)	28	95	2	125	441	1,500	31	1,972
Banking	5(d)(i)	165	–	56	221	2,605	–	884	3,489
General insurance business	5(e)(i)	35	–	–	35	556	–	–	556
Other shareholders' income/expenses	5(f)	–	–	(22)	(22)	–	–	(347)	(347)
Debt service costs	7	–	–	(58)	(58)	–	–	(916)	(916)
Adjusted operating profit		571	178	(25)	724	9,016	2,810	(395)	11,431
Goodwill amortisation	18	(31)	(70)	(19)	(120)	(490)	(1,105)	(300)	(1,895)
Write-down of investment in Dimension Data Holdings plc	11	(68)	–	–	(68)	(1,080)	–	–	(1,080)
Nedcor restructuring and integration costs	5(d)(ii)	(14)	–	–	(14)	(227)	–	–	(227)
Short term fluctuations in investment return	8(a)	(292)	181	20	(91)	(4,613)	2,858	316	(1,439)
Investment return adjustment for own shares held in policyholders' funds	5(b)(iv)	42	–	–	42	663	–	–	663
Operating profit/(loss) on ordinary activities before tax		208	289	(24)	473	3,269	4,563	(379)	7,453
Analysed as:									
Life assurance		135	258	(17)	376	2,127	4,073	(268)	5,932
Asset management		28	31	(13)	46	441	490	(206)	725
Banking		53	–	52	105	824	–	821	1,645
General insurance business		(8)	–	–	(8)	(123)	–	–	(123)
Other shareholders' income/expenses		–	–	12	12	–	–	190	190
Debt service costs		–	–	(58)	(58)	–	–	(916)	(916)
Operating profit/(loss) on ordinary activities before tax		208	289	(24)	473	3,269	4,563	(379)	7,453

5 SEGMENTAL ANALYSIS continued

	£m				Rm			
	South Africa	United States	UK and Rest of World	Total	South Africa	United States	UK and Rest of World	Total
5(b) Life assurance								
(i) Gross premiums written								
Year to 31 December 2003								
Individual business								
Single	563	1,815	87	2,465	6,952	22,413	1,074	30,439
Recurring	833	186	51	1,070	10,286	2,297	630	13,213
	1,396	2,001	138	3,535	17,238	24,710	1,704	43,652
Group business								
Single	715	–	20	735	8,829	–	247	9,076
Recurring	294	–	13	307	3,631	–	161	3,792
	1,009	–	33	1,042	12,460	–	408	12,868
Total gross premiums	2,405	2,001	171	4,577	29,698	24,710	2,112	56,520
Year to 31 December 2002								
Individual business								
Single	610	2,633	104	3,347	9,631	41,562	1,637	52,830
Recurring	612	146	49	807	9,662	2,312	779	12,753
	1,222	2,779	153	4,154	19,293	43,874	2,416	65,583
Group business								
Single	647	–	9	656	10,215	–	142	10,357
Recurring	241	–	9	250	3,805	–	142	3,947
	888	–	18	906	14,020	–	284	14,304
Total gross premiums	2,110	2,779	171	5,060	33,313	43,874	2,700	79,887
(ii) Gross new business premiums written								
Year to 31 December 2003								
Individual business								
Single	563	1,815	87	2,465	6,952	22,413	1,074	30,439
Recurring	158	76	7	241	1,951	939	86	2,976
	721	1,891	94	2,706	8,903	23,352	1,160	33,415
Group business								
Single	715	–	20	735	8,829	–	247	9,076
Recurring	18	–	3	21	222	–	37	259
	733	–	23	756	9,051	–	284	9,335
Total gross new business premiums written	1,454	1,891	117	3,462	17,954	23,352	1,444	42,750
Annual premium equivalent	304	258	21	583	3,751	3,180	255	7,186

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

5 SEGMENTAL ANALYSIS continued

	£m				Rm			
	South Africa	United States	UK and Rest of World	Total	South Africa	United States	UK and Rest of World	Total
5(b) Life assurance continued								
(ii) Gross new business premiums written continued								
Year to 31 December 2002								
Individual business								
Single	610	2,633	104	3,347	9,631	41,562	1,637	52,830
Recurring	115	73	11	199	1,808	1,154	175	3,137
	725	2,706	115	3,546	11,439	42,716	1,812	55,967
Group business								
Single	647	–	9	656	10,215	–	142	10,357
Recurring	19	–	1	20	296	–	11	307
	666	–	10	676	10,511	–	153	10,664
Total gross new business premiums written	1,391	2,706	125	4,222	21,950	42,716	1,965	66,631
Annual premium equivalent	260	336	23	619	4,089	5,310	364	9,763

Annual premium equivalent is defined as one tenth of single premiums plus recurring premiums.

	£m				Rm			
	South Africa	United States	UK and Rest of World	Total	South Africa	United States	UK and Rest of World	Total
(iii) Life assurance adjusted operating profit								
Year to 31 December 2003								
Individual business	183	86	17	286	2,260	1,062	210	3,532
Group business	70	–	2	72	864	–	25	889
Life assurance technical result	253	86	19	358	3,124	1,062	235	4,421
Long term investment return	178	–	5	183	2,198	–	62	2,260
Adjusted operating profit	431	86	24	541	5,322	1,062	297	6,681
Year to 31 December 2002								
Individual business	149	83	(8)	224	2,352	1,310	(126)	3,536
Group business	59	–	1	60	931	–	16	947
Life assurance technical result	208	83	(7)	284	3,283	1,310	(110)	4,483
Long term investment return	135	–	4	139	2,131	–	63	2,194
Adjusted operating profit	343	83	(3)	423	5,414	1,310	(47)	6,677

5 SEGMENTAL ANALYSIS continued

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
5(b) Life assurance continued				
(iv) Investment return adjustment for own shares held in policyholders' funds				
Dividend income	14	15	173	237
Unrealised losses on investment in own shares	(26)	(57)	(321)	(900)
Net investment loss on own shares	(12)	(42)	(148)	(663)

		£m			Rm		
	Note	Revenue	Expenses	Adjusted operating profit	Revenue	Expenses	Adjusted operating profit
5(c)(i) Asset management							
Year to 31 December 2003							
South Africa							
Fund management							
Old Mutual Asset Managers		33	(20)	13	408	(247)	161
Old Mutual Unit Trusts		21	(13)	8	259	(161)	98
Other		16	(12)	4	198	(148)	50
		70	(45)	25	865	(556)	309
Other financial services		42	(24)	18	519	(296)	223
Nedcor Unit Trusts and Portfolio Management		36	(26)	10	445	(321)	124
		148	(95)	53	1,829	(1,173)	656
US asset management	5(c)(ii)	347	(266)	81	4,285	(3,285)	1,000
UK & Rest of World							
Fund management		43	(35)	8	531	(432)	99
Private client – Gerrard		91	(83)	8	1,124	(1,025)	99
Selestia investment platform		3	(10)	(7)	37	(123)	(86)
Other financial services		10	(24)	(14)	123	(296)	(173)
Nedcor Unit Trusts and Portfolio Management		42	(41)	1	519	(506)	13
		189	(193)	(4)	2,334	(2,382)	(48)
		684	(554)	130	8,448	(6,840)	1,608

For 2003 the results of Nedcor Unit Trusts and Portfolio Management businesses have been reclassified from banking activities. The Selestia investment platform has been included for the first time as asset management business as a result of growth in this business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

5 SEGMENTAL ANALYSIS continued

5(c)(i) Asset management continued	Note	£m			Rm		
		Revenue	Expenses	Adjusted operating profit	Revenue	Expenses	Adjusted operating profit
Year to 31 December 2002							
South Africa							
Fund management							
Old Mutual Asset Managers		25	(12)	13	394	(189)	205
Old Mutual Unit Trusts		16	(13)	3	252	(205)	47
Other		14	(11)	3	221	(174)	47
		55	(36)	19	867	(568)	299
Other financial services		25	(16)	9	395	(253)	142
		80	(52)	28	1,262	(821)	441
US asset management	5(c)(ii)	373	(278)	95	5,889	(4,389)	1,500
UK & Rest of World							
Fund management		40	(42)	(2)	631	(663)	(32)
Private client – Gerrard		119	(115)	4	1,879	(1,816)	63
Other financial services		98	(98)	–	1,547	(1,547)	–
		257	(255)	2	4,057	(4,026)	31
		710	(585)	125	11,208	(9,236)	1,972

5(c)(ii) US asset management	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Revenue				
Investment management fees	304	337	3,754	5,321
Transaction, performance and other fees	43	36	531	568
	347	373	4,285	5,889
Expenses				
Remuneration expenses	117	134	1,445	2,116
Other expenses	149	144	1,840	2,273
	266	278	3,285	4,389
Adjusted operating profit	81	95	1,000	1,500

5 SEGMENTAL ANALYSIS continued

	Notes	£m			Rm		
		South Africa	UK and Rest of World	Total	South Africa	UK and Rest of World	Total
5(d) Banking							
(i) Banking adjusted operating profit							
Year to 31 December 2003							
Interest receivable		2,156	114	2,270	26,619	1,411	28,030
Interest payable		(1,643)	(80)	(1,723)	(20,295)	(981)	(21,276)
Net interest income		513	34	547	6,324	430	6,754
Dividend income		12	–	12	150	2	152
Fees and commissions receivable		396	19	415	4,891	229	5,120
Fees and commissions payable		(36)	(2)	(38)	(445)	(28)	(473)
Net other operating income		157	14	171	1,946	172	2,118
Total operating income		1,042	65	1,107	12,866	805	13,671
Specific and general provisions charge	26(d)	(232)	(2)	(234)	(2,868)	(18)	(2,886)
Net income		810	63	873	9,998	787	10,785
Operating expenses		(824)	(65)	(889)	(10,169)	(807)	(10,976)
		(14)	(2)	(16)	(171)	(20)	(191)
Share of associated undertakings' profit		4	6	10	53	68	121
Adjusted operating (loss)/ profit		(10)	4	(6)	(118)	48	(70)
Year to 31 December 2002							
Interest receivable		1,372	142	1,514	21,661	2,242	23,903
Interest payable		(1,003)	(108)	(1,111)	(15,835)	(1,705)	(17,540)
Net interest income		369	34	403	5,826	537	6,363
Dividend income		11	–	11	174	–	174
Fees and commissions receivable		261	45	306	4,121	710	4,831
Fees and commissions payable		(9)	(2)	(11)	(142)	(32)	(174)
Net other operating income		112	21	133	1,768	332	2,100
Total operating income		744	98	842	11,747	1,547	13,294
Specific and general provisions charge	26(d)	(87)	(1)	(88)	(1,374)	(16)	(1,390)
Net income		657	97	754	10,373	1,531	11,904
Operating expenses		(497)	(46)	(543)	(7,847)	(726)	(8,573)
		160	51	211	2,526	805	3,331
Share of associated undertakings' profit		5	5	10	79	79	158
Adjusted operating profit		165	56	221	2,605	884	3,489

Operating expenses include translation losses of £110 million (R1,356 million) (2002: £64 million (R1,011 million)).

There are no banking operations in the United States.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

5 SEGMENTAL ANALYSIS continued

5(d) Banking continued

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
(ii) Nedcor restructuring and integration costs				
Costs before tax and minority interests	32	14	394	227
Tax	(6)	(1)	(74)	(23)
Costs after tax and before minority interests	26	13	320	204
Minority interests	(13)	(6)	(160)	(100)
Costs after tax and minority interests	13	7	160	104

All costs charged for the year to 31 December 2003 were incurred following the acquisition of BoE during 2002. For the year to 31 December 2002, the above costs include £8 million (R118 million) incurred for the closure and restructuring costs of Permanent Bank's deposit taking activities and infrastructure.

	£m	Rm
	Year to 31 December 2003	Year to 31 December 2003
(iii) Change in credit provisioning methodology		
Charge before tax and minority interests	87	1,074
Tax	(26)	(322)
Charge after tax and before minority interests	61	752
Minority interests	(30)	(376)
Charge after tax and minority interests	31	376

During the year, the Group's banking subsidiary, Nedcor Limited, implemented a revised methodology for the calculation of credit provisions for loans and advances in accordance with changes to local reporting requirements (AC133: "Financial Instruments – Recognition and Measurement"). The revised methodology requiring the discounting of future cash flows on advances is acceptable under UK GAAP reporting and has therefore been adopted in preparation of the Group's financial statements, resulting in a one-off increase in opening specific provisions due to the discounting effect. Further investigation of the transitional adjustment following publication of the 2003 interim results has resulted in an increased charge of £9 million (R111 million).

This adjustment has been taken to the profit and loss account in the Group's financial statements, but excluded from adjusted operating profit.

5 SEGMENTAL ANALYSIS continued

		£m		Rm	
	Notes	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
5(e) Other technical income, net of reinsurance					
(i) General insurance technical account					
Earned premiums, net of reinsurance					
Premiums written, net of reinsurance					
Gross premiums written		526	355	6,486	5,603
Outward reinsurance premiums		(72)	(45)	(888)	(717)
		454	310	5,598	4,886
Change in the provision for unearned premiums, net of reinsurance					
Gross amount		11	(13)	136	(212)
Reinsurers' share		(5)	8	(59)	132
		6	(5)	77	(80)
		460	305	5,675	4,806
Allocated investment return transferred from the non-technical account	8(a)	47	35	580	554
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(329)	(234)	(4,064)	(3,682)
Reinsurers' share		28	18	347	275
		(301)	(216)	(3,717)	(3,407)
Change in the provision for claims, net of reinsurance					
Gross amount		(32)	(20)	(396)	(312)
Reinsurers' share		11	7	145	112
		(21)	(13)	(251)	(200)
		(322)	(229)	(3,968)	(3,607)
Net operating expenses	9	(112)	(76)	(1,378)	(1,197)
Adjusted operating profit		73	35	909	556

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

5 SEGMENTAL ANALYSIS continued

5(e) Other technical income, net of reinsurance continued	£m			Rm		
	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Adjusted operating profit	Earned premiums net of reinsurance	Claims incurred net of reinsurance	Adjusted operating profit
(ii) General insurance result by class of business						
Year to 31 December 2003						
Commercial	185	(123)	17	2,284	(1,516)	216
Corporate	17	(13)	(1)	210	(156)	(15)
Personal lines	206	(150)	6	2,543	(1,853)	75
Risk financing	52	(36)	4	637	(442)	53
	<u>460</u>	<u>(322)</u>	<u>26</u>	<u>5,674</u>	<u>(3,967)</u>	<u>329</u>
Long term investment return			47			580
			<u>73</u>			<u>909</u>
Year to 31 December 2002						
Commercial	125	89	3	1,968	1,400	40
Corporate	15	11	(2)	234	180	(28)
Personal lines	145	111	(1)	2,284	1,747	(8)
Risk financing	20	18	–	320	280	(2)
	<u>305</u>	<u>229</u>	<u>–</u>	<u>4,806</u>	<u>3,607</u>	<u>2</u>
Long term investment return			35			554
			<u>35</u>			<u>556</u>

(iii) Other technical income

Other technical income principally consists of fees earned in respect of South African policyholders' funds and fees earned for healthcare administration.

5(f) Other shareholders' income / expenses	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Net other income	1	13	12	205
Net corporate expenses	(41)	(35)	(506)	(552)
Other shareholders' income / expenses	<u>(40)</u>	<u>(22)</u>	<u>(494)</u>	<u>(347)</u>

Net corporate expenses include £5 million (R62 million) in connection with the International Financial Reporting Standards conversion project.

5 SEGMENTAL ANALYSIS continued

	£m				Rm			
	South Africa	United States	UK and Rest of World	Total	South Africa	United States	UK and Rest of World	Total
5(g) Net assets								
At 31 December 2003								
Life assurance	1,172	1,012	69	2,253	13,990	12,080	823	26,893
Asset management	145	900	240	1,285	1,731	10,743	2,865	15,339
Banking	224	–	273	497	2,674	–	3,259	5,933
General insurance	115	–	–	115	1,373	–	–	1,373
Other	–	–	(127)	(127)	–	–	(1,516)	(1,516)
	1,656	1,912	455	4,023	19,768	22,823	5,431	48,022
Debt				(749)				(8,941)
Preferred securities				(411)				(4,906)
Net assets				2,863				34,175
At 31 December 2002								
Life assurance	833	851	71	1,755	11,508	11,756	981	24,245
Asset management	100	1,005	322	1,427	1,381	13,883	4,449	19,713
Banking	541	–	89	630	7,473	–	1,230	8,703
General insurance	78	–	–	78	1,077	–	–	1,077
Other	(19)	–	(158)	(177)	(261)	–	(2,183)	(2,444)
	1,533	1,856	324	3,713	21,178	25,639	4,477	51,294
Debt				(1,189)				(16,426)
Net assets				2,524				34,868

Preference shares issued by the Group's banking subsidiary are included within banking net assets. US\$750 million cumulative preferred securities have been separately identified and shown net of unamortised issue costs and undistributed profits due to minority interests.

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
5(h) Banking business average assets				
Nedbank Corporate	10,790	7,688	133,245	121,370
Imperial Bank	864	453	10,674	7,157
Nedbank Capital	13,692	5,544	169,080	87,530
Nedbank Retail and Wealth	6,496	4,484	80,222	70,788
Peoples Bank	1,183	619	14,612	9,770
Shared services	1,145	706	14,145	11,148
Capital management and central funding	2,868	1,597	35,412	25,221
Inter-segment eliminations and other adjustments	(13,472)	(6,572)	(166,366)	(103,764)
	23,566	14,519	291,024	229,220
Average interest-earning assets	18,515	13,347	228,637	210,724
		%		%
Net interest margin (based on average assets)	2.95	3.02	2.95	3.02

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

5 SEGMENTAL ANALYSIS continued

5(i) Funds under management	£m				Rm			
	South Africa	United States	UK and Rest of World	Total	South Africa	United States	UK and Rest of World	Total
At 31 December 2003								
Investments including assets held to cover linked liabilities	19,437	8,317	1,539	29,293	232,012	99,278	18,371	349,661
SA asset management								
Fund management								
Old Mutual Asset Managers	5,378	–	–	5,378	64,196	–	–	64,196
Old Mutual Unit Trusts	293	–	–	293	3,497	–	–	3,497
Other financial services	5,671	–	–	5,671	67,693	–	–	67,693
Nedcor Unit Trusts	697	–	–	697	8,320	–	–	8,320
Nedcor Portfolio Management	865	–	–	865	10,325	–	–	10,325
	2,771	–	–	2,771	33,077	–	–	33,077
	10,004	–	–	10,004	119,415	–	–	119,415
US asset management	–	72,532	5,895	78,427	–	865,793	70,367	936,160
UK and Rest of World asset management								
Fund management	–	–	2,027	2,027	–	–	24,196	24,196
Selestia investment platform*	–	–	213	213	–	–	2,543	2,543
Other financial services	–	–	345	345	–	–	4,118	4,118
Nedcor Unit Trusts	–	–	707	707	–	–	8,439	8,439
Nedcor Portfolio Management	–	–	4,210	4,210	–	–	50,254	50,254
	–	–	7,502	7,502	–	–	89,550	89,550
Total funds under management	29,441	80,849	14,936	125,226	351,427	965,071	178,288	1,494,786

*This represents funds placed by the Selestia investment platform, which have been included in 2003 as a result of growth in this business.

5 SEGMENTAL ANALYSIS continued

5(i) Funds under management continued	£m				Rm			
	South Africa	United States	UK and Rest of World	Total	South Africa	United States	UK and Rest of World	Total
At 31 December 2002								
Investments including assets held to cover linked liabilities (restated)	13,706	6,793	3,058	23,557	189,337	93,839	42,243	325,419
SA asset management								
Fund management								
Old Mutual Asset Managers	4,159	–	–	4,159	57,452	–	–	57,452
Old Mutual Unit Trusts	147	–	–	147	2,031	–	–	2,031
Other financial services	4,306	–	–	4,306	59,483	–	–	59,483
Nedcor Unit Trusts	318	–	–	318	4,393	–	–	4,393
Nedcor Portfolio Management	633	–	712	1,345	8,744	–	9,836	18,580
	3,845	310	3,501	7,656	53,115	4,282	48,363	105,760
	9,102	310	4,213	13,625	125,735	4,282	58,199	188,216
US asset management	–	66,445	5,875	72,320	–	917,878	81,158	999,036
UK and Rest of World asset management								
Fund management	–	–	1,492	1,492	–	–	20,610	20,610
Other financial services	–	–	310	310	–	–	4,282	4,282
	–	–	1,802	1,802	–	–	24,892	24,892
UK Private client – Gerrard	–	–	12,030	12,030	–	–	166,184	166,184
Total funds under management	22,808	73,548	26,978	123,334	315,072	1,015,999	372,676	1,703,747

6 INVESTMENT INCOME

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Technical account – long term business				
Income from investment properties	50	30	617	474
Income from other financial investments	1,345	1,044	16,609	16,487
Gains on the realisation of investments	589	643	7,273	10,152
	1,984	1,717	24,499	27,113
Non-technical account – insurance and asset management businesses				
Income from other financial investments	34	42	420	663
Gains on the realisation of investments	7	3	86	47
	41	45	506	710

Restatement of investment income

As described in note 1, in accordance with UITF Abstract 37 “Purchases and Sales of Own Shares”, investment income on shares in the Company held in policyholders’ funds are no longer included in income from other financial investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

7 INVESTMENT EXPENSES AND CHARGES

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Technical account – long term business				
Interest payable	7	7	86	111
Investment management expenses	27	26	333	410
	34	33	419	521
Non-technical account – insurance and asset management businesses				
Interest payable	33	48	408	758
Other finance costs	15	10	185	158
	48	58	593	916

8 INSURANCE LONG TERM INVESTMENT RETURN ON SHAREHOLDERS' FUNDS

As permitted by the ABI SORP, balances on the long term business and general business technical accounts are stated after allocating an investment return earned by the insurance businesses, based on a long term investment return, to/from the non-technical account.

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

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

	Year to 31 December 2003	Year to 31 December 2002
South Africa and Namibian long term and general insurance businesses – weighted average return	13.4%	14.0%
Equities	14.0%	14.0%
Cash and other investible assets – Rand denominated	12.5%	*
Cash and other investible assets – other currencies	9.0%	*
United States	6.04%	6.46%

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

*Changes to the composition of investments have resulted in an increase in the cash and other investible assets held as a proportion of total investible assets in South Africa and Namibia resulting in a weighted average return being applied for 2003.

8 INSURANCE LONG TERM INVESTMENT RETURN ON SHAREHOLDERS' FUNDS continued

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
8(a) Analysis of short term fluctuations in investment return				
Long term business				
Actual investment return attributable to shareholders	326	56	4,026	883
Long term investment return credited to operating result	183	139	2,260	2,194
	143	(83)	1,766	(1,311)
General insurance business				
Actual investment return attributable to shareholders	51	(7)	630	(111)
Long term investment return credited to operating result	47	35	580	554
	4	(42)	50	(665)
Other income				
Actual investment return attributable to shareholders	(3)	34	(37)	537
Long term investment return credited to operating result	1	–	12	–
	(4)	34	(49)	537
Excess / (deficit) of actual return over longer term return	143	(91)	1,767	(1,439)

	£m		Rm	
	1999–2003	1998–2002	1999–2003	1998–2002
8(b) Five year comparison of long term investment return with actual investment return				
Long term business				
Actual investment return attributable to shareholders	1,400	894	15,614	9,952
Long term investment return credited to operating result	877	826	10,453	9,397
	523	68	5,161	555
General insurance business				
Actual investment return attributable to shareholders	414	277	4,419	3,015
Long term investment return credited to operating result	223	255	2,657	2,792
	191	22	1,762	223
Other income				
Actual investment return attributable to shareholders	113	116	1,289	1,326
Long term investment return credited to operating result	51	50	547	535
	62	66	742	791
Excess of actual return over longer term return	776	156	7,665	1,569

United States

The above table includes investment returns on the US life business since date of acquisition, 1 July 2001.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

9 NET OPERATING EXPENSES

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Long term business				
Acquisition costs	179	142	2,210	2,242
Administration expenses	319	204	3,939	3,221
	498	346	6,149	5,463
General insurance business				
Acquisition costs	78	49	958	771
Administration expenses	34	27	420	426
	112	76	1,378	1,197

10 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Profit on ordinary activities before tax is stated				
After crediting				
Aggregate rentals receivable under				
Finance leases	15	5	185	79
Operating leases	14	13	173	205
Income from listed investments	1,105	607	13,645	9,583
Gains on the disposal of investment securities – banking	18	8	222	126
	113	64	1,395	1,023
After charging				
Depreciation	53	58	654	916
Rental charges – operating leases and similar hire purchase	11	10	130	158
Auditors' remuneration				

10(a) Auditors' remuneration

Total fees payable to the Group's auditors:

Statutory audit services	4.5	3.5	56	60
Other audit and assurance services	3.5	2.4	43	38
	8.0	5.9	99	98
Tax services – advisory	0.4	0.5	5	8
– compliance	0.1	0.1	1	2
Other services	2.0	3.0	25	50
	10.5	9.5	130	158

Included in the above are audit fees payable by the Company of £0.4 million (R4.9 million) (2002: £0.2million (R3.2 million)). In addition to the above, fees of £1.6 million (R20 million) were payable to other auditors in respect of joint audit arrangements of certain banking subsidiaries.

11 LOSS ON DISPOSAL/WRITE-DOWN OF INVESTMENT IN DIMENSION DATA HOLDINGS PLC

During September and October 2003, the Group disposed of its entire holding in Dimension Data Holdings plc at an average price of R3.40 per share. The realised loss for the year on disposal was £5 million (R60 million) before minority interests of £2 million (R30 million). There was no associated tax benefit.

During 2001 and 2002, impairments in the carrying value of the Group's investment in Dimension Data Holdings plc were recognised, reflecting a market value of R4.02 per share at 31 December 2002 and R14.50 at 31 December 2001. The write-down for the year to 31 December 2002 was £68 million (R1,080 million) with an associated tax benefit of £11 million (R171 million).

Although these costs are exceptional in the context of their significance to the Group, the losses form part of banking operating profit/(loss) in the statutory financial statements.

12 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, share options, long term incentive plans and pension arrangements, for the year to 31 December 2003 is shown in the Remuneration Report on pages 40 to 50.

The interests of directors of the Company in shares of the Company and its quoted subsidiaries are shown in the Directors' Report on page 37.

At 31 December 2003, one director of the Company had a loan advance outstanding of £0.1 million (R1.0 million) (2002: 1 director, £0.1 million (R1.0 million)) with banking subsidiaries of the Group. This loan has been provided on normal commercial terms.

13 REMUNERATION EXPENSES

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
The aggregate remuneration payable in respect of employees during the year was:				
Wages and salaries	840	706	10,373	11,146
Social security costs	18	25	222	395
Pension costs	38	42	469	663
	896	773	11,064	12,204

13(a) Particulars of staff

The average number of persons employed by the Group during the year was:

	Year to 31 December 2003	Year to 31 December 2002
Life assurance	14,093	15,029
Asset management	3,942	5,960
Banking	23,252	22,278
General insurance	3,292	3,086
Other	110	109
	44,689	46,462

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

14 EMPLOYEE BENEFITS

14(a) Employee pension plans

The Group operates a number of pension schemes around the world. These schemes have been designed and are administered in accordance with local conditions and practices in the countries concerned and include both defined contribution and defined benefit schemes. The assets of these schemes are held in separate trustee administered funds. Pension costs and contributions relating to defined benefit schemes are assessed in accordance with the advice of qualified actuaries. Actuarial advice confirms that the current level of contributions payable to each pension scheme, together with existing assets, are adequate to secure members' benefits over the remaining service lives of participating employees. 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 last full actuarial valuations were performed for the various schemes between 1 July 2002 and 31 December 2003 and, in accordance with the transitional arrangements of FRS 17, have been updated on an FRS 17 basis by either internal or external actuaries at 31 December 2003. The major assumptions used in these valuations were:

	At 31 December 2003		At 31 December 2002		At 31 December 2001	
	South African schemes	UK schemes	South African schemes	UK schemes	South African schemes	UK schemes
Key assumptions						
Inflation assumption	5.0%	2.0–2.5%	6.5%	1.8–2.5%	6.5–7.0%	1.8–2.5%
Rate of increase in salaries	6.5%	4.0–4.5%	7.5–8.0%	3.5–4.5%	8.0–8.6%	3.8–4.5%
Rate of increase in pensions in payment	4.8%	2.0–3.0%	11.0%	1.8–3.1%	6.5%	1.8–3.0%
Discount rate	9.5%	5.3–5.5%	11.0–11.5%	5.5–6.5%	11.5–12.1%	5.8–6.0%

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of and expected return on the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Expected long term rate of return		£m	Rm
	South African schemes	UK schemes	Value of assets	Value of assets
At 31 December 2003				
Equities	12.5%	7.5%	103	1,229
Bonds	9.5%	4.8–5.5%	67	797
Insurance policies and annuities	9.5%	4.8–5.3%	155	1,850
Cash	7.5%	3.8–4.8%	4	48
Total market value of assets			329	3,924
Present value of liabilities			(324)	(3,867)
Net pension surplus			5	57

14 EMPLOYEE BENEFITS continued

	Expected long term rate of return		£m	Rm
	South African schemes	UK schemes	Value of assets	Value of assets
14(a) Employee pension plans continued				
At 31 December 2002				
Equities	12.0–14.0%	7.5%	103	1,423
Bonds	9.0–12.0%	4.5–5.5%	50	691
Insurance policies and annuities	12.0%	4.5–7.5%	123	1,699
Cash	10.0%	3.5–4.5%	20	276
Total market value of assets			296	4,089
Present value of liabilities			(299)	(4,130)
Net pension deficit			(3)	(41)
Associated deferred tax liability			(4)	(58)
Net pension deficit after deferred tax			(7)	(99)
At 31 December 2001				
Equities	12.0–13.5%	6.8–7.5%	93	1,621
Bonds	11.5–12.0%	4.0–5.0%	39	680
Insurance policies and annuities	11.5%	5.8%	86	1,499
Cash	9.5%	n/a	8	139
Property	12.0%	n/a	–	5
Total market value of assets			226	3,944
Present value of liabilities			(202)	(3,521)
Net pension surplus			24	423
Associated deferred tax liability			(1)	(16)
Net pension surplus after deferred tax			23	407

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

14 EMPLOYEE BENEFITS continued

14(a) Employee pension plans continued

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Movement during the year				
Net (deficit)/surplus in schemes at beginning of year	(3)	24	(41)	423
Disposed operations	12	–	148	–
Acquired operations	–	4	–	55
Contributions	4	4	49	55
Current service cost	(4)	(3)	(49)	(41)
Finance income				
Expected return on pension scheme assets	31	23	383	318
Interest on pension scheme liabilities	(28)	(18)	(346)	(249)
Actuarial loss	(13)	(46)	(161)	(635)
Foreign exchange translation	6	9	74	33
Net surplus/(deficit) in schemes at end of year	5	(3)	57	(41)

The actuarial loss for the year to 31 December 2003 represents 4.0 per cent. (2002: 15.4 per cent.) of the total present value of scheme liabilities. The actual return on pension scheme assets was £6 million (R75 million) less than the expected return, representing 1.8 per cent. of the total scheme assets. Experience gains arising on scheme liabilities were £2 million (R25 million), representing 0.6 per cent. of the total present value of scheme liabilities. Changes in the assumptions underlying the present value of scheme liabilities resulted in an actuarial loss of £9 million (R111 million).

At 31 December 2003, the provision for pension contributions included in other provisions and charges in the Group's balance sheet amounted to £53 million (R633 million) (2002: £19 million (R262 million)). The charges to the technical and non-technical accounts represent the regular pension cost, offset by the investment return on the surplus scheme assets, and variations from regular cost arising from the schemes' surplus being amortised on a straight-line basis over the average expected remaining service lives of current employees. An analysis of the charge is presented below.

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Regular cost	52	44	642	695
Variations from regular cost	(14)	(2)	(173)	(32)
Profit and loss charge	38	42	469	663

14 EMPLOYEE BENEFITS *continued*

14(b) Post retirement benefits

Certain Group subsidiary undertakings provide medical and mortgage bond benefits to qualifying employees beyond the date of retirement. The charge and related liability included in the Group's financial statements are presented below.

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Profit and loss charge	5	4	62	63
Provisions for other risks and charges	21	62	251	857

14(c) Employee share ownership plans (ESOPs)

The ESOPs currently in use are described in the Remuneration Report on pages 40 to 50.

Shares held by ESOP Trusts are recognised as current assets in the balance sheet and amortised over the vesting period.

The number and market value of the Company's ordinary shares held by ESOP Trusts at 31 December 2003 were 102 million (2002: 114 million) and £94 million (R1,122 million) (2002: £100 million (R1,381 million)) respectively.

15 TAX ON PROFIT ON ORDINARY ACTIVITIES

15(a) Technical account – long term business	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Current tax				
South Africa	162	92	2,000	1,452
United States	4	3	49	47
Rest of World	3	1	37	16
	169	96	2,086	1,515
Deferred tax	58	89	716	1,405
	227	185	2,802	2,920

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

15 TAX ON PROFIT ON ORDINARY ACTIVITIES continued

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
15(b) Non-technical account – insurance, asset management and banking businesses				
United Kingdom tax				
UK corporation tax	34	40	420	632
Double tax relief	(24)	(20)	(296)	(316)
	10	20	124	316
Overseas tax				
South Africa	33	51	408	805
United States	11	8	136	126
Rest of World	4	(1)	49	(16)
Secondary tax on companies (STC)	14	3	173	47
	62	61	766	962
Adjustment in respect of prior periods	(8)	(1)	(99)	(16)
Current tax for the year	64	80	791	1,262
Current tax attributable to shareholders' profits on long term business	127	38	1,568	596
Total current tax on ordinary activities	191	118	2,359	1,858
Deferred tax – non-technical account	(8)	17	(99)	272
Deferred tax attributable to shareholders' profits on long term business	58	89	716	1,405
Reported tax charge	241	224	2,976	3,535
The reported tax charge is analysed as follows:				
Adjusted operating profit	224	195	2,763	3,082
Write-down of investment in Dimension Data Holdings plc	–	(11)	–	(171)
Nedcor restructuring and integration costs	(6)	(1)	(74)	(23)
Change in credit provisioning methodology	(26)	–	(322)	–
Short term fluctuations	49	3	609	47
Non-operating items	–	38	–	600
	241	224	2,976	3,535
15(c) Reconciliation of tax charge				
Tax at UK rate of 30.0% (2002: 30.0%) on profit on ordinary activities before tax	133	128	1,644	2,011
Untaxed and low taxed income (including tax exempt investment return)	(113)	(64)	(1,395)	(1,010)
Disallowable expenditure	179	128	2,210	2,021
STC	14	3	173	47
Movement in deferred tax	(50)	(106)	(617)	(1,674)
Other	28	29	344	463
Current tax charge	191	118	2,359	1,858

16 PROFIT/(LOSS) FOR THE FINANCIAL YEAR

The Company's loss for the financial year before dividends payable was £100 million (R1,235 million) (2002: £59 million (R931 million)).

17 ACQUISITIONS AND DISPOSALS

17(a) Acquisitions

Sage Life (Bermuda) Ltd

During April 2003 the Group acquired 100% of the share capital of Sage Life (Bermuda) Ltd (now trading as OMNIA Life (Bermuda) Ltd), a specialist provider of customised and proprietary annuity products to non-US residents, for a nominal cash consideration. No goodwill was recognised on the acquisition.

17(b) Disposals (non-operating items)

Summary

The following gains and losses on the disposal of business operations have been disclosed as non-operating:

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
United States – asset management affiliates	(15)	35	(194)	558
United Kingdom – asset management subsidiaries	(17)	(61)	(210)	(963)
Rest of World – Old Mutual International (Isle of Man) Limited	–	20	–	317
Loss on disposal before tax	(32)	(6)	(404)	(88)
Tax – United States asset management affiliates	–	(38)	–	(600)
Loss on disposal after tax	(32)	(44)	(404)	(688)

United States – asset management affiliates

During the year the Group completed the sales of Rice Hall James & Associates, Northern Capital Management and Tom Johnson Investment Management Inc. The total consideration received was £9 million (R117 million). The loss realised on disposal was £15 million (R194 million) after charging goodwill attributable to the businesses of £20 million (R259 million). No tax was payable on the disposals due to the availability of previously unrecognised tax losses.

United Kingdom – asset management subsidiaries

On 31 October 2003, the Group sold Gerrard Management Services Limited and its subsidiaries for cash consideration of £210 million (R2,594 million). The loss realised on disposal was £3 million (R37 million) after charging goodwill attributable to the business of £139 million (R1,717 million). No tax was payable. Provisions of £24 million (R286 million) have been established in relation to the businesses sold.

During 2003 additional costs were incurred in connection with the completion of the sale of GNI Holdings Limited and other subsidiaries. These costs, totalling £14 million (R173 million), include obligations to former employees through their membership of the Group's pension schemes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

18 GOODWILL

	Note	£m		Rm	
		At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
At beginning of year		1,598	1,580	22,075	27,537
Additions arising on acquisitions in the period		–	245	–	3,872
Adjustments in respect of prior year acquisitions		81	5	1,000	79
Disposals	17(b)	(159)	(125)	(1,898)	(1,727)
Pilgrim Baxter & Associates revenue share adjustments		–	101	–	1,604
Amortisation and impairment for the year		(194)	(107)	(2,396)	(1,689)
Foreign exchange and other movements		(62)	(101)	(3,693)	(7,601)
At end of year		1,264	1,598	15,088	22,075
Represented by:					
Cost less impairments		1,508	1,825	18,001	25,211
Accumulated amortisation		(244)	(227)	(2,913)	(3,136)
		1,264	1,598	15,088	22,075
Analysed between:					
Life assurance		75	84	895	1,160
Asset management		863	1,187	10,301	16,397
General insurance		12	12	143	166
Banking		314	315	3,749	4,352
		1,264	1,598	15,088	22,075

Amortisation and impairment for the year

The total goodwill amortisation and impairment charge for the year of £206 million (R2,544 million) (2002: £120 million (R1,895 million)) comprises £146 million (R1,803 million) (2002: £25 million (R395 million)) attributable to banking businesses and £60 million (R741 million) (2002: £95 million (R1,500 million)) attributable to insurance and other businesses. Of this total charge, £194 million (R2,396 million) (2002: £107 million (R1,689 million)) is disclosed above and £12 million (R148 million) (2002: £13 million (R206 million)) is disclosed within investments in associated undertakings (note 26(h)). The goodwill impairment charge of £124 million (R1,527 million) relating to the Group's banking subsidiaries includes £49 million (R600 million) relating to the acquisition of BoE Limited in 2002.

Adjustments in respect of prior year acquisitions

The increase in goodwill of £81 million (R1,000 million) includes £70 million (R865 million) in respect of BoE Limited and £11 million (R135 million) in respect of adjustments to considerations payable on other acquisitions. A review of the provisional fair value adjustments on the acquisition of BoE Limited has been performed. Additional fair value adjustments have been made which include a £47 million (R583 million) increase in tax provisions and a £10 million (R118 million) write down in the value of certain investments.

	£m		Rm	
	Provisional fair value to Group	Fair value adjustments	Revised fair value to Group	Revised fair value to Group
Cash and balances at central banks	115	–	115	1,833
Treasury bills and other eligible bills	197	–	197	3,114
Loans and advances to banks	109	–	109	1,723
Loans and advances to customers	2,281	–	2,281	36,162
Other investment securities	714	–	714	11,323
All other assets	405	(14)	391	6,271
Deposits by banks	(580)	–	(580)	(9,195)
Customer accounts	(1,941)	–	(1,941)	(30,761)
All other liabilities	(1,029)	(56)	(1,085)	(16,982)
Net assets acquired	271	(70)	201	3,488
Consideration satisfied by:				
Cash			391	6,199
Ordinary shares			84	1,339
Acquisition costs			10	159
			485	7,697
Revised goodwill arising on acquisition			284	4,209

19 LAND AND BUILDINGS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Insurance and other assets				
Market value				
At beginning of year	600	586	8,288	10,213
Net (disposals) / additions	(33)	(15)	(408)	(237)
Market value movements	51	(62)	630	(979)
Foreign exchange and other movements	59	91	(429)	(709)
At end of year	677	600	8,081	8,288
All insurance and other land and buildings are freehold. No land and buildings are occupied for own use.				
Banking				
Cost				
At beginning of year	138	80	1,903	1,392
Additions from acquired operations	–	28	–	442
Net (disposals) / additions	(4)	5	(49)	79
Foreign exchange and other movements	30	25	104	(10)
At end of year	164	138	1,958	1,903
Accumulated depreciation				
At beginning of year	(7)	–	(97)	–
Acquired operations	–	(3)	–	(39)
Charge for year	(9)	(6)	(111)	(84)
Foreign exchange and other movements	(7)	2	(67)	26
At end of year	(23)	(7)	(275)	(97)
Net book value				
At end of year	141	131	1,683	1,806
Freehold	134	125	1,600	1,727
Long and short leasehold	7	6	83	79
	141	131	1,683	1,806
Net book value of land and buildings occupied for own use	141	109	1,683	1,506
Market value				
Freehold	150	144	1,791	1,989
Long and short leasehold	7	5	84	69
	157	149	1,875	2,058
Market value of land and buildings occupied for own use	157	126	1,875	1,741

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

20 INSURANCE AND OTHER ASSETS – OTHER FINANCIAL INVESTMENTS

	£m		Rm	
	At 31 December 2003	At 31 December 2002 (Restated)	At 31 December 2003	At 31 December 2002 (Restated)
Market value				
Shares and other variable yield securities and units in unit trusts	8,083	6,480	96,484	89,517
Debt securities and other fixed income securities	12,406	10,301	148,087	142,299
Other loans	782	376	9,334	5,194
Deposits with credit institutions	886	961	10,576	13,275
Other investments	599	522	7,150	7,211
	22,756	18,640	271,631	257,496
Market value of other financial investments listed on recognised stock exchanges included above	18,732	15,030	223,598	133,476
Cost				
Shares and other variable yield securities and units in unit trusts	5,534	5,632	66,058	77,801
Debt securities and other fixed income securities	11,420	9,705	136,317	134,066
Other loans	770	374	9,191	5,166
Deposits with credit institutions	855	941	10,206	12,999
Other investments	470	455	5,610	6,285
	19,049	17,107	227,382	236,317
Assets held to cover linked liabilities				
Market value	5,860	4,317	69,949	59,635
Cost	5,584	4,044	66,655	55,864

21 DEBTORS ARISING FROM DIRECT INSURANCE OPERATIONS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Amounts owed by policyholders	99	35	1,182	483
Amounts owed by intermediaries	10	68	119	939
Outstanding securities realised	18	9	215	124
Other	98	67	1,170	926
	225	179	2,686	2,472

22 TANGIBLE FIXED ASSETS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Insurance and other assets				
Computer and other equipment, fixtures and vehicles				
Cost				
At beginning of year	201	185	2,777	3,224
Disposed operations	(27)	(35)	(333)	(553)
Additions	44	57	543	900
Disposals	(59)	(40)	(729)	(632)
Foreign exchange and other movements	55	34	296	(162)
At end of year	214	201	2,554	2,777
Accumulated depreciation				
At beginning of year	(104)	(83)	(1,437)	(1,446)
Disposed operations	22	22	272	347
Charge for year	(32)	(27)	(395)	(426)
Disposals	37	12	457	189
Foreign exchange and other movements	(56)	(28)	(485)	(101)
At end of year	(133)	(104)	(1,588)	(1,437)
Net book value				
At end of year	81	97	966	1,340
Banking				
Computer and other equipment, fixtures and vehicles				
Cost				
At beginning of year	354	205	4,890	3,573
Acquired operations	–	85	–	1,342
Additions	78	87	963	1,374
Disposals	(31)	(26)	(383)	(410)
Foreign exchange and other movements	100	3	510	(989)
At end of year	501	354	5,980	4,890
Accumulated depreciation				
At beginning of year	(196)	(94)	(2,708)	(1,638)
Acquired operations	–	(59)	–	(931)
Charge for year	(72)	(32)	(889)	(518)
Disposals	21	19	259	300
Foreign exchange and other movements	(33)	(30)	(4)	79
At end of year	(280)	(196)	(3,342)	(2,708)
Net book value				
At end of year	221	158	2,638	2,182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

23 PRESENT VALUE OF ACQUIRED IN-FORCE BUSINESS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Cost				
At beginning of year	307	341	4,241	5,949
Foreign exchange and other movements	(28)	(34)	(911)	(1,708)
At end of year	279	307	3,330	4,241
Amortisation for the year				
At beginning of year	(52)	(16)	(718)	(285)
Amortisation for the year	(41)	(41)	(506)	(647)
Foreign exchange and other movements	8	5	209	214
At end of year	(85)	(52)	(1,015)	(718)
Net book value	194	255	2,315	3,523

24 OTHER ASSETS

	Notes	£m		Rm	
		At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Insurance and other assets					
Deferred tax asset	24(a)	253	323	3,020	4,462
Other		79	55	943	760
		332	378	3,963	5,222
Banking					
Customer indebtedness for acceptances		70	81	836	1,119
Deferred tax asset	24(c)	256	50	3,056	691
Derivative contracts – positive value	46(e)	1,720	1,928	20,531	26,634
Other		350	36	4,179	497
		2,396	2,095	28,602	28,941

Other assets include £1,720 million (R20,531 million) (2002: £1,928 million (R26,364 million)) that reflects the positive value of on-balance sheet trading derivative instruments. The negative value of these contracts is included within other liabilities.

24 OTHER ASSETS continued

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
24(a) Deferred tax asset – insurance and other assets				
At beginning of year	323	278	4,462	4,845
Additions from acquired operations	–	31	–	489
Disposed operations	–	(24)	–	(379)
Net credit/(charge) for the year	4	(21)	49	(332)
Foreign exchange and other movements	(74)	59	(1,491)	(161)
At end of year	253	323	3,020	4,462
The deferred tax asset arises as a result of:				
Insurance funds	69	50	824	691
Unrelieved tax losses	23	20	275	276
Accelerated capital allowances	47	85	561	1,174
Short term timing differences	114	168	1,360	2,321
	253	323	3,020	4,462

The recovery of £253 million (R3,020 million) (2002: £163 million (R1,946 million)) of the total deferred tax asset above is dependent upon future taxable profits.

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
24(b) Deferred tax asset, unrecognised – insurance and other assets				
Unrelieved tax losses	71	43	848	594
Accelerated capital allowances	44	1	525	14
Insurance funds	3	–	36	–
Short term timing differences	15	3	179	41
	133	47	1,588	649

The unrecognised deferred tax assets will be recognised when appropriate taxable profits are reasonably expected to arise in the relevant jurisdictions.

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
24(c) Deferred tax asset – banking				
At beginning of year	50	5	691	87
Additions from acquired operations	–	31	–	489
Net credit for the year	7	3	86	47
Foreign exchange and other movements	199	11	2,279	68
At end of year	256	50	3,056	691
The deferred tax asset arises as a result of:				
Unrelieved tax losses	189	19	2,251	262
Short term timing differences	7	9	80	124
Other timing differences	60	22	725	305
	256	50	3,056	691

There were no unrecognised banking deferred tax assets at 31 December 2003 (2002: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

25 DEFERRED ACQUISITION COSTS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
At beginning of year	284	66	3,924	1,147
Arising on policies written during the year	214	256	2,643	4,042
Amortisation	(30)	(18)	(370)	(284)
Foreign exchange and other movements	(41)	(20)	(1,100)	(981)
At end of year	427	284	5,097	3,924
Analysed between:				
Life assurance	420	277	5,013	3,827
General insurance	7	7	84	97
	427	284	5,097	3,924

26 BANKING ASSETS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
26(a) Treasury bills and other eligible bills				
Investment securities				
Treasury bills and similar securities	792	670	9,454	9,255
Other eligible bills	31	253	370	3,495
	823	923	9,824	12,750
Other securities	65	162	776	2,237
	888	1,085	10,600	14,987
The movement in the book value of Treasury bills and other eligible bills held for investment purposes was as follows:				
At beginning of year	923	646	12,750	11,259
Additions from acquired operations	–	181	–	2,494
Additions	1,173	456	14,484	7,203
Disposals	(1,367)	(412)	(16,880)	(6,505)
Foreign exchange and other movements	94	52	(530)	(1,701)
At end of year	823	923	9,824	12,750

Investment securities are those intended for use on a continuing basis in the activities of the Group and not for dealing purposes. The market value of Treasury bills and other eligible bills at 31 December 2003 was £857 million (R10,228 million) (2002: £883 million (R12,189 million)).

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
26(b) Loans and advances to banks				
Remittances in transit	18	3	215	41
Other loans and advances to banks	2,074	1,225	24,757	16,922
	2,092	1,228	24,972	16,963
Maturity profile				
Repayable on demand	1,711	938	20,424	12,965
Repayable within one year but not on demand	381	290	4,548	3,998
	2,092	1,228	24,972	16,963

26 BANKING ASSETS continued

	Notes	£m		Rm	
		At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
26(c) Loans and advances to customers					
Advances secured on residential properties		4,738	3,732	56,556	51,554
Leases and instalment debtors		2,967	1,783	35,416	24,631
Factoring accounts		54	29	645	401
Preference shares and debentures		511	376	6,100	5,194
Other loans and overdrafts		6,324	6,263	75,488	86,518
Loans granted under resale agreements		9	379	107	5,236
Other		1,132	766	13,512	10,580
Total loans and advances before provisions	26(e)	15,735	13,328	187,824	184,114
Provision for bad and doubtful debts	26(d)	(599)	(474)	(7,150)	(6,548)
Loans and advances to customers after provisions		15,136	12,854	180,674	177,566
Maturity profile					
Repayable on demand or at short notice		4,435	3,541	52,939	48,913
Three months or less but not repayable on demand or at short notice		1,859	1,050	22,190	14,502
One year or less but over three months		1,121	1,057	13,381	14,600
Five years or less but over one year		4,754	3,944	56,747	54,492
Over five years		3,566	3,736	42,567	51,607
Provision for bad and doubtful debts		(599)	(474)	(7,150)	(6,548)
Loans and advances to customers after provisions		15,136	12,854	180,674	177,566
26(d) Loans and advances to customers – provision for bad and doubtful debts					
Non-performing loans					
Value of non-performing loans before specific provisions		695	579	8,299	7,998
Specific provisions		(542)	(350)	(6,470)	(4,835)
Value of non-performing loans after specific provisions		153	229	1,829	3,163
Specific provisions					
At beginning of year		350	201	4,835	3,503
Additions from acquired operations		–	76	–	1,200
Charge to profit and loss account		321	118	3,956	1,863
Amounts written off in year		(185)	(140)	(2,289)	(2,210)
Recoveries of advances written off in previous years		(8)	–	(98)	–
Foreign exchange and other movements		64	95	66	479
At end of year		542	350	6,470	4,835
General provisions					
At beginning of year		124	95	1,713	1,656
Additions from acquired operations		–	30	–	467
Charge/(credit) to profit and loss account		8	(30)	102	(473)
Amounts written off in year		(96)	–	(1,181)	–
Foreign exchange and other movements		21	29	46	63
At end of year		57	124	680	1,713
Total provision for bad and doubtful debts		599	474	7,150	6,548

As set out in note 5(d)(iii), the charge to the profit and loss account for specific provisions for the year to 31 December 2003 includes £87 million (R1,074 million) attributable to the change in credit provisioning methodology.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

26 BANKING ASSETS continued

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
26(e) Loans and advances to customers – concentrations of exposure				
Loans and advances before provisions				
Individuals	7,236	5,527	86,374	76,351
Manufacturing	591	1,131	7,055	15,624
Asset management, insurance and real estate	3,930	3,508	46,911	48,460
Other industries	3,978	3,162	47,484	43,679
Loans and advances to customers before provisions	15,735	13,328	187,824	184,114
Specific provisions				
Individuals	153	15	1,826	207
Manufacturing	10	3	119	41
Asset management, insurance and real estate	47	91	561	1,257
Other industries	332	241	3,964	3,330
Specific provisions against loans and other advances to customers	542	350	6,470	4,835

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
26(f) Debt securities				
Book value				
Investment securities				
Government securities	1,254	708	14,969	9,780
Other public sector securities	70	61	836	843
Private sector securities	70	144	836	1,989
	1,394	913	16,641	12,612
Other securities				
Government securities	3	141	36	1,938
Other public sector securities	–	7	–	97
Private sector securities	23	–	275	–
	26	148	311	2,035
	1,420	1,061	16,952	14,647

The market value of debt securities at 31 December 2003 was £1,437 million (R17,149 million) (2002: £1,070 million (R14,775 million)).

Maturity profile – book value

Due within one year	198	127	2,363	1,754
Due one year and over	1,222	934	14,589	12,893
	1,420	1,061	16,952	14,647

Investment securities analysed by listing status

Listed	1,368	898	16,329	12,405
Unlisted	26	15	312	207
	1,394	913	16,641	12,612

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

At beginning of year	913	639	12,612	11,150
Additions	732	1,375	9,039	21,708
Disposals	(331)	(1,242)	(4,087)	(19,608)
Foreign exchange and other movements	80	141	(923)	(638)
At end of year	1,394	913	16,641	12,612

26 BANKING ASSETS continued

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
26(g) Equity securities and other variable yield securities				
Book value				
Investment securities				
Listed on recognised investment exchanges	52	446	621	6,161
Unlisted	265	519	3,163	7,170
	317	965	3,784	13,331
Market value				
Investment securities				
Listed on recognised investment exchanges	43	447	514	6,175
Unlisted	263	517	3,132	7,142
	306	964	3,646	13,317

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

At beginning of year	965	225	13,331	3,921
Additions from acquired operations	–	715	–	11,285
Additions	23	–	285	–
Disposals	(61)	(51)	(754)	(805)
Reclassification*	(639)	–	(7,891)	–
Foreign exchange and other movements	29	76	(1,187)	(1,070)
At end of year	317	965	3,784	13,331

*Reclassification of equity securities as investments held to cover linked liabilities.

	Note	£m		Rm	
		At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
26(h) Investment in associated undertakings					
At beginning of year		124	118	1,713	2,057
Share of associated undertakings' retained profit		14	7	173	111
Net acquisition of interests		19	3	235	47
Goodwill amortisation	18	(12)	(13)	(148)	(206)
Foreign exchange and other movements		(1)	9	(254)	(296)
At end of year		144	124	1,719	1,713

27 EQUITY SHAREHOLDERS' FUNDS *continued*

On 6 March 2003, the Company placed 50 million new ordinary shares raising £37 million (R457 million) to help fund the second fixed instalment of the payments due to the former principals of Pilgrim Baxter & Associates, Ltd under the restructuring agreement announced on 14 March 2002.

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 Employee Share Ownership Plans (ESOPs), where the right to dividends have been waived. The book value of the Company's shares held by ESOP Trusts at 31 December 2003 was £109 million (R1,301 million) (2002: £115 million (R1,589 million)).

Restatement of equity shareholders' funds

As described in note 1, in accordance with UITF Abstract 37 "Purchases and Sales of Own Shares", shares in the Company held in policyholders' funds previously included within "Other financial investments" are now accounted for as a deduction in arriving at equity shareholders' funds.

28 COMPANY RESERVES – PROFIT AND LOSS ACCOUNT

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
At beginning of year	419	532	5,787	9,275
Retained loss for the year	(175)	(129)	(2,161)	(2,037)
Foreign exchange movements taken directly to reserves	–	16	(713)	(1,451)
At end of year	244	419	2,913	5,787

Distributable reserves of the Company at 31 December 2003 were £244 million (R2,913 million) (2002: £419 million (R5,787 million)).

29 MINORITY INTERESTS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
29(a) Equity interests				
At beginning of year	783	565	10,816	9,847
Minority interests' share of (loss) / profit	(117)	44	(1,445)	695
Minority interests' share of dividends paid	(61)	(43)	(753)	(679)
Net (disposal) / acquisition of interests	(41)	106	(506)	1,674
Foreign exchange and other movements	88	111	(329)	(721)
At end of year	652	783	7,783	10,816

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Reconciliation of minority interests share of (loss) / profit				
The minority interest (credit) / charge is analysed as follows:				
Adjusted operating profit	7	113	96	1,780
Amortisation and impairment of goodwill	(78)	(16)	(963)	(245)
Loss on disposal / write-down of investment in Dimension Data Holdings plc	(2)	(28)	(30)	(442)
Nedcor restructuring and integration costs	(13)	(6)	(160)	(100)
Change in credit provisioning methodology	(30)	–	(376)	–
Short term fluctuations	(1)	(19)	(12)	(298)
Reported (credit) / charge	(117)	44	(1,445)	695

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

29 MINORITY INTERESTS continued

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
29(b) Non-equity interests				
R2,000 million non-cumulative preference shares (banking subsidiary) ¹	168	145	2,000	2,000
R825 million non-cumulative preference shares (banking subsidiary) ²	69	–	825	–
US\$750 million cumulative preferred securities ³	421	–	5,020	–
Other (general insurance subsidiary) ⁴	3	–	36	–
	661	145	7,881	2,000
Unamortised issue costs	(12)	(1)	(143)	(8)
Undistributed profits due to minority interests	9	–	116	–
	658	144	7,854	1,992

¹During 2002, Nedbank Limited (Nedbank), a banking subsidiary of the Group, issued 200 million R10 preference shares. These shares are non-redeemable and non-cumulative and pay a cash dividend equivalent to 75 per cent. of the prime overdraft interest rate of Nedbank. Preference shareholders are only entitled to vote during periods when a dividend or any part of it remains unpaid after the due date for payment and when resolutions are proposed that directly affect any rights attaching to the shares or the rights of the holders. Preference shareholders will be entitled to receive their dividends in priority to any payment of dividends made in respect of any other class of Nedbank's shares.

²During November 2003, Nedbank issued 82.5 million R10 preference shares. These shares are non-redeemable and non-cumulative and pay a cash dividend equivalent to 75 per cent. of the prime overdraft interest rate of Nedbank. Preference shareholders are only entitled to vote during periods when a dividend or any part of it remains unpaid after the due date for payment and when resolutions are proposed that directly affect any rights attaching to the shares or the rights of the holders. Preference shareholders will be entitled to receive their dividends in priority to any payment of dividends made in respect of any other class of Nedbank's shares.

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

⁴The Group has a general insurance subsidiary which offers clients a share of underwriting surpluses which accrue in respect of certain policies. The share of underwriting surpluses arising to the clients is payable in the form of preference share dividends.

30 SUBORDINATED LIABILITIES

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Insurance and other liabilities				
Subordinated debt instruments are repayable:				
Within two years	15	18	179	249
Insurance and asset management subordinated debt instruments of the Group are as follows:				
£0.8 million repayable 31 July 2003 (base rate plus 2.0 per cent.)	–	1	–	14
US\$27.1 million repayable during 2004 (6.0 per cent.)	15	17	179	235
	15	18	179	249
Banking				
Subordinated debt instruments are repayable:				
Within two years	–	10	–	138
Between two and five years	67	–	806	–
After five years	581	511	6,939	7,059
	648	521	7,745	7,197
Banking subordinated debt instruments of the Group are as follows:				
R140 million repayable 15 May 2003 (14.4 per cent.)	–	10	–	140
US\$40 million repayable 17 April 2008 (6 month LIBOR)	22	25	265	346
R515 million repayable 4 December 2008 (13.5 per cent.)	45	17	541	239
US\$18 million repayable 31 August 2009 (6 month LIBOR less 1.5 per cent.)	10	12	119	154
R500 million repayable 30 September 2009 (3 month JIBOR plus 1.3 per cent.)	42	–	500	–
R2.0 billion repayable 20 September 2011 (11.3 per cent.)	173	149	2,064	2,063
R4.0 billion repayable 9 July 2012 (13.0 per cent.)	356	308	4,254	4,253
R200 million repayable 30 November 2029 (interest free)	–	–	2	2
	648	521	7,745	7,197

Nedbank Limited has the option to elect for redemption of the R2.0 billion debt repayable 20 September 2011 listed above on 20 September 2006, subject to regulatory consent.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

31 TECHNICAL PROVISIONS

	£m			Rm		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At 31 December 2003						
Provision for unearned premiums	80	(19)	61	955	(227)	728
Long term business technical provision	20,660	(301)	20,359	246,612	(3,593)	243,019
Claims outstanding – long term business	192	–	192	2,292	–	2,292
Claims outstanding – general business	225	(54)	171	2,686	(645)	2,041
	21,157	(374)	20,783	252,545	(4,465)	248,080
At 31 December 2002						
Provision for unearned premiums	79	(21)	58	1,091	(290)	801
Long term business technical provision	17,241	(305)	16,936	238,169	(4,213)	233,956
Claims outstanding – long term business	173	(8)	165	2,390	(111)	2,279
Claims outstanding – general business	162	(36)	126	2,238	(497)	1,741
	17,655	(370)	17,285	243,888	(5,111)	238,777

SOUTH AFRICA

Valuation methods and assumptions

The valuation was performed using the “Financial Soundness Valuation” method, in keeping with the applicable professional guidance notes issued by the Actuarial Society of South Africa (ASSA). This means that the assumptions used for valuing liabilities are based on realistic expectations of future experience, plus prescribed margins for prudence and further “second-tier” margins to ensure that profits are released appropriately over the term of each policy. The assets and liabilities have been valued on bases that are consistent with each other.

Where applicable, liabilities include provision for maturity and investment guarantees.

Certain individual life mortality assumptions have been revised reflecting on-going favourable experience.

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 valuation is sensitive to the rate of interest used to discount the liabilities, assumed future mortality experience of policyholders and the level of second-tier margins.

The principal assumptions used at 31 December 2003 and 31 December 2002 for the long term business are set out below.

	Rates of interest (gross of tax and charges)	Mortality tables used
Non-profit annuities	Discounted on appropriate spot yield curve	RMV92 with a percentage of CMI improvements (adjusted for own experience)
With-profit annuities	Interest rate on which premiums were based	PA90 (adjusted in line with own experience)
Assurances	11.0 per cent. per annum for all years (2002: 14.0 per cent.)	Tables derived from own experience with allowance for increasing AIDS claims

31 TECHNICAL PROVISIONS *continued*

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

- to allow for tax;
- to allow for the minimum margin of 0.25 per cent. per annum, as prescribed by the ASSA;
- in the case of smoothed bonus business, by an additional margin equal to the excess over the 0.25 per cent. 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; and
- in the case of certain non-profit annuities to allow for imperfect matching of assets and liabilities.

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 8.0 per cent. (2002: 11.0 per cent.) per annum.

In terms of the prescribed ASSA margins, the underlying expense assumption was increased by 10.0 per cent., and the expense inflation assumption was increased to 8.8 per cent. (2002: 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.

UNITED STATES

Valuation methods and assumptions

The valuation was performed using the applicable standards for US GAAP products in keeping with the applicable professional guidance notes issued by the American Academy of Actuaries. This means that the assumptions used for valuing liabilities are based on realistic expectations of future experience to ensure that profits are realised appropriately over the term of each policy.

The valuation is sensitive to the rate of interest used to discount the liabilities, assumed future mortality experience of policyholders and assumed policyholder lapse experience.

The principal assumptions used at 31 December 2003 and 31 December 2002 for the long term business are set out below.

	Rates of interest (gross of tax and charges)	Mortality tables used
All products	2003: 6.40 per cent. per annum 2002: 7.15 per cent. per annum	75-80 SU Table with appropriate modifiers

The gross interest rates were reduced for investment default assumptions and investment expenses.

Renewal expenses

Renewal expense assumptions (including renewal commissions) have been based on projected costs with an assumed inflation rate of 3 per cent.

Surrenders / lapses

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

UK AND REST OF WORLD

Valuation methods and assumptions

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

32 INSURANCE – PROVISIONS FOR OTHER RISKS AND CHARGES

	£m				Rm			
	Provision for deferred tax (note 32(a))	Provision for pension and retirement obligations	Other provisions	Total	Provision for deferred tax (note 32(a))	Provision for pension and retirement obligations	Other provisions	Total
Group								
Year to 31 December 2003								
At beginning of year	231	81	174	486	3,191	1,119	2,404	6,714
Charge to the profit and loss account	89	33	74	196	1,099	408	2,420	3,927
Utilised during the year	–	(64)	(55)	(119)	–	(790)	(1,469)	(2,259)
Released during the year	–	–	(4)	(4)	–	–	(49)	(49)
Foreign exchange and other movements	(25)	24	(7)	(8)	(769)	146	(1,134)	(1,757)
At end of year	295	74	182	551	3,521	883	2,172	6,576
Year to 31 December 2002								
At beginning of year	153	55	133	341	2,667	959	2,318	5,944
Acquisition of subsidiaries	98	22	9	129	1,547	347	142	2,036
Charge to the profit and loss account	–	(7)	(41)	(48)	–	(111)	(647)	(758)
Utilised during the year	–	–	(6)	(6)	–	–	(95)	(95)
Foreign exchange and other movements	(20)	11	79	70	(1,023)	(76)	686	(413)
At end of year	231	81	174	486	3,191	1,119	2,404	6,714

The provision for pension and other retirement obligations relates to £53 million (R633 million) (2002: £19 million (R262 million)) for pension contributions referred to in note 14(a) and £21 million (R251 million) (2002: £62 million (R857 million)) for post retirement benefits referred to in note 14(b).

During 2003, in response to enquiries initiated by the Securities and Exchange Commission (SEC) and the office of the New York Attorney General (NYAG), one of the Group's US asset management affiliates, Pilgrim Baxter & Associates, Ltd (PBA), conducted an internal review that identified certain alleged market timing activities that had previously occurred in some of the funds managed by PBA. During the course of its review, PBA learned of certain activities, now alleged to be improper, involving the former principals of that firm. PBA promptly notified the SEC and NYAG of its findings. The SEC and NYAG have filed civil suits against PBA and the two former principals. In addition, there are several related private lawsuits arising from the facts alleged by the SEC and NYAG.

As discussions with the regulators are still continuing and the related litigation is still at an early stage, it is not currently possible to say whether or not the amount of the ultimate liability to be borne by the Group will be material.

Included within "Other provisions" and "Other creditors" is £10 million (R119 million) in respect of legal fees, investigation costs and other expenses associated with these events. No amount has been recognised for fines or other penalties which may arise, as significant uncertainty remains over the quantum of any settlement.

Other provisions relate to provisions for impairment of various overseas life operations within the Group, warranty provisions in respect of businesses sold, employee obligations and onerous property leases.

32 INSURANCE – PROVISIONS FOR OTHER RISKS AND CHARGES continued

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
32(a) Deferred tax liability				
The deferred tax liability arises from:				
Deferred acquisition costs	183	160	2,184	2,210
Other short term timing differences	112	71	1,337	981
	295	231	3,521	3,191

There were no unrecognised deferred tax liabilities as at 31 December 2003 (2002: nil).

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
32(b) Provisions for liabilities and charges – Company				
At beginning of year	38	8	525	140
Charge to the profit and loss account	–	43	–	679
Utilised during the year	(12)	–	(148)	–
Foreign exchange and other movements	–	(13)	(67)	(294)
At end of year	26	38	310	525

Provisions for liabilities and charges primarily relate to employee obligations.

33 CREDITORS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
33(a) Creditors arising from direct insurance operations				
Amounts owed to policyholders	227	166	2,710	2,293
Amounts owed to intermediaries	26	20	310	276
Outstanding securities purchased	7	4	84	55
Other	218	136	2,602	1,879
	478	326	5,706	4,503

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
33(b) Other creditors including tax and social security				
Falling due within one year				
Current taxation	118	167	1,409	2,307
Dividend payable	106	114	1,265	1,577
Loans and advances from policyholders	736	599	8,785	8,269
Other creditors	843	556	10,055	7,681
	1,803	1,436	21,514	19,834
Falling due after one year				
Other creditors	3	20	36	276
	1,806	1,456	21,550	20,110

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

34 AMOUNTS OWED TO CREDIT INSTITUTIONS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Group				
At 31 December 2003				
Bank overdrafts repayable on demand	–	2	–	28
Bank and other loans:				
Repayable within one year:				
Floating rate notes ¹	11	45	131	622
Commercial paper ⁴	17	330	203	4,559
Term loan ⁵	–	30	–	414
	28	405	334	5,595
Repayable between one and two years:				
Floating rate notes	–	12	–	166
Repayable between two and five years:				
Syndicated revolving credit facilities	–	78	–	1,077
Fixed rate notes ⁶	196	217	2,340	2,998
Floating rate notes ²	6	7	72	97
Term Loan ⁵	25	–	298	–
Other ⁸	48	41	573	566
	275	343	3,283	4,738
Repayable after five years:				
Floating rate notes ³	31	–	370	–
Fixed rate notes ⁷	37	–	442	–
Other	6	5	72	69
	74	5	884	69
	377	767	4,501	10,596

34 AMOUNTS OWED TO CREDIT INSTITUTIONS continued

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Company				
Bank overdrafts repayable on demand	–	2	–	28
Bank and other loans:				
Repayable within one year:				
Floating rate notes ¹	11	45	131	622
Commercial paper ⁴	17	330	203	4,559
Term loan ⁵	–	30	–	414
	28	405	334	5,595
Repayable between one and two years:				
Floating rate notes	–	12	–	166
Repayable between two and five years:				
Syndicated revolving credit facilities	–	78	–	1,077
Fixed rate notes ⁶	196	217	2,340	2,998
Floating rate notes ²	6	7	72	97
Term loan ⁵	25	–	298	–
	227	302	2,710	4,172
Repayable after five years:				
Floating rate notes ³	31	–	370	–
Fixed rate notes ⁷	37	–	442	–
	68	–	812	–
	323	721	3,856	9,961

Floating rate notes:

¹US\$20 million note repayable on 17 September 2004.

²US\$10.5 million note repayable on 18 January 2005.

³£31 million note repayable on 31 December 2010, with the holders having the option to elect for early redemption every six months.

Commercial paper:

⁴Commercial paper is issued in various currencies under a £600 million Euro Commercial Paper (ECP) Programme for periods of up to 12 months.

Term loan:

⁵A term loan of £30 million, originally due for repayment on 30 April 2003, was extended and redrawn as a US\$45 million term loan repayable on 30 June 2006.

Fixed rate notes:

⁶€400 million Euro notes due 2007. The capital and interest on these were immediately swapped into US Dollars on issue.

⁷Consists of a €30 million bond and a €10 million bond both due in 2010 and a €20 million bond due in 2013. These were all issued in 2003 and the capital and interest were immediately swapped into US Dollars at a fixed rate.

Other:

⁸Other amounts owed to credit institutions consist principally of preference shares issued by a subsidiary of the Group.

During the year the Company entered into US\$600 million and US\$60 million multi-currency Revolving Credit Facilities. Both facilities are 364-day facilities, although the Company has term out options of 18 and 12 months respectively. At 31 December 2003 neither facility was drawn. A £900 million 5 year multi-currency Revolving Credit Facility maturing in July 2006 was also undrawn at 31 December 2003.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

34 AMOUNTS OWED TO CREDIT INSTITUTIONS continued

34(a) Convertible loan stock

(i) Insurance and other assets

At 31 December 2003, the Group had in issue US\$636 million 3.625 per cent. Convertible Bonds repayable on 2 May 2005, which are guaranteed by and convertible into ordinary shares in the Company at a conversion price of 190p per share and an exchange rate of one US Dollar to 69.52p Sterling. The bonds were repayable on 2 May 2003 at the option of holders. Holders of US\$14 million of the bonds exercised their option to elect for early redemption at par value.

(ii) Banking

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Compulsory convertible loan maturing 6 November 2005 (13.75 per cent.)	3	4	37	52
Compulsory convertible loan maturing 31 December 2005 (18.12 per cent.)	7	10	82	143
	10	14	119	195

These debt instruments are convertible into BoE Bank Ltd ordinary shares. The Group has the option to purchase these shares.

35 DEPOSITS BY BANKS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Items in the course of transmission to other banks	17	16	203	221
Other deposits	4,364	2,094	52,092	28,927
	4,381	2,110	52,295	29,148

All deposits by banks are repayable on demand other than other deposits of £13 million (R150 million) which are due after more than one year.

36 CUSTOMER ACCOUNTS, MATURITY PROFILE

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Repayable on demand	8,676	6,878	103,563	95,017
With agreed maturity dates or years of notice, by remaining maturity, of:				
Three months or less but not repayable on demand	3,196	2,019	38,150	27,895
One year or less but over three months	1,544	1,997	18,430	27,592
Five years or less but over one year	504	899	6,016	12,418
Over five years	56	277	668	3,813
	13,976	12,070	166,827	166,735

37 DEBT SECURITIES IN ISSUE

	Notes	£m		Rm	
		At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Bonds and medium term notes	37(a)	173	1,674	2,065	23,125
Other debt securities in issue	37(b)	295	592	3,521	8,178
		468	2,266	5,586	31,303

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

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Bonds and medium term notes repayable:				
Within one year	13	1,518	155	20,970
Between one and two years	39	73	466	1,008
Between two and five years	121	83	1,444	1,147
	173	1,674	2,065	23,125

37(b) Other debt securities, maturity profile

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Other debt securities repayable:				
Within one year	262	592	3,127	8,178
Between one and two years	4	–	48	–
Between two and five years	29	–	346	–
	295	592	3,521	8,178

38 BANKING – OTHER LIABILITIES

	Note	£m		Rm	
		At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Trade creditors		541	746	6,464	10,305
Current tax		13	13	150	180
Liabilities under acceptances		70	81	836	1,119
Securities sold under agreements to repurchase		281	177	3,350	2,443
Derivative contracts – negative value	46(e)	1,742	1,872	20,796	25,860
Accrued interest and other liabilities		553	260	6,603	3,580
		3,200	3,149	38,199	43,487

Other liabilities include £1,742 million (R20,796 million) (2002: £1,872 million (R25,860 million)) which reflects the negative value of on-balance sheet trading derivative instruments. The positive value of these contracts is included within other assets.

All other liabilities are due within one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

39 BANKING – PROVISION FOR LIABILITIES AND CHARGES

	Note	£m		Rm	
		At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Provision for deferred tax	39(a)	229	105	2,149	1,450

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
39(a) Deferred tax – banking				
At beginning of year	105	80	1,450	1,401
Additions from acquired operations	49	4	583	63
Credit to profit and loss account	(28)	(10)	(347)	(158)
Foreign exchange and other movements	103	31	1,046	144
At end of year	229	105	2,732	1,450
Comprising				
Short term timing differences	16	(34)	191	(468)
Leasing transactions	137	172	1,635	2,377
Other	76	(33)	906	(459)
	229	105	2,732	1,450

There were no unrecognised banking deferred tax liabilities at 31 December 2003 (2002: nil).

Additions from acquired operations represents the fair value adjustment following the review of the acquisition of BoE Limited as set out in note 18.

40 INVESTMENTS – COMPANY

	£m			Rm		
	Shares in subsidiaries	Loans to subsidiaries	Total	Shares in subsidiaries	Loans to subsidiaries	Total
Year to 31 December 2003						
At beginning of year	1,183	1,859	3,042	16,342	25,680	42,022
Acquisitions	10	–	10	123	–	123
Disposals	(471)	–	(471)	(5,816)	–	(5,816)
Net amount advanced during year	–	155	155	–	1,914	1,914
Foreign exchange movements	–	–	–	(2,031)	(3,553)	(5,584)
At end of year	722	2,014	2,736	8,618	24,041	32,659
Year to 31 December 2002						
At beginning of year	1,595	1,561	3,156	27,798	27,206	55,004
Acquisitions	26	–	26	410	–	410
Disposals	(438)	–	(438)	(6,915)	–	(6,915)
Net amount advanced during year	–	298	298	–	4,705	4,705
Foreign exchange movements	–	–	–	(4,951)	(6,231)	(11,182)
At end of year	1,183	1,859	3,042	16,342	25,680	42,022

The Company's principal subsidiaries at 31 December 2003 are set out in note 41.

41 PRINCIPAL GROUP UNDERTAKINGS

The following table lists the principal Group undertakings whose results are included in the consolidated financial statements. All shares held are ordinary shares and, except for OM Group (UK) Ltd and OM Kotak Mahindra Life Insurance Company Private Ltd, are held indirectly by the Company.

Name	Nature of business	Percentage holding*	Country of incorporation
Acadian Asset Management	Asset management	100	Massachusetts, United States of America
Barrow, Hanley, Mewhinney & Strauss, Inc.	Asset management	100	Nevada, United States of America
BoE Unit Trust Management Company Ltd	Asset management	52	Republic of South Africa
Bright Capital Ltd	Asset management	100	England and Wales
Clay Finlay, Inc.	Asset management	100	New York, United States of America
Dwight Asset Management Company	Asset management	100	Delaware, United States of America
Fairbairn Capital (Pty) Ltd	Asset management	100	Republic of South Africa
First Pacific Advisors, Inc.	Asset management	100	Massachusetts, United States of America
Heitman LLC	Asset management	50	Delaware, United States of America
Old Mutual Asset Managers (Bermuda) Ltd	Asset management	100	Bermuda
Old Mutual Asset Managers (Kenya) Ltd	Asset management	100	Kenya
Old Mutual Asset Managers (South Africa) (Pty) Ltd	Asset management	100	Republic of South Africa
Old Mutual Asset Managers (UK) Ltd	Asset management	100	England and Wales
Old Mutual Fund Managers (Guernsey) Ltd	Asset management	100	Guernsey
Old Mutual Group Ltd	Asset management	100	Bermuda
Old Mutual Investment Administrators (Pty) Ltd	Asset management	100	Republic of South Africa
Old Mutual Specialised Finance (Pty) Ltd	Asset management	100	Republic of South Africa
Old Mutual Unit Trust Management Company Namibia Ltd	Asset management	100	Namibia
Old Mutual Unit Trust Managers Ltd	Asset management	100	Republic of South Africa
OSV Financial Management GmbH	Asset management	100	Germany
Pacific Financial Research, Inc.	Asset management	100	Massachusetts, United States of America
Pilgrim Baxter & Associates, Ltd	Asset management	100	Delaware, United States of America
Provident Investment Counsel, Inc.	Asset management	100	Massachusetts, United States of America
Thompson, Horstmann & Bryant, Inc	Asset management	100	New Jersey, United States of America
Thompson, Siegel & Walmsley, Inc	Asset management	100	Virginia, United States of America
Old Mutual Health Insurance Ltd	Health insurance	100	Republic of South Africa
Old Mutual Healthcare (Pty) Ltd	Health insurance	100	Republic of South Africa
BoE Holding Ltd	Holding company	52	Republic of South Africa
BoE International Holdings Ltd	Holding company	52	Republic of South Africa
BoE Ltd	Holding company	52	Republic of South Africa
Old Mutual (Netherlands) B.V.	Holding company	100	Netherlands
Old Mutual (South Africa) Ltd	Holding company	100	Republic of South Africa
Old Mutual (US) Holdings, Inc.	Holding company	100	Delaware, United States of America
Old Mutual U.S. Life Holdings, Inc.	Holding company	100	Delaware, United States of America
OM Group (UK) Ltd	Holding company	100	England and Wales
OM Portfolio Holdings (South Africa) (Pty) Ltd	Holding company	100	Republic of South Africa
Rodina Investments Ltd	Holding company	100	Republic of South Africa
Americom Life & Annuity Insurance Company	Life assurance	100	Texas, United States of America
BoE Life Assurance Company Ltd	Life assurance	52	Republic of South Africa
BoE Life Ltd	Life assurance	76	Republic of South Africa
Fidelity & Guaranty Life Insurance Company	Life assurance	100	Maryland, United States of America
Fidelity & Guaranty Life Insurance Company of New York	Life assurance	100	New York, United States of America
Old Mutual International (Guernsey) Ltd	Life assurance	100	Guernsey
Old Mutual Life Assurance Company (Bermuda) Ltd	Life assurance	100	Bermuda
Old Mutual Life Assurance Company (Malawi) Ltd	Life assurance	100	Malawi
Old Mutual Life Assurance Company (Namibia) Ltd	Life assurance	100	Namibia

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

41 PRINCIPAL GROUP UNDERTAKINGS continued

Name	Nature of business	Percentage holding*	Country of incorporation
Old Mutual Life Assurance Company (South Africa) Ltd	Life assurance	100	Republic of South Africa
Old Mutual Life Assurance Company Ltd	Life assurance	61	Kenya
Old Mutual Life Assurance Company Zimbabwe Ltd	Life assurance	100	Zimbabwe
Old Mutual Reassurance (Ireland) Ltd	Life assurance	100	Ireland
OM Kotak Mahindra Life Insurance Company Private Ltd	Life assurance	26	India
OMNIA Life (Bermuda) Ltd	Life assurance	100	Bermuda
Selestia Life & Pensions Ltd	Life assurance	100	England and Wales
Mutual & Federal Insurance Company Ltd	General insurance	51	Republic of South Africa
Nedinsurance Company Ltd	General insurance	52	Republic of South Africa
Old Mutual Property Investment Corporation (Pvt) Ltd	Property holding	100	Zimbabwe
Old Mutual Properties (Pty) Ltd	Property management	100	Republic of South Africa
Gerrard Private Bank (Jersey) Ltd	Banking	67	Jersey
Nedbank Ltd	Banking	52	Republic of South Africa
Nedcor Asia Ltd	Banking	52	Hong Kong
Nedcor Investment Holdings 101 Ltd	Banking	52	Republic of South Africa
Nedcor Ltd	Banking	52	Republic of South Africa
Peoples Bank Ltd	Banking	52	Republic of South Africa

* Effective holding of issued ordinary shares at 31 December 2003.

A complete list of subsidiaries is filed with the UK Registrar of Companies with the annual return. All the above companies have a year end of 31 December, except for OM Kotak Mahindra Life Insurance Company Private Ltd, whose year end is 31 March.

42 RELATED PARTY TRANSACTIONS

The Group provides certain pension fund, insurance, banking and financial services to related parties as set out below. These are conducted on an arm's length basis and, other than US asset management fees payable in respect of insurance funds, 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. As set out in note 1, in order to represent the Group's segmental results accurately, certain fees negotiated on an arm's length basis between operationally and functionally distinct segments of the Group have not been eliminated. The principal transactions not eliminated are insurance services provided by the Group's general insurance operation, Mutual & Federal; banking services provided by the Group's banking operation, Nedcor; and investment management fees charged by Group asset management companies to long term business funds. Total investment management fees charged during 2003 were £10 million (R124 million) in respect of the United States business and £0.6 million (R7 million) in respect of the South African business.

No director had a material interest in any contract of significance with the Company or any of its subsidiaries during 2003, except for those set out in note 12 above.

43 POST BALANCE SHEET EVENTS

43(a) Mutual & Federal offer

On 20 January 2004, the Group announced a firm intention to acquire all of the ordinary shares of Mutual & Federal Insurance Company Limited (Mutual & Federal) from the minority interests. The proposal was for the transaction to occur by way of a scheme of arrangement between Mutual & Federal and its shareholders. It was also announced that, if the scheme should not be recommended or not be successful, the Group would immediately make a follow-on offer to Mutual & Federal's minority shareholders (the substitute offer). An independent sub-committee of the Mutual & Federal Board has considered the offer made by the Group. Based on this review, the Mutual & Federal Board decided on 8 March 2004 not to recommend the offer to the Mutual & Federal shareholders. As a result, the Group will implement the substitute offer.

43(b) Nedcor rights issue

On 23 February 2004, the Group's banking subsidiary, Nedcor Limited, announced a rights issue to raise £403 million (R5,000 million) of additional ordinary share capital to ensure that it has sufficient capital for growth and to meet its anticipated minimum Tier 1 capital requirements. The full terms of the rights issue, including the number of shares to be issued and the issue price, are expected to be announced by 25 March 2004. The Group has undertaken to take up its rights under the rights issue, amounting to £202 million (R2,500 million). Furthermore, the Group has underwritten 76 per cent. of the issue alongside Merrill Lynch International and Deutsche Bank who have jointly underwritten the balance.

44 COMMITMENTS

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Undrawn formal standby facilities, credit lines and other commitments to lend	1,005	735	12,001	10,153
Capital and other commitments	12	19	143	262
	1,017	754	12,144	10,415

45 CONTINGENT LIABILITIES

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Guarantees and assets pledged as collateral security	1,039	867	12,402	11,977
Irrevocable letters of credit	503	236	6,004	3,260
Secured lending	735	205	8,773	2,832
Other contingent liabilities	145	74	1,731	1,022
	2,422	1,382	28,910	19,091

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

46 FINANCIAL INSTRUMENTS

Banking financial instruments

Notwithstanding the exemption available to insurance groups from the scope of FRS 13, the tables below set out details of derivative financial instruments in respect of the banking activities of the Group.

The banking business 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.

	£m			Rm		
	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
46(a) Derivatives held for trading purposes						
At 31 December 2003						
Exchange rate contracts						
Spot, forwards and futures	1,810	70	68	21,605	836	812
Currency swaps	842	447	441	10,051	5,336	5,264
Options purchased	106	3	–	1,265	36	–
Options written	65	–	2	776	–	24
	2,823	520	511	33,697	6,208	6,100
Interest rate contracts						
Interest rate swaps	24,395	744	978	291,196	8,881	11,674
Credit derivatives	100	184	13	1,191	2,196	155
Forward rate agreements	20,936	33	35	249,907	394	418
Caps, collars and floors	249	–	–	2,972	–	–
Options purchased	587	127	–	7,007	1,516	–
Options written	490	–	126	5,849	–	1,504
Futures	686	112	81	8,189	1,337	967
	47,443	1,200	1,233	566,311	14,324	14,718
Balances arising from off-balance sheet financial instruments	50,266	1,720	1,744	600,008	20,532	20,818

46 FINANCIAL INSTRUMENTS continued

	£m			Rm		
	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
46(a) Derivatives held for trading purposes continued						
At 31 December 2002						
Exchange rate contracts						
Spot, forwards and futures	5,528	734	715	76,365	10,144	9,871
Currency swaps	5,219	701	776	72,090	9,689	10,720
Options purchased	29	1	–	399	14	–
Options written	28	–	–	382	–	–
	10,804	1,436	1,491	149,236	19,847	20,591
Interest rate contracts						
Interest rate swaps	17,748	462	509	245,179	6,382	7,037
Credit derivatives	104	196	15	1,436	2,703	210
Forward rate agreements	11,603	12	12	160,286	166	172
Caps, collars and floors	65	–	–	894	5	5
Options purchased	1,933	21	–	26,708	295	–
Options written	1,091	–	47	15,072	–	651
Futures	324	–	–	4,469	3	6
	32,868	691	583	454,044	9,554	8,081
Balances arising from off-balance sheet financial instruments	43,672	2,127	2,074	603,280	29,401	28,672

	£m			Rm		
	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
46(b) Derivatives held for non-trading purposes						
At 31 December 2003						
Exchange rate contracts						
Spot, forwards and futures	1,255	145	91	14,981	1,731	1,086
Currency swaps	12,037	473	510	143,682	5,646	6,088
Options purchased	3	–	–	41	–	–
Options written	3	–	–	41	–	–
	13,298	618	601	158,745	7,377	7,174
Interest rate contracts						
Interest rate swaps	718	15	20	8,571	179	239
Credit derivatives	43	34	–	519	405	–
	761	49	20	9,090	584	239
Balances arising from off-balance sheet financial instruments	14,059	667	621	167,835	7,961	7,413

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

46 FINANCIAL INSTRUMENTS continued

	£m			Rm		
	Notional principal	Positive value	Negative value	Notional principal	Positive value	Negative value
46(b) Derivatives held for non-trading purposes continued						
At 31 December 2002						
Exchange rate contracts						
Spot, forwards, futures and currency swaps	6,849	1,748	1,764	94,611	24,141	24,362
Interest rate contracts						
Interest rate swaps	618	–	31	8,538	–	429
Credit derivatives	6	–	–	86	–	–
Caps, collars and floors	1	–	–	9	–	1
	625	–	31	8,633	–	430
Balances arising from off-balance sheet financial instruments	7,474	1,748	1,795	103,244	24,141	24,792

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.

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Maturity analysis of notional principal amounts of non-trading instruments entered into with third parties as follows:				
Exchange rate contracts				
Under one year	12,963	6,230	154,747	86,066
One to five years	334	610	3,987	8,426
Over five years	1	9	11	119
	13,298	6,849	158,745	94,611
Interest rate contracts				
Under one year	130	471	1,552	6,500
One to five years	373	45	4,452	625
Over five years	258	109	3,086	1,508
	761	625	9,090	8,633

46 FINANCIAL INSTRUMENTS continued

46(c) Credit risk exposure on derivative contracts	£m			Rm		
	Exchange rate contracts	Interest rate contracts	Total	Exchange rate contracts	Interest rate contracts	Total
Replacement cost of OTC derivatives – trading book only						
At 31 December 2003						
Maturity analysis						
Under one year	94	235	329	1,122	2,805	3,927
One to five years	219	569	788	2,614	6,792	9,406
Over five years	207	396	603	2,472	4,727	7,199
	520	1,200	1,720	6,208	14,324	20,532
Counterparty analysis						
Financial institutions	457	1,046	1,503	5,455	12,486	17,941
Non-financial institutions	63	154	217	753	1,838	2,591
	520	1,200	1,720	6,208	14,324	20,532
At 31 December 2002						
Maturity analysis						
Under one year	1,064	42	1,106	14,719	587	15,306
One to five years	211	241	452	2,908	3,330	6,238
Over five years	161	408	569	2,220	5,637	7,857
	1,436	691	2,127	19,847	9,554	29,401
Counterparty analysis						
Financial institutions	1,379	685	2,064	19,062	9,477	28,539
Non-financial institutions	57	6	63	785	77	862
	1,436	691	2,127	19,847	9,554	29,401

Replacement cost is defined as the cost of replacing transactions that have a positive fair value.

Notional principal of OTC derivatives – trading book only

At 31 December 2003

Maturity analysis

Under one year	2,026	21,759	23,785	24,184	259,731	283,915
One to five years	493	19,287	19,780	5,885	230,223	236,108
Over five years	304	6,397	6,701	3,628	76,357	79,985
	2,823	47,443	50,266	33,697	566,311	600,008

Counterparty analysis

Financial institutions	2,629	38,908	41,537	31,385	464,429	495,814
Non-financial institutions	194	8,535	8,729	2,312	101,882	104,194
	2,823	47,443	50,266	33,697	566,311	600,008

At 31 December 2002

Maturity analysis

Under one year	9,228	16,405	25,633	127,462	226,617	354,079
One to five years	1,277	12,159	13,436	17,647	167,968	185,615
Over five years	299	4,304	4,603	4,127	59,459	63,586
	10,804	32,868	43,672	149,236	454,044	603,280

Counterparty analysis

Financial institutions	10,365	32,618	42,983	143,171	450,595	593,766
Non-financial institutions	439	250	689	6,065	3,449	9,514
	10,804	32,868	43,672	149,236	454,044	603,280

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

46 FINANCIAL INSTRUMENTS continued

								£m
46(d) Non-trading book interest rate risk	Notes	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	Trading book and non-interest bearing	Total
At 31 December 2003								
Assets								
Cash and balances at central banks		–	–	–	–	–	1,025	1,025
Treasury bills and other eligible bills	26(a)	524	199	71	40	41	13	888
Loans and advances to banks	26(b)	2,092	–	–	–	–	–	2,092
Loans and advances to customers	26(c)	12,189	173	257	1,367	707	443	15,136
Debt securities	26(f)	305	9	20	854	172	60	1,420
Equity securities	26(g)	–	–	–	–	–	317	317
Investments in associated undertakings	26(h)	–	–	–	–	–	144	144
Tangible fixed assets	22	–	–	–	–	–	221	221
Land and buildings	19	–	–	–	–	–	141	141
Other assets	24	–	–	–	–	–	2,396	2,396
Prepayments and accrued income		–	–	–	–	–	262	262
		15,110	381	348	2,261	920	5,022	24,042
Liabilities								
Deposits by banks	35	4,381	–	–	–	–	–	4,381
Customer accounts	36	11,677	622	569	461	92	555	13,976
Debt securities in issue	37	280	107	38	43	–	–	468
Other liabilities	38	–	–	–	–	–	3,200	3,200
Provision for liabilities and charges	39	–	–	–	–	–	229	229
Subordinated liabilities	30	74	–	–	211	335	28	648
Convertible loan stock	34(a)	–	–	–	10	–	–	10
		16,412	729	607	725	427	4,012	22,912
Net position		(1,302)	(348)	(259)	1,536	493	1,010	1,130
Off-balance sheet items		1,355	(33)	(22)	(669)	(631)	–	–
Interest rate sensitivity gap		53	(381)	(281)	867	(138)	1,010	–
Cumulative gap		53	(328)	(609)	258	120	1,130	1,130

46 FINANCIAL INSTRUMENTS continued

		£m						
46(d) Non-trading book interest rate risk continued	Notes	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	Trading book and non-interest bearing	Total
At 31 December 2002								
Assets								
Cash and balances at central banks		252	–	–	–	–	950	1,202
Treasury bills and other eligible bills	26(a)	822	33	42	30	158	–	1,085
Loans and advances to banks	26(b)	1,228	–	–	–	–	–	1,228
Loans and advances to customers	26(c)	9,442	86	260	809	1,838	419	12,854
Debt securities	26(f)	142	24	32	410	304	149	1,061
Equity securities	26(g)	–	–	–	–	–	965	965
Investments in associated undertakings	26(h)	–	–	–	–	–	124	124
Tangible fixed assets	22	–	–	–	–	–	158	158
Land and buildings	19	–	–	–	–	–	131	131
Other assets	24	–	–	–	–	–	2,095	2,095
Prepayments and accrued income		–	–	–	–	–	474	474
		11,886	143	334	1,249	2,300	5,465	21,377
Liabilities								
Deposits by banks	36	2,110	–	–	–	–	–	2,110
Customer accounts	37	8,178	437	852	624	1,126	853	12,070
Debt securities in issue	38	891	800	419	156	–	–	2,266
Other liabilities	39	–	–	–	–	–	3,149	3,149
Provision for liabilities and charges	40	–	–	–	–	–	105	105
Subordinated liabilities	30	–	10	–	–	511	–	521
Convertible loan stock	35(a)	–	–	–	14	–	–	14
		11,179	1,247	1,271	794	1,637	4,107	20,235
Net position		707	(1,104)	(937)	455	663	1,358	1,142
Off-balance sheet items		467	142	68	(47)	(630)	–	–
Interest rate sensitivity gap		1,174	(962)	(869)	408	33	1,358	–
Cumulative gap		1,174	212	(657)	(249)	(216)	1,142	1,142

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

46 FINANCIAL INSTRUMENTS continued

								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	Trading book and non-interest bearing	Total	
46(d) Non-trading book interest rate risk continued									
At 31 December 2003									
Assets									
Cash and balances at central banks		–	–	–	–	–	12,235	12,235	
Treasury bills and other eligible bills	26(a)	6,256	2,375	848	477	489	155	10,600	
Loans and advances to banks	26(b)	24,972	–	–	–	–	–	24,972	
Loans and advances to customers	26(c)	145,497	2,065	3,068	16,317	8,439	5,288	180,674	
Debt securities	26(f)	3,641	107	239	10,194	2,053	718	16,952	
Equity securities	26(g)	–	–	–	–	–	3,784	3,784	
Investments in associated undertakings	26(h)	–	–	–	–	–	1,719	1,719	
Tangible fixed assets	22	–	–	–	–	–	2,638	2,638	
Land and buildings	19	–	–	–	–	–	1,683	1,683	
Other assets	24	–	–	–	–	–	28,602	28,602	
Prepayments and accrued income		–	–	–	–	–	3,126	3,126	
		180,366	4,547	4,155	26,988	10,981	59,948	286,985	
Liabilities									
Deposits by banks	35	52,295	–	–	–	–	–	52,295	
Customer accounts	36	139,384	7,425	6,792	5,503	1,098	6,625	166,827	
Debt securities in issue	37	3,337	1,274	456	519	–	–	5,586	
Other liabilities	38	–	–	–	–	–	38,199	38,199	
Provision for liabilities and charges	39	–	–	–	–	–	2,732	2,732	
Subordinated liabilities	30	884	–	–	2,515	4,000	346	7,745	
Convertible loan stock	34(a)	–	–	–	119	–	–	119	
		195,900	8,699	7,248	8,656	5,098	47,902	273,503	
Net position		(15,534)	(4,152)	(3,093)	18,332	5,883	12,046	13,482	
Off-balance sheet items		16,175	(394)	(263)	(7,986)	(7,532)	–	–	
Interest rate sensitivity gap		641	(4,546)	(3,356)	10,346	(1,649)	12,046	–	
Cumulative gap		641	(3,905)	(7,261)	3,085	1,436	13,482	13,482	

46 FINANCIAL INSTRUMENTS continued

								Rm
46(d) Non-trading book interest rate risk continued	Notes	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	Trading book and non-interest bearing	Total
At 31 December 2002								
Assets								
Cash and balances at central banks		3,489	–	–	–	–	13,118	16,607
Treasury bills and other eligible bills	26(a)	11,360	458	577	415	2,177	–	14,987
Loans and advances to banks	26(b)	16,963	–	–	–	–	–	16,963
Loans and advances to customers	26(c)	130,436	1,184	3,591	11,180	25,397	5,778	177,566
Debt securities	26(f)	1,964	328	442	5,662	4,206	2,045	14,647
Equity securities	26(g)	–	–	–	–	–	13,331	13,331
Investments in associated undertakings	26(h)	–	–	–	–	–	1,713	1,713
Tangible fixed assets	22	–	–	–	–	–	2,182	2,182
Land and buildings	19	–	–	–	–	–	1,806	1,806
Other assets	24	–	–	–	–	–	28,941	28,941
Prepayments and accrued income		–	–	–	–	–	6,548	6,548
		164,212	1,970	4,610	17,257	31,780	75,462	295,291
Liabilities								
Deposits by banks	35	29,148	–	–	–	–	–	29,148
Customer accounts	36	112,973	6,039	11,771	8,618	15,554	11,780	166,735
Debt securities in issue	37	12,308	11,049	5,791	2,155	–	–	31,303
Other liabilities	38	–	–	–	–	–	43,487	43,487
Provision for liabilities and charges	39	–	–	–	–	–	1,450	1,450
Subordinated liabilities	30	–	140	–	–	7,057	–	7,197
Convertible loan stock	34(a)	–	–	–	195	–	–	195
		154,429	17,228	17,562	10,968	22,611	56,717	279,515
Net position		9,783	(15,258)	(12,952)	6,289	9,169	18,745	15,776
Off-balance sheet items		6,456	1,966	945	(647)	(8,720)	–	–
Interest rate sensitivity gap		16,239	(13,292)	(12,007)	5,642	449	18,745	–
Cumulative gap		16,239	2,947	(9,060)	(3,418)	(2,969)	15,776	15,776

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FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

46 FINANCIAL INSTRUMENTS continued

	£m				Rm			
	Book value at 31 December 2003	Fair value at 31 December 2003	Book value at 31 December 2002	Fair value at 31 December 2002	Book value at 31 December 2003	Fair value at 31 December 2003	Book value at 31 December 2002	Fair value at 31 December 2002
46(e) Fair value disclosures								
The fair value of the financial assets and liabilities of the Group's banking subsidiaries comprises:								
Trading book financial assets and liabilities								
Assets								
Debt securities	26	26	148	148	311	311	2,045	2,046
Derivative contracts – positive value	1,720	1,720	1,818	1,818	20,531	20,531	26,634	29,401
Other	–	–	271	310	–	–	3,748	4,281
Liabilities								
Derivative contracts – negative value	1,742	1,742	1,872	2,074	20,796	20,796	25,860	28,672
Non-trading book financial assets and liabilities								
Assets								
Treasury bills and other eligible bills	823	857	923	882	9,824	10,228	12,750	12,189
Debt securities	1,394	1,411	912	920	16,641	16,838	12,602	12,711
Equity securities	317	306	965	964	3,784	3,646	13,331	13,323
Liabilities								
Debt securities in issue	468	468	2,266	2,253	5,586	5,586	31,303	31,120
Subordinated liabilities	648	648	521	521	7,745	7,745	7,197	7,197

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.

46 FINANCIAL INSTRUMENTS continued

46(f) Market risk – historical value-at-risk (VaR) (99%, one day) by risk type

This risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes account of market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets.

The one day 99% VaR number represents the overnight loss that has less than a 1% chance of occurring under normal market conditions.

While VaR captures the banking business's exposure under normal market conditions, scenario analysis and, in particular, stress testing are used to add insight to the possible outcomes under abnormal market conditions.

The banking business uses a number of stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress test methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, thereby reflecting the decreased liquidity that frequently accompanies market shocks.

Key to the effectiveness of the scenario analysis programme is the timely review of the continued applicability of the scenarios, and this is built into the risk management process.

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Total VaR				
At 31 December	1,627	779	19,417	10,759
Highest	2,135	1,793	25,483	24,775
Lowest	679	630	8,106	8,698
Average	1,300	1,222	15,520	16,884

NOTES TO THE FINANCIAL STATEMENTS

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47 RECONCILIATION OF OPERATING PROFIT TO NET OPERATING CASH FLOWS

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Profit from insurance and asset management activities before tax and non-operating items	690	368	8,521	5,145
Depreciation and goodwill amortisation	83	176	1,025	2,779
Unrealised investment (gains) / losses	(161)	26	(1,988)	1,074
Profits relating to long term business	(541)	(423)	(6,681)	(6,677)
Investment return in the life business	183	139	2,260	2,194
Cash received from long term business	261	614	3,223	9,694
Decrease in provisions for other risks and charges	(29)	(22)	(358)	(347)
Increase in insurance technical provisions net of reinsurance	18	12	222	189
Other (including amounts reinvested in long term business operations)	412	(32)	5,088	(514)
Net cash inflow from insurance operating activities	916	858	11,312	13,537
Loss from banking activities before tax	(144)	105	(1,778)	1,645
Write-down of investment in Dimension Data Holdings plc	–	68	–	1,080
Decrease / (increase) in accrued income and prepayments	277	(114)	3,422	(1,800)
Provision for bad and doubtful debts	321	88	3,960	1,389
Depreciation and goodwill amortisation and impairment	239	72	2,951	1,143
Net cash flow from banking trading activities	693	219	8,555	3,457
Net decrease in collections / transmissions	(17)	(4)	(210)	(63)
Net increase in loans and advances to banks and customers	(997)	(424)	(12,305)	(6,694)
Net increase in deposits by banks and customer accounts	1,735	270	21,425	4,263
Net (decrease) / increase in debt securities in issue	(2,081)	687	(25,698)	10,846
Net increase in other operating assets	(135)	(169)	(1,663)	(2,668)
Net decrease / (increase) in other operating liabilities	123	(230)	1,509	(3,631)
Net cash (outflow) / inflow from banking operating activities	(679)	349	(8,387)	5,510

47 RECONCILIATION OF OPERATING PROFIT TO NET OPERATING CASH FLOWS continued

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
47(a) Analysis of cash flows				
Returns on investment and servicing of finance				
Net interest paid	(30)	(46)	(370)	(726)
Dividends paid to minority interests	(95)	(43)	(1,173)	(679)
Bank charges and other finance costs of debt	(3)	(4)	(37)	(63)
Net cash outflow from returns on investments and servicing of finance	(128)	(93)	(1,580)	(1,468)
Tax				
United Kingdom corporation tax	–	(1)	–	(16)
Overseas tax	(174)	(131)	(2,149)	(2,068)
Total tax paid	(174)	(132)	(2,149)	(2,084)
Capital expenditure and financial investment				
Net disposal of banking investment securities	316	55	3,903	868
Net purchase of tangible fixed assets	(89)	(81)	(1,099)	(1,279)
Net cash inflow/(outflow) from capital expenditure and financial investment	227	(26)	2,804	(411)
Acquisitions and disposals				
Acquisition of interests in subsidiary undertakings and revenue share payments	(67)	(533)	(827)	(8,415)
Disposal of interests in subsidiary and associate undertakings	227	331	2,803	5,226
Net cash movement on acquisition and disposals of subsidiaries	(77)	42	(951)	663
Net cash inflow/(outflow) from acquisitions and disposals	83	(160)	1,025	(2,526)
Financing				
Issue of ordinary share capital	41	40	506	635
Issue of ordinary share capital of subsidiary undertakings to minority interests	14	–	173	–
Decrease in amounts due to credit institutions	(365)	(87)	(4,507)	(1,374)
Net increase in subordinated liabilities	44	181	544	2,855
Reduction in convertible unsecured debt	(14)	–	(175)	–
Non-equity preference shares and preferred securities issued – net of issue costs	511	126	6,310	1,992
Net cash inflow from financing	231	260	2,851	4,108
	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
47(b) Movement in portfolio investments, net of financing				
Net cash inflow for the year	36	41	445	647
Cash flow (excluding long term business):				
Portfolio investments	616	483	7,605	7,631
Movement arising from cash flow	652	524	8,050	8,278
Movement in long term business	8	(857)	99	(13,530)
Changes in market values and exchange rates	3,401	2,625	2,652	(27,334)
Total movement in portfolio investments, net of financing	4,061	2,292	10,801	(32,586)
Portfolio investments, net of financing at beginning of year	20,067	17,775	277,207	309,793
Portfolio investments, net of financing at end of year	24,128	20,067	288,008	277,207

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

47 RECONCILIATION OF OPERATING PROFIT TO NET OPERATING CASH FLOWS continued

	£m				
47(c) Movement in insurance and other cash, investments and financing	At start of year (Restated)	Cash flow	Changes in long term business	Changes to market value, currencies and other	At end of year
Movement in cash and insurance portfolio investments					
Cash in hand and at bank	565	36	59	35	695
Land and buildings	600	–	(16)	93	677
Other financial investments	18,640	616	(35)	3,535	22,756
	19,805	652	8	3,663	24,128
Movement in financing					
Share capital	378	6	–	–	384
Share premium and merger reserve	736	35	–	–	771
Subordinated liabilities	18	(1)	–	(2)	15
Amounts owed to credit institutions	767	(365)	–	(25)	377
Convertible loan stock	404	(8)	–	(39)	357
Preferred securities	–	445	–	(34)	411
	2,303	112	–	(100)	2,315
					Rm
Movement in cash and insurance portfolio investments	At start of year (Restated)	Cash flow	Changes in long term business	Changes to market value, currencies and other	At end of year
Movement in cash and insurance portfolio investments					
Cash in hand and at bank	7,805	445	729	(683)	8,296
Land and buildings	8,288	–	(198)	(9)	8,081
Other financial investments	257,496	7,605	(432)	6,962	271,631
	273,589	8,050	99	6,270	288,008
Movement in financing					
Share capital	5,222	74	–	(712)	4,584
Share premium	10,167	432	–	(1,396)	9,203
Subordinated liabilities	249	(12)	–	(58)	179
Amounts owed to credit institutions	10,596	(4,507)	–	(1,588)	4,501
Convertible loan stock	5,581	(99)	–	(1,221)	4,261
Preferred securities	–	5,495	–	(589)	4,906
	31,815	1,383	–	(5,564)	27,634

47 RECONCILIATION OF OPERATING PROFIT TO NET OPERATING CASH FLOWS continued

	£m			
47(d) Movement in banking cash and changes in financing during the period	At start of year	Cash flow	Changes to market value, currencies and other	At end of year
Cash and balances at central banks	1,202	(354)	177	1,025
Movement in financing				
Subordinated liabilities	521	45	82	648
Convertible loan stock	14	(6)	2	10
Non-equity preference shares	144	66	34	244
	679	105	118	902
				Rm
	At start of year	Cash flow	Changes to market value, currencies and other	At end of year
Cash and balances at central banks	16,607	(4,372)	–	12,235
Movement in financing				
Subordinated liabilities	7,197	556	(8)	7,745
Convertible loan stock	195	(76)	–	119
Non-equity preference shares	1,992	815	105	2,912
	9,384	1,295	97	10,776

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE ACHIEVED PROFITS BASIS SUPPLEMENTARY INFORMATION

The Guidance issued in December 2001 by the Association of British Insurers entitled "Supplementary Reporting for Long Term Insurance Business (the Achieved Profits Method)" ("the Guidance") requires the directors to prepare supplementary information presented under the Achieved Profits Method in accordance with the Guidance.

In preparing the achieved profits supplementary information, the directors are required to:

- select suitable methodologies and then apply them consistently;
- determine assumptions on a realistic basis, having regard to past, current and expected future experience and to any relevant external data, and then apply them consistently;
- state whether applicable accounting standards have been followed in relation to the residual assets, subject to any material departures disclosed and explained in the supplementary information; and
- prepare the supplementary information on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

INDEPENDENT AUDITORS' REPORT TO OLD MUTUAL PLC ON THE ACHIEVED PROFITS BASIS SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2003

We have audited the supplementary information on pages 138 to 151 in respect of the year ended 31 December 2003. The supplementary information has been prepared in accordance with the guidance issued in December 2001 by the Association of British Insurers entitled "Supplementary Reporting for Long Term Insurance Business (the Achieved Profits Method)" ("the Guidance") using the methodology and assumptions set out on pages 138 to 151. The supplementary information should be read in conjunction with the primary financial statements which are on pages 55 to 135.

This report is made solely to the Company in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Company those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 136, the directors' responsibilities include preparing the supplementary information on the achieved profits basis in accordance with the Guidance issued by the Association of British Insurers. Our responsibilities, as independent auditors, in relation to the supplementary information are established in the United Kingdom by the Auditing Practices Board, by our profession's ethical guidance and the terms of our engagement.

Under the terms of engagement we are required to report to the Company our opinion as to whether the supplementary information has been properly prepared in accordance with the Guidance using the methodology and assumptions set out on pages 138 to 151. We also report if we have not received all the information and explanations we require for this audit.

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 supplementary information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the supplementary information, 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 supplementary information stated on the achieved profits basis is 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 the supplementary information.

OPINION

In our opinion, the achieved profits supplementary information for the year ended 31 December 2003 has been properly prepared in accordance with the Guidance using the methodology and assumptions set out on pages 138 to 151.

KPMG Audit Plc

Chartered Accountants
8 Salisbury Square
London EC4Y 8BB

17 March 2004

ACHIEVED PROFITS BASIS SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2003

1 CONSOLIDATED PROFIT AND LOSS ACCOUNT ON AN ACHIEVED PROFITS BASIS FOR THE YEAR ENDED 31 DECEMBER 2003

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002 (Restated)***	Year to 31 December 2003	Year to 31 December 2002 (Restated)***
South Africa				
Life assurance	468	418	5,786	6,605
Asset management	53	28	656	441
Banking	(10)	165	(118)	2,605
General insurance	73	35	909	556
	584	646	7,233	10,207
United States				
Life assurance	128	138	1,581	2,182
Asset management	81	95	1,000	1,500
	209	233	2,581	3,682
United Kingdom and Rest of World				
Life assurance	2	5	25	73
Asset management	(4)	2	(48)	31
Banking	4	56	48	884
	2	63	25	988
	795	942	9,839	14,877
Other shareholders' income/expenses	(40)	(22)	(494)	(347)
Debt service costs	(48)	(58)	(593)	(916)
Adjusted operating profit*	707	862	8,752	13,614
Goodwill amortisation and impairment	(206)	(120)	(2,544)	(1,895)
Loss on disposal/write-down of investment in Dimension Data Holdings plc	(5)	(68)	(60)	(1,080)
Nedcor restructuring and integration costs	(32)	(14)	(394)	(227)
Change in credit provisioning methodology	(87)	–	(1,074)	–
Short term fluctuations in investment return (including economic assumption changes)				
Life assurance	71	(338)	872	(5,340)
Other	–	(9)	–	(128)
Investment return adjustment for own shares held in policyholders' funds	12	42	148	663
Other life assurance changes**	(86)	–	(1,065)	–
Operating profit on ordinary activities before tax	374	355	4,635	5,607
Non-operating items	(32)	(26)	(404)	(409)
Profit on ordinary activities before tax	342	329	4,231	5,198
Tax on profit on ordinary activities	(211)	(190)	(2,605)	(2,998)
Profit on ordinary activities after tax	131	139	1,626	2,200
Minority interests – equity	115	(44)	1,420	(695)
– non-equity	(46)	–	(568)	–
Profit for the financial year	200	95	2,478	1,505
Dividends paid and proposed	(166)	(161)	(2,006)	(2,319)
Retained profit/(loss) for the financial year	34	(66)	472	(814)

1 CONSOLIDATED PROFIT AND LOSS ACCOUNT ON AN ACHIEVED PROFITS BASIS FOR THE YEAR ENDED 31 DECEMBER 2003 continued

The adjusted operating profit on an after tax and minority interests basis is determined as follows:

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002 (Restated)***	Year to 31 December 2003	Year to 31 December 2002 (Restated)***
Adjusted operating profit	707	862	8,752	13,614
Tax on adjusted operating profit	(250)	(232)	(3,087)	(3,663)
	457	630	5,665	9,951
Minority interests – equity	(9)	(113)	(111)	(1,784)
– non-equity	(46)	–	(568)	–
Adjusted operating profit after tax and minority interests	402	517	4,986	8,167

	p		c	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
Earnings per share				
Adjusted operating earnings per share	10.8	14.1	133.8	222.8
Basic earnings per share	5.9	2.8	72.6	44.9
Adjusted weighted average number of shares – millions	3,727	3,670	3,727	3,670
Weighted average number of shares – millions	3,411	3,354	3,411	3,354

* Adjusted operating profit represents the directors' view of the underlying performance of the Group. For life assurance and general insurance businesses, the adjusted operating profit is based on a long term investment return and includes investment returns on own shares held in policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, Nedcor restructuring and integration costs and the transitional impact of the change in credit provisioning methodology. For all businesses, adjusted operating profit excludes goodwill amortisation and impairment.

Adjusted operating earnings per share is similarly based, but is stated after tax and minority interests, with the calculation of the weighted average number of shares including own shares held in policyholders' funds.

** Refer to segmental analysis of results in section 7.

*** Comparative figures have been restated to reflect the adoption of UITF Abstract 37 "Purchases and Sales of Own Shares". Details of the changes are set out in section 5.

2 CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES ON AN ACHIEVED PROFITS BASIS FOR THE YEAR ENDED 31 DECEMBER 2003

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Profit for the financial year	200	95	2,478	1,505
Foreign exchange movements	322	442	(2,186)	(7,098)
Total recognised gains and losses for the year	522	537	292	(5,593)
Prior period adjustment	139	–	290	–
Total recognised gains and losses since last annual report	661	–	582	–

ACHIEVED PROFITS BASIS SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

3 RECONCILIATION OF MOVEMENTS IN THE CONSOLIDATED ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2003

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002 (Restated)	Year to 31 December 2003	Year to 31 December 2002 (Restated)
Total recognised gains and losses for the year	522	537	292	(5,593)
Dividends paid and proposed	(166)	(161)	(2,006)	(2,319)
	356	376	(1,714)	(7,912)
Issue of new capital	37	39	457	619
Shares issued under option schemes	4	1	49	16
	397	416	(1,208)	(7,277)
Net increase/(decrease) in achieved profits equity shareholders' funds				
Achieved profits equity shareholders' funds at the beginning of the year (originally £3,426 million (R47,329 million) before prior year adjustment of £262 million (R3,618 million))	3,164	2,748	43,711	50,988
Achieved profits equity shareholders' funds at the end of the year	3,561	3,164	42,503	43,711

4 CONSOLIDATED BALANCE SHEET ON AN ACHIEVED PROFITS BASIS AS AT 31 DECEMBER 2003

	£m		Rm	
	At 31 December 2003	At 31 December 2002 (Restated)	At 31 December 2003	At 31 December 2002 (Restated)
Assets				
Goodwill	1,264	1,598	15,088	22,075
Insurance and other assets	32,518	26,331	388,156	363,740
Banking assets	24,042	21,377	286,985	295,291
Total long term in-force business asset	700	640	8,353	8,843
Total assets	58,524	49,946	698,582	689,949
Liabilities				
Achieved profits equity shareholders' funds	3,561	3,164	42,503	43,711
Minority interests	1,312	927	15,662	12,808
Subordinated liabilities	15	18	179	249
Insurance and other liabilities	30,724	25,602	366,735	353,666
Banking liabilities	22,912	20,235	273,503	279,515
Total liabilities	58,524	49,946	698,582	689,949
Reconciliation of total long term in-force business asset				
Value of in-force business	1,276	1,089	15,227	15,045
OMUSL statutory solvency adjustment	(566)	(431)	(6,756)	(5,954)
OMI life subsidiaries statutory solvency adjustment	(17)	(18)	(203)	(242)
Adjustment for discounting CGT	7	–	85	(6)
Total long term in-force business asset	700	640	8,353	8,843

These supplementary financial statements were approved by the Executive Committee of the Board pursuant to authority delegated by the Board on 17 March 2004 and were signed on behalf of the Board by:

Julian V F Roberts
Group Finance Director

5 BASIS OF PREPARATION

These supplementary financial statements have been prepared in accordance with the methodology for supplementary reporting for long term assurance business (the Achieved Profits Method) issued in December 2001 by the Association of British Insurers.

The objective of the Achieved Profits Method is to recognise profit as it is earned, arising from contracts of long term insurance business. The methodology is based on an attribution of the assets of a life assurance company between those backing long term assurance contracts (backing assets) and the residual assets representing unencumbered capital.

The backing assets cover:

- (i) the long term liabilities calculated in accordance with local supervisory requirements; and
- (ii) the solvency capital requirements in each country (or equivalent where there is no local requirement).

Under the Achieved Profits Method the profits of the long term insurance business comprise:

- (i) the cash transfers to the residual assets from the backing assets as determined following the statutory valuation;
- (ii) the movement over the accounting period in the present value of the expected future cash flows to the residual assets from contracts in-force at the balance sheet date and their backing assets; and
- (iii) the return on the residual assets.

Shareholder profit arises fundamentally from:

- (i) the difference between (a) the amounts charged to policyholders for guarantees, expenses and insurance and (b) the actual experience in respect of these items; and
- (ii) the investment return earned on capital.

In addition, for the United States business, the guarantees for interest credited to policyholders' funds are reset periodically. The assumed future credited interest rates are consistent with investment earnings made and in line with recent Company policy.

The treatment within these supplementary statements of all businesses other than life assurance is unchanged from the primary financial statements.

Changes in accounting policies

Comparative figures have been restated to reflect the adoption of UITF Abstract 37 "Purchases and Sales of Own Shares". The abstract requires the Group's holdings of its own shares to be accounted for as a deduction in arriving at equity shareholders' funds, rather than to be recorded as assets. In addition, purchases and sales of own shares should be shown as changes in equity shareholders' funds such that no profit or loss is recognised in respect of dealings in those shares. The Group holds shares in the Company through a number of its long term business funds for the benefit of policyholders. These shares were previously included within "Other financial investments" at market value. Dividends paid have been restated to exclude any dividends in respect of own shares.

In determining the adjusted embedded value, a pro forma adjustment has been made to include the market value of own shares held in policyholders' funds.

This change has resulted in an increase in operating profit after tax of £12 million (R148 million) (2002: £42 million (R663 million)) representing net investment losses on own shares held in policyholders' funds. Basic earnings per share has been restated to reflect a reduction in the weighted average number of shares in issue of 316 million during 2002. The reduction in achieved profits equity shareholders' funds at 31 December 2002 as a result of the new policy was £262 million (R3,618 million), made up of the original cost of the shares on demutualisation of £401 million (R3,908 million) and the cumulative investment loss and foreign exchange movements on the shares to the end of 2002 of £139 million (R290 million). Dividends paid have been restated to exclude dividends in respect of own shares, resulting in an increase in retained profit for the year ended 31 December 2002 of £57 million (R900 million).

ACHIEVED PROFITS BASIS SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

6 COMPONENTS OF ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS

	£m		Rm	
	At 31 December 2003	At 31 December 2002 (Restated)	At 31 December 2003	At 31 December 2002 (Restated)
Shareholders' adjusted net worth	2,287	2,075	27,301	28,666
Equity shareholders' funds	2,863	2,524	34,175	34,868
Adjustment to include OMUSL on a statutory solvency basis	(566)	(431)	(6,756)	(5,954)
Adjustment to include OMI life subsidiaries on a statutory solvency basis	(17)	(18)	(203)	(242)
Adjustment for discounting CGT	7	–	85	(6)
Value of in-force business	1,276	1,089	15,227	15,045
Value of in-force business before cost of solvency capital	1,450	1,195	17,304	16,506
Cost of solvency capital	(174)	(106)	(2,077)	(1,461)
Minority interest in value of in-force	(2)	–	(25)	–
Achieved profits equity shareholders' funds	3,561	3,164	42,503	43,711
Pro forma adjustment to bring Group investments to market value				
Achieved profits equity shareholders' funds	3,561	3,164	42,503	43,711
Adjustment to bring listed subsidiaries to market value	288	502	3,444	6,938
Adjustment to market value of own shares held in policyholders' funds	275	262	3,283	3,618
Adjusted embedded value	4,124	3,928	49,230	54,267
		p		c
Adjusted embedded value per share	107.5	103.8	1,283	1,435
Number of shares in issue at the end of the year including own shares held in policyholders' funds – millions	3,837	3,783	3,837	3,783

The shareholders' adjusted net worth includes goodwill relating to OMUSL of £63 million (R752 million) (2002: £74 million (R1,022 million)).

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

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
South Africa	824	682	9,832	9,419
Individual business	507	417	6,053	5,751
Group business	317	265	3,779	3,668
United States	393	341	4,691	4,712
United Kingdom and Rest of World	59	66	704	914
Value of in-force business	1,276	1,089	15,227	15,045

6 COMPONENTS OF ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS continued

The encumbered and unencumbered capital is shown in the table below.

	£m		Rm	
	At 31 December 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
South Africa	1,551	1,139	18,513	15,739
Encumbered capital	1,021	1,008	12,186	13,925
Unencumbered capital	530	131	6,327	1,814
United States	391	355	4,666	4,904
Encumbered capital	153	155	1,822	2,144
Unencumbered capital	238	200	2,844	2,760

For South Africa the average unencumbered capital applicable was £196 million (R2,419 million) (2002: £160 million (R2,524 million)). These average figures were used to determine the expected return on unencumbered capital.

7 SEGMENTAL ANALYSIS OF RESULTS

	£m				Rm			
	South Africa	United States	UK and Rest of World	Total	South Africa	United States	UK and Rest of World	Total
Year to 31 December 2003								
New business contribution	108	57	2	167	1,334	704	25	2,063
Profits from existing business								
Expected return on in-force business	188	39	6	233	2,322	482	74	2,878
Expected return on encumbered capital	147	11	5	163	1,818	136	62	2,016
Experience variances	22	(8)	(5)	9	272	(99)	(62)	111
Operating assumption changes	(23)	15	(6)	(14)	(284)	185	(74)	(173)
Expected return on unencumbered capital	26	14	–	40	324	173	–	497
Life assurance adjusted operating profit before tax	468	128	2	598	5,786	1,581	25	7,392
Investment return variances								
On value of in-force	27	20	3	50	333	247	37	617
On capital	(36)	(1)	(12)	(49)	(450)	(12)	(148)	(610)
Effect of economic assumption changes	79	(11)	2	70	976	(136)	25	865
Effect of changes in and cost of solvency capital	(59)	–	–	(59)	(729)	–	–	(729)
Effect of FSV economic assumption changes	(32)	–	–	(32)	(395)	–	–	(395)
Effect of BoE Life	5	–	–	5	59	–	–	59
Life assurance achieved profits before tax	452	136	(5)	583	5,580	1,680	(61)	7,199
Attributed tax	(127)	(34)	–	(161)	(1,568)	(420)	–	(1,988)
Life assurance achieved profits after tax	325	102	(5)	422	4,012	1,260	(61)	5,211

ACHIEVED PROFITS BASIS SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

7 SEGMENTAL ANALYSIS OF RESULTS continued

	£m				Rm			
	South Africa	United States	UK and Rest of World	Total	South Africa	United States	UK and Rest of World	Total
Year to 31 December 2002								
New business contribution	114	80	3	197	1,806	1,261	42	3,109
Profits from existing business								
Expected return on in-force business	150	35	6	191	2,367	561	100	3,028
Expected return on encumbered capital	113	6	4	123	1,778	98	63	1,939
Experience variances	36	–	(10)	26	569	(3)	(160)	406
Operating assumption changes	(17)	(9)	2	(24)	(268)	(141)	28	(381)
Risk margin changes	–	18	–	18	–	284	–	284
Expected return on unencumbered capital	22	8	–	30	353	122	–	475
Life assurance adjusted operating profit before tax	418	138	5	561	6,605	2,182	73	8,860
Investment return variances								
On value of in-force	(87)	(25)	(2)	(114)	(1,381)	(396)	(23)	(1,800)
On capital	(250)	(4)	(14)	(268)	(3,950)	(60)	(221)	(4,231)
Effect of economic assumption changes	24	19	1	44	371	303	17	691
Life assurance achieved profits before tax	105	128	(10)	223	1,645	2,029	(154)	3,520
Attributed tax	(68)	(32)	–	(100)	(1,067)	(508)	–	(1,575)
Life assurance achieved profits after tax	37	96	(10)	123	578	1,521	(154)	1,945

Expected return on the unencumbered capital for South Africa and the United States is 13.4% p.a. (2002: 14% p.a.) and 7% p.a. (2002: 7% p.a.) respectively. For South Africa the expected return is applied to the average unencumbered capital given in section 6.

The segmental results of the United States include the operating profit generated by Old Mutual Reassurance Ireland, which provides reinsurance to the United States life companies, and OMNIA Life (Bermuda) Ltd., both subsidiaries of Old Mutual plc.

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

The effect of FSV economic assumption changes reflects the impact of reducing the economic assumptions for the South African actuarial liability valuation by 3% p.a.

The BoE Life adjustment reflects the recognition of the initial value of the in-force business on acquisition.

The difference between the total tax charge shown in the above segmental analysis and the total tax charge shown in the profit and loss account in section 1 represents the tax charge on other businesses.

7 SEGMENTAL ANALYSIS OF RESULTS continued

	£m		Rm	
	Year to 31 December 2003	Year to 31 December 2002	Year to 31 December 2003	Year to 31 December 2002
Tax on life assurance achieved profits				
South Africa – value of in-force	119	80	1,469	1,264
– capital	8	(12)	99	(197)
United States	34	32	420	508
United Kingdom and Rest of World	–	–	–	–
	161	100	1,988	1,575
Tax on other businesses	50	90	617	1,423
Tax on profit on ordinary activities	211	190	2,605	2,998

ACHIEVED PROFITS BASIS SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

8 VALUE OF NEW BUSINESS

The tables below set out a geographical analysis of the value of new business (VNB) for the year to 31 December 2003 and the year to 31 December 2002. Annual Premium Equivalent (APE) is calculated as recurring premiums plus 10% of single premiums. New business profitability, as measured by the ratio of the VNB to the APE, is also shown under "Margin" below.

The value of new business is disclosed both on a gross and after tax basis. The assumptions and tax rates used to calculate the value of new business are set out in section 9.

	Individual business	Group business	South Africa	United States	UK and Rest of World	Total
Year to 31 December 2003						
£m						
Recurring premiums	157	18	175	67	11	253
Single premiums	475	472	947	1,715	100	2,762
Annual Premium Equivalent	205	65	270	238	21	529
Value of new business before tax	68	40	108	49	2	159
Value of new business after tax	42	25	67	36	2	105
Margin before tax	33%	61%	40%	21%	10%	30%
Margin after tax	21%	38%	25%	15%	10%	20%
Rm						
Recurring premiums	1,933	227	2,160	827	134	3,121
Single premiums	5,867	5,823	11,690	21,178	1,242	34,110
Annual Premium Equivalent	2,520	809	3,329	2,945	258	6,532
Value of new business before tax	840	494	1,334	605	25	1,964
Value of new business after tax	519	309	828	445	25	1,298
Year to 31 December 2002						
£m						
Recurring premiums	115	19	134	37	12	183
Single premiums	546	468	1,014	2,629	104	3,747
Annual Premium Equivalent	170	65	235	300	22	557
Value of new business before tax	53	61	114	80	3	197
Value of new business after tax	33	38	71	56	3	130
Margin before tax	31%	93%	49%	27%	12%	36%
Margin after tax	20%	58%	30%	19%	12%	23%
Rm						
Recurring premiums	1,808	296	2,104	586	186	2,876
Single premiums	8,624	7,385	16,009	41,500	1,641	59,150
Annual Premium Equivalent	2,670	1,035	3,705	4,736	350	8,791
Value of new business before tax	841	965	1,806	1,261	42	3,109
Value of new business after tax	524	600	1,124	883	42	2,049

The margin on the United States business for 31 December 2003 was favourably impacted by initiatives undertaken in the corporate market in the second half of the year. Additionally, it excludes the value of the OMNIA Life (Bermuda) business that was acquired during 2003, and which is included within the value of new business shown in section 7. If the value of this business (£8 million; R99 million), together with the equivalent APE, had been included above, the before and after tax margins for the United States would have been 23% and 17% respectively.

8 VALUE OF NEW BUSINESS continued

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

A reconciliation of the new business premiums shown in the notes to the financial statements to those shown above, for the year to 31 December 2003, is set out below.

	£m		Rm	
	Recurring premiums	Single premiums	Recurring premiums	Single premiums
Year to 31 December 2003				
New business premiums in the notes to the financial statements	262	3,200	3,235	39,515
Less:				
United States reinsurance ceded externally	(9)	(100)	(114)	(1,235)
Group market-linked business not valued	–	(250)	–	(3,088)
Unit trust business not valued	–	(88)	–	(1,082)
New business premiums as per achieved profits supplementary statements	253	2,762	3,121	34,110

ACHIEVED PROFITS BASIS SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

9 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 and United States businesses were as follows:

	At 31 December 2003	At 31 December 2002
South Africa		
Fixed interest return	9.4%	11.0%
Equity return	11.4%	13.0%
Property return	10.4%	12.0%
Inflation	6.4%	7.0%
Risk discount rate	11.9%	13.5%
United States		
Treasury yield	4.3%	4.0%
Inflation	3.0%	3.0%
New money yield assumed	6.0%	6.0%
Net portfolio earned rate	6.4%	7.2%
Risk discount rate	8.3%	8.0%

- For the other operations, appropriate investment and economic assumptions were chosen on bases consistent with those adopted in South Africa. Where applicable, rates of future bonuses have been set at levels consistent with the investment return assumptions. Projected company taxation is based on the current tax basis that applies in each country.
- For the South African business full allowance has been made for STC that may be payable in South Africa. Full account has been taken of the impact of CGT in South Africa. It has been assumed that 10% of the equity portfolio (excluding group subsidiaries) will be traded each year. For the United States business full allowance has been made for existing tax attributes of the companies, including the use of existing carry forwards and preferred tax credit investments. Achieved profits results are initially calculated on an after tax basis and are then grossed up to the pre-tax level for presentation in the profit and loss account and the segmental analysis of results. The tax rates used were the effective corporation tax rates of 37.8% for South African business (2002: 37.8%); 25% for United States business (2002: 30%) and 0% for United Kingdom and Rest of World business (2002: 0%) except for the investment return on South African capital, for which the attributed tax was derived from the primary accounts.
- The assumed future mortality, morbidity and voluntary discontinuance rates have been based as far as possible on analyses of recent operating experience. Allowance has been made where appropriate for the effect of expected AIDS-related claims.
- The management expenses attributable to life assurance business have been analysed between expenses relating to the acquisition of new business and the maintenance of business in-force. The future expenses attributable to life assurance business do not include Group holding company expenses.

9 ASSUMPTIONS *continued*

- No allowance has been made for future development costs.
- Future investment expenses are based on the current scales of fees payable by the life assurance companies to the asset management subsidiaries. To the extent that these fees include profit margins for the asset management subsidiaries, these margins have not been included in the value of in-force business or the value of new business.
- The effect of increases in premiums over the period for policies in-force has been included in the value of in-force business only where such increases are associated with indexation arrangements. Other increases in premiums of existing policies are included in the value of new business.
- New schemes written on which recurring single premiums are expected to be received on a regular basis are treated as new business. The annualised premium is recognised as recurring premium new business at inception of the scheme and is determined by annualising the actual premiums received during the year in question. Subsequent recurring single premiums received in future years are not treated as new business, as these have already been provided for in calculating the value of in-force business.
- The value of in-force and value of new business are sensitive to changes in various economic and non-economic assumptions. The sensitivities of the value of in-force and value of new business to changes in key assumptions are set out in section 10.

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

	Rand		US\$	
	2003	2002	2003	2002
Profit and loss account (average rate)	12.3487	15.7878	1.6354	1.5030
Balance sheet (closing rate)	11.9367	13.8141	1.7833	1.6105

ACHIEVED PROFITS BASIS SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2003 CONTINUED

10 ALTERNATIVE ASSUMPTIONS

The tables below for South Africa and the United States show the sensitivity of the value of in-force at 31 December 2003 and the value of new business for the year to 31 December 2003 to changes in key assumptions. For each sensitivity illustrated, all other assumptions have been left unchanged. Changes have been made to certain South African sensitivity percentages in order to comply with the Actuarial Society of South Africa (ASSA) revised guidance note PGN 107 (version 2), effective as from 31 December 2003. The United States sensitivity percentages have also been changed to be consistent with South Africa.

The sensitivity of the adjustment for discounting CGT, which is included in the shareholders' adjusted net worth, to changes in the central discount rate is not material and is not included in the table below. The value of new business sensitivities are before tax. The value of new business sensitivities for the United States exclude the value of the OMNIA Life (Bermuda) business that was acquired during 2003.

	£m		Rm	
	Value of in-force business at 31 December 2003	Value of new life business at 31 December 2003	Value of in-force business at 31 December 2003	Value of new life business at 31 December 2003
South Africa				
Central assumptions	824	108	9,832	1,334
Value before cost of solvency capital	971	124	11,593	1,532
Cost of solvency capital	(147)	(16)	(1,761)	(198)
Effect of:				
Central discount rate +1%	711	90	8,487	1,111
Value before cost of solvency capital	914	112	10,910	1,383
Cost of solvency capital	(203)	(22)	(2,423)	(272)
Central discount rate -1%	957	128	11,423	1,581
Value before cost of solvency capital	1,036	138	12,366	1,704
Cost of solvency capital	(79)	(10)	(943)	(123)
Decreasing the pre-tax investment return assumptions by 1% with bonus rates changing commensurately	733	95	8,750	1,173
Value before cost of solvency capital	937	117	11,185	1,445
Cost of solvency capital	(204)	(22)	(2,435)	(272)
Voluntary discontinuance rates increasing by 10%	808	101	9,645	1,247
Maintenance expense levels increasing by 10% with no corresponding increase in policy charges	777	101	9,275	1,247
Increasing the inflation assumption by 1% with no corresponding increase in policy charges	798	103	9,525	1,272
Mortality and morbidity assumptions for assurances increasing by 10%, and mortality assumptions for annuities decreasing by 10% with no corresponding increase in policy charges	773	93	9,227	1,148
For value of new business, acquisition expenses other than commission and commission-related expenses increasing by 10% with no corresponding increase in policy charges	-	103	-	1,272

10 ALTERNATIVE ASSUMPTIONS continued

	£m		Rm	
	Value of in-force business at 31 December 2003	Value of new life business at 31 December 2003	Value of in-force business at 31 December 2003	Value of new life business at 31 December 2003
United States				
Central assumptions	393	49	4,691	605
Value before cost of solvency capital	418	55	4,989	679
Cost of solvency capital	(25)	(6)	(298)	(74)
Effect of:				
Central discount rate +1%	364	44	4,345	544
Value before cost of solvency capital	394	51	4,703	630
Cost of solvency capital	(30)	(7)	(358)	(86)
Central discount rate –1%	426	54	5,085	667
Value before cost of solvency capital	446	59	5,324	729
Cost of solvency capital	(20)	(5)	(239)	(62)
Decreasing the pre-tax investment return assumptions by 1% with credited rates changing commensurately	364	44	4,345	544
Value before cost of solvency capital	392	51	4,679	630
Cost of solvency capital	(28)	(7)	(334)	(86)
Voluntary discontinuance rates increasing by 10%	362	44	4,321	543
Maintenance expense levels increasing by 10% with no corresponding increase in policy charges	361	46	4,309	568
Increasing the inflation assumption by 1% with no corresponding increase in policy charges	389	47	4,643	580
Mortality and morbidity assumptions for assurances increasing by 10%, and mortality assumptions for annuities decreasing by 10% with no corresponding increase in policy charges	389	48	4,643	593
Increasing Risk Based Capital to 200%, with 1% reduction in central discount rate	406	49	4,847	606
Value before cost of solvency capital	446	59	5,324	729
Cost of solvency capital	(40)	(10)	(477)	(123)
For value of new business, acquisition expenses other than commission and commission-related expenses increasing by 10% with no corresponding increase in policy charges	–	46	–	568

FINANCIAL HISTORY

STERLING

	£m				
	2003	2002 (Restated)	2001 (Restated)	2000 (Restated)	1999 (Restated)
Life assurance new business premiums					
Single	3,200	4,003	2,140	1,902	1,852
Recurring	262	219	217	248	240
Annual premium equivalent	583	619	431	438	425
Summary consolidated profit and loss account					
South Africa					
Life assurance					
Technical result	253	208	249	250	235
Long term investment return	178	135	148	215	167
	431	343	397	465	402
Asset management	53	28	37	46	30
Banking	(10)	165	290	269	191
General insurance	73	35	46	44	59
	547	571	770	824	682
United States					
Life assurance	86	83	13	–	–
Asset management	81	95	116	44	–
	167	178	129	44	–
United Kingdom and Rest of World					
Life assurance	24	(3)	(2)	13	(26)
Asset management	(4)	2	(3)	34	18
Banking	4	56	79	58	19
	24	55	74	105	11
	738	804	973	973	693
Other shareholders' income/expenses	(40)	(22)	(29)	(34)	(32)
Debt service costs	(48)	(58)	(67)	(28)	–
Write-down of strategic investments	–	–	(21)	–	–
Adjusted operating profit	650	724	856	911	661
Goodwill amortisation and impairment	(206)	(120)	(632)	(54)	(5)
Loss on disposal/write-down of investment in Dimension Data Holdings plc	(5)	(68)	(269)	–	–
Nedcor restructuring and integration costs	(32)	(14)	–	–	–
Change in credit provisioning methodology	(87)	–	–	–	–
Short term fluctuations in investment return	143	(91)	126	(180)	778
Investment return adjustment for own shares held in policyholders' funds	12	42	76	(73)	(176)
Operating profit on ordinary activities before tax	475	473	157	604	1,258
Non-operating items	(32)	(6)	–	356	54
Profit on ordinary activities before tax	443	467	157	960	1,312
Tax on profit on ordinary activities	(241)	(224)	(319)	(138)	(165)
Profit/(loss) on ordinary activities after tax	202	243	(162)	822	1,147
Minority interests (equity and non-equity)	71	(44)	(26)	(341)	(257)
Profit/(loss) for the financial year	273	199	(188)	481	890
Dividends paid and proposed	(166)	(161)	(158)	(152)	(69)
Retained profit/(loss) for the financial year	107	38	(346)	329	821

	P				
	2003	2002 (Restated)	2001 (Restated)	2000 (Restated)	1999 (Restated)
Earnings and dividend per share					
Adjusted operating earnings per share	10.0	11.3	12.1	18.4	12.3
Basic earnings per share	8.0	5.9	(5.8)	15.7	31.7
Dividend per share (1999 pro forma)	4.8	4.8	4.8	4.7	4.0
Adjusted weighted average number of shares – millions	3,727	3,670	3,550	3,373	3,127
Weighted average number of shares – millions	3,411	3,354	3,234	3,057	2,811
					£m
Consolidated balance sheet					
Assets					
Intangible assets (goodwill)	1,264	1,598	1,580	2,279	164
Insurance and other assets	32,518	26,331	31,638	26,376	25,043
Banking assets	24,042	21,377	11,309	17,287	13,217
	57,824	49,306	44,527	45,942	38,424
Liabilities					
Equity shareholders' funds	2,863	2,524	2,193	3,134	2,981
Minority interests	1,310	927	565	1,013	857
Subordinated liabilities	15	18	22	39	–
Insurance and other liabilities	30,724	25,602	31,292	26,355	22,498
Banking liabilities	22,912	20,235	10,455	15,401	12,088
	57,824	49,306	44,527	45,942	38,424
Funds under management	125,226	123,334	142,819	168,223	44,337
Adjusted embedded value	4,124	3,928	3,522	5,553	5,414
Exchange rates					
Sterling / Rand					
Average rate	12.3487	15.7878	12.3923	10.5213	9.8588
Closing rate	11.9367	13.8141	17.4286	11.3148	9.9364
Sterling / US Dollar					
Average rate	1.6354	1.5030	1.4405	1.5159	n/a
Closing rate	1.7833	1.6105	1.4542	1.4937	n/a

The information contained in the above financial history in Sterling is extracted from published accounts. Comparative years have been restated for the implementation of FRS 19 "Deferred Tax" and UITF Abstract 37 "Purchases and Sales of Own Shares".

FINANCIAL HISTORY

RAND

	Rm				
	2003	2002 (Restated)	2001 (Restated)	2000 (Restated)	1999 (Restated)
Life assurance new business premiums					
Single	39,515	63,187	26,520	20,010	18,260
Recurring	3,235	3,444	2,688	2,609	2,366
Annual premium equivalent	7,186	9,763	5,340	4,610	4,192
Summary consolidated profit and loss account					
South Africa					
Life assurance					
Technical result	3,124	3,283	3,085	2,630	2,317
Long term investment return	2,198	2,131	1,830	2,262	1,647
	5,322	5,414	4,915	4,892	3,964
Asset management	656	441	458	484	296
Banking	(118)	2,605	3,593	2,829	1,885
General insurance	909	556	570	463	582
	6,769	9,016	9,536	8,668	6,727
United States					
Life assurance	1,062	1,310	161	–	–
Asset management	1,000	1,500	1,437	462	–
	2,062	2,810	1,598	462	–
United Kingdom and Rest of World					
Life assurance	297	(47)	(25)	137	(257)
Asset management	(48)	31	(38)	359	177
Banking	48	884	979	611	187
	297	868	916	1,107	107
	9,128	12,694	12,050	10,237	6,834
Other shareholders' income/expenses	(494)	(347)	(359)	(357)	(316)
Debt service costs	(593)	(916)	(830)	(295)	–
Write-down of strategic investments	–	–	(260)	–	–
Adjusted operating profit	8,041	11,431	10,601	9,585	6,518
Goodwill amortisation and impairment	(2,544)	(1,895)	(7,832)	(568)	(49)
Loss on disposal/write-down of investment in Dimension Data Holdings plc	(60)	(1,080)	(3,334)	–	–
Nedcor restructuring and integration costs	(394)	(227)	–	–	–
Change in credit provisioning methodology	(1,074)	–	–	–	–
Short term fluctuations in investment return	1,767	(1,439)	1,561	(1,894)	7,670
Investment return adjustment for own shares held in policyholders' funds	148	663	943	(763)	(1,736)
Operating profit on ordinary activities before tax	5,884	7,453	1,939	6,360	12,403
Non-operating items	(404)	(88)	–	3,746	532
Profit on ordinary activities before tax	5,480	7,365	1,939	10,106	12,935
Tax on profit on ordinary activities	(2,976)	(3,535)	(3,948)	(1,455)	(1,627)
Profit/(loss) on ordinary activities after tax	2,504	3,830	(2,009)	8,651	11,308
Minority interests (equity and non-equity)	877	(695)	(322)	(3,588)	(2,534)
Profit/(loss) for the financial year	3,381	3,135	(2,331)	5,063	8,774
Dividends paid and proposed	(2,006)	(2,319)	(2,433)	(1,595)	(680)
Retained profit/(loss) for the financial year	1,375	816	(4,764)	3,468	8,094

	c				
	2003	2002 (Restated)	2001 (Restated)	2000 (Restated)	1999 (Restated)
Earnings and dividend per share					
Adjusted operating earnings per share	123.8	179.0	149.1	194.3	121.4
Basic earnings per share	99.1	93.5	(72.1)	165.6	312.1
Dividend per share (2003 indicative only; 1999 pro forma)	56.5	66.0	72.3	49.5	39.3
Adjusted weighted average number of shares – millions					
	3,727	3,670	3,550	3,373	3,127
Weighted average number of shares – millions	3,411	3,354	3,234	3,057	2,811
Consolidated balance sheet					
	Rm				
	2003	2002 (Restated)	2001 (Restated)	2000 (Restated)	1999 (Restated)
Assets					
Intangible assets (goodwill)	15,088	22,075	27,537	25,786	1,629
Insurance and other assets	388,156	363,740	551,413	298,484	248,832
Banking assets	286,985	295,291	197,099	195,597	131,330
	690,229	681,106	776,049	519,867	381,791
Liabilities					
Equity shareholders' funds	34,175	34,868	38,226	35,505	29,616
Minority interests	15,637	12,808	9,847	11,458	8,515
Subordinated liabilities	179	249	383	442	–
Insurance and other liabilities	366,735	353,666	545,377	298,203	223,549
Banking liabilities	273,503	279,515	182,216	174,259	120,111
	690,229	681,106	776,049	519,867	381,791
Funds under management	1,494,786	1,703,747	2,489,141	1,903,414	440,545
Adjusted embedded value	49,230	54,267	61,364	62,831	53,794

The information contained in the above financial history in Rand is extracted from published accounts. Comparative years have been restated for the implementation of FRS 19 "Deferred Tax" and UITF Abstract 37 "Purchases and Sales of Own Shares".

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Old Mutual plc (the “Company”) will be held in the Presentation Suite, 2nd Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG on Friday 14 May 2004 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 2003.
- 2 To declare a final dividend of 3.1p per ordinary share.
- 3
 - (i) To elect Mr M J P Marks as a director of the Company;
 - (ii) To re-elect Mr R Bogni as a director of the Company;
 - (iii) To re-elect Mr N N Broadhurst as a director of the Company;
 - (iv) To re-elect Mr J V F Roberts as a director of the Company.
- 4 To re-appoint KPMG Audit Plc as auditors to the Company.
- 5 To authorise the Audit Committee to settle the remuneration of the auditors.

As special business, to consider and, if thought fit, pass the following resolutions, those numbered 6 and 7 as Ordinary Resolutions and those numbered 8, 9, 10 (i) to (iv), 11 and 12 as Special Resolutions:

ORDINARY RESOLUTIONS

- 6 To approve the Remuneration Report in the Company’s report and accounts for the year ended 31 December 2003.
- 7 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 £127,917,000 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

- 8 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 £19,187,000 for cash and/or where such allotment constitutes an allotment of equity securities by virtue of section 94(3A) of that Act, 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.
- 9 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 Resolutions 10 (i) to (iv) below) shall be 383,752,930;
 - (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 2005, whichever is the later), 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 either:

(a) be cancelled immediately upon completion of the purchase; or

(b) be held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act 1985.

10 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 2005, whichever is the later):

- (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 383,752,930 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 9 above or any of the other contingent purchase contracts referred to in Resolutions 10 (ii), (iii) and (iv));
- (ii) contract between the Company and Investment House Namibia (Pty) Limited pursuant to which the Company may make off-market purchases from Investment House Namibia (Pty) Limited of up to a maximum of 383,752,930 Ordinary Shares in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 9 above or any of the other contingent purchase contracts referred to in Resolutions 10 (i), (iii) and (iv));
- (iii) contract between the Company and Fleming Martin Edwards Securities (Private) Limited pursuant to which the Company may make off-market purchases from Fleming Martin Edwards Securities (Private) Limited of up to a maximum of 383,752,930 Ordinary Shares in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 9 above or any of the other contingent purchase contracts referred to in Resolutions 10 (i), (ii) and (iv));
- (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 383,752,930 Ordinary Shares in aggregate (such maximum number to be reduced by any purchases made pursuant to the authority in Resolution 9 above or any of the other contingent purchase contracts referred to in Resolutions 10 (i), (ii) and (iii)).

11 That the Articles of Association in the form now produced to this meeting and signed by the Chairman of this meeting for identification purposes be and are hereby adopted as the Articles of the Company in substitution for the existing Articles of Association.

12 That:

- (i) the scheme of arrangement (the "Scheme") between the Company and the holders of its shares, a print of which has been produced to this meeting and which has been signed for the purposes of identification by the Chairman of this meeting, be approved;
- (ii) the directors be and are hereby authorised, if they shall see fit to do so, to implement: (a) the arrangements set out in the Scheme; or (b) the alternative arrangement described in the circular enclosed with this notice of meeting (the "Circular") so that the new unclaimed benefits trusts (as defined in the Circular) will exclusively receive and hold on the terms of those trusts cash proceeds transferred to those trusts in accordance with the arrangements described in the Circular;
- (iii) the objects clause in the Memorandum of Association of the Company be amended to include the following as a new Clause 4(32), with the remaining paragraphs of Clause 4 being renumbered accordingly:

"To enter into any arrangement which the Company in general meeting shall have authorised the directors of the Company to approve enabling former members of Old Mutual Life Assurance Company (South Africa) Limited ("the Society") to claim, on and subject to the terms, conditions and limitations of such arrangement, any benefit to which they would have been entitled, but for the fact that they shall have failed to claim their entitlements in accordance with the terms of, and by the end date prescribed by, the scheme for the demutualisation of the Society sanctioned by the High Court of South Africa on 29 March 1999."

By order of the Board

Martin C Murray
 Group Company Secretary
 17 March 2004

Registered Office:
 5th Floor
 Old Mutual Place
 2 Lambeth Hill
 London EC4V 4GG

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

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. A proxy need not be a member of the Company. A member who holds shares through Old Mutual Nominees may 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, Zimbabwe or Malawi register respectively). Beneficial shareholders who have dematerialised or immobilised their shareholdings in STRATE, other than through Old Mutual Nominees, may provide their CSDP or broker with voting instructions in accordance with the applicable custody agreement or may apply to that CSDP or broker for a letter of representation from the registered shareholder to enable them to attend the meeting in person.

CREST members who wish to appoint a proxy or proxies for the Meeting and any adjournment(s) of the Meeting may do so by utilising the procedures in the CREST manual. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

- 2 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, 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 12 May 2004 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 in favour of Old Mutual Nominees (see note 1 above) 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 envelope enclosed with the form of proxy or voting instruction form 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 12 May 2004. If no return envelope is enclosed with the voting instruction form, this will be because the records available to the Company show your shareholding to have been dematerialised in the context of STRATE through a CSDP or broker other than under the Issuer-Sponsored Nominee Programme. In that case, you should contact your CSDP or broker to ascertain the return address for it to process your voting instructions. It is recommended that, because of the requirement for votes in relation to shares dematerialised or immobilised in the context of STRATE to be collated through CSDPs and brokers and then reconciled through PLC Nominees (Pty) Limited, voting instructions by beneficial owners of such shares be submitted so as to arrive at least 72 hours before the time of the meeting.

The message appointing or instructing a proxy making use of the CREST service must be transmitted so as to be received by Computershare ID R009 not later than 48 hours before the time fixed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. No messages received through the CREST network after this time will be accepted.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available any special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 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, the register of directors' interests, the contingent purchase contracts referred to in Resolutions 10 (i) to (iv), the revised Articles of Association referred to in Resolution 11 and the scheme of arrangement referred to in Resolution 12 are available for inspection at the registered office of the Company in London; at Mutualpark, Jan Smuts Drive, Pinelands 7405, South Africa; at Management Suite, 93 Grayston Drive, Sandton, 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, One Bunhill Row, London EC1Y 8YY during normal business hours on each business day from the date of this notice until the Annual General Meeting and in the Presentation Suite, 2nd Floor, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG from at least 15 minutes prior to the Annual General Meeting until the conclusion of that meeting. These documents will also all be available in the AGM section of the Company's website, www.oldmutual.com, until the conclusion of that meeting.

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

RESOLUTION 2 – DIVIDEND

A final dividend of 3.1p 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 1 April 2004, as determined by the Company).

Shareholders on the branch registers (or, in the case of Namibia, the relevant section of the principal register) in those 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 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 2 April 2004.

RESOLUTIONS 3 (i) TO (iv) – ELECTION AND RE-ELECTION OF DIRECTORS

Mr Marks, 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 election at the meeting.

Mr Bogni, Mr Broadhurst and Mr Roberts retire by rotation in accordance with Articles 95 and 96 of the Company's Articles of Association and will be seeking re-election at the meeting.

Details of Mr Roberts' employment contract are contained in the Summary of the Remuneration Report on pages 40 to 50. The terms of the engagement of the non-executive directors (other than the Chairman, Mr Levett) provide for their positions to be held at the will of the respective parties, i.e. on terms that they may be terminated by either side without notice. However, they also state that it is envisaged that they will remain in place on a three-year cycle, in order to provide assurance to both the Company and the non-executive director concerned that the appointment is likely to endure.

The first three-year cycle applicable to Mr Broadhurst (who was appointed as a director from 25 March 1999) expired during 2002 and was extended for a further three years (i.e. until 24 March 2005, when it will be further reviewed).

Mr Bogni's and Mr Marks' appointments are each expected to last for an initial term of three years from their dates of appointment (i.e. until 31 January 2005 and 31 January 2007 respectively) and then be considered for renewal.

The Board has determined that, in the absence of exceptional circumstances, no non-executive director's cycle of appointment should be renewed more than twice, i.e. that non-executive directors should serve a maximum of nine years in that role, and that no non-executive director should continue beyond his seventieth birthday. The renewal of non-executive directors' terms for successive three-year cycles is not automatic and the continued suitability of each non-executive director is assessed by the Nomination Committee before renewal of his appointment takes place.

Mr Marks is one of the founding partners of New Smith Capital Partners LLP. Until February 2003 he had held a number of senior roles with Merrill Lynch, including Executive Chairman of Merrill Lynch Europe, Middle East and Africa and Executive Vice-President of Merrill Lynch & Co. Prior to joining Merrill Lynch in 1995, he had been Chairman of Smith New Court PLC, having earlier been responsible for the international operations of that company in New York, Hong Kong, Singapore and South Africa. He is also a non-executive director of the London Stock Exchange and was formerly Chairman of the London Investment Banking Association and Vice-President of the British Bankers' Association.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Mr Bogni is Chairman of Medivest International SCA, Luxembourg and of the International Advisory Board of Oxford Analytica. He is also a member of the boards of the LGT Foundation, Common Purpose International Ltd, and Prospect Publishing, and of the governing council of the Centre for the Study of Financial Innovation. He served previously as a member of the Executive Board and Chief Executive, Private Banking of UBS AG, and before that he was Group Treasurer and a member of the Executive Committee of Midland Bank plc.

Mr Broadhurst was Group Finance Director of Railtrack plc from 1994 to 2000. He is Chairman of Freightliner Limited and of Chloride Group plc. He is also a non-executive director of Cattles plc, Tomkins plc and United Utilities plc.

In addition to his role as Group Finance Director, Mr Roberts is also a non-executive director of Mutual & Federal Insurance Company Limited and of Nedcor Limited. He was formerly Group Finance Director of Sun Life & Provincial Holdings PLC. Before joining Sun Life & Provincial Holdings PLC, he was a director and Chief Financial Officer of Aon UK Holdings Limited.

The Nomination Committee of the Company has conducted an assessment of the performance of each of the retiring candidates and has reviewed the skills, knowledge, experience and diversity represented on the Board. Having received the results of that assessment and review, the Board recommends to shareholders the election or re-election of each of the retiring directors. Each of the retiring non-executive directors is considered by the Board to be independent in character and free from any business or other relationship which could interfere with the exercise of his objective, unfettered and independent judgement.

The election or re-election of directors is considered a significant matter and approval of the election and re-elections will be therefore carried out by separate ordinary resolutions.

RESOLUTIONS 4 AND 5 – AUDITORS

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

RESOLUTION 6 – APPROVAL OF THE REMUNERATION REPORT

In accordance with the Directors' Remuneration Report Regulations 2002, an advisory resolution will be proposed to approve the Remuneration Report on pages 40 to 50. A summary of the Report is set out on pages 32 to 38 of the Annual Review and Summary Financial Statements. The Remuneration Report includes details of the members of the Remuneration Committee and the Company's policy on directors' remuneration and reports on the remuneration arrangements in place for the executive directors and non-executive directors. The full version of the Report can be accessed on the Company's website, www.oldmutual.com.

Resolution 6 is of an advisory nature only, and failure to pass the Resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take into consideration the outcome of the vote when considering the Company's remuneration policy.

RESOLUTIONS 7 AND 8 – 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 33 $\frac{1}{3}$ % (rounded down to the nearest £1,000 nominal) of the current issued ordinary share capital at 1 March 2004 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 191,870,000 ordinary shares, being 5% (rounded down to the nearest £1,000 nominal) of the issued ordinary share capital of the Company at 1 March 2004.

RESOLUTIONS 9 AND 10 (i) TO (iv) – PURCHASE OF OWN SHARES

Under Resolution 9, 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 10 (i) to (iv)) to renew for a further year four contingent purchase contracts, the effect of which would be to enable the Company to repurchase its shares on the JSE Securities Exchange South Africa and the Namibian, Zimbabwe and Malawi Stock Exchanges respectively. These authorities, if renewed, would run in parallel with the general authority (under Resolution 9) 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 10 (i) to (iv), into the applicable local currency at the then prevailing exchange rate). Any shares purchased under the authority granted by Resolution 9 or pursuant to any of the contingent purchase contracts to be approved under Resolutions 10 (i) to (iv) will either be cancelled or may be held as treasury shares (see the following paragraph).

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 came into force on 1 December 2003 and made certain amendments to the UK Companies Act 1985 in relation to treasury shares. The amendments allow companies to retain any of their own shares they have purchased as treasury stock with a view to possible re-issue at a future date, rather than cancelling them as had previously been required by legislation. If the Company were to purchase any of its own shares pursuant to the authorities sought in Resolutions 9 and 10 (i) to (iv), it would consider holding them as treasury stock, provided that the number did not at any one time exceed 10% of Old Mutual plc's issued share capital. This would give the Company the ability to re-issue treasury shares quickly and cost-effectively, and would provide the Company with additional flexibility in the management of its capital base.

The authorities under Resolutions 9 and 10 (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 11 – ADOPTION OF AMENDED ARTICLES OF ASSOCIATION

It is proposed that the Company's Articles of Association (which were last updated in 2001) be amended (a) to take account of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"); (b) to allow the Company to offer those of its shareholders who are CREST members the facility of sending the Company an electronic proxy via the CREST system; and (c) to authorise the Company to dispense with sending notices of general meetings to members who are untraceable and to clarify that meetings convened in reliance on this will nevertheless be valid. The effect of the Regulations is explained in the notes to Resolutions 9 and 10 (i) to (iv) above. Whilst the Regulations are effective whether or not the Articles of Association are formally amended, the amendments relating to treasury shares pursuant to Resolution 11 are being made in order to make the Articles of Association consistent with the Regulations. The CREST proxy voting service is explained in notes 1 and 3 above. To be able to offer its members this service, it is desirable to make certain amendments to the Company's Articles of Association to ensure that they take into account the relevant provisions of the Uncertificated Securities Regulations 2001. The provision relating to untraceable members is designed to avoid the current requirement to continue mailing documents to a defunct address after documents have been returned undelivered on two consecutive occasions and reasonable enquiries have failed to establish any new address for the shareholder.

RESOLUTION 12 – SCHEME OF ARRANGEMENT RELATING TO THE UNCLAIMED SHARES TRUSTS AND ALTERNATIVE ARRANGEMENT

Under the Scheme of Demutualisation of the Group (the "Scheme"), the Company has since 1999 been operating Unclaimed Shares Trusts ("USTs") in South Africa, Malawi, Namibia, Zimbabwe and Bermuda. The purpose of the USTs is to hold shares, proceeds of sale of shares and dividends on shares where the person entitled on demutualisation has not yet confirmed their details and claimed their entitlement. Under the terms of the Scheme, remaining unclaimed entitlements under each of the USTs are to be extinguished in August 2004, shortly after the fifth anniversary of the Company's original listing date, at which point the trustees of the USTs are directed to sell any unclaimed shares and account to the Company for the proceeds of sale, together with any other unclaimed monies held by the USTs.

The directors now propose to extend each of the USTs in a modified form for a further period or periods beyond the expiry date prescribed by the Scheme. The extension and amendment would be carried out pursuant to a scheme of arrangement under section 425 of the UK Companies Act 1985 and would be subject to approval by the UK High Court and to the directors' decision to implement it. Further details of the scheme of arrangement are set out in the enclosed explanatory circular. Resolution 12 would also (i) authorise the directors to enter into an alternative arrangement as described in the explanatory circular, if the scheme of arrangement failed for any reason; and (ii) amend the Company's objects clause to clarify that it has the corporate power to enter into the arrangements described in the scheme of arrangement or the alternative arrangement if the scheme of arrangement failed.

SHAREHOLDER INFORMATION

The Company's shares are listed on the London, Malawi, Namibian and Zimbabwe Stock Exchanges and on the JSE Securities Exchange South Africa. The primary listing is on the London Stock Exchange and the other listings are all secondary listings. The ISIN number of the Company's shares is GB0007389926.

The high and low prices at which the Company's shares are recorded by the various exchanges as having traded during 2003 and 2002 were as follows:

	2003		2002	
	High	Low	High	Low
London Stock Exchange	108p	70p	119p	66p
JSE Securities Exchange South Africa	R13.3	R9.1	R18.2	R10.8
Malawi Stock Exchange	MK155	MK95	MK150	MK81
Namibian Stock Exchange	N\$12.8	N\$9.4	N\$18.1	N\$11.3
Zimbabwe Stock Exchange	Z\$5,000	Z\$900	Z\$1,200	Z\$370

At 31 December 2003, 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	1,586,352,871	41.34	13,338
South African branch register	2,149,915,894	56.03	57,854 ¹
Malawi branch register	6,008,248	0.16	5,305
Namibian section of register	14,410,471	0.38	9,356 ¹
Zimbabwe branch register	80,208,327	2.09	34,757
	3,836,895,811	100	120,610

Size of shareholding	Total shares	Number of holders
1 – 1,000	35,342,866	93,070
1,001 – 10,000	69,376,310	23,750
10,001 – 100,000	72,850,849	2,532
100,001 – 250,000	69,226,770	436
250,001 +	3,590,099,016	822 ¹

NOTE:

1 The registered shareholdings on the South African branch register include PLC Nominees (Pty) Limited, which held a total of 1,532,571,360 shares as nominee for 20,526 underlying owners at 31 December 2003. The Company's sponsored nominee (Old Mutual South Africa Nominees (Pty) Limited) held 573,625,896 shares for the benefit of 519,463 underlying beneficial owners at 31 December 2003. The registered shareholdings on the Namibian section of the register include Old Mutual (Namibia) Nominees (Pty) Limited, which held a total of 6,135,182 shares as nominee for 8,526 underlying beneficial owners at 31 December 2003.

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
 e-mail: web.queries@computershare.co.uk

IN MALAWI

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

IN ZIMBABWE

Corpserve (Private) Limited
 4th Floor, Intermarket Centre
 Corner 1st Street and
 Kwame Nkuruma Avenue, Harare
 (PO Box 2208, Harare)
 Tel: (263) 912 34621-5

IN SOUTH AFRICA

Computershare Services Limited
 70 Marshall Street, Johannesburg 2001
 (PO Box 61051, Marshalltown 2107)
 Tel: (27) 11 370 5000

IN NAMIBIA

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

The Company's South African Registrars, Computershare Services Limited, administer a telephone and postal sales service for shares held through Old Mutual (South Africa) Nominees (Pty) Limited on the South African branch register and shares held through Old Mutual (Namibia) Nominees (Pty) Limited on the Namibian section of the register. If you hold your shares in this way and wish to sell your shares by telephone, Computershare may be contacted on 0861 60 9000 (a South African number) between 8.00 a.m. and 4.30 p.m. (local time) on Mondays to Fridays, excluding public holidays. A service fee based on the value of the sale is payable.

UNCLAIMED SHARES

The shares of policyholders who qualified for free shares when the Company demutualised, but who have not yet claimed their shares by confirming their personal details, are being kept on their behalf in Unclaimed Shares Trusts, subject to the terms of the Scheme of Demutualisation. In order to claim such shares, persons entitled should contact the Trust Administration and Confirmation Department on 0861 61 9061 (a South African number) or on (27) 21 509 8383 between 8.30 a.m. and 4.30 p.m. (South African time) on Mondays to Fridays, excluding public holidays.

STRATE

Since 21 January 2002, all transactions in the Company's shares on the JSE Securities Exchange South Africa have been required to be settled electronically through STRATE. Share certificates have no longer been good for delivery in respect of transactions entered into on the JSE Securities Exchange South Africa since 14 January 2002.

The Company wrote to certificated shareholders on its South African branch register in October 2001 to inform them of these changes and of the alternative courses of action available to them. The Company also wrote separately to certificated shareholders on the Namibian section of its principal register in January 2002 to explain the impact of STRATE. These included participating in Issuer-Sponsored Nominee Programmes to dematerialise (in the case of South Africa) or immobilise (in the case of Namibia) their previously certificated shareholdings in the Company. Shareholders who have any enquiries about these programmes or about the effect of STRATE on their holding in the Company should contact Computershare Services in Johannesburg on 0861 10 0933.

CHECKING YOUR HOLDING ONLINE

An online service is situated at the Investor Centre option within the website address www.computershare.com which gives shareholders access to their account to confirm registered details, mandate instructions in place, dividend enquiries and a real time shareholding balance. A simple calculator function places a market quote against each holding and allows shareholders to estimate its value. There are also a number of downloadable forms from this site such as change of address, dividend mandate instructions and stock transfer forms. Finally there is an extensive list of frequently asked questions and the facility to contact Computershare Services by e-mail.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

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

Currency conversion date for the final dividend	1 April 2004
Announcement of currency equivalents of the final dividend, as so converted	2 April 2004
Ex-dividend date in Malawi, Namibia, South Africa and Zimbabwe Stock Exchange	opening of business on 19 April 2004
Ex-dividend date on the London Stock Exchange	opening of business on 21 April 2004
Record date for the final dividend	close of business on 23 April 2004
Annual General Meeting and Court Meeting relating to the Unclaimed Shares Trusts	14 May 2004
Final dividend payment date	28 May 2004
Interim results	5 August 2004
Interim dividend payment date	30 November 2004
Final results for 2004	February 2005

Note: No dematerialisation or rematerialisation within STRATE and no transfers between registers may take place in the period 19 to 23 April 2004, both dates inclusive.

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. At 31 December 2003, 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, NY 10286, USA.

WEBSITES

Further information on the Company can be found at the following websites:

www.oldmutual.com

www.oldmutual.co.za

ELECTRONIC COMMUNICATIONS / ELECTRONIC PROXY APPOINTMENT

If you would like to receive future communications from the Company by e-mail, please log on to our website, www.oldmutual.com, select the "Shareholder Information" section, click on "Electronic Communications" and then follow the instructions for registration of your details. In order to register, you will need your shareholder reference number, which can be found on the payment advice notice or tax voucher accompanying your last dividend payment or notification. The number is also on forms of proxy (but not voting instruction forms) for the Annual General Meeting and Court Meeting.

Before you register, you will be asked to agree the Terms and Conditions for Electronic Communication with Shareholders. It is important that you read these Terms and Conditions carefully, as they set out the basis on which electronic communications will be sent to you.

You should bear in mind that, in accessing documents electronically, you will incur the cost of online time. Any election to receive documents electronically will generally remain in force unless and until you contact the Company's Registrars (via the online address set out earlier in this section of the Report or otherwise) to terminate or change such election.

The use of the electronic communications facility described above is entirely voluntary. If you wish to continue to receive communications from the Company by post, then you do not need to take any action.

Electronic proxy appointment is available for this year's Annual General Meeting and for the Court Meeting. This enables proxy votes to be submitted electronically, as an alternative to filling out and posting a form of proxy. Further details are set out on the forms of proxy. Electronic submission is not, however, available for voting instruction forms for either meeting.

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