OLD MUTUAL | plc

Innovating Investing Delivering Empowering

OLD MUTUAL PLC ANNUAL REPORT AND ACCOUNTS 2004

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.

Contents

Financial Highlights

£956m

> Adjusted operating profit* up 47% to £956 million (2003: £650 million), and up 40% to R11,296 million (2003: R8,041 million)

£908m

> Operating profit: £908 million (2003: £475 million), R10,711 million (2003: R5,884 million)

15.3p

> Adjusted operating earnings per share* up 53% to 15.3p (2003: 10.0p), and up 46% to 181.1c (2003: 123.8c)

14.1p

> Basic operating earnings per share: 14.1p (2003: 8.0p), 166.2c (2003: 99.1c)

£140bn

> Funds under management: £140 billion (2003: £125 billion), an increase of 12%, R1,520 billion (2003: R1,495 billion)

139.1p

> Adjusted embedded value per share: 139.1p, R15.08 at 31 December 2004 (2003: 104.6p, R12.49)

19.1%

> Return on equity: 19.1% (2003: 14.4%**)

13%

> Final dividend increased by 13% to 3.5p making 5.25p for the year***

Wherever the items asterisked in the Financial Highlights are used, whether in the Financial Highlights, the Chairman's Statement, the Chief Executive's Statement or the Group 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 within the policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, 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, and fines and penalties.

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 segmental analysis has been prepared on a gross of inter-segment transactions basis.

** Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 38 "Accounting for ESOP Trusts".

*** The dividend recommended (final 3.5p per share, making 5.25p 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 at the close of business on 31 March 2005 (or 30 March 2005 in the case of Zimbabwe).

A year of delivery...

The Company achieved strong results in 2004 with profit, earnings per share, assets under management and embedded value all increased. A return on equity of 19.1% and net cash inflow at our US business of $12.3 billion further demonstrate the power underlying this performance.

Adjusted embedded value (£ or R million)

New business annual premium equivalent (£ or R million)

Year	£ million	R million
2000	338	3,556
2001	361	4,546
2002	557	8,791
2003	529	6,532
2004	**546**	**6,440**

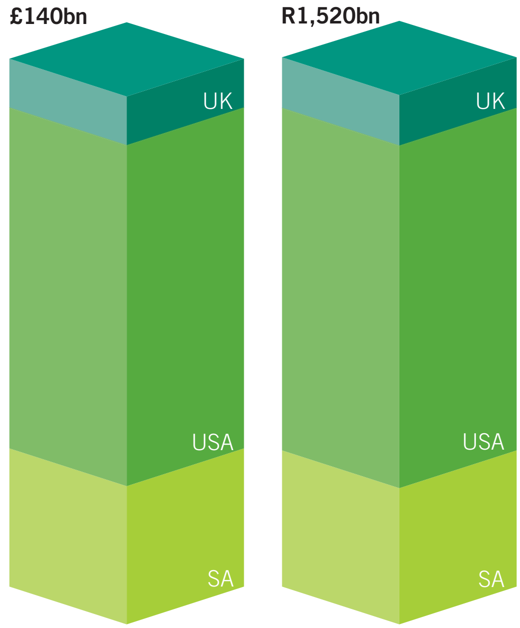
Dividend per share

5.25p
58.5c***

Year	p	c
2000	4.70	49.5
2001	4.80	72.3
2002	4.80	66.0
2003	4.80	56.0
2004	**5.25**	**58.5*** **

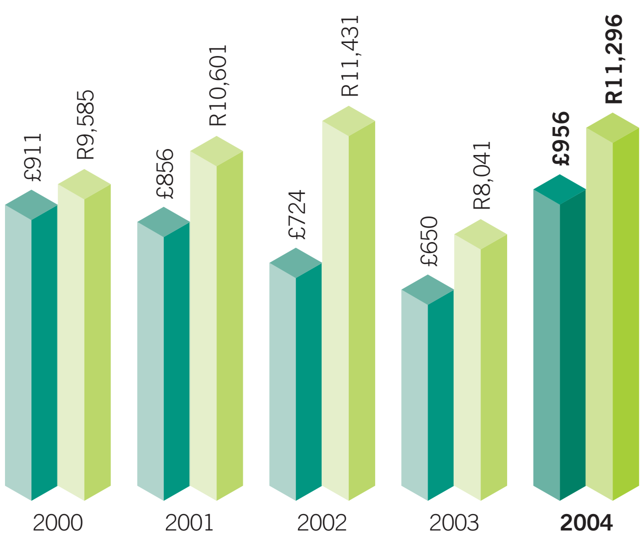
*** Indicative only

Funds under management 2004



Year	£ billion	R billion
2000	168	1,903
2001	143	2,489
2002	123	1,704
2003	125	1,495
2004	**140**	**1,520**

Adjusted operating profit for 2004 (£ or R million)



I retire this year, knowing that the business is in good hands and set fair for the future

Mike Levett, Chairman

DEAR SHAREHOLDER,
Old Mutual's results rebounded in 2004, with good performances from all businesses, and as a result earnings per share increased by 53% to 15.3 pence, a very pleasing outcome.

On behalf of the Board and all the Company's shareholders, I would like to thank management and employees in each business for their continued dedication and commitment to the Group.

This commitment will ensure that your Company is well placed to continue to build in the future on the momentum that has been created.

Investment performance was strong at Old Mutual South Africa, benefiting sales of unit trusts, and our South African general insurance business, Mutual & Federal, had a spectacularly good result. Nedcor is well on the recovery path that we have outlined. We are continuing to develop our plans in South Africa to address Black Economic Empowerment.

In the USA, our asset management business had a successful year, and we were able to resolve the regulatory issues that had arisen at Pilgrim Baxter & Associates, Ltd. Our US life business continued to write a significant amount of new business.

In the UK our asset management operations continued to make good progress.

DIVIDEND
Your directors are proposing a final dividend of 3.5p per share, in line with our progressive dividend policy, making a total dividend for the year of 5.25p per share, an increase of 9.4%.

ANNUAL GENERAL MEETING 2005
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 11 May 2005. The notice of the AGM is set out on pages 160 to 164. The explanatory notes accompanying that notice 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, as permitted by UK company law, as an alternative to their being cancelled. The equivalent authorities were not activated during 2004, 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.

The directors recommend that you vote in favour of all of the items of business at the AGM, as they intend to do in respect of their personal shareholdings in the Company.

BOARD
Chris Liebenberg retired from the Board in October 2004, having served as a non-executive director of the Company since 1999. I am most grateful to him for his contribution to the Group, and wish him a long and happy retirement.

Russell Edey joined the Board as a non-executive director in June 2004 and we have also appointed Wiseman Nkuhlu as a non-executive director with effect from 1 March 2005. I am delighted to welcome them to the Board.

I shall be retiring as Chairman of the Company at the end of the AGM on 11 May 2005, thereby ending over 46 years with the Group. During that period Old Mutual has transformed itself from a major Southern African mutual life assurer into the international financial services group it is today. No greater changes have happened during that time than those that have occurred since the Group demutualised and listed in 1999, which was the springboard for our subsequent international development. At the end of 2004, 38% of the Group's net assets were in countries other than South Africa and 52% of the value of life new business came from those countries during the year.

I have no doubt that the decision to demutualise and seek a primary listing on the London Stock Exchange was the right one, and this year's figures clearly demonstrate this.

Your Company is financially strong, with a high return on equity, talented management and staff, and a dedicated Board. I retire this year, knowing that the business is in good hands and set fair for the future.

I wish my successor as Chairman, Chris Collins, the Board and all others involved with Old Mutual good fortune as the Group continues to develop in the years ahead.

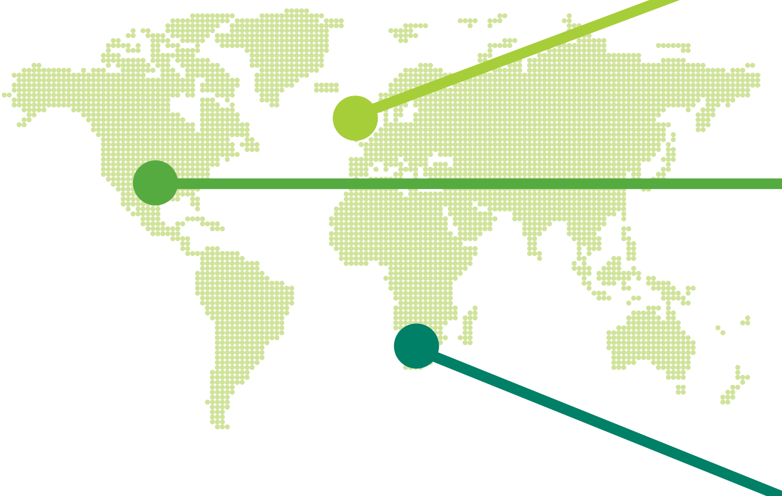
Mike Levett
Chairman
28 February 2005

Delivering performance

We have established a momentum in our business that has the potential to take us much further, as we pursue our ambition to build a world class financial services group

Jim Sutcliffe, Chief Executive

We are using our high quality and powerful SA base to create an international financial services company



UK

- The UK and RoW adjusted operating profit[1] grew to £42 million in 2004.
- Our UK asset management business, OMAM (UK), and leading-edge funds supermarket, Selestia, are now well established.
- OMAM (UK) had £3.4 billion of assets under management at the end of 2004 and is well positioned for growth.
- Selestia was on track in terms of sales, with inflows of £423 million during 2004.

USA

- Our US life business produced over half our life assurance sales and hit new highs. New premiums reached our target of $4 billion with a margin of 23% of APE.
- US asset management produced excellent investment performance, with 72% of assets outperforming their customer benchmarks on a three-year basis.
- Positive equity markets boosted assets under management by 20% to $185 billion.
- Strong net cash flows in the USA resulted in total funds under management rising by 12% to £140 billion.

SA

- We had another very profitable year at our OMSA business and the return on equity, at 24%, continued to be at the high end of our target range. Total funds under management at OMSA increased by 15% to R312 billion.
- Gross sales of unit trusts were up by 52%. Our direct sales force grew and produced an increasing volume of business.
- Nedcor achieved the milestones promised at the time of its rights issue. Tier 1 solvency exceeded the 7.5% goal.
- Mutual & Federal had an excellent year, with an outstanding 7.8% underwriting ratio and a return on equity of 24%.

[1] Excluding other shareholders' expenses and debt service costs.

GROUP RESULTS

2004 has seen us make significant progress. Adjusted operating earnings per share rose by 53% in Sterling and 46% in Rand, with each major business making a significant contribution. Our South African life business produced its usual strong profit contribution with return on capital of 24%. Nedcor made good progress in its recovery and a welcome return to profitability, while Mutual & Federal performed strongly as the short term insurance cycle reached its peak. Our US businesses increased their combined adjusted operating profit by 25% to $337 million.

Overall, our adjusted embedded value per share rose by 33% to 139.1p and by 21% to R15.08. Good earnings, the recovery in Nedcor's share price and rising equity markets all contributed. The operating return on embedded value was 19.4% and return on equity for our business rose from 14.4% to 19.1%, reflecting the progress in the business and tight capital management.

BUSINESS PERFORMANCE AND DEVELOPMENT

Our US life business now accounts for roughly half of our life new business. Sales were up 29% on an Annual Premium Equivalent (APE) basis to $501 million and, as a result, assets under management in this business grew from $13.3 billion to $17.3 billion. Margins remained at historically high levels under helpful interest rate conditions. We continued to innovate and adapt our product range to changing customer needs, particularly in the equity index annuity and mortgage term insurance markets. In order to bolster our ratings in support of this growth, we added a further $200 million of capital in December, making a total of $300 million for the year. We successfully finalised the transfer of our outsourced back-office functions in order to reduce costs and improve service to customers and agents. We expect our US life business to start paying dividends in 2007.

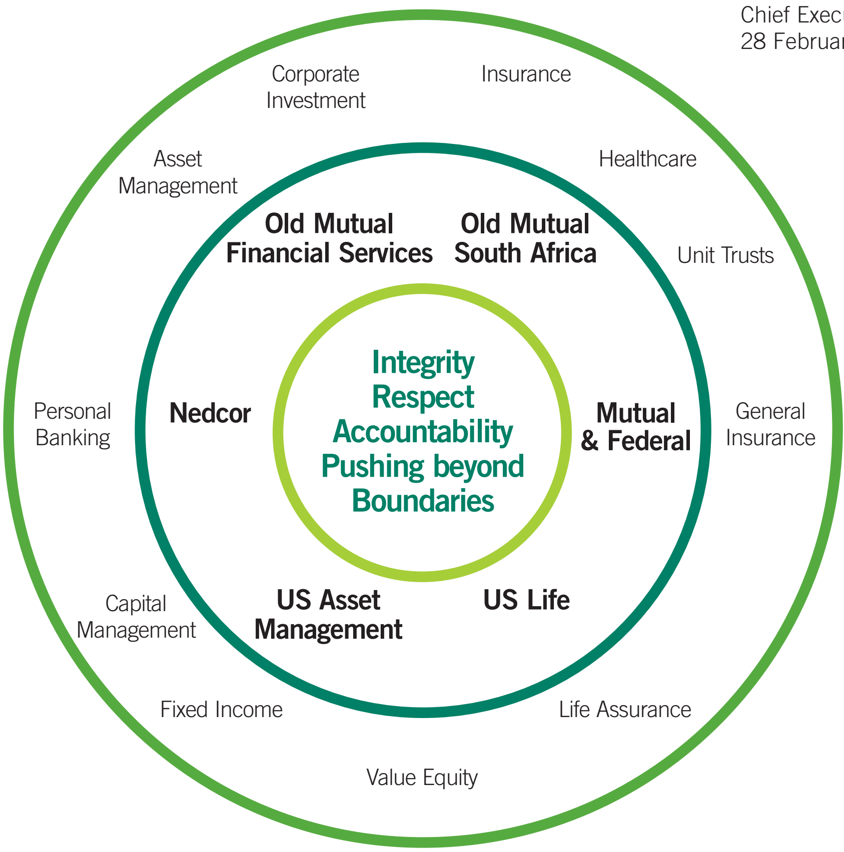
South African life sales fell by 10%, impacted by disappointing Employee Benefit sales, and we did not recover as well as we hoped in the broker market. More encouragingly, our Personal Financial Advisors (PFA) sales force grew by 14% to over 2,600, individual single premium sales were up 16% and unit trust sales were up 52% to R5.0 billion. Group Schemes sales were up by 10%, and our overall South African life margins remained unchanged at 25%.

Investment performance at Old Mutual Asset Managers (OMAM) South Africa was good – we came top in the Alexander Forbes Global Manager Watch (Large) Survey and 50% of our unit trusts performed in the top quartile of their comparator groups. Our new investment product, *Max Investments*, which brings the best of the unit trust and life assurance worlds to the customer, was the first product of its type to be launched in the South African market in November. Total funds under management at Old Mutual South Africa (OMSA) increased by 15% to R312 billion.

Nedcor achieved the milestones promised at the time of its rights issue. Tier 1 solvency exceeded the 7.5% goal and new governance is working effectively to control risks. The new management team is in place, with a clearly defined strategy. Profits met our targets for the year and, although growth was subdued overall, there were some notable successes – bancassurance sales rose 57% for example. Our objective remains a 20% return on equity at Nedcor by 2007.

Mutual & Federal had an excellent year, producing an outstanding 7.8% underwriting ratio and a return on equity of 24%. Its reputation for quality service was maintained and it won the three most prestigious customer service awards in the general insurance industry.

We have been working hard to complete the Black Economic Empowerment (BEE) ownership plans that are so important for the growth of all our South African businesses, and expect to be able to make a firm announcement on our detailed plans in this area in the near future.



Our US asset management business continued to produce excellent investment performance, with 72% of assets outperforming their customer benchmarks on a three-year basis. The developing strength of our distribution effort, combined with underlying investment performance, delivered $12.3 billion in net client cash flow which, together with positive equity markets, boosted assets under management by 20% to $185 billion. Almost two-thirds of Group assets under management are now for the account of US clients.

Our UK start-up businesses produced positive results. Selestia, in only its third year of operation, had sales of £423 million, and continued to win awards for its South African built systems and service to independent financial advisors. OMAM (UK) again won accolades for its investment performance, and attracted high margin hedge fund investors to replace unit trust funds withdrawn by Gerrard clients.

Our fledgling business in India is making steady progress and we now have over 40 branches. We have also established a representative office in Beijing to facilitate a Chinese life joint venture in due course.

Mike Levett's retirement this year is in many ways the end of an era for the Group. He has served Old Mutual with distinction for over 46 years and has overseen the transformation of the business into its current powerful form. Along with all my colleagues, I thank him for his great contribution to Old Mutual and wish him a well-earned, happy retirement.

OUTLOOK

Market conditions in our industry are favourable at present, and the South African economy is strong. The momentum we have built up is expected to continue into 2005, although we will spend further amounts on the growth of our US asset management business and SA life distribution systems. We expect Nedcor to make steady progress towards its 2007 goal for return on equity. Old Mutual has shown that it is well able to prosper as an international financial services company, and we look forward to the next phase of our journey with confidence.

Jim Sutcliffe
Chief Executive
28 February 2005

Our Group values of Integrity, Respect, Accountability and Pushing beyond Boundaries are central to our diverse businesses

Outlook:

Strategy

- Our strategy has not changed. We are using our high quality and powerful South African base to create an international financial services company. More than half our life sales and nearly three-quarters of our asset management clients are now in the USA and the UK.
- Our core industry is the management of money. We provide high quality investment skills to build and protect client assets.
- We are focused on the specific needs of our client base in whichever market we operate. We are built for organic growth as well as being able to take on strategic opportunities as they arise. We aim to build on our skills and potential in each of our markets.

Priorities

- In the UK our asset management businesses and leading-edge fund supermarket are now well established – exploitation of these skills is our top organic priority. In India, we have over 40 branches and in China we have a representative office – fledgling businesses under development for the long term.
- In the USA we are committed to growing our life business at a level that will produce a dividend in 2007. In asset management, the building of our load fund platform is well underway and a top organic priority. Adding new affiliates with new investment styles to take advantage of changing customer needs is at the top of our strategic agenda.
- Mutual & Federal is investing in better data management systems and claims handling arrangements to prepare for the downward pressure on rates. Nedcor has a clear five-point plan. At OMSA, our priority is attracting more customers by improving standards of investment and quality of products, as well as building our sales capability.

Value creation

- Old Mutual is in a very different position today from three years ago. We have sold non-core businesses and a number of asset management companies. We have resolved some difficult problems and established common metrics, values and methodologies around the Group.
- Organic growth has the potential to increase our profitability in the USA and ensure that the international diversity of the Group continues to develop. Our ambition remains to create value by becoming a world class international financial services company.
- Producing high returns on equity, returns on assets and returns on embedded value, and growing the base from which these are derived, are key focuses for the future.

Operating earnings, at just short of £1 billion, have increased by 47% in Sterling due to good progress from all businesses, none more so than Nedcor where recovery is making good progress

Julian Roberts,
Group Finance Director

Group Finance Director's Review

GROUP RESULTS

2004 EPS up by 53% to 15.3p
Strong delivery across all businesses contributed to an increase of 47% in adjusted operating profit before tax to £956 million. Adjusted operating profit after tax and minority interests increased by 54% from 2003 to £574 million in 2004, resulting in a 53% increase in adjusted operating earnings per share to 15.3p for 2004. The basic earnings per share is 14.1p (2003: 8.0p), representing a 76% increase.

Operating profit on ordinary activities before tax increased to £908 million compared to a profit of £475 million in 2003.

Funds under management and fund flows
During 2004 funds under management increased by 12% from £125 billion to £140 billion. Our international diversity delivered strong net cash flows (increased from £1.8 billion in 2003 to £5.3 billion in 2004) as strong performances by our US and UK businesses more than offset weak flows in South Africa.

Achieved profits
The Group's adjusted operating profit on an achieved profits basis of £1,111 million increased by 57% from £707 million in 2003. Adjusted operating profit for life assurance of £749 million was up by 25% from £600 million in 2003, driven by increased new business in the USA and improved experience variances in South Africa. Adjusted operating earnings per share on an achieved profits basis rose from 10.8p to 19.1p. Achieved profits equity shareholders' funds (adjusted for own shares held in policyholders' funds and to bring listed Group subsidiaries to market value) of £5,359 million at 31 December 2004 increased by 33% from £4,015 million at 31 December 2003. This benefited from an improvement in the Rand exchange rate, an increase in the share prices of Nedcor and Mutual & Federal and the impact of the Nedcor rights issue.

Adjusted embedded value per share (before dividends) up by 37%
Adjusted embedded value (EV) per share at 31 December 2004 was 139.1p after dividends (143.8p before dividends) representing a growth in EV per share before dividends of 37% over 2003. EV per share has benefited from the strong result for the year including the recovery at Nedcor, increased Group net cash flows, higher market levels and a stronger Rand offset by a weaker US Dollar.

Capital
The Group's gearing level remains favourable, with senior debt gearing at 31 December 2004 of 11.0% (14.7% at 31 December 2003) and total gearing, including hybrid capital, of 16.5% (21.7% at 31 December 2003). Hybrid capital excludes hybrid debt from banking activities and includes the $750 million of Guaranteed Cumulative Perpetual Preferred Securities issued during 2003 that are reported as part of non-equity minority interests in the financial statements.

Senior debt gearing is defined as senior debt over senior debt plus adjusted embedded value on an achieved profits basis. Senior debt excludes debt from banking activities and is net of cash and short term investments which are immediately available to repay debt. Total gearing is similarly based, but includes hybrid capital instruments within debt.

Strong support from Old Mutual ensured that the Nedcor rights issue completed in May 2004 was a success, raising R5.2 billion. That issue, together with repatriation of surplus foreign capital and other management actions, strengthened Nedcor's capital base resulting in a capital adequacy ratio at 31 December 2004 of 12.1% (10.1% at 31 December 2003).

The Group's shareholding in Mutual & Federal increased to 88% early in 2004 as a result of the offer to acquire the outstanding minority interests, which resulted in acceptances representing 37% of Mutual & Federal's issued share capital. Following that transaction, Mutual & Federal paid a special dividend of R860 million, reducing its solvency margin, being the ratio of net assets to net premiums, to 53% at 31 December 2004 (61% at 31 December 2003). This remains comfortably above the minimum required to support current operations and to facilitate the future growth of the business.

The solvency ratios of the Group's major life businesses at 31 December 2004 remain well above the minimum statutory requirements, with South Africa's excess assets (after regulatory asset limitations) equivalent to 2.6 times the statutory minimum, and the US business at 299% of the risk-based capital requirement.

At 31 December 2004, the Group had in issue US$636 million 3.625% Convertible Bonds maturing 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.

During 2004, Old Mutual plc entered into a new £1.1 billion five-year multi-currency Revolving Credit Facility, which matures during May 2009, and cancelled its existing £900 million, US$600 million and US$60 million Revolving Credit Facilities. The new facility was undrawn at 31 December 2004.

Old Mutual is now twelve months into a Group-wide Economic Capital (EC) Programme. Once completed, this will significantly improve the Group's ability to measure risk and business performance. It will also improve transparency and communication with regulators, ratings agencies and investors. Early results are highly encouraging, showing the Group's available financial resources to be well above the EC required for our target rating.

Since 1 January 2005 the Group has met the minimum capital resources requirement under the Financial Groups Directive which applies to UK-based financial conglomerates.

Taxation
The Group's effective tax rate (based on the tax charge as a proportion of adjusted operating profit) of 25% decreased from 34% in 2003. This is primarily as a result of the much improved profitability at Nedcor. In 2003 the Group's effective rate was higher due to Nedcor's non-tax deductible expenses, which were relatively fixed amounts on a very low profit base.

International Financial Reporting Standards (IFRS)
Implementation of IFRS across the Group is currently nearing completion. We are planning to publish a restatement of our 2004 year-end income statement and balance sheet under IFRS in May 2005. The aspects of IFRS that will most impact the Group, in common with our peers, are those that deal with financial instruments and insurance and investment contracts. Currently there are a few remaining points of clarity regarding the final version of certain elements of IFRS and interpretation of a number of principles. We anticipate that these points will be resolved before publication of our 2004 numbers restated under IFRS in May.

European Embedded Value (EEV)
The Group has continued to publish supplementary information on an achieved profits basis for the 2004 financial year. We support the new EEV proposals that have been developed by the European CFO Forum with the purpose of increasing comparability and uniformity in EV reporting. We are currently assessing the impact of those new proposals and for the 2005 interim announcement we will discontinue publishing information on an achieved profits basis and commence reporting in line with EEV. We continue to be committed to monitoring our business on an EV basis as we see this as a key indicator of long-term value.

Dividend
The directors of Old Mutual plc are recommending a final dividend for the year ended 31 December 2004 of 3.5p per share (making a total of 5.25p for the year, an increase of 9.4% over 2003). The indicative Rand equivalent of this final dividend is 38.0c*** (making a total of 58.5c*** for the year, an increase of 4.5%).

The record date for this dividend payment is the close of business on Friday, 22 April 2005 for all the Exchanges where the Company's shares are listed. The last day to trade cum-dividend on the JSE Securities Exchange South Africa (JSE), the Namibian and the Malawi Exchanges will be Friday, 15 April 2005, on the Zimbabwe Stock Exchange, Thursday, 14 April 2005, and on the London Stock Exchange, Tuesday, 19 April 2005. The shares will trade ex-dividend from the opening of business on Monday, 18 April 2005 on the JSE, the Namibian and the Malawi Exchanges, from the opening of business on Friday, 15 April 2005 on the Zimbabwe Stock Exchange, and from the opening of business on Wednesday, 20 April 2005 on the London Stock Exchange.

Shareholders on the South African, Zimbabwe and Malawi branch registers and the Namibian section of the principal register will be paid the local currency equivalent of the dividend under the dividend access trust arrangements established in each country. Local currency equivalents of the dividend will be determined by the Company using exchange rates prevailing at close of business on Thursday, 31 March 2005 (Wednesday, 30 March 2005 in the case of Zimbabwe) and will be announced by the Company on Friday, 1 April 2005.

Share certificates may not be dematerialised or rematerialised on the South African branch register between Monday, 18 April and Friday, 22 April 2005, both dates inclusive, and transfers between the registers may not take place during that period.

The final dividend is subject to approval at the Annual General Meeting of Old Mutual plc, which is to be held in London on Wednesday, 11 May 2005. Subject to being so approved, the final dividend will be paid on Tuesday, 31 May 2005.

Innovating
products and services

Business Review: South Africa

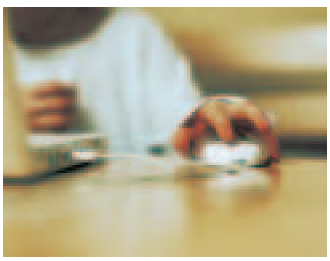
LIFE ASSURANCE & ASSET MANAGEMENT – OLD MUTUAL SOUTH AFRICA (OMSA)

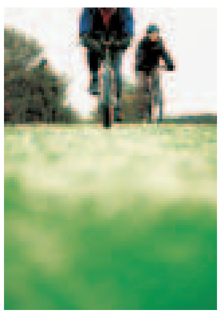
Strong returns continue

Highlights (Rm)	2004	2003
Life assurance technical result	**3,697**	3,210
LTIR	**1,974**	2,198
Asset management	**544**	554
Adjusted operating profit	**6,215**	5,962
ROC (Life business)	**26%**	23%
Client funds (Rbn)	**312**	270

Adjusted operating profit comprises the life assurance technical result, the Long Term Investment Return (LTIR) of the shareholders' funds and the adjusted operating profit of the asset management businesses. The life assurance technical result increased by 15% to R3,697 million reflecting the positive impact of the strong South African equity market, favourable experience variances and the positive effect of assumption changes predominantly relating to mortality.

The LTIR of R1,974 million declined by 10% from R2,198 million in 2003. This reduction reflects our participation (R2.6 billion) in the Nedcor rights issue and the net impact (R0.6 billion) of our additional stake in Mutual & Federal, both of which were funded from OMSA's existing financial resources, thus negatively impacting the average shareholder assets used in the calculation. In addition, an increase in the cash component of the portfolio, coupled with the lower rates on cash, contributed towards the reduction of the LTIR.





Adjusted operating profit for the asset management businesses, excluding Nedcor, decreased to R544 million in 2004 from R554 million in 2003. Higher asset levels driven largely by the better performing South African equity market contributed positively. This has been offset by lower trading profit in the unit trust company resulting from changes in industry guidelines regarding trading in units, charges relating to the accounting treatment of share incentive arrangements, the cost of the acquisition of Quaystone mandates and the development of administration infrastructure.

Adjusted operating profit for OMSA increased by 4% to R6,215 million in 2004. The efficient use of capital and performance improvement of the life business resulted in the return on life allocated capital increasing to 26%.

Funds under management continue to grow

Client funds under management for the business increased by 15% from R270 billion to R312 billion. Within this, life assets were 9% higher, reflecting the equity market uplift partly offset by negative cash flows, whilst asset management assets were 31% higher, driven by strong market returns and positive client cash flow.

Total net client cash flow was a negative R4 billion, primarily due to net negative flows of R10 billion in Group Life business. This was offset by positive net cash flows of R6 billion in asset management, with Individual Life Business flows being broadly neutral.

Old Mutual Asset Managers (South Africa) (OMAM) delivered strong investment performance, being ranked first out of the eleven institutional asset managers in the Alexander Forbes Global Manager Watch (Large) Survey over the year ended December 2004. This represents an improvement from third position in the 2003 survey. Over three years OMAM was ranked third.

Rapid growth in unit trust sales

Unit trust sales increased by 52% from R3.3 billion in 2003, to R5.0 billion in 2004, reflecting more positive consumer sentiment towards unit trusts as investment vehicles. Unit trust investment performance was good, with eleven funds positioned in the top quartile of their respective peer groups and seven of these funds being top in their respective categories.

Total life sales impacted by weak Group Business

Total life sales, including Old Mutual International (OMI), on an APE basis for the period were R3,084 million, 10% lower than the comparative period in 2003, as Group Business sales continued to disappoint throughout the year. Individual Life Business sales were at similar levels to 2003 and Group Business significantly lower. Individual Business and Group Business contributed R2,662 million (2003: R2,632 million) and R422 million (2003: R809 million) respectively to this result.

Individual Life Business sales mixed

Individual APE (Rm)	2004	2003	Var %
Savings	**1,075**	1,138	(6%)
Protection	**651**	701	(7%)
Immediate annuity	**164**	125	31%
Group Schemes	**612**	556	10%
Total excl. OMI	**2,502**	2,520	(1%)
OMI	**160**	112	43%
Total incl. OMI	**2,662**	2,632	1%
– Single	**792**	686	16%
– Recurring	**1,870**	1,946	(4%)

Whilst Individual Life Business sales were at similar levels overall to 2003, the mix was different. Single premium sales were R792 million, 16% ahead of prior year, driven by strong sales growth in savings and annuity products. OMI's new international product range also led to significant growth in its single premium sales. Single premium sales growth was similar in both the agency and broker channels.

Recurring premium sales were R1,870 million, 4% below 2003, with sales through brokers, particularly of savings products, being markedly lower than in 2003. Reasons for the reduction in broker channel recurring premiums included the impact of regulatory changes, the establishment of broker networks, as well as media perceptions regarding the value provided by recurring premium investment products. In the case of recurring premium sales the performance in the agency channel was much stronger in the second half of the year, reflecting growth in agent manpower. Group Schemes sales were 10% higher overall than the prior year, although the second half sales were adversely affected by attrition in the sales force headcount, which finished the year some 12% lower than in June 2004.

Group Business sales disappoint

Group APE (Rm)	2004	2003	Var %
Savings	**260**	495	(47%)
Protection	**120**	86	41%
Annuity	**42**	228	(82%)
Total	**422**	809	(48%)
– Single	**240**	582	(59%)
– Recurring	**182**	227	(20%)

A low level of Group Business sales continued throughout 2004 with no material single premium flows, the exception being the protection business which increased by 41% to R120 million. Group Business single premiums fell 59% to R240 million; recurring premiums also decreased by 20% to R182 million. Group Business single premium sales arise principally from restructuring of benefit plans or the movement of existing assets between different providers. The time-consuming nature of pension fund surplus apportionments (a legislative requirement) and a slow response by companies to provide for post-retirement medical aid liabilities meant that few opportunities crystallised in 2004 for Group Business single premium sales.

Lower value of new business, but steady margins

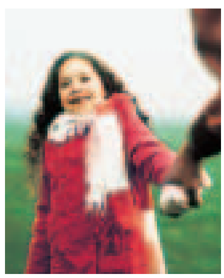
The after-tax value of new business excluding OMI, was 13% down on 2003 to R719 million. Growth of 18% in the value of Individual Life Business, reflecting the positive impact of economic and assumption changes, was offset by a 65% reduction in the value of Group Business. The overall new business margin remained stable at 25%. Higher margins were recorded on Individual Life Business following assumption changes and offset the shortfall in Employee Benefits margins.

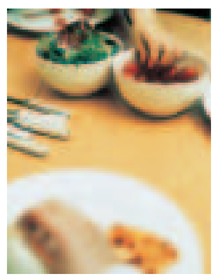
The value of in-force business (VIF) of R10,903 million at 31 December 2004 increased from R9,832 million at 31 December 2003. Within this total, the VIF for Individual Life Business increased by 25% due largely to the positive effect of economic and operating assumption changes, primarily reflecting positive mortality experience and the valuation of some sources of profit that were not previously valued. The Group Business VIF declined by 12% on account of the relatively low new business value added, the negative impact of operating assumption changes and the increase in the cost of solvency capital.

Management actions showing returns

OMSA has increased its Personal Financial Advisors (PFA) sales force from 2,314 at 31 December 2003 to 2,643 at 31 December 2004. More than 50% of the Advisor sales force is now on a new remuneration model and benefits are starting to be seen in increasing sales arising from this channel.

Our new investment product *Max Investments* was successfully launched in November. This product uses both life and non-life investment structures to offer investors a cost- and tax-efficient wrapper in one investment and aims to address the need for lower client charges in a low inflation environment. Encouraging sales were achieved in the last two months of 2004 and these have continued into 2005. This has been one of the fastest new product take-ups ever in the PFA distribution channel, confirming the positive market response.





A year of solid progress

by responding to change

Investing
for their future

The *Masthead* independent broker network has helped to protect the independent broker market, with over 2,200 brokers signed up in 2004.

Addressing the sales performance of our Group Business, we continue to work towards the delivery of an integrated distribution approach. Furthermore, the implementation of the *Compass* administration platform will provide increased efficiency and service benefits for administration clients.

Solid capital position

The capital strength of the life company has been demonstrated through Statutory Capital Adequacy Requirement (SCAR) coverage of 2.6 times, after allowing for statutory limitations on the value of certain assets. In addition, the proportion of cash in shareholders' funds backing statutory capital requirements increased from 20% in 2003 to 43% in 2004. During 2004 R2.6 billion was invested in Nedcor to support its recapitalisation and a net R0.6 billion was invested to acquire our increased shareholding in Mutual & Federal.

BANKING – NEDCOR

Nedcor has been stabilised

Nedcor has been stabilised and the balance sheet significantly de-risked.

The Nedcor rights issue completed in May 2004 was a success, raising R5.2 billion of additional ordinary capital. The capital injection, together with the active management of assets, including the disposal of non-core assets, the repatriation of R5.1 billion of foreign capital and the improving attributable profits by Nedcor, have all strengthened capital. This improved the mix between the bank's tier 1 and tier 2 capital. Nedcor's capital adequacy (which is defined as regulatory capital as a percentage of risk-weighted assets) was 12.1% at 31 December 2004 (2003: 10.1%), with tier 1 capital at 8.1% (2003: 5.0%).

A formal relationship agreement has been put in place. We have finalised the appointment of the executive team and we have introduced the Old Mutual Group Enterprise Risk Management framework.

Foreign exchange translation risk has been substantially reduced by the repatriation and hedging of part of the foreign capital, which has been reduced to R4.5 billion at 31 December 2004 from R9.3 billion at 31 December 2003. Nedcor continues to be exposed to foreign exchange rate movements on the remaining capital held offshore to support foreign operations. During 2004 the translation losses on the remaining foreign capital amounted to R372 million, substantially lower than in 2003 (R1,356 million).

Recovery is on track

Nedcor's adjusted operating profit, including asset management operations, of R2,423 million was a substantial increase on the disappointing year in 2003 (R67 million). This reflects moderate revenue growth in both net interest income (NII) and non-interest revenue (NIR). Revenue was enhanced through margin improvement and controlled asset growth at the expense in some areas of market share.

Nedcor's NII, on a UK GAAP basis, increased by 11% to R7,529 million over 2003, driven by improved margins. This margin increase resulted from improved funding and hedging strategies, offshore capital being repatriated and the positive endowment effects of the rights issue.

NIR at R7,580 million reflected an upturn in the second half of the year due to improved deal flow in investment banking, increasing 10% over the comparative period in 2003. NIR throughout the year was adversely affected by strategic disposals, and exchange and securities dealing revenue remaining muted.

The cost to income ratio at 74.5% (2003: 72.5%) was adversely affected by the merger and recovery programme costs, while not yet fully recognising the benefits of these programmes realised towards the latter part of 2004. During 2004, management actively reduced headcount by 13% from 24,205 to 21,103. The full effect of headcount reductions will be reflected in 2005. Nedcor continues to focus on improving its cost to income ratio and is on track to achieve its goal of 20% return on equity in 2007.

GENERAL INSURANCE – MUTUAL & FEDERAL

Mutual & Federal achieved exceptional results

Mutual & Federal had an exceptional year with an adjusted operating profit (on a UK GAAP basis) of R1,057 million, an increase of 16% from R909 million in 2003. This excellent performance was largely attributable to the continued favourable underwriting cycle, which is reflected in the increase in the underwriting surplus of R527 million in 2004, up 60% from R329 million in 2003. The Group now owns 87% of Mutual & Federal following the acquisition of the 37% previously owned by Royal & Sun Alliance.

Strong premium growth – up 13%

Gross premiums (on a UK GAAP basis) increased to R7,360 million in 2004, an increase of 13%, reflecting new business acquired plus corrective action and rating adjustments in less profitable segments of the business. An overall reduction in claims frequency and severity resulted in one of the strongest cycles the general insurance industry has experienced.

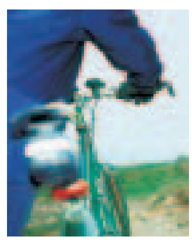
Underwriting ratio climbs to 9.8% (SA GAAP)

The underwriting surplus of R527 million compared to 2003 (R329 million) reflects the exceptional insurance cycle, improved claims management and close control of management expenses. The strong underwriting ratio (the ratio of the underwriting surplus to net earned premiums) was accordingly 7.8%, up from 5.8% in 2003. The corresponding SA GAAP ratio was 9.8% for 2004, up from 6.9% in 2003.

Insurance cycle softening

Although conditions remain conducive to underwriting profitability, the softer cycle and pressure on rates indicate more normal trading conditions are likely to prevail in 2005.

growing
investments



Business Review: United States

US LIFE

Growth in assets delivers improved profits – up 25%
Our US life business's adjusted operating profit of $174 million was 25% up on the $139 million achieved in 2003 as our strategy to manage growth in profitable product areas and to drive towards capital self-sufficiency in 2007 made good progress. The impact of the continued growth in scale of the business is shown by funds under management increasing by 30% to $17 billion during 2004.

Strong APE growth continues – up 29%
Total APE for 2004 was $501 million, an increase of 29% from $389 million in 2003, with the business reaping the benefits of successfully diversifying from fixed to equity-linked products during 2004, coupled with the maturing of the offshore and corporate channels. Total premiums exceeded $4 billion. OMNIA and Corporate channels continued to mature, with 44% growth of APE over 2003 ($41 million to $59 million). Life assurance sales grew by 25% from $85 million in 2003 to $106 million in 2004.

Managing product mix enhances margin to 23%
Over the past year the business has demonstrated its flexibility to seize new opportunities in changing market conditions by rapid product development. We succeeded in producing profitable equity index annuity and term life products, both of which achieved second place market share nationally for the period for our Managing General Agents channel. The average margin on new business after tax increased from 15% to 23% of APE and the value of new business after tax at $113 million increased by 92% on 2003, reflecting the positive movements in interest rates and changes in product mix.

Capital position strengthened
We continued to manage the capital position of our US life business carefully. In order to support our ratings, we decided to increase the target risk-based capital (RBC) ratio to 300%. Consequently, the capital base was strengthened by a one-off injection of $200 million (making a total of $300 million for the year). At the same time we repatriated to the USA a significant block of annuity business from Old Mutual Re (Ireland). This repatriation improved our Group solvency position, but had one-off negative impacts of $39 million on our consolidated embedded value and $43 million on the statutory profit before tax of Fidelity & Guaranty Life Insurance Company. The US life business continues to mature and is expected to begin releasing capital from 2007.

US ASSET MANAGEMENT

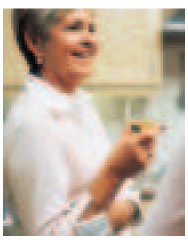
Adjusted operating profit up 22%
The Group's US asset management business delivered adjusted operating profit of $163 million, an increase of 22% on 2003. The combination of increased client inflows and strong equity markets in the latter half of 2004 led to a 21% improvement in average asset levels to $165 billion for 2004. Management fees increased from $497 million in 2003 to $570 million in 2004, significantly improving adjusted operating profit. Strong performance fees, transaction fees and improved revenues from securities lending also contributed to the overall growth in revenue. Offsetting this improvement, expenses increased by 17%, as a result of costs associated with our retail initiative ($6 million) and increased variable compensation costs together with one-off expenses, including the cost of restructuring the Dwight Stable Value Fund ($7 million).

Funds under management up 20%
Funds under management increased 20% overall during 2004, from $154 billion at 31 December 2003 to $185 billion at 31 December 2004. Investment returns in the funds under management accounted for 12% of the increase, while net inflows of client assets, including $3.2 billion in cash collateral assets, contributed a total of $12.3 billion, or 8% of the increase for the year. 2004 marks the fourth consecutive year of net inflows of client assets to our member firms.

Strong fund performance
The inflows reflect the continuing strong investment performance achieved by our member firms. At 31 December 2004, 72% and 95% of assets were outperforming their benchmarks over three and five years respectively. Over the same periods, 61% and 73% of assets ranked in the first quartile of their peer group.

Retail initiative launched
In October, Old Mutual Capital launched the Old Mutual Advisor Funds, establishing the foundation for a full-scale retail distribution initiative. These funds utilise the diverse asset management capabilities of our affiliates to construct asset allocation mutual fund products tailored to different investor risk profiles. This initiative is targeted to increase our presence in the mutual fund market and is designed to give our affiliates access to a higher margin market, further diversifying revenue-generating sources for the Group.

creating
opportunity


Delivering
to our customers

Managing the portfolio
The US asset management group continually assesses its business position and ability to maintain product leadership. In line with this strategy, several adjustments were made to the manager group in 2004. We reached agreement with the principals of one of our remaining revenue-sharing firms, First Pacific Advisors, under which they have an option to acquire certain of the firm's assets and liabilities with effect from October 2006. Its assets under management at 31 December 2004 were $8.4 billion (31 December 2003: $5.5 billion). At the end of 2004 we discontinued the operations of another member firm, Sirach Capital Management. The firm, predominantly a growth equity manager, had suffered steep asset declines since 2000. Funds under management at the beginning of 2004 were $1.6 billion, and management has taken the decision to return the remaining funds to clients. The resultant non-operating loss to the Group was $14 million, principally the write-off of goodwill.

In June 2004, Liberty Ridge Capital (LRC) (formerly Pilgrim Baxter & Associates) reached agreement with the Securities and Exchange Commission and the Office of the New York Attorney General to settle regulatory action against the firm. Total fines and penalties agreed were $90 million and have been disclosed as a non-operating loss. LRC has also committed to future fee reductions of $10 million. During 2004, all outstanding class action lawsuits filed against Old Mutual in relation to these activities were consolidated into a single lawsuit, along with all other cases against US parties alleging market timing and late trading violations. Proceedings in this case are at the preliminary stage. Following the resolution of regulatory matters and reflecting new company management, LRC underwent a firm-wide revitalisation, revising its product strategy, enhancing its investment processes and rebranding under its new name. Despite net outflows of $2.4 billion in 2004, funds under management remain robust, and management continues to focus on rebuilding the franchise.

Early in 2005, we created a strategic alliance with Copper Rock Capital Partners. This is a small cap growth firm, and the alliance is designed to supplement our capability in this product area.

Clients benefit from diversity and focus
Looking ahead, we are committed to derive business growth organically, leveraging off the diversity and styles of the individual firms. We are currently in negotiations to add a hedge fund capability and will continue to seek targeted investment opportunities in other areas to strengthen and broaden product capability.

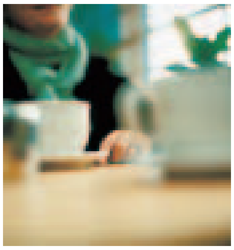
Business Review: UK & Rest of World

Adjusted operating profit from the Group's UK and Rest of World asset management and life assurance businesses, excluding Nedcor, was £22 million in 2004, higher than the £12 million earned in the equivalent period in 2003. This result includes the adjusted operating profit from the UK, African countries other than South Africa, OMI and the Far East.

Total funds under management in the UK grew by 9% to £4.3 billion. Strong net cash inflows into our hedge fund products continued, offset by funds withdrawn by Gerrard clients. During the year, the operations of Bright Capital were merged into OMAM (UK).

Selestia continued to grow, with funds under management increasing from £289 million to £730 million, predominantly through new business sales of £423 million (2003: £218 million). Selestia reduced its adjusted operating loss to £5 million from £9 million in 2003.

Julian V F Roberts
Group Finance Director
28 February 2005

security


Empowering
new generations

Corporate Citizenship: During 2004 we continued our social investment programme by supporting selected charities and carrying out other significant community activities in countries where our businesses operate

The Group's social investment programmes continued to concentrate on education, health and welfare, local economic development, the environment and the arts during 2004. 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.

The Old Mutual (South Africa) Foundation (the OMSA Foundation) is the primary source of funds for OMSA's social investment programme. At the year end, the assets of the OMSA Foundation comprised 14.4 million shares in Old Mutual plc. The Group has also committed as part of the arrangements for the extension, in modified form, of its unclaimed shares trusts, to make a donation of the net amount released on expiry of the original unclaimed shares trusts to its Foundations (or another public benefit or similar organisation) in the five territories where these operate. For South Africa, this will result in OMSA committing an additional R190 million of endowment to the OMSA Foundation or other public benefit causes.

In 2004 some R15.5 million was expended by the OMSA Foundation, of which R8.7 million was devoted to its flagship projects, namely the Rural Economic Development Initiative (REDI), the AIDS Orphans Programme, which has entered its third year and supports the children of orphan-headed households, and the Staff Community Volunteer Programme. This last programme comprises both the Community Builder Programme, through which staff volunteers support a range of community-based projects, and initiatives to encourage and support staff involvement in charities through payroll giving.

OMSA also has a general donations programme. During the year R4.2 million was distributed by way of general donations among 31 education programmes, 42 community development projects and 12 ad hoc projects.

REDI

REDI had a very active year in 2004, the highlight being a celebratory event in Johannesburg attended by a variety of representatives of Government and the business sector at which the REDI champions mounted a display of their regional products. This event and the annual conference held before it were the first time all the REDI champions had gathered together. REDI continues to make a profound impact on the communities within its network and in 2004 it supported 58 different projects with total funding of R4.1 million.

The community development component of REDI funding was allocated primarily to AIDS and food security projects. A total of 50 individual projects received funding this year. In total some 140 food security and AIDS projects have been established over the past four years.

There was a significant shift in focus in Local Economic Development activities, with funding being allocated during 2004 to fewer, but larger, initiatives with the potential to impact on a greater number of people, such as the establishment of a soya processing plant. In total 18 new businesses were established under this aspect of the REDI programme during 2004. This brings the total over the four years to 211, 123 of which are owned or managed by women, with the creation of 2,000 jobs.

In the area of educational projects REDI supported the "Out of the Box" Environmental Education Programme. A total of R500,000 was provided in the first half of the year towards the development of materials and teacher workshops for this programme, which aims, among other things, to encourage environmental awareness among teachers and pupils.

AIDS Orphans Programme

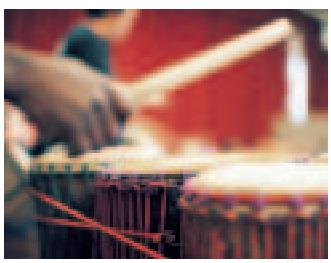
Old Mutual has adopted a four-pronged strategy to address the socially and economically crippling challenges caused by the HIV/AIDS epidemic in South Africa. This covers the workplace (employees), the broader community, financial services and advice (customers), and business impacts.

In 2004 OMSA's AIDS Orphans Programme provided R1.8 million to support around 2,000 orphans and vulnerable children via Heartbeat, Noah, Living Hope Hospice and SOS Children's Village. It is clear from feedback received that this programme has had a positive impact on the children of orphan-headed households during the three years it has been in operation.

Staff Volunteer Programme

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

In its tenth year the Staff Community Builder Programme supported 101 projects in seven provinces, giving a total of R2 million.



During 2004, 543 staff members committed funds on a regular basis through the Staff Charity Fund. On average R100,000 was paid to various charities and "adopted" orphans on a monthly basis from this fund. Donations were also made to animal welfare, the elderly, abused women and children and HIV/AIDS prevention and treatment. A total of 375 members of staff have "adopted" 650 orphans to date. Of these, 156 receive additional tertiary educational support.

Black Economic Empowerment (BEE)

The Old Mutual Group remains committed to achieving the targets to ensure it is considered an 'A' performer for the purposes of the Financial Sector Charter Scorecard. To this end, initiatives continue to be implemented to develop black management, make sound infrastructural investments, facilitate the entry of black entrepreneurs into corporate South Africa through structuring and investing in BEE deals, and make direct investments into communities and society at large.

OMSA is well on track to achieve its BEE objectives. The company is already a leader in empowerment financing through various structured financing transactions and partnerships with Wiphold, J & J, Aka Capital and Amabubesi. OMSA plays a leading role in social investing and infrastructural investment and asset management, and the company's robust employment equity programme positions it well to exceed the Charter targets.

In addition, the Group is committed to completing the empowerment ownership transaction required under the Financial Sector Charter.

OMSA will be publishing a more detailed report on its corporate citizenship activities in April 2005, which will be available on the Company's website *www.oldmutual.com* from April 2005. 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

The Nedcor group focused its corporate social investment (CSI) work in 2004 mainly through the Nedbank Foundation, which funded over 450 projects (an increase of almost 100 on the previous year) in the fields of welfare, community development and sustainable development.

Projects were supported throughout South Africa and were grouped through a programmatic approach to ensure higher impact for beneficiaries and optimal use of resources.

The Community Support Programme was launched in 2004 to broaden staff involvement in Nedbank's CSI work. The programme encourages staff members around the country to act as the Foundation's eyes and ears, so as to align CSI activities more closely to the business of the bank and identify worthy and relevant projects needing its support, and increase cooperation between Nedbank's staff, clients and the broader community.

The largest Foundation Programme is the Corporate Collaborative Programme. This involves the raising of capital for larger projects by engaging Nedbank's corporate and other business clients. The Foundation partners these clients in support of projects that involve relief aid on a larger scale, the building of schools, roll-out of IT infrastructure in disadvantaged areas, and similar ventures. An example is the funding of the Western Cape Red Cross Children's Hospital.

The Nedbank Heritage Programme supports projects that leave a legacy footprint. These include funding the regeneration of Clarkebury Educational Institute in the rural Eastern Cape.

While the Foundation is primarily responsible for the Nedcor group's external CSI, its Roots Programme involves Foundation support for employees or the families of employees with relevant, unusual and urgent needs for relief aid, as well as for helping to support objectives under the Financial Sector Charter and the bank's HIV/AIDS programmes.

The National Economic Development Incubator Programme provides infrastructure for small business development and partners with skills development centres to increase their reach among the poorest communities. Focus is placed on developing artisan, building, mechanical, catering, garment industry-related and agricultural and related skills. It also facilitates relevant community-wide development that assists general upliftment.

In addition to continuing collaborations between the Foundation and the public sector, in 2004 it enjoyed the involvement of prominent politicians at a variety of functions. President Thabo Mbeki presented the first Nedbank Digital Hope IT training container to the community of Makopane. This was a corporate collaborative project involving Hewlett Packard and Nedbank, among others. Labour Minister Membathisi Mdladlana and Deputy Correctional Services Minister Cheryl Gillwald opened the Qalabotjha Multi-Purpose Community Centre at Villiers and Education Minister Naledi Pandor launched the national Readathon campaign in Cape Town and the National Business Initiative Adult Learners Week Campaign at Nedbank.

A national tour by Josh Groban was the latest in a series of collaborative partnership efforts undertaken by the Foundation and Tiger Brands to support the Unite Against Hunger campaign. Beneficiary organisations of this campaign include the O R Tambo Foundation, Heartbeat and African Children's Feeding Scheme. The Foundation, in conjunction with the O R Tambo Foundation, has undertaken the feeding of approximately 10,000 destitute elderly people on the East Rand for the past nine years. Beneficiaries receive bulk packs of food, designed to last three months at a time. The success of the Josh Groban tour enabled the Foundation to increase the reach and impact of this feeding scheme substantially. As a result, trucks carrying food aid to the destitute on the East Rand, in parts of greater Soweto and in Sharpeville were despatched, with almost 24,000 disadvantaged families being fed.

Non-profit organisations (NPOs) comprise the core of the Foundation's client base. NPOs rated Nedbank in 2004 as third-highest placed among 70 companies in the category "Good Corporate Grantmaker", third among 48 companies as "Most Widely Recognised Corporate Grantmakers", and as having the third biggest CSI budget out of 39 identified companies.

In 2004 Nedbank sponsored the South African Paralympic team, which won 35 medals in total, 15 of them gold, at the Athens Paralympic Games. A Nedbank employee, who was a member of the Paralympic swimming team, won four medals.

The Nedbank Green, Sport and Arts Affinities continued to grow during 2004. Together these have donated over R83 million to environmental, sports and art projects since they began.

In 2004 the Green Trust supported a variety of projects including tree planting, food gardens and species-based projects. More than 30 projects were supported and almost R4 million was given through this trust.

Nedbank again supported the Nedbank Golf Challenge and the day after this prestigious event the Sports Trust held its annual golf challenge, which raised over R1 million for a variety of projects to support golf at a grass roots level.

Donations from Nedbank's Arts affinity bank accounts grew by 27% in 2004, which increased the amount available for use by the Arts and Culture Trust. R1.2 million was split between nine disciplines and 30 projects. An open-air music and arts and crafts festival received funding, as well as the Jazzart Dance Theatre and the Zanendaba Storytellers.

During 2004, Nedcor revised its environmental policy as part of its commitment to environmental responsibility, also evidenced by involvement with its conservation partner WWF-SA, and its membership of the United National Environment Programme Finance Initiative.

Nedcor is publishing a Sustainability Report in April 2005, 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 supports community-based projects that contribute towards the creation of a stable and prosperous society. Funding is directed to projects that are non-profit making in nature. Support is generally given to the same projects each year to establish long-standing relationships. In 2004, R1.6 million of investment was directed to 25 organisations in five areas: education, health and welfare, road traffic safety, crime prevention and conservation/environment. Road traffic safety and crime prevention have a direct relevance to Mutual & Federal's business, as high accident rates and car hijacking translate into higher insurance costs. Mutual & Federal also supports national initiatives aimed at improving road safety, including the Drive Alive Trust, which promotes safe and responsible driving. Its safety campaigns are particularly visible during the holiday seasons and have resulted in the steady reduction of road accidents and fatality rates.

Six educational projects received funding in 2004, including Thusenang Training and Development, a community project which supports illiterate and unemployed rural women. The project supplies basic courses such as knitting, needlework, embroidery, cooking and nutrition. It also offers advanced courses in business skills, life guidance and AIDS guidance and supplements these courses with job creation projects including bakeries, vegetable gardens and sewing groups.

The National Institute for Crime Prevention and the Reintegration of Offenders (Nicro) was one of the crime prevention projects that received support. Nicro offers help to young offenders and communities to rise above the effects of crime. Its Diversion Programme diverts youth in conflict with the law from the criminal justice system by providing courses on drug abuse prevention, anger management, parenting skills and life skills.

REST OF AFRICA

The Old Mutual (Namibia) Foundation strives to develop and maintain an effective social empowerment programme, which will have a beneficial impact on health and welfare and education and community development in Namibia. Its approach to social investment is to support activities that are linked to its national agenda and in communities that are close to its business operations.

In 2004 significant donations were made by the Namibia Foundation to national AIDS programmes, Rehoboth Primary and Secondary Schools and the Onamulele Primary School. The Mathematics Teachers' Support System project, which is aimed at improving examination results in mathematics, was successfully launched in partnership with Nedbank Namibia's Social Investment Fund.

The Namibia Foundation also supported four other major school education projects, the Cancer Association and the Genadegawe feeding scheme during 2004.

Old Mutual Namibia's staff participated actively in various community initiatives, including the Mariental "Day of the Homeless", clean-up operations in Opuwo and Rundu Town Councils, the Erongo House of Safety for orphans in Swakopmund, the Cancer Association, Childline Namibia, and SOS Children Villages' Christmas Card initiative.

At the end of the year, the Namibia Foundation had assets of N$6.2 million, comprising 300,000 shares in Old Mutual plc and cash and other assets of N$2 million. In addition to these, the Namibia Foundation has received a donation of N$4,354,235 from the Namibian Unclaimed Shares Trust under the proposals approved by the Group's shareholders in May 2004 relating to the extension of the arrangements for claiming entitlements under the original demutualisation of the Group.

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

Old Mutual continued to sponsor the Zimbabwe cricket team in 2004, covering home and away test matches, one-day internationals and overseas tours. The Group continues to believe it is important to support the development of cricket in Zimbabwe.

In 2004 Old Mutual Zimbabwe pledged to support the Jairos Jiri Association, which cares for disabled and blind children from pre-school through to secondary education. Jairos Jiri is an indigenous association established over 50 years ago and now has centres in every major urban area in Zimbabwe. As part of its support, Old Mutual has adopted pre-school centres for the blind and disabled in Harare.

Old Mutual Zimbabwe continued to run the Mathematics Olympiad in conjunction with the University of Zimbabwe. This programme is designed to promote mathematics at high school level and to identify outstanding mathematical talent. In 2004 Old Mutual sponsored two students to the Pan-African Mathematics Olympiad, one of whom won a bronze medal.

At the end of the year, the Zimbabwe Foundation had assets of Z$67,521,018,956, comprising 2,680,000 shares in Old Mutual plc and cash and other assets of Z$531,018. In addition to these, the Zimbabwe Foundation has received a donation of Z$91,452,000 from the Zimbabwe Unclaimed Shares Trust under the proposals approved by the Group's shareholders in May 2004 relating to the extension of the arrangements for claiming entitlements under the original demutualisation of the Group.

Old Mutual Malawi supported a number of projects in the areas of health and education during 2004, giving a total of MK1.3 million. Sponsorship was offered to medical students through a prize for the top medical student of each class, with financial prizes being awarded to five of them. In 2004 Old Mutual Malawi registered as a member of the Coalition against AIDS. Donations were also given in support of the Red Cross for its work on HIV/AIDS, the Kamuzu College of Nursing and the Kachere Rehabilitation Centre.

At the end of the year, the Malawi Foundation had assets of MK38,523,976, comprising 190,000 shares in Old Mutual plc and cash and other assets of MK2,423,976. In addition to these, the Malawi Foundation has received a donation of MK13,913,369 from the Malawi Unclaimed Shares Trust under the proposals approved by the Group's shareholders in May 2004 relating to the extension of the arrangements for claiming entitlements under the original demutualisation of the Group.

USA

Old Mutual Asset Management (OMAM)'s Charitable Foundation supports local communities in need around its Boston headquarters and wherever OMAM has a presence through member firms. The OMAM Foundation continued to focus its efforts during 2004 on making meaningful contributions to its partner organisations in four target areas: community, healthcare, homelessness and emergency/crisis intervention. In 2004, it made 19 direct gifts totalling $278,000, including $25,000 in staff matching.

Grants were made to national organisations such as The Rose Fund, Boys and Girls Club of America and Health Care for All, as well as local organisations including Pine Street Inn, Home for Little Wanderers and Rosie's Place.

OMAM's member firms also made a wide range of charitable gifts. Support was provided to healthcare organisations, such as American Cancer Society, St. Jude's Children's Hospital, and the Heart Association; cultural organisations, including schools, museums and libraries; and community causes, including The Family Place, Bottom Line and the Bethesda Project.

In addition to making monetary grants through its Foundation, OMAM seeks to promote employee involvement by encouraging employees to take advantage of paid volunteer days, sponsoring company-wide charitable events and matching personal charitable gifts from Foundation assets.

In 2004, more than 65% of OMAM's employees volunteered in five or more service projects or events. In June, employees joined the JP Morgan Corporate Challenge to benefit the Bay State Games, which provide Olympic-style athletic competitions and developmental programmes for Massachusetts amateur athletes of all ages and abilities. In October, OMAM served another year as a Neighbourhood Sponsor for City Year's Serve-a-Thon event, at which a team of OMAM employees, family members and friends banded together and worked to restore a local Boston community. Additionally, throughout the calendar year, OMAM employees lent their support to Daffodil Day, benefiting the American Cancer Society, Lee Denim Day benefiting the Susan G. Komen Foundation, and the Winter Clothing Drive benefiting the Salvation Army.

Old Mutual US Life (OMUSL) focused its support in 2004 on the community, arts and education.

Employee gifts to charitable organisations were matched by OMUSL through its matching programme on a dollar-for-dollar basis up to an annual limit of $1,000. During 2004 the projects supported in this way included several cancer foundations, the Baltimore School for the Arts, the Baltimore Shakespeare Festival and several universities.

OMUSL also continued to support employee involvement in charitable organisations such as the Baltimore Child Abuse Centre and Rebuilding Baltimore Together, a community project that repairs and rehabilitates the homes of low-income, elderly or disabled homeowners in Baltimore, where OMUSL's headquarters are based.

Other organisations supported by OMUSL during 2004 were the Living Classrooms Foundation, an organisation focused on teaching academic and social skills by using community work sites and other real-world environments, and the Salem Children's Trust, a school with both residential and non-residential programmes that help facilitate a successful transition to public schools and society for emotionally disturbed and abused children.

UK

The UK/SA schools twinning project, a partnership between Old Mutual plc and the British Council involving six schools from the London Borough of Southwark and six schools in the Cape Town area, began in earnest in 2004. Most of the schools made reciprocal visits during the year and a number of new curricular activities have been developed as a result. Highlights of the first year included the writing of plays, participation in a video-conference link to mark South Africa Freedom Day on 16 June 2004 and a series of special Drum Café workshops in all the schools to celebrate the tenth anniversary of democratic government in South Africa.

The relationships within the twinned schools have been extended, at the instigation of the head teachers, to include all the pupils – far beyond the individual classes and teachers originally allocated to the project, clear evidence of the enthusiasm with which the partnerships have been embraced. Additional funding has also been provided to assist the schools with the development of the programme in 2005.

Old Mutual staff from all its London-based businesses were invited to volunteer as stewards for the Drum Café workshops. A formal volunteering programme centred on numeracy partnering, using a Maths games kit developed by the Group in Cape Town, is now being developed for 2005 and beyond. Staff are allowed two hours a month to spend in the schools if they wish to participate. Additional Maths kits have also been provided to the participating Cape Town schools.

To mark the celebrations in the UK of the tenth anniversary of South African democracy, Old Mutual sponsored the 2004 City of London Festival South Africa series, supporting a number of South African musicians and artists in activities in the UK. The highlight of the festival was a concert in St Paul's Cathedral where Lady Blacksmith Mambazo performed in front of a full house. A programme of team-building activities was developed for the Company's UK staff around the festival including arts workshops, Drum Cafés, access to the concerts and other volunteering activities. The Company was delighted to receive a grant of £35,000 from Arts in Business in support of this programme. This funding also helped the Company to run the Drum Café activities in the London schools involved in the twinning project described above. Old Mutual has been nominated for an award for its programme of external and internal events associated with the Festival activities.

The Company operates a staff matching scheme, which supports Old Mutual employees in their own activities to raise money for a wide range of charities. In 2004, these included The Tusk Trust, the Race for Life, a 5km walk which was supported by a group of women from head office, Jeans for Genes Day and Children in Need.

Ad hoc donations were made throughout the year and Old Mutual plc began a three-year supporting role with the South African High Commission's aim of building a cinema in the High Commission. Old Mutual has committed funds towards the cinema's running costs. At the beginning of 2005 Old Mutual gave £20,000 to the Disasters Emergency Commission's appeal for victims of the Tsunami in East Asia.

Other good causes supported by the Bermuda Foundation at the request of the Group's UK businesses were the Shooting Star Trust and the Friends of the Citizens, a charity which promotes quality education to primary and secondary school age children in an environment that encourages not only intellectual growth, but also spiritual and moral growth.

At the end of the year, the Bermuda Foundation had assets of £4,487,000, comprising 3,650,000 shares in Old Mutual plc and cash and other assets of £107,000. In addition to these, the Bermuda Foundation has received a donation of £25,170 from the Bermuda Unclaimed Shares Trust under the proposals approved by the Group's shareholders in May 2004 relating to the extension of the arrangements for claiming entitlements under the original demutualisation of the Group.

Old Mutual International continued to support the Guernsey Maths Challenge during 2004. Staff from Fairbairn Private Bank (IoM) Limited, in Douglas, raised money for three Manx registered charities, the Manx Cancer Help Association (Lisa Lowe Centre), The Isle of Man Children's Society and The Koru Hospital Fund, which provides support for the construction and operation of a hospital in Koru, Kenya, raising a total of over £3,000.

ENVIRONMENT

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

The Group introduced its environmental policy three years ago and designated 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) fall under these individuals' control and this discipline is, where possible, being applied across the Group. The Group's KPIs and environmental targets are reviewed annually to ensure their continuing appropriateness.

The Group's environmental objectives 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. Where appropriate, business units have introduced policies more specific to their operations.

Raising environmental awareness continued throughout 2004 and, with the introduction of Environmental Management Systems (EMSs) at many key sites across the Group, specific targets and management plans were put in place to deal with any impact considered significant. The EMSs in place all follow ISO14001 guidelines. Certification is achieved on a site basis and therefore the number of certified sites is increasing as roll-out continues across the Group. EMSs establish guidelines and procedures that, when followed, aid site-specific objectives, target-setting and monitoring. EMSs require regular reviews and this in turn requires the Group to revisit its impacts frequently. The systems in place speed up data collection and enable the Group to track improvements and issues more easily. Data is gathered centrally at least twice a year and reported to the Board. The roll-out of EMSs and raising of employee awareness will continue during 2005. Data disclosure occurs through both Old Mutual South Africa and Nedcor, which each report separately on resource use in their Corporate Citizenship and Sustainability Reports.

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 was looking to finalise its commitment to the UK government scheme "Making a Corporate Commitment" (MACC2) in 2004, but this programme ceased before it could do so.

Old Mutual participated in Business in the Community's Corporate Environmental Engagement Index for the third time in 2004 and submitted data for The Giving List, published by The Guardian and co-ordinated by Business in the Community. Participation in these systems and indices allows the Group to benchmark itself against other members of the financial services industry in the countries where it operates.

In 2004 the Group joined the London Stock Exchange's Corporate Responsibility Exchange system, allowing it to input information on to a database system to enable interested parties to review information on its environmental and CSR activities without having to contact the Company directly. This tool covers many of the issues previously raised through questionnaires and allows the Group to input data to one common reference point.

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 twice yearly 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 2004 there were no significant accidents, and no material health or safety issues at work were reported from around the Group.

FTSE4GOOD/JSE SRI INDICES

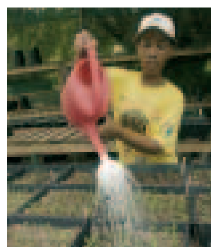
Old Mutual plc is a member of the FTSE4Good Index, the selection criteria for which include working towards environmental sustainability, developing positive relationships with stakeholders, and upholding and supporting universal human rights.

Old Mutual and Nedcor both qualified for inclusion in the JSE Securities Exchange South Africa's Socially Responsible Investment Index launched in the second quarter of 2004. The JSE SRI Index will measure participant companies' commitment and performance against a triple bottom line of sustainability in terms of environmental, economic and social impacts.

CODE OF BUSINESS CONDUCT AND ETHICS

The Old Mutual Group has adopted and aims to abide by a Code of Business Conduct and Ethics. This Code is provided to staff, is accessible on the Company's website and may also be obtained free of charge upon request from the Company Secretary at the registered office.

Martin C Murray
Group Company Secretary
28 February 2005



Corporate Governance and Directors' Report

INDEX TO THIS SECTION OF THE REPORT

INTRODUCTION AND COMBINED CODE COMPLIANCE

The directors of Old Mutual plc submit their report and the audited financial statements of the Group for the year ended 31 December 2004.

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), banking and general insurance.

The Chief Executive's Statement, the Group Finance Director's 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.

The Group is committed to the objective of achieving high standards of corporate governance. In the year ended 31 December 2004 and in the preparation of this Annual Report and Accounts, the Company has complied with the main and supporting principles and provisions set out in the Combined Code on Corporate Governance of the Financial Reporting Council (the Combined Code) as described in the following sections of this Report. The Company's compliance with Combined Code provisions C1.1, C2.1, C3.1, C3.2, C3.3, C3.4, C3.5, C3.6 and C3.7 and the statement relating to the going concern basis adopted in preparing the financial statements have been reviewed by the Company's auditors, KPMG Audit Plc, in accordance with guidance published by the Auditing Practices Board.

BOARD OF DIRECTORS

Membership and directors' interests

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 and Mr R P Edey (who were appointed to the Board on 1 February and 24 June 2004 respectively) served throughout the year ended 31 December 2004. Mr C F Liebenberg retired from the Board as a non-executive director on 2 October 2004, upon reaching his seventieth birthday.

The Company has recently announced the appointment of an additional non-executive director, Professor Wiseman Nkuhlu, who will join the Board from 1 March 2005.

Mr M J Levett is the Chairman of the Board and Mr C D Collins is the current senior independent director.

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 tables, 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 2004 and 28 February 2005.

	Old Mutual plc Number of shares	Nedcor Limited Number of shares	Mutual & Federal Insurance Company Limited Number of shares
At 31 December 2004			
N D T Andrews	–	–	–
R Bogni	19,000	–	–
N N Broadhurst	2,416	–	–
W A M Clewlow	30,700	2,849	–
C D Collins	5,541	–	–
R P Edey	–	–	–
M J Levett	5,465,130	17,804	500[1]
M J P Marks	–	–	–
J V F Roberts	250,103	–	500[1]
J H Sutcliffe	815,996	–	–

	Old Mutual plc Number of shares	Nedcor Limited Number of shares	Mutual & Federal Insurance Company Limited Number of shares
At 1 January 2004 (or date of appointment as a director, if later)			
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	–	–
R P Edey	–	–	–
M J Levett	4,159,518	12,333	864,100[1]
M J P Marks	–	–	–
J V F Roberts	178,948	–	500[1]
J H Sutcliffe	766,689	–	–

Note:

1 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 and J V F Roberts at both 1 January and 31 December 2004.

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

Rotation and re-election of directors

The Articles of Association of the Company require that any newly-appointed directors be subject to election at the next following Annual General Meeting and also that at least one-third of the directors (excluding those appointed by the Board during the year) shall retire by rotation each year. These provisions are applied in such a manner that each director will submit himself for election or re-election at regular intervals and at least once every three years.

The Nomination Committee considered the candidates who are standing 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 160 to 164 of this document) at its meeting in February 2005. In accordance with its findings, it recommends to shareholders the election of each of Mr Edey and Professor Nkuhlu and the re-election of Mr Collins as non-executive directors (and, in the case of Mr Collins, as Chairman to succeed Mr Levett) based upon their professional qualifications, prior business experience and actual or prospective contribution to the Board, and the re-election of Mr Sutcliffe as Chief Executive on the basis of his satisfactory performance since being promoted to that role in November 2001. Biographical details of each of the candidates are contained in the descriptions accompanying their photographs on pages 42 and 43 of this document.

Skills, experience and review

The balance of skills and experience and of executive and non-executive representation on the Board, the independence of non-executive directors and the overall size of the Board are each kept under review by the Nomination Committee. All of these aspects are currently believed by that Committee to be satisfactory and appropriate for the requirements of the Group's business. Whilst there are currently only two executive directors, the Board has regular contact with the other most senior executive management (including the chief executives of the six most significant business units of the Group, together with the Director of Group HR and Strategy) through the periodic attendance at or participation in Board meetings by those executives. The Board also receives copies of Minutes of Management Board meetings, which are attended by those executives, the Chief Executive and the Group Finance Director and at which high-level business matters are considered and debated.

Plans for refreshing and renewing the Board's composition are proactively managed by the Nomination Committee so as to ensure that changes take place without undue disruption.

Corporate Governance and Directors' Report
Continued

Mandate, governance and Scheme of Delegated Authority
The Board's role is to provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for it to meet its objectives and reviews management performance. It regularly reviews strategic issues through the Chief Executive's report and has a two-day strategy session during the second quarter of each year at which high-level strategic matters are thoroughly debated. The Board sets the Company's values and standards, and ensures that its obligations to its shareholders and others are understood and met.

The Board acknowledges its collective responsibility for the success of the Company. It receives a wide array of information on the Group's businesses on a regular basis. Detailed monthly management accounts are circulated to each member of the Board, usually within three weeks of the month-end, and these contain detailed analysis of the businesses' financial performance, including comparisons against budget. Any issues arising from these are addressed at Board Meetings or can be raised directly with management. There is a Board calendar which ensures that all key matters are dealt with over the course of the year. These include presentations on the Group's major businesses, and one or more Board meetings are held each year in the overseas territories where the Group operates.

The Board has oversight of the Group's wholly-owned businesses but also: (i) delegates specific responsibilities for certain matters to its committees (Executive, Group Capital Management, Nomination, Chairman's Selection, Remuneration, Group Audit, and Actuarial Review), subject to their respective terms of reference; and (ii) receives assurance from boards (and their respective committees) at the Group's subsidiaries, Old Mutual Life Assurance Company (South Africa) Limited, Old Mutual (US) Holdings, Inc. and Old Mutual Financial Services (UK) plc (the Principal Subsidiaries).

The governance relationships with the Group's majority-owned subsidiaries, Nedcor Limited and Mutual & Federal Insurance Company Limited, are somewhat different, in recognition of their own governance expectations as separately listed entities on the JSE Securities Exchange South Africa and the fact that they each have minority shareholders.

With respect to Nedcor, the Company entered into a relationship agreement in February 2004 setting out the Company's requirements and expectations as its majority shareholder. The full text of that relationship agreement is available on the Company's website, *www.oldmutual.com*. Among the matters covered are: (i) transactions involving members of the Nedcor group that require prior consultation with or agreement by the Company; (ii) provision of information, including that required for assuring the Company about various aspects of corporate governance; (iii) consultation over senior appointments; and (iv) business co-operation.

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 purely as investments, and the companies concerned are not subject to the governance or control structures of the Group.

The Chairman and Company Secretary are both involved in ensuring good information flows within the Board and its committees and between senior management and the non-executive directors, as well as in facilitating induction and encouraging non-executive directors to attend courses at the Company's expense to update their skills and knowledge.

On appointment, new directors receive induction, including a package of information about matters of immediate importance to the Group, such as the current budget, strategy document, management accounts, the Scheme of Delegated Authority and details of the Company's directors' and officers' liability policy. They are also invited to have such meetings with other directors, senior management, external advisors (such as the auditors), and major shareholders as they wish.

Processes are in place for any potential conflicts of interest to be disclosed and for directors to recuse themselves from participation in any decisions where they may have any such conflict or potential conflict.

The directors may take independent professional advice at the Company's expense, if necessary, for the furtherance of their duties, whether as members of the Board or of any of its committees.

The Company maintains directors' and officers' liability insurance in respect of legal action against its directors.

All directors have access to the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

There is an agreed list of matters reserved for the Board's decision: these are set out in the Company's Scheme of Delegated Authority and currently include, inter alia, the following:

- payment or recommendation of dividends;
- approval of results announcements, interim and annual reports and any other public statement relating to the Group's financial position which is likely to have a material impact on the Group's reputation;
- approval of the Group's budgets and the formulation of medium and long-term direction and strategy for the Group;
- establishment of committees of the Board, their constitution and terms of reference;
- monitoring of compliance with the Group's environmental policies;
- approval of the acquisition or disposal of any business or investment for a consideration of £25 million or more;
- approval of expenditure by a Principal Subsidiary in excess of its respective delegated expenditure authority;
- approval of significant changes to the accounting policies or practices of the Group;
- approval of any proposal as a result of which either Nedcor Limited or Mutual & Federal Insurance Company Limited would cease to be a majority-owned subsidiary of the Company;

- approval of appointments to the Board and renewal of non-executive directors' appointments, following prior review by the Nomination Committee;

- approval of any major decision relating to the conduct or settlement of any material litigation involving the Company or its subsidiaries;

- appointment and removal of the Company Secretary;

- appointment or termination of appointment of key professional advisors to the Group; and

- any other matters which are likely to have a material effect on the Group's financial position, future strategy or reputation.

Executive and non-executive roles
The executive element of the Board is balanced by a strong independent group of non-executive directors, such that no individual or small group of individuals can dominate the Board's decision making. The non-executive directors scrutinise the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. Procedures are in place to enable them to satisfy themselves on the integrity of the Group's financial information and that financial controls and systems of risk management are robust and defensible.

Those non-executive directors who are members of the Remuneration Committee are responsible for determining appropriate levels of remuneration for the executive directors, and members of the Nomination Committee have a primary role in recommending the appointment, and where necessary removal, of executive directors. The Board as a whole receives and considers regular reports on succession planning.

Separately from the formal Board meeting schedule, the Chairman holds periodic meetings with the other non-executive directors, without any executives being present, in order to provide a forum for any issues to be raised. He also conducts, in consultation with the senior independent non-executive director, an annual performance evaluation of each of the other non-executive directors, the results of which are reported to the Nomination Committee. These are designed to ensure that each director is continuing to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and Committee meetings and any other duties). The outputs from these performance evaluations are taken into account by the Nomination Committee in deciding whether to recommend to the Board the extension of engagement of any non-executive director and also whether to recommend to shareholders the re-election of any non-executive director who is due to retire by rotation at the Annual General Meeting. They would also form the basis, if the need arose, for the Chairman to act to address any weaknesses identified in the Board by seeking the resignation of underperforming directors or proposing, through the Nomination Committee, that additional directors be appointed.

Informal meetings among the non-executive directors, without the Chairman or any executive being present, are also facilitated by the Company. Among the activities carried out at such meetings is the annual review of the Chairman's own performance, under the aegis of the senior independent non-executive director, who also obtains input for such purpose from the executive directors.

Where directors have concerns that cannot be resolved about the running of the Company or a proposed action, they are encouraged to make their views known and these would be recorded in the Minutes of the Board meeting. No written statements on resignation containing matters of concern, such as are referred to in paragraph A.1.4 of the Combined Code, have been received by the Chairman.

The division of responsibilities between the current Chairman, Mr Levett, and the Chief Executive, Mr Sutcliffe, is documented so as to ensure that there is a clear division of responsibilities between the running of the Board and executive responsibility for running the Company's business. This was put in place and approved by the Board when Mr Sutcliffe succeeded Mr Levett as Chief Executive in November 2001 and a similar arrangement has been made for when Mr Collins succeeds Mr Levett as Chairman in May 2005. This, together with the Scheme of Delegated Authority and the matters reserved for decision by the Board, ensures that no one individual has unfettered powers of decision.

For both Mr Levett as outgoing Chairman and Mr Collins as incoming Chairman, responsibilities include those contained in the Supporting Principle to paragraph A.2 of the Combined Code, namely that the Chairman is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda; ensuring that the directors receive accurate, timely and clear information; ensuring effective communication with shareholders; facilitating the effective contribution to the Board of non-executive directors in particular; and ensuring constructive relationships between the executive and non-executive directors.

The Board has determined that, in the absence of exceptional circumstances, no non-executive director's three-year cycle of appointment (which is itself subject to re-election and to Companies Act provisions relating to the removal of a director) 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. A particularly searching review is carried out at the end of six years. The section of the Remuneration Report entitled "Non-Executive Directors' Terms of Engagement" describes the current position of each of the non-executive directors with respect to their maximum three terms of three years and how the extension process has been applied to the directors concerned.

Corporate Governance and Directors' Report
Continued

The current Chairman, Mr Levett, was Chairman and Chief Executive until November 2001, when he was succeeded as Chief Executive by Mr Sutcliffe. His appointment as non-executive Chairman was carefully considered by the Board, which decided at that time that this was in the best interests of the Company in view of his long experience with the Group's South African businesses, depth of relevant knowledge and wealth of ability. Mr Levett is a director of the Company's 87%-owned general insurance subsidiary, Mutual & Federal Insurance Company Limited, and was, until the end of 2004, also a director of its 52%-owned banking subsidiary, Nedcor Limited and its main banking operation, Nedbank Limited. He is also a non-executive director of the non-Group companies, Barloworld Limited and Old Mutual South Africa Trust plc. Until July 2004 he was a non-executive director of SAB Miller plc. These external interests do not adversely affect his ability to discharge his duties as Chairman of the Board.

The Board conducts an annual self-assessment exercise to evaluate the effectiveness of its procedures. For 2004, it decided to carry out this process through a detailed questionnaire exercise, with returns being submitted anonymously to the Company Secretary, who collated a report on the outputs for the Board. The areas covered by the survey included Governance and Processes (Board meetings, Board functions, Board structure, Board Committees, financial and operational reporting and compliance) and strategic matters (planning and objectives, risk management, new business opportunities and projects, and human resources). The feedback was generally positive, but where suggestions for improvements were made, these have been noted by the Board and efforts will be made to address them in 2005.

Independence of non-executive directors
Six of the seven non-executive directors other than the Chairman (Messrs Andrews, Bogni, Broadhurst, Collins, Edey and Marks) are considered by the Board to be independent within the meaning of, and having regard to the criteria set out in, paragraph A.3.1 of the Combined Code – i.e. independent in character and judgement and there being no relationships or circumstances which are likely to affect, or could appear to affect, their judgement. Professor Nkuhlu, who will join the Board as a non-executive director on 1 March 2005, is also considered by the Board to be independent.

The Board decided in December 2004, following a review by the Nomination Committee, that it was no longer appropriate to classify Mr Clewlow as independent, in view of his increased involvement, as Chairman of Nedcor, in supporting the executive management of that company. He thereupon stepped down as a member of the Remuneration and Group Audit Committees so that all members of those Committees remained independent as required by the Combined Code.

Mr Collins has served as the senior independent non-executive director since February 2003 and will be succeeded in that role by Mr Broadhurst when Mr Collins becomes non-executive Chairman of the Company at the end of the AGM in May 2005. The senior independent non-executive director is available to shareholders if they have concerns that are unresolved after contact through the normal channels of the Chairman, Chief Executive or Group Finance Director or where such contact would be inappropriate. His contact details can be obtained from the Company Secretary at the registered office.

The terms and conditions for each of the non-executive directors are available in the Corporate Governance section of the Company's website, *www.oldmutual.com*, and these include details of the expected time commitment involved (which each of the non-executive directors has accepted). Other significant commitments of potential appointees are considered by the Nomination Committee as part of the selection process and are disclosed to the Board when recommendation of the appointment is submitted. Non-executive directors are also required to inform the Board of any subsequent changes to such commitments, which must be pre-cleared with the Chairman if material.

The executive directors are permitted to hold one external (i.e. non-Group) non-executive directorship (but not a chairmanship) of another listed company, subject to prior clearance by the Board and the directorship concerned not being in conflict or potential conflict with any of the Group's businesses. Neither Mr Sutcliffe nor Mr Roberts currently holds such a directorship.

2004 operations and Turnbull statement
The Board met on a scheduled basis regularly during the year. Meetings were co-ordinated with the Company's reporting calendar to allow for detailed consideration of the interim and preliminary results and the first and third quarters' trading updates. Two further sessions were specifically devoted to strategy and business planning respectively. The Board also met ad hoc as and when required to deal with specific matters requiring its consideration. During 2004, there were nine scheduled Board meetings and four ad hoc meetings.

The scheduled meetings included a three-day site visit to the Group's businesses in South Africa, which included presentations to the Board by Nedcor and Mutual & Federal as well as by Old Mutual South Africa.

During the year the Board approved and adopted four core Group values – Integrity, Respect, Accountability and Pushing beyond Boundaries. These have been communicated throughout the Group and incorporated into management's performance statements so as to ensure they are lived and observed by all key employees.

The Board has reviewed the effectiveness of the system of internal control during and at the end of the year. This review covered all material controls, including financial, operational and compliance controls and risk management systems.

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 2004 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.

The Company referred in its Directors' Report for 2003 to civil suits that had been filed against a subsidiary, Pilgrim Baxter & Associates, Ltd (PBA) (now renamed Liberty Ridge Capital, Inc.), by the United States Securities and Exchange Commission (SEC) and the office of the New York State Attorney General (NYAG). In June 2004 PBA reached agreements with the SEC and the NYAG, which settled all charges brought by those authorities against PBA in relation to market timing in the US mutual fund business. PBA neither admitted nor denied any wrongdoing. Under the settlement PBA agreed to pay $40 million disgorgements of past fees plus $50 million in penalties. In addition PBA agreed to reduce fees to investors by approximately $10 million over the next five years.

Some class actions related to the above remain pending. It is not possible to determine what the outcome of these class actions will be and whether there will be any costs to the Group.

The Directors' Report for 2003 also made reference to Nedcor, whose 2003 results were poor due to the effect of adverse currency and interest rate movements, amongst other things. This resulted in Nedcor launching a rights issue to raise R5 billion of ordinary share capital to strengthen its capital position. During 2004 the bank's interest rate and currency risks were minimised through proactive management. Nedcor's results for 2004 also contributed to an improvement in its capital position.

COMMITTEES

The Board has a number of standing committees or sub-committees, to which it has delegated various matters in accordance with terms of reference contained in the Scheme of Delegated Authority. It also establishes committees on an ad hoc basis to deal with particular matters as and when thought fit: in doing so, it specifies a remit, quorum and appropriate mix of executive and non-executive participation. Further information on the main standing committees and sub-committees of the Board is set out below.

Group Audit Committee

Current members: N N Broadhurst (Chairman), N D T Andrews, R Bogni, C D Collins, R P Edey. Other member during part of 2004: W A M Clewlow. Secretary: M C Murray

All of the members of the Group Audit Committee are independent non-executive directors. The Chairman of the Committee, Mr Broadhurst, is a Chartered Accountant and has recent and relevant financial experience, having been Finance Director of Railtrack plc until 2000.

The terms of reference of the Committee set out its role and responsibilities and these include:

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, including reviewing significant financial reporting judgements contained in them;

- reviewing the Company's internal financial controls;

- monitoring and reviewing the independence and effectiveness of the Company's internal audit function and its activities. An internal audit charter, reviewed and approved by the 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 the Committee;

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

- making recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to appointment, re-appointment and removal of the external auditors and approving their remuneration and terms of engagement;

- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

- developing and implementing policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and reporting to the Board any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and

- reviewing "whistleblowing" arrangements – i.e. arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters – with a view to ensuring that these arrangements enable the proportionate and independent investigation of such matters and result in appropriate follow-up action.

A number of audit or audit, risk and compliance committees operated at subsidiary level during 2004, 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 Committee. The Committee receives minutes of the proceedings and reports from subsidiary audit committees on a regular basis and Chairmen of these subsidiary audit committees are invited to attend meetings of and report to the Committee periodically. A planning meeting was held between the Chairman of the Committee and the Chairmen of the subsidiary audit committees mentioned above, the regional heads of internal audit and representatives of the Group's auditors in October 2004 to co-ordinate the audit committees' activities and to review and approve the scope of internal audit plans for 2005. Similar planning meetings will take place on an annual basis going forward.

Actuarial Review Committee

Current members: R Bogni (Chairman), M J Levett, J V F Roberts. Secretary: M Carey

The Actuarial Review Committee is a sub-committee of the Group Audit Committee and covers the Group's life operations worldwide. The role of the Committee is: (i) to review the actuarial content of the life assurance figures included in 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. The Committee met four times during 2004 and each meeting was attended by all of the members.

Upon Mr Levett's retirement in May 2005, Mr Broadhurst will replace him as a member of this Committee and Mr Sutcliffe will replace Mr Roberts, so that there will continue to be a qualified actuary as a member of the Committee.

Remuneration Committee

Current members: C D Collins (Chairman), N D T Andrews, N N Broadhurst, M J P Marks. Other member during part of 2004: W A M Clewlow. Secretary: M C Murray

Details of the role and activities of the Remuneration Committee and how the Remuneration Committee and the Board have applied the main and supporting principles and the Code Provisions in Section B of the Combined Code are provided in the Remuneration Report.

Corporate Governance and Directors' Report
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Nomination Committee
Current members: M J Levett (Chairman), N D T Andrews, R Bogni, N N Broadhurst, W A M Clewlow, C D Collins, R P Edey, M J P Marks, J H Sutcliffe. Secretary: M C Murray
The Nomination Committee makes recommendations to the Board in relation to the appointment of directors, the structure of the Board and membership of the Board's main standing committees. It also reviews development and succession plans for the most senior executive management of the Group and proposed appointments to the Boards and standing committees of principal subsidiaries where these are material in the context of the Group as a whole. It is chaired by the Chairman of the Board, Mr Levett, and a majority of its members (six out of nine) are independent non-executive directors.

The Nomination Committee seeks to ensure that its process for identifying candidates for recommendation to the Board as new directors is formal, rigorous and transparent. Vacancies generally arise in the context of either planned refreshing and renewal of the Board, or replacing directors who are due to retire, or rebalancing the balance of knowledge, skills or independence of the Board. The two new independent non-executive directors appointed during 2004, Mr Marks and Mr Edey, were selected to increase the cadre within the Board who had direct experience of international financial services markets. External search agents were provided with guidelines on objective criteria for the individuals sought and recruitment of the two new non-executive directors followed a short-listing and interview process which involved a majority of members of the Board. Professor Nkuhlu, who is joining the Board from 1 March 2005, was selected from a short list of eligible South African candidates to replenish South African representation on the Board following Mr Liebenberg's and ahead of Mr Levett's retirements. In identifying candidates, appropriate regard is paid to ensuring that they will have sufficient time available in the light of their other commitments to devote to discharging their duties as directors of the Company.

Chairman's Selection Committee
The question of Chairman's succession was dealt with during 2004 through a separate committee established by the Board, comprising Messrs Andrews, Bogni, Broadhurst and Clewlow. Objective criteria for the successor were agreed by members of the Committee: these included an assessment of the time commitment expected (an average of two to three days per week) and the need for the person appointed to be available in the event of crises.

The results of an external confidential search for potential candidates were reviewed against internal candidates. Having weighed up the respective merits of all potential candidates who had been identified, the Chairman's Selection Committee recommended to the Board that Mr Collins be appointed as Chairman elect to succeed Mr Levett in May 2005. This recommendation was unanimously endorsed by the Board (in the absence of Mr Collins himself), subject to Mr Collins' confirmation that he would, by the time the appointment took effect, have stepped down as Chairman of Hanson PLC, so as to avoid his being chairman of two FTSE 100 companies at the same time. This was subsequently confirmed. Mr Collins' main other commitments are as Chairman of Forth Ports PLC and as a non-executive director of The Go-Ahead Group plc and Alfred McAlpine PLC. He has confirmed to the Company that these will not adversely affect his ability to discharge his role as Chairman of the Company.

Executive Committee
Current members : J V F Roberts, J H Sutcliffe
The Executive Committee is a committee 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. A quorum comprises the two executive directors. The Committee met 16 times during 2004.

Group Capital Management Committee
Current members : J V F Roberts (Chairman), D I Hope, A Patterson, M Walton, J H Sutcliffe. Secretary: D I Hope
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 support the Business Planning and Quarterly Business Review process in terms of allocating capital to the Group's businesses; and (iii) to monitor the return based on allocated capital per business relative to the hurdle rate and limit the allocation of capital to underperforming 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. The Committee met twice during 2004 and both meetings were attended by all of the members.

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 free of charge from the Company Secretary at the registered office.

The membership and chairmanship of the Board's standing committees are regularly reviewed by the Nomination Committee so as to ensure that they are refreshed and that undue reliance is not placed on particular individuals.

Each of the Group Audit, Remuneration and Nomination Committees conducted a self-assessment exercise during 2004 to address, inter alia, whether their respective terms of reference had been satisfactorily fulfilled during the year, whether the Committees had the necessary skills and resources and were receiving a satisfactory level of information in order to discharge their responsibilities, and whether their processes and methods could be improved. These were each conducted by anonymous questionnaires to members of the Committee concerned and other key participants in the Committee's activities (including the external auditors, in the case of the Group Audit Committee) and the results were collated by the Company Secretary and reported to the Committees for consideration.

ATTENDANCE RECORD

The following table sets out the number of meetings held and individual directors' attendance records at the Board and its principal standing committees in 2004:

	Board (scheduled)	Board (ad hoc)	Group Audit Committee	Remuneration Committee	Nomination Committee
No. of meetings held	9	4	5	3	5
N D T Andrews	9/9	4/4	4/5	2/3	–
R Bogni	8/9	3/4	4/5	–	4/5
N N Broadhurst	8/9	2/4	5/5	3/3	5/5
W A M Clewlow	8/9	3/4	5/5	2/3	4/5
C D Collins	9/9	2/4	4/5	3/3	5/5
R P Edey	6/6	2/2	1/2	–	–
M J Levett	9/9	4/4	–	–	5/5
C F Liebenberg	6/6	3/3	–	–	4/4
M J P Marks	6/8	3/3	–	1/2	–
J V F Roberts	9/9	4/4	–	–	–
J H Sutcliffe	9/9	4/4	–	–	5/5

Messrs Levett, Roberts and Sutcliffe attended all of the Group Audit Committee Meetings held during 2004 at the invitation of the Chairman of that Committee (but were absent for the private sessions between members of that Committee and the auditors). Messrs Levett and Sutcliffe also attended all of the Remuneration Committee Meetings at the invitation of the Chairman of the Remuneration Committee, but absented themselves for any matters relating to their own respective remuneration arrangements. No one other than the Chairman and the members of the Group Audit Committee, Nomination Committee or Remuneration Committee has a right to be present at their respective meetings: attendance by others is always at the invitation of the Chairman of the Committee concerned.

AUDITORS

During the year ended 31 December 2004 fees paid by the Group to KPMG Audit Plc, the Group's auditors, and its associates (KPMG) totalled £5.2 million for statutory audit services, £2.2 million for other audit and assurance services, and £4.9 million for tax and other services. In addition to the above, Nedcor paid a further £2.5 million to Deloitte & Touche in respect of joint audit arrangements. The primary component within the £4.9 million paid to KPMG for tax and other services was advisory work in connection with the Group's transition to reporting under International Financial Reporting Standards.

The following guidelines have been approved by the Group Audit Committee and are applied in placing non-audit work:

- No non-audit work should be given to the external auditors where the consequences of using them would mean that they were effectively auditing their own work. However, this does not preclude the provision of accounting resources on contract or secondment, provided that those specific resources are not involved in the audit and would be managed by an individual/partner not involved in the audit.

- All non-audit related work undertaken by the external auditors would normally be the responsibility of a partner not involved in the Company's audit. However, there may be certain assignments which are so closely related to the audit (e.g. certificates, bad debt reviews, regulatory returns) or which involved a transaction (e.g. acquisition or disposal) that it would be sensible for the audit partner to undertake those assignments.

- All non-audit projects in excess of £50,000 (R750,000) placed with the external auditors should be agreed by the Group Finance Director.

- All projects in excess of £300,000 (R4.5 million) are to be subject to competitive tender and agreed by the Group Finance Director or the Group Chief Executive, and any projects in excess of £1,000,000 (R15 million) are to be pre-approved by the Group Audit Committee.

- Cumulative non-audit fees (excluding audit-related fees such as review of regulatory returns) for the Group should not exceed total statutory audit and audit-related fees in any one year without the approval of the Group Audit Committee.

- All non-audit work placed with the external auditors should be retrospectively reported to the appropriate audit committee.

The Group Audit Committee considered the balance of audit and non-audit remuneration paid to KPMG at its meeting in February 2005 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 has expressed its willingness to continue in office as auditors to the Company and, following a recommendation by the Audit Committee to the Board, a resolution proposing its re-appointment will be put to the Annual General Meeting (Resolution 4 in the Notice of Annual General Meeting).

Arrangements have been made, in conjunction with KPMG, for appropriate audit partner rotation in accordance with recommendations of the Institute of Chartered Accountants in England and Wales. As a result of these, the current lead audit partner in the UK, Mr Richard Bennison, will be succeeded during 2005 by Mr Alastair Barbour.

ANNUAL GENERAL MEETING

The Board uses the Annual General Meeting (AGM) to provide an update on the Group's first quarter's trading. A full transcript of the AGM proceedings is made available on the Company's website as soon as practicable after the end of the Meeting. All items of formal business at the AGM are now conducted on a poll, rather than by a show of hands. The Company has arrangements in place through its registrars, Computershare Investor Services, to ensure that all validly submitted proxy votes are counted, and a senior member of Computershare's staff acts as scrutineer to ensure that votes cast are properly received and recorded.

Each substantially separate issue at the AGM is dealt with by a separate resolution and the business of the AGM always includes a resolution relating to the approval of the Report and Accounts. All directors, including the Chairmen of the Group Audit, Remuneration and Nomination Committees (who are available to answer any questions on the matters covered by these Committees), are expected to attend the AGM and all of them did so in 2004.

The notice of AGM and related materials contained in the Report and Accounts or Summary Financial Statements are sent out to shareholders in time to arrive in the ordinary course of the post at least 20 working days before the date of the AGM.

Results of the AGM and Court Meeting in 2004

All resolutions considered at the Company's AGM held on 14 May 2004 and the Meeting of Shareholders convened by order of the UK High Court (the Court Meeting) on 14 May 2004 to consider a scheme of arrangement to authorise the directors to extend the Company's unclaimed shares trust arrangements were dealt with on a poll. The results of the polls on each of the resolutions were announced to the markets later on 14 May 2004 and were as follows:

Corporate Governance and Directors' Report
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ORDINARY RESOLUTIONS

Resolution 1
To receive and adopt the directors' report and accounts

In favour	Against	% in favour
1,783,591,896	2,899,368	99.84%

Resolution 2
To declare a final dividend of 3.1 pence per ordinary share

In favour	Against	% in favour
1,826,191,939	96,335	99.99%

Resolution 3 (i)
Election of Michael Marks as a director of the Company

In favour	Against	% in favour
1,815,895,358	1,073,589	99.94%

Resolution 3 (ii)
Re-election of Rudi Bogni as a director of the Company

In favour	Against	% in favour
1,815,787,183	1,105,695	99.94%

Resolution 3 (iii)
Re-election of Norman Broadhurst as a director of the Company

In favour	Against	% in favour
1,805,146,590	6,303,783	99.65%

Resolution 3 (iv)
Re-election of Julian Roberts as a director of the Company

In favour	Against	% in favour
1,809,742,666	7,356,819	99.60%

Resolution 4
Re-appointment of KPMG Audit Plc as auditors to the Company

In favour	Against	% in favour
1,797,800,999	7,506,721	99.58%

Resolution 5
To authorise the Audit Committee of the Company to settle the remuneration of the auditors

In favour	Against	% in favour
1,804,581,632	3,823,078	99.79%

Resolution 6
To approve the Remuneration Report in the Company's report and accounts

In favour	Against	% in favour
1,649,850,335	33,853,841	97.99%

Resolution 7*
Authority to allot relevant securities up to an aggregate nominal amount of £127,917,000

In favour	Against	% in favour
1,350,584,574	468,340,374	74.25%

*During the meeting the Chairman, Mr Levett, made the following statement:

"This Resolution, which is in accordance with UK institutional investors' guidelines, does not accord with what is now regarded as best practice in South Africa.

In the light of this, the Board undertakes that the Company will not use the authority to be granted by this resolution beyond 10% of the existing issued shares – that is, to an aggregate nominal value of £38,374,000 – without coming back to shareholders, notwithstanding the higher figure contained in the resolution."

SPECIAL RESOLUTIONS

Resolution 8
Authority to allot equity securities up to maximum nominal aggregate amount of £19,187,000

In favour	Against	% in favour
1,394,035,668	424,243,718	76.67%

Resolution 9
Authority in accordance with section 166 of the Companies Act 1985 to purchase up to 383,752,930 Ordinary Shares of 10p each in the Company by way of market purchase

In favour	Against	% in favour
1,817,474,833	4,974,669	99.73%

Resolution 10 (i)
Approval of contingent purchase contract to enable shares to be bought back on the JSE Securities Exchange South Africa

In favour	Against	% in favour
1,817,316,278	1,495,217	99.92%

Resolution 10 (ii)
Approval of contingent purchase contract to enable shares to be bought back on the Namibian Stock Exchange

In favour	Against	% in favour
1,816,549,384	1,674,309	99.91%

Resolution 10 (iii)
Approval of contingent purchase contract to enable shares to be bought back on the Zimbabwe Stock Exchange

In favour	Against	% in favour
1,816,778,772	1,568,199	99.91%

Resolution 10 (iv)
Approval of contingent purchase contract to enable shares to be bought back on the Malawi Stock Exchange

In favour	Against	% in favour
1,816,431,152	1,686,756	99.91%

Resolution 11
Adoption of amended Articles of Association

In favour	Against	% in favour
1,861,828,092	322,342	99.98%

Resolution 12
Approval of arrangements relating to the proposed extension of the Unclaimed Shares Trusts, including amendment of the Company's objects clause

In favour	Against	% in favour
1,853,573,012	607,237	99.97%

Each of the resolutions at the 2004 AGM was accordingly duly passed.

Court Meeting relating to the Company's Unclaimed Shares Trusts
Resolution to approve the proposed scheme of arrangement

In favour	Against	% in favour
1,711,443,781	527,488	99.97%

The Court Meeting resolution was accordingly duly passed and the scheme of arrangement authorising the directors of the Company to extend the period within which claims can be made to certain entitlements that arose upon demutualisation of the Group was subsequently confirmed, without amendment, by the UK High Court.

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.

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.

Approach to risk management

Creating shareholder value is the Group's overriding business objective, and the Group therefore derives its approach to risk management and control from a shareholder value perspective. As a result, the risk process covers a much broader range than the narrowly defined traditional risk categories and specifically includes strategic risk, also referred to as business risk, and Enterprise Risk Management (ERM).

The Group's overall approach is to understand the diversity and full breadth of risk and then to manage it, with a strong emphasis on implementing controls that reduce residual risk to a level calculated to optimise the level of return on investment. However, risk management is not limited solely to the downside or risk avoidance; it is about taking risk knowingly.

The Group operates a risk management framework, which is based on COSO's ERM Framework, and the Group is planning to transition more fully to the COSO framework. The current risk framework contains the following components: (i) a robust risk governance structure; (ii) risk appetites established at Group and subsidiary level; (iii) Group-wide risk policies; and (iv) methodologies that focus on risk identification, risk measurement, risk assessment, action plans, monitoring and reporting. Each component is explained in more detail below.

Risk governance

The formal governance structures described earlier in this report are complemented by a risk governance model based on three lines of defence. This model distinguishes between functions owning and managing risks, functions overseeing risks and functions providing independent assurance:

- The Board sets the Group's risk appetite, approves the strategy for managing risk and is responsible for the Group's system of internal control. The Group Chief Executive, supported by the plc Management Board, has overall responsibility for the management of risks facing the Group and is supported in the management of these risks by management at the operating subsidiaries. Management and staff within each business have the primary responsibility for managing risk. They are required to take responsibility for the identification, assessment, management, monitoring and reporting of enterprise risks arising within their respective areas.

- The second line of defence is provided by the Group Chief Risk Officer, supported by the Group risk function and other specialist in-house functions at Company and subsidiary levels, who provide technical support and advice to operating management to assist them with the identification, assessment, management, monitoring and reporting of financial and non-financial risks. The Group risk function recommends Group Risk Policies to the Board for approval, provides objective oversight and co-ordinates ERM activities in conjunction with other specialist risk-related functions. Group risk is not, however, accountable for the day-to-day management of financial and non-financial risks.

- The third line of defence is designed to provide independent objective assurance on the effectiveness of the management of enterprise risks across the Group. This is provided to the Board through the Group Internal Audit function, the external auditors and the Group Audit Committee, supported by audit committees at subsidiaries.

Risk appetite

The fundamental purpose of the Group's risk appetite is to define how much risk the Group is willing to take. Risks or events falling outside the agreed risk appetite are identified for immediate remedial action and subjected to executive management and audit committee oversight. The Group's risk appetite framework is currently under development and will encompass: (i) a process for setting the Group risk appetite; (ii) a process for allocating the Group risk appetite among the business units, including the identification of existing appetites for risk within those businesses; (iii) risk reporting against those limits; (iv) application of stress and scenario testing; and (v) risk appetite governance laid down in a Group risk appetite policy.

Some components of the Group risk appetite are dependent on the completion of the Group's Economic Capital project, which is currently scheduled for completion in 2006.

Corporate Governance and Directors' Report
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Group risk principles
Group risk principles have been established for each major risk category to which the Group is exposed. These are designed to provide management teams across the Group with guiding principles within which to manage risks. Business unit risk policies expand on these principles and contain detailed requirements and/or limits for the specific business concerned.

Adherence to these principles provides the Board and the Company's stakeholders with assurance that high-level common standards are consistently applied throughout the Group and also contributes to how the Group governs itself.

Group risk principles are reviewed annually.

Risk methodologies
Risk identification
Strategic objectives reflect management's choice as to how the Group will seek to create value for its stakeholders. Strategic objectives are translated into business unit objectives. Risks (and risk events) are then identified that would prevent the achievement of both the strategic and business objectives, i.e. objective-setting is a pre-condition to the risk management process. For this reason, risk identification is part of the annual business planning process. The resultant risks are recorded in a risk register, with details of existing controls or actions to mitigate the risks and any associated time frame, details of who owns the control or action plans and a measure of the residual risk. Where the residual risk is deemed to be outside the risk appetite, it is transferred to a control log for remedial action.

Risk assessment and measurement
Various means of assessing and measuring enterprise risks and risk events are used throughout the Group. These include estimating the financial impact and the likelihood of risk occurrence, trend and traffic light assessments and high/medium/low assessments. With regard to credit risk, asset and liability risk and market risk, a mixture of quantitative and qualitative measurement methods is used by the business units commensurate with the complexity of the risk, such as exposures against limits, stress and scenario testing, sensitivity analysis and value-at-risk measures.

Action plans
Detailed action plans to mitigate the occurrence of a risk or to remedy a breakdown in control are recorded on risk and control logs maintained by each business grouping.

Monitoring and control
The Board reviews the effectiveness of the system of internal control. This review covers all material controls, including financial, operational and compliance controls and risk management systems.

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 risk function.

Risk monitoring is also undertaken at Group, Principal Subsidiary and business unit level by management, ERM functions, specialised risk management functions, internal audit and subsidiary audit committees.

The following are some of the other key processes of risk monitoring used around the Group:

- The Group Finance Director provides the Board with monthly performance information, which includes key performance and risk indicators. These are complementary to the monthly management reports, which include a status report on key risks to the achievability of business objectives.

- Items on risk logs and control logs (which contain details of any 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, by the Group Audit Committee and Board.

- Exposure reporting, risk concentrations and solvency and capital adequacy reports are submitted to the relevant credit and capital management committees in the normal course of business. Where exposures are in excess of limits, they are treated in the same way as control breakdowns and reported on the relevant control log for audit committee review.

- The Group's internal audit function operates on a decentralised basis co-ordinated at Group level by the Group head of internal audit, who reports directly to the Chairman of the Group Audit Committee and the Group Chief Executive. 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.

Reporting
As part of the Board's annual review process, the Chief Executive of each of the Group's major businesses completes a letter of representation. This letter confirms that there has been no indication of any significant business risk occurring, nor any material malfunction in controls, procedures or systems during the reporting period, resulting in loss or reputational damage, which impacts negatively on the attainment of the business's objectives during the year and up to the date of approval of the Annual Report. Exceptions are noted and reported. In addition the letter confirms that the business unit will continue as a going concern for the year ahead. The collated results of these letters are reported to the Group Audit Committee.

Monthly management reports, reports by the Group Finance Director, risk logs, control logs and exposure reports described under "Monitoring and control" above also form part of the reporting process.

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 and interest rate 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.

South Africa – Life business
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 effects of AIDS. The Group also conducts HIV and other tests for lives insured above certain 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 in excess of the statutory minimum to allow the Group to manage significant equity exposures. Credit risk is monitored by the business's Credit Committee covering life and third party funds, which has established appropriate exposure limits.

Old Mutual Asset Managers (South Africa)
The exposure of the Group's asset management businesses to market fluctuations gives rise to 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.

Nedcor
Risk is an integral component and driver of Nedcor's success in achieving shareholder value. Nedcor does not, however, look to avoid risk, but rather seeks to understand it, manage it effectively and measure it in the context of an appropriate system that derives its approach to risk management and control from a shareholder value perspective.

Nedcor's risk process covers the entire range of risk categories and specifically includes strategic risk and enterprise-wide risk management.

As a bank, Nedcor's core activity is risk taking, and accordingly risk management is seen as a core competency.

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. This structure is not heavily reliant on trading securities and derivatives, but focuses on using on-balance sheet mechanisms.

Corporate Governance and Directors' Report
Continued

Interest rate risk for Nedcor is its net income exposure to adverse movements in rates arising as a result of 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 quantify 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 all facilities in excess of 10% of capital, and also monitors other 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.

Mutual & Federal

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.

US businesses

US Life

Underwriting risk is controlled by underwriting principles governing product repricing procedures and authority limits. The underwriting process takes into account prospective mortality, morbidity and expense experience. A large amount of the mortality and morbidity risk is reinsured to highly rated companies.

For fixed annuities, policyholder option risk is managed by investing in fixed securities with durations within a half-year of the duration of the liabilities. Cash flows in any period are closely aligned to ensure any mismatch is not material. Extensive interest rate scenario testing is required by regulatory authorities to ensure that the amounts reserved are sufficient to meet the guaranteed obligations.

The guaranteed returns provided under Equity Index Annuities are dynamically hedged to ensure a close matching of option payoffs to the liability growth. Hedging positions are reviewed daily to re-adjust them as necessary.

Credit risk is monitored by the business's Investment Committee, which has established appropriate exposure limits.

US Asset Management

The exposure of the Group's US asset management businesses to market fluctuations gives rise to 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 independently monitored and reviewed by compliance functions and committees, which also need to meet stringent US regulatory requirements. 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.

UK

The UK asset management business is exposed to market fluctuations in terms of the potential impacts on revenue levels, which are a function of the value of client portfolios. This exposure is reduced through product diversification, including through the portfolio of hedge funds managed by Old Mutual Asset Managers (UK).

The business is exposed to operational risk. The means of managing this include: tight control environment, careful planning and controlled execution of business integration, stress testing and parallel running of new operational systems and software, monitoring of operational key risk indicators, performing regular audit reviews, and maintaining insurance policies.

The Group's UK businesses operate in a highly regulated and changing environment. Compliance risk is mitigated through embedded compliance procedures and controls, ensuring adherence to regulations, and ongoing compliance monitoring by internal compliance functions.

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.

POLICY MATTERS

Relations with shareholders and analysts
The Company is committed to a continuing open dialogue with investors and analysts in order to raise understanding and awareness of the Group's strategy, operations, management and plans and to realise a fair valuation for the Company's shares.

Under the programme for 2004, the Chief Executive and/or the Group Finance Director hosted over 100 one-to-one meetings across South Africa, the UK, the USA and Europe with current and potential investors. A divisional executive accompanied them to almost half of these meetings, in order to offer greater insight into their specific business. The programme was complemented by educational seminars on the Group's US life and asset management businesses held in the UK and South Africa.

In addition to the above, the Corporate Affairs team carried out almost 100 meetings around the world, some in conjunction with the Treasury team on non-deal roadshows.

Group strategy and performance are communicated to financial markets through annual and interim reports, news releases, speeches, transcripts and presentations, using a wide range of internal and external communication channels. The Company holds two results meetings a year, at the time of its preliminary and interim results, and these are hosted and webcast simultaneously in London and Johannesburg. In addition, in May and November the Company holds analyst teleconference calls to present its quarterly trading statements. Transcripts and materials are held on the Company's website to allow access (subject to applicable legal restrictions) for those unable to be present. All major announcements by the Company are e-mailed to Corporate Affairs' investor database as they are made public.

The Company's shares are now covered by 20 analysts in South Africa and the UK and they offer commentary and views on valuation in the Company's two major listed regions. Corporate Affairs continued to strive during 2004 to increase the coverage of the Company's shares outside South Africa so that a balanced spread of benchmarks and peer comparisons would be available.

The Company's website has undergone continued development in 2004, creating state-of-the-art tools for retail investors and allowing access to materials and records of all public presentations, as well as media and regulatory communications.

Frequently asked questions are posted on the website and the Company responds to many direct requests for information and also provides answers to specific queries. The website offers a wide range of services for investors, including the Company's share price, details of dividends, procedures for electing to receive communications electronically and other relevant data for shareholders.

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.

The Board monitors investor relations matters closely and receives a report on the subject at each of its scheduled meetings. It also receives the results of an annual externally-conducted survey by Makinson Cowell, which seeks to capture the views of the Company's largest shareholders on a wide range of issues. These include feedback on governance and strategy. The use of an external agency to collate these views enables shareholders to be more open about any concerns or issues they may have. In addition, the Chairman, the senior independent non-executive director and the other non-executive directors attend various functions during the year to which major shareholders are invited, thereby enabling them to understand any issues or concerns that such shareholders may wish to raise. Press cuttings and brokers' and analysts' comments on the Company are also provided to all of the directors on a weekly basis by the Corporate Affairs department.

The senior independent non-executive director, Mr Collins, currently obtains an understanding of issues and concerns of major shareholders primarily through the Makinson Cowell survey referred to above, but he also dealt with direct representations or issues from shareholders and other stakeholders during 2004.

Employment matters
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 that build on the diversity of its workforce. They are regularly reviewed and updated to ensure their relevance for the locations to which they apply. Whilst local employment policies and procedures are developed by each business according to its own circumstances, the following key principles of employment are applied consistently throughout the Group:

- employees are recruited, retained, trained 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 (whether in existence at the commencement of employment or developing subsequently) 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;

Corporate Governance and Directors' Report
Continued

- 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 allows employees to work to the best of their abilities, free from discrimination and harassment;

- employee involvement, consultation and communication are promoted through in-house publications, briefings, roadshows and internet-based channels; and

- the efforts of employees in contributing to the success of the Group are appropriately recognised. Compensation systems are structured to recognise both the efforts of individuals and the performance of the sector of the business in which they work.

Various initiatives have been implemented to enhance talent management processes across the Group including:

- using the Top Leadership Group, which comprises approximately 100 senior people from across the Group, to develop, review, implement and communicate talent management as well as other strategic initiatives;

- agreeing a common set of values to be applied consistently across the Group and encouraging their adoption and implementation through surveys, road shows, written media and incorporation into the performance appraisal cycle;

- identifying international and other cross-business employment opportunities to develop talented individuals across the Group;

- setting an objective for each of the Group's businesses to be an employer of choice, supported by the creation of centres of excellence in human resource practice in the 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; and

- continuing to focus on leadership and management development, supported by the Old Mutual Business School in Cape Town.

The benefits of a continuous drive to promote performance management across the Group over the last three years are now being seen in improvements in performance management processes and culture, measurement of performance and delivery, and the relationship between performance and reward.

Key initiatives at the Group's South African businesses during 2004 included:

- HIV/AIDS workplace programmes, which enable improved access to counselling of employees and their families on HIV/AIDS-related issues;

- active involvement by Old Mutual South Africa and Nedcor in working through employer bodies to finalise proposals on the Financial Sector Charter dealing with Black Economic Empowerment and employment equity; and

- acceleration of employment equity and management transformation through cultural diversity and voluntary early retirement programmes.

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 2004 amounted to £1,281,000, corresponding to 20 days' payments when averaged over the year then ended.

Charitable contributions
The Company, its subsidiaries in the UK, and the Old Mutual Bermuda Foundation collectively made charitable donations of £234,000 during 2004 (2003: £222,000). In addition, the Group made a wide range of other significant donations to charitable causes and social development projects, as described in more detail in the Corporate Citizenship section of this document.

Environmental matters
A description of the Group's environmental policy and activities during 2004 is contained in the Corporate Citizenship section of this document.

OTHER DIRECTORS' REPORT MATTERS

Political donations
The Group made no EU political donations during the year. US political donations totalling $3,000 were made by the Group's US businesses during 2004.

Dividend
The directors recommend a final dividend of 3.5p per share, which, together with the interim dividend of 1.75p per share paid in November 2004, makes a total dividend for the year of 5.25p per share. Subject to shareholders' approval at the Annual General Meeting, the final dividend will be paid on 31 May 2005 to members on the register at the close of business on 22 April 2005. Shareholders on the South African, Malawi and Zimbabwe branch registers and the Namibian section of the principal register will be paid the final dividend in the respective local currencies of those territories by reference to the relevant exchange rates prevailing on 31 March 2005 (30 March 2005, in the case of Zimbabwe), as determined by the Company. The equivalents of the recommended Sterling dividend in these currencies will be announced by the Company on 1 April 2005. 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 steadily increasing returns to shareholders over time, reflecting the underlying rate of progress and the cash flow requirements of its businesses. The Board anticipates declaring an interim dividend for the current year in August 2005, for payment in November 2005.

Share capital
The Company's issued share capital at 31 December 2004 was £385,394,299.00 divided into 3,853,942,990 Ordinary Shares of 10p each (2003: £383,689,581.10 divided into 3,836,895,811 Ordinary Shares of 10p each). During the year ended 31 December 2004, a total of 17,047,179 shares in the Company were issued at an average price of 85.08p each under the Group's share option schemes.

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 383,752,930 of its own shares were in force at 31 December 2004. No purchases of shares were made pursuant to any of those authorities during the year then ended.

Substantial interests in shares
At 28 February 2005, the following substantial share interests had been declared to the Company in accordance with Part VI of the Companies Act 1985:

	Number of shares	% of total issued shares
Barclays plc	159,868,102	4.15%
Legal & General Investment Management Limited	131,113,007	3.40%
Old Mutual Life Assurance Company (South Africa) Limited	274,950,790	7.13%
Public Investment Commissioners of the Republic of South Africa	398,417,574	10.34%

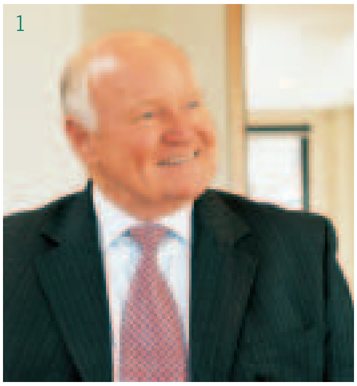
Going concern
The Board has satisfied itself that the Group has adequate resources to continue in operation for the foreseeable future. The Group's financial statements have accordingly been prepared on a going concern basis.

By order of the Board

Martin C Murray
Group Company Secretary
28 February 2005

Board of Directors

The Board has ten members, with two executive and eight non-executive directors. Professor Nkuhlu joins the Board as an additional non-executive director on 1 March 2005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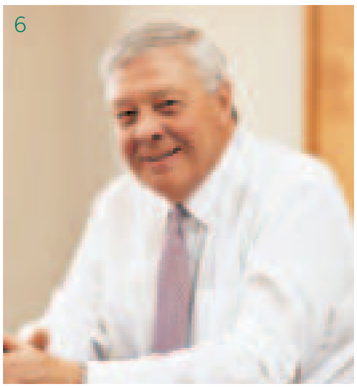
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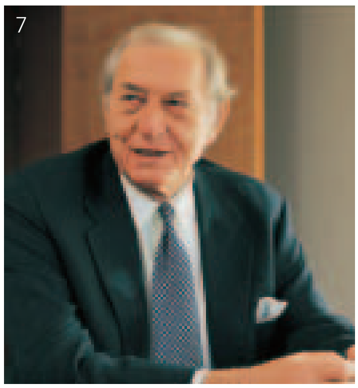
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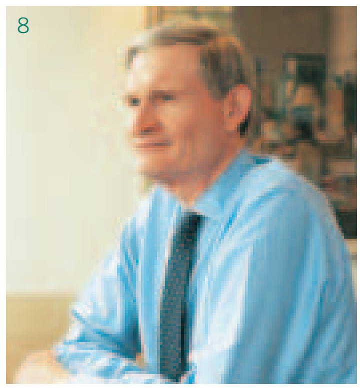
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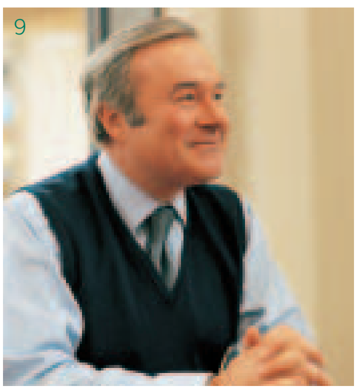
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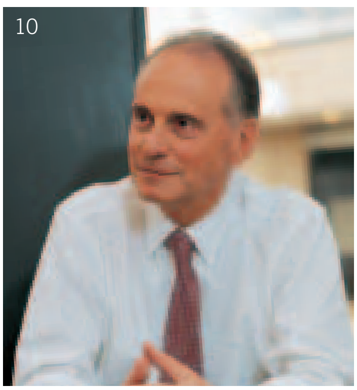
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1 MIKE LEVETT (65)[2]
B.Com., D.Econ.Sc. (hc), FIA, FFA, FASSA, is non-executive Chairman, having previously held the role of Chairman and Chief Executive until October 2001. He has also been Chairman of the Nomination Committee since February 2003. He joined the Group in 1959. He is a non-executive director of Barloworld Limited, Central Africa Building Society, Mutual & Federal Insurance Company Limited and Old Mutual South Africa Trust plc.

2 JIM SUTCLIFFE (48)[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 (47)
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 (57)[1, 2, 3]
B.Sc., MBA, has been a non-executive director of the Company since 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 non-executive Chairman of Great Lakes Chemical Corporation, a member of the board of the Victory Funds and 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 (57)[1, 2]
D.Econ. (Bocconi), has been a non-executive director of the Company since 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 Limited 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 (63)[1, 2, 3]
FCA, FCT, has been a non-executive director of the Company since March 1999 and will succeed Mr Collins as senior independent non-executive director in May 2005. 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 (68)[2]
OMSG, CA(SA), D.Econ. (hc), has been a non-executive director of the Company since March 1999. He became Chairman of Nedcor Limited in May 2004, having previously been its Deputy Chairman. He has also 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 also a non-executive director of Sasol Limited.

8 CHRISTOPHER COLLINS (65)[1, 2, 3]
FCA, has been a non-executive director of the Company since March 1999 and became the senior independent non-executive director in February 2003. He chairs the Remuneration Committee. He has been Chairman of Hanson PLC since 1998, a position that he will be relinquishing in April 2005 before succeeding Mr Levett as non-executive Chairman of the Company following the Annual General Meeting in May 2005. He is Chairman of Forth Ports PLC and a non-executive director of The Go-Ahead Group plc and of Alfred McAlpine PLC.

9 RUSSELL EDEY (62)[1, 2]
FCA, has been a non-executive director of the Company since June 2004. He is deputy chairman of N M Rothschild Corporate Finance Limited, a non-executive director of FKI plc and Chairman of Anglogold Ashanti Limited. He previously served on the boards of English China Clays plc, Wassall plc, Northern Foods plc and Express Dairies plc. His career began in the Finance Division of the Anglo American Corporation of South Africa Limited in Johannesburg. In the 1970s he was General Manager – Corporate Finance of Capel Court Corporation in Melbourne. He joined Rothschild in 1977 and was Head of Corporate Finance from 1991 to 1996.

10 MICHAEL MARKS (63)[2, 3]
CBE, has been a non-executive director of the Company since February 2004. He is one of the founding partners of New Smith Capital Partners LLP and is also a non-executive director of RIT Capital Partners PLC. 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 was also formerly a non-executive director of the London Stock Exchange, Chairman of the London Investment Banking Association and Vice-President of the British Bankers' Association.

11 WISEMAN NKUHLU (61)
B.Com., CTA, MBA, has been appointed as a non-executive director from 1 March 2005. He is a qualified chartered accountant, Chief Executive of the New Partnership for Africa's Development and a former economic adviser to South African President Thabo Mbeki. He is also a non-executive director of the Company's South African life subsidiary, Old Mutual Life Assurance Company (South Africa) Limited. His previous appointments include presidency of the South African Institute of Chartered Accountants and chairmanship of the Development Bank of Southern Africa.

Key:
[1] Member of the Group Audit Committee
[2] Member of the Nomination Committee
[3] Member of the Remuneration Committee

Remuneration Report

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

The figures included in the sections of this report headed "Directors' Emoluments" on pages 49 to 51 and "Directors' Interests Under Employee Share Plans" on pages 46 to 48 have been audited by KPMG Audit Plc as required by the Directors' Remuneration Report Regulations 2002. Their audit report is set out on page 56. The information in the remainder of this report has not been audited.

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 2004 were Mr N D T Andrews and Mr N N Broadhurst. Mr W A M Clewlow was a member of the Committee until 9 December 2004 and Mr M J P Marks joined the Committee from 1 July 2004. The Company Secretary, Mr M C Murray, acts as Secretary to the Committee.

The Committee 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 and approving the level and structure of remuneration of senior management who report directly to the Chief Executive, together with the Company Secretary; 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 free of charge on request from the Company Secretary.

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

The Committee retained Hewitt Bacon & Woodrow, a leading firm of UK remuneration consultants, as its independent advisers throughout 2004 and a representative of that firm attended all meetings. The terms of the letter of engagement of Hewitt Bacon & Woodrow are published on the Company's website and are also available on request from the Company Secretary. Any work that the Company wishes Hewitt Bacon & Woodrow to do on its behalf, rather than for the Committee, is pre-cleared with the Chairman of the Committee with a view to avoiding any conflicts of interest. Hewitt Bacon & Woodrow advised the Company during the year in connection with certain aspects of its employee share plans.

The Committee was also assisted during the year by Stephen Mulliner, Kevin Stacey and Judy Gathercole of the Group Human Resources department, a specialist function within head office. It provides supporting materials for the matters that come before the Committee, including 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 during 2004, and which it intends to continue to apply, are as follows:

- to take account of appropriate benchmarks, while using such comparisons with caution, recognising the risk of an upward ratchet of remuneration levels with no corresponding improvement in performance. Members of the UK FTSE 100 Index provide the benchmark for UK-based executive directors, with particular reference to peer companies;
- to be sensitive in determining, reviewing, monitoring or approving matters under its remit to pay and employment conditions around the Group where relevant;
- to make a significant percentage of potential maximum rewards conditional on both short-term and long-term performance. These rewards include share-based incentives, in order to align the executive directors' interests closely with those of shareholders;
- to provide an opportunity for overall remuneration packages to be in the upper quartile of the comparator group through payments under short-term and long-term incentive schemes if superior performance is delivered, while the fixed elements of remuneration remain benchmarked at or below appropriate median levels;
- to use predominantly measured and targeted objectives to determine performance-related remuneration to focus attention on the main drivers of shareholder value; and
- to attract, retain and motivate individuals of the exceptional calibre needed to lead the international development of the Group. The Committee's policy is influenced by the need to be competitive with other international financial services groups, whilst also aiming to avoid paying more than is necessary.

The Committee seeks, where it considers appropriate, the views of institutional investors (including representative groups such as the Association of British Insurers (ABI)) on any significant changes to remuneration structures applicable to the executive directors. During 2004, it consulted about the continued use of earnings per share-based targets for executive directors' long-term incentives and obtained feedback that this was preferred to certain other proposals.

In valuing share option awards, the Committee has regard to, but does not rely exclusively on, Black-Scholes modelling of share option values.

DIRECTORS' REMUNERATION PACKAGES

Remuneration during 2004 for Mr Sutcliffe and Mr Roberts comprised a basic salary, a benefit allowance, an annual performance-based short-term incentive award paid partly in cash and partly in restricted shares, a bonus matching plan, and participation in the Company's share option schemes.

The Committee reviews the structure of the executive directors' remuneration packages annually to satisfy itself that the balance between fixed and variable remuneration and short- and long-term incentives and rewards remains appropriate.

Basic salary

In setting the basic salary of each executive director, the Committee takes into account market competitiveness and the performance of the director concerned, together with any changes in role or responsibility. This is consistent with the reward structure in place for executives below Board level and that used by comparable companies. Mr Sutcliffe's basic salary of £500,000 p.a. remained unchanged during 2004 from that paid in 2003 and 2002, whilst Mr Roberts' basic salary was increased by approximately 3% from £340,000 to £350,000 p.a.

Benefits and benefit allowance

The Company has a cash-based package approach for the executive directors and other senior UK executives. The benefit allowance (equal to 35% of basic salary for Mr Sutcliffe and Mr Roberts) is provided in lieu of contributions to pension funds and certain other benefits that would be usual at their level. 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. Mr Sutcliffe and Mr Roberts have both joined the defined contribution section of the Old Mutual Staff Pension Fund, and each made contributions to it from their benefit allowance in 2004. Life cover up to four times the UK statutory earnings cap and disability cover up to the free cover limit of £120,000 were provided to Mr Sutcliffe and Mr Roberts at the Company's expense during the year as part of a Company-wide insurance policy.

Short-term incentive awards

The executive directors' short-term incentive scheme for 2004 was altered to provide a maximum potential award equal to 130% of basic salary, of which two-thirds was payable in cash and the balance in restricted shares of the Company. For the awards to be made in 2005 relating to performance during 2004, such restricted shares will be subject to the attainment of the same performance conditions as apply to the "bonus match" shares described below and will not attract dividends during the performance period.

Achievement of financial targets based on the Group's results for the year accounted for a potential maximum of 110% of basic salary for Mr Sutcliffe and 90% for Mr Roberts. These 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 15.7p, and no part of this element of the bonus would be paid if EPS was less than 11.3p (which was 13% above the Company's EPS in 2003). For RoAE, the range was 13% to 17%.

The outcomes for EPS and RoAE were 15.3p and 19.1% respectively and the percentage of basic salary earned by Mr Sutcliffe was 103.8% and that by Mr Roberts was 85.0%.

The balance of the maximum short-term incentive award, equal to 20% of basic salary for Mr Sutcliffe and 40% for Mr Roberts, was related to the fulfilment of specific personal objectives agreed by the Committee in advance. These were subject to a formal performance appraisal process at the end of 2004. Based on those performance appraisals, the Committee determined that, out of the maximum 20% for Mr Sutcliffe 15.4% should be paid and, out of the maximum 40% for Mr Roberts, 32% should be paid.

The Committee reviews personal objectives each year in the light of what are considered to be the key deliverables for each member of the executive management under its remit.

Bonus match

The Committee has determined that both Mr Sutcliffe and Mr Roberts may elect to invest some or all of the cash element of their short-term incentive award for 2004 by purchasing shares in the Company and holding them for three years in order to receive a matching award of restricted shares. The value of the matching award will be equal to the gross value of the amount used to purchase shares, namely before deduction of tax and National Insurance. The matching shares will cease to be subject to restrictions on the third anniversary of the award date, provided that: (1) a performance condition has been satisfied, namely that (i) in relation to one-half of the matching shares, the Group's EPS in Sterling increases by at least 9% above the increase in the UK Retail Price Index (UK RPI) over the three-year period commencing on 1 January in the year of the award; and (ii) as to the other half of the matching award, the Group's EPS in Rand increases by at least 9% above the increase in the South African Consumer Price Index (SA CPI) over the same period; (2) the shares purchased using the recipient's short-term cash award are retained until the third anniversary of the award date; and (3) the recipient remains employed by the Group until the third anniversary of the award date.

Remuneration Report
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Long-term incentive awards
Details of the executive directors' long-term incentive awards are set out under the heading "Directors' Interests Under Employee Share Plans" below.

DIRECTORS' INTERESTS UNDER EMPLOYEE SHARE PLANS

Share Option and Deferred Delivery Plan (SOP)
The SOP is generally used for the grant of executive options (or, until 2004, in the case of South African participants, deferred delivery shares) to qualifying senior employees. Regular annual grants were made under this plan in March 2004 and interim grants, for new appointments or promotions, were made in August 2004. Options and deferred delivery shares awarded during 2004 have a maximum life of six years. Mr Sutcliffe's and Mr Roberts' awards under the SOP in 2004 were over shares equal in value to 180% (out of a potential maximum of 200%) of their respective basic salaries at the time of grant. Awards under the SOP are phased annually so that no undue incentive arises in relation to any year of maturity. The quantum of annual awards made to the executive directors is decided by the Committee in the light of evaluation of performance of the recipients in the previous year.

Grants made under the SOP in 2004 were subject to: (i) as to one-half of the shares comprised in each grant, a Sterling-denominated EPS performance target linked to UK RPI; and (ii) as to the other half of the shares comprised in each grant, a Rand-denominated EPS performance target linked to SA CPI. The minimum target for option grants of up to 100% of basic 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 basic salary, namely up to 12% above the relevant indices for multiples of between 100% and 200% of basic salary and up to 15% above the relevant indices for multiples (where applicable) of over 200% of basic salary. The Committee considers these to be demanding performance targets in the current market environment. Awards made under the SOP in 2000 and 2001 lapsed completely upon non-fulfilment of the performance targets, and those made in 2002 vested only partially, following partial fulfilment of the performance targets.

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 prior 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 the cash element of their short-term incentive awards being invested and retained for the three-year matching period in shares in the Company; (iii) to make contingent awards of shares subject to a three-year holding period as a form of payment of short-term incentive awards based upon performance evaluation for the prior year; and (iv) to make awards of restricted shares under long-term incentive plans for the Group's US asset management business.

Performance targets
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 selected group 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, together with the volatility of life peers, 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.

Since 2002, in recognition of the location of the Company's shareholding base, the Committee has decided that it would be more appropriate for EPS to be tested in both Sterling and Rand terms, and awards granted from 2002 onwards have therefore been 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 2005, but will keep the suitability and incentivising effect of performance target-linked share-based remuneration under periodic review. It also recognises that the application of International Financial Reporting Standards (IFRS) to the Group's results from 2005 onwards will affect reported EPS and the direct comparability between EPS for different years pre- and post-IFRS, which it will need to consider. In evaluating to what extent performance targets have been fulfilled, the Committee will use post-IFRS numbers adjusted to make them as closely comparable as possible to the base year. This will include the smoothing of long-term investment returns in the Group's life assurance and general insurance businesses. It will liaise with the Group Audit Committee to ensure that the evaluation of the performance conditions is accurately validated.

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. 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 of the Company under the share schemes described above at 31 December 2004, 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
J V F Roberts	RSP	08.09.00	50,200	nil	21.08.05[1]
	SOP	*04.03.02*	*357,000*	*95.25p*	*Lapsed*[2]
	SOP	04.03.02	357,000	95.25p	04.03.05 – 04.03.08
	RSP	*05.03.02*	*39,178*	*nil*	*Lapsed*[2]
	RSP	05.03.02	39,179	nil	05.03.05
	Sharesave	05.04.02	11,445	83.0p[3]	01.06.05 – 30.11.05
	SOP	26.02.03	788,406	86.25p	26.02.06[4] – 26.02.09
	RSP	26.02.03	69,151	nil	26.02.06[4]
	SOP	**03.03.04**	**661,418**	**95.25p**[5]	**03.03.07**[4] **– 03.03.10**
	RSP	**03.03.04**	**35,695**	**nil**[6]	**03.03.07**[4]
J H Sutcliffe	*SOP*	*04.03.02*	*524,950*	*95.25p*	*Lapsed*[2]
	SOP	04.03.02	524,950	95.25p	04.03.05 – 04.03.08
	RSP	*05.03.02*	*68,631*	*nil*	*Lapsed*[2]
	RSP	05.03.02	68,631	nil	05.03.05
	Sharesave	05.04.02	19,939	83.0p[3]	01.06.07 – 30.11.07
	SOP	26.02.03	1,159,421	86.25p	26.02.06[4] – 26.02.09
	RSP	26.02.03	155,853	nil	26.02.06[4]
	SOP	**03.03.04**	**944,882**	**95.25p**[5]	**03.03.07**[4] **– 03.03.10**
	RSP	**03.03.04**	**83,989**	**nil**[6]	**03.03.07**[4]

Save as mentioned in the table above, there have been no changes in the directors' interests in any of the Group's employee share plans between 31 December 2004 and 28 February 2005.

Notes:

1 Restricted shares, which are to be released on the fifth anniversary of Mr Roberts' appointment (i.e. on 21 August 2005), subject to his still being in employment with the Group on that date. Mr Roberts is entitled to the dividends on these shares, pending vesting.

2 The SA CPI-related options granted under the SOP on 4 March 2002 and SA CPI-related restricted share awards made under the RSP on 5 March 2002 lapsed on 28 February 2005 because the performance condition (relating to growth in the Company's Rand-denominated EPS between 2001 and 2004) was not fulfilled.

3 The Sharesave option price was determined as 20% below the average of the Company's share price on 7, 8 and 11 March 2002. The Company's share price at the date of grant (5 April 2002) was 109p.

4 Subject to the fulfilment of performance targets prescribed by the Committee, under which:

- 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 9% and 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 15% applicable to multiples over one 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;
- options granted on 3 March 2004 will only be exercisable if the Company's EPS in the year ending 31 December 2006 increases by prescribed factors of between 9% and 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 2003. 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 15% applicable to multiples over one times basic salary;
- restricted shares awarded on 3 March 2004, in conjunction with the investment by the director concerned of some or all of his net bonus for 2003 in shares in the Company, will only be released if the Company's EPS in the year ending 31 December 2006 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 2003. No entitlement to dividends applies to these restricted shares, pending vesting.

5 Options granted under the SOP on 3 March 2004 were based on the closing middle market price of the Company's shares on the London Stock Exchange on 1 March 2004.

6 The numbers of shares awarded under the RSP on 3 March 2004 were calculated by reference to a price of 95.25p per share, being the price at which shares were acquired for the account of the director concerned with some or all of his net of tax bonus for the year ended 31 December 2003.

Remuneration Report
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During the year the following restricted shares awarded as joining grants under the RSP were released. Mr Roberts paid the associated income tax and employee's National Insurance contributions 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	23.08.04	50,200	100.50p	£50,451

2005 REMUNERATION ARRANGEMENTS FOR THE EXECUTIVE DIRECTORS

Mr Sutcliffe's basic salary for 2005 has increased from £500,000 p.a. to £550,000 p.a. and Mr Roberts' basic salary has increased from £350,000 p.a. to £385,000 p.a. Both increases were considered by the Committee to be appropriate in the light of comparative market data for the UK financial services sector, with particular reference to larger UK life assurance companies. The Committee took note of the fact that Mr Sutcliffe's basic salary had not changed since his appointment as Chief Executive in November 2001 and that Mr Roberts' basic salary had increased only twice and in each case by small percentage amounts since his appointment as Group Finance Director in August 2000.

The structure of short-term and long-term incentives for 2005 has not been changed other than to remove the performance condition from the deferred element of any short-term incentive award receivable by the executive directors for their 2005 performance. This reflects the fact that the bonus has already been earned at the time of the award and is in line with practice at comparator companies. This does not affect the "bonus match" arrangements described on page 45 and the receipt of shares under those arrangements remains subject to the attainment of a performance condition.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Directors holding executive office have service contracts with the Company. Their terms are considered by the Committee to provide a proper balance of responsibilities and security between the 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 and 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 annual salary and benefit allowance plus a further three-eighths of annual salary on account of potential bonus entitlement. This has been 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, 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 continue. The same arrangement will apply to Professor Nkuhlu, whose appointment to the Board will begin on 1 March 2005.

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, with the continued suitability of each non-executive director being assessed by the Nomination Committee. A particularly searching review is carried out after the second three-year cycle.

The second three-year cycles applicable to Messrs Broadhurst and Clewlow (both of whom were first appointed as directors from 25 March 1999) were due to expire on 24 March 2005. Having regard to the need for continuity and experience, balanced against progressive renewal, of the non-executive component of the Board, and having assessed positively their contribution, the Nomination Committee recommended to the Board, and the Board in January 2005 approved, the extension of Mr Broadhurst's term of appointment for a further three years (expiring on 24 March 2008) and the extension of Mr Clewlow's term of appointment for a further 15 months (to expire at the end of the Annual General Meeting in May 2006).

Mr Collins was first appointed to the Board on 25 March 1999 and his second three-year term was due to expire on 24 March 2005. His contribution to the Board was assessed as part of the process leading to the Board's decision to appoint him as Chairman elect to succeed Mr Levett. He entered into a new engagement letter with the Company in January 2005 setting out the terms applicable when he becomes Chairman in May 2005. Under these, subject to 12 months' notice at any time given by either the Company or Mr Collins, to his being duly re-elected at any intervening Annual General Meetings and to the provisions of the Company's Articles of Association relating to the removal of directors, Mr Collins' appointment may continue until his seventieth birthday (19 January 2010).

The first three-year cycles applicable to Mr Bogni and Mr Andrews expired or were due to expire on 31 January 2005 and 31 May 2005 respectively. Following a review by the Nomination Committee of their contribution to the Board and their continued suitability, the Nomination Committee recommended and the Board in January 2005 agreed to extend their expected periods of engagement for a further three years (i.e. until 31 January 2008 and 31 May 2008 respectively).

Mr Marks' and Mr Edey's appointments are each expected to last for an initial term of three years from their dates of appointment (i.e. until 31 January 2007 and 23 June 2007 respectively) and will then be considered for renewal.

Mr Levett is due to retire as Chairman at the conclusion of the Annual General Meeting on 11 May 2005. No compensation or terminal payment is due to him from the Company in connection with his retirement.

NON-EXECUTIVE DIRECTORS' FEES

The Company's policy on remuneration for non-executive directors is that this should be fee-based and the Company has regard, in setting such fees, to market data on fees paid to non-executive directors by other members of the FTSE 100 Index, as well as considering the time commitment involved in fulfilling their roles. It is also the Company's policy that neither the Chairman nor any of the other non-executive directors should receive share incentives geared to share price performance.

The basic fee for non-executive directors (other than the Chairman) was £35,000 p.a. in 2004 and, following a review carried out in November 2004 by a sub-committee appointed for the purpose by the Board on which none of the non-executive directors whose fees were being determined sat, was increased to £36,500 p.a. from 1 January 2005.

Additional fees were payable during 2004 for: Chairmanship (£14,000 p.a.) and membership (£5,000 p.a.) of the Group Audit Committee; Chairmanship (£9,000 p.a.) and membership (£3,000 p.a.) of the Remuneration Committee; membership of the Nomination Committee (£2,500 p.a.) (fees for the Chairmanship of this Committee having been waived by Mr Levett); and Chairmanship (£5,000 p.a.) and membership (£1,500 p.a.) of the Actuarial Review Committee. These additional fees remain unchanged in 2005.

A fee of £235,000 p.a. will be paid to Mr Collins upon his becoming Chairman from 11 May 2005. In addition, the Company will provide him with an office at its headquarters in London.

DIRECTORS' EMOLUMENTS

1) Remuneration

Remuneration for the years ended 31 December 2004 and 31 December 2003 (including, in each case, remuneration from offices held with the Company's subsidiaries, Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)), 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	Benefits and benefit allowance £000	Pension £000	Total £000
Year to 31 December 2004					
M J Levett	250	–	57[1]	–	307
J V F Roberts	350	409[2]	121[1]	20[3]	900
J H Sutcliffe	500	596[2]	215[1]	18[3]	1,329
N D T Andrews	79[4]	–	17[1]	–	96
R Bogni	47	–	9[1]	–	56
N N Broadhurst	54	–	9[1]	–	63
W A M Clewlow	207[5]	–	–	–	207
C D Collins	51	–	11[1]	–	62
R P Edey	21	–	10[1]	–	31
M J P Marks	34	–	10[1]	–	44
Former director					
C F Liebenberg	164[6]	–	6[1]	–	170

	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, 7]	–	305
J V F Roberts	340	68[2]	–	106[1]	20[3]	534
J H Sutcliffe	500	80[2]	–	206[1]	18[3]	804
N D T Andrews	80[4]	–	–	19[1]	–	99
R Bogni	45	–	–	3[1]	–	48
N N Broadhurst	50	–	–	18[1]	–	68
W A M Clewlow	105[5]	–	–	–	–	105
C D Collins	48	–	–	10[1]	–	58
C F Liebenberg	251[6]	–	–	45[1]	–	296
Former directors						
R C M Laubscher	331	121[8]	127	7[1]	42	628
P G Joubert	65[9]	–	–	–	–	65
C M Stuart	24	–	–	–	–	24

Remuneration Report
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Notes:

1 Benefits include cash allowances payable to the executive directors, as well as travel and accommodation costs for directors' spouses to accompany them 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.

2 The cash bonus amounts for 2004 (£273,000 for Mr Roberts and £397,000 for Mr Sutcliffe) are eligible for deferment, at the director's election, into a bonus matching arrangement under the Restricted Share Plan. The bonuses for 2003 were applied net of tax, as to £34,000 gross (in the case of Mr Roberts) and as to £80,000 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.

3 Pension contributions were deducted from the directors' benefit allowance.

4 Includes fees of £36,000 (2004) and £40,000 (2003) from OMUSH.

5 Includes fees of £34,000 (2004) and £34,000 (2003) from OMLAC(SA), and £127,000 (2004) and £23,000 (2003) from Nedcor.

6 Includes fees of £13,000 (2004) and £14,000 (2003) from OMLAC(SA), £120,000 (including £46,000 of entitlements arising from previous years) (2004) and £191,000 (including £66,000 of entitlements arising from previous years) (2003) from Nedcor, and £3,000 (2004) and £5,000 (2003) from Mutual & Federal.

7 Inclusive of the cost of accommodation in London provided by the Company until 19 April 2003.

8 Bonus paid by Nedcor to Mr Laubscher in March 2003, which related to the year ended 31 December 2002.

9 Includes fees of £19,000 from OMLAC(SA) and £25,000 from Nedcor.

Certain of the directors waived fees for non-executive directorships held in subsidiary companies totalling £72,000 during the year ended 31 December 2004 in favour of the Company or its subsidiaries. These waivers are expected to continue in effect in the future.

2) Pension benefits

Mr Sutcliffe and Mr Roberts continued to contribute from their benefit allowance to the Old Mutual Staff Pension Fund (which is a defined contribution scheme) during 2004. The accumulated value of Mr Roberts' funds in that scheme was £96,000 at 31 December 2004 (£67,000 at 31 December 2003) and the accumulated value of Mr Sutcliffe's funds in that scheme was £66,000 at 31 December 2004 (£41,000 at 31 December 2003).

None of the other directors of the Company had any accrued pension fund benefits in any Group pension fund at 31 December 2004 and none of them contributed to any Group pension fund during 2004.

OTHER SHARE SCHEME INFORMATION

A) Old Mutual Group Achievements (OMGA) Share Incentive Scheme

During the year Mr Levett took delivery of his remaining interests under the OMGA Share Incentive Scheme, which operated prior to demutualisation of the Group in 1999. Details are set out in the following table:

	Date of grant	Number of Company shares	Price per Company share under the grant	Date of delivery	Price per Company share at date of delivery
M J Levett	01.10.98	607,068	R8.98	13.04.04	R12.44
	01.10.98	698,544	R9.07	13.04.04	R12.44

Note:

The aggregate amount of unrealised gains made by Mr Levett in relation to the above at the date of delivery was R4,454,548.

B) Subsidiaries' Share Incentive Schemes

The Company's separately listed subsidiaries, Nedcor Limited (Nedcor) and Mutual & Federal Insurance Company Limited 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 2004:

	Date of grant	Number of Nedcor shares	Price per share R	Expiry date
R C M Laubscher	01.06.99	110,000	125.00	01.06.05[1]
	06.11.01	43,000	131.00	30.06.05[1]
	15.04.02	40,600	125.00	30.06.05[1]
	11.06.03	22,500	94.00	30.06.05[1]
	10.05.04	90,041	45.00	30.06.05[2]

Notes:

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

2 In accordance with the rules of the Nedcor Group (1994) Employee Incentive Scheme, all optionholders (whether still employed by the Nedcor Group or not) were entitled to receive an additional award of options in connection with Nedcor's rights issue in May 2004 to compensate for the dilutive effect of that issue on pre-existing options. Details of the award made to Mr Laubscher were as follows:

	Date of grant	Number of Nedcor shares	Price per share R	Expiry date
R C M Laubscher	10.05.04	161,457	45.00	30.06.05

Mr Laubscher exercised the following options over shares in Nedcor during 2004:

	Date of grant	Number of shares exercised	Exercise price R	Price at exercise date R	Date of exercise
R C M Laubscher	01.03.94	38,000	26.50	61.0800[1]	27.02.04
	10.05.04	42,251	45.00	55.7339	13.08.04
	08.11.94	70,000	35.25	65.7357	08.11.04
	10.05.04	29,165	45.00	65.7357	08.11.04

Notes:

1 Average price of shares sold on exercise date.

2 The aggregate amount of gains made by Mr Laubscher under the above exercises was R4,506,313.

3 Options granted to Mr Laubscher under the Nedcor Group (1994) Employee Incentive Scheme on 14 August 1998 over 101,400 Nedcor shares at an exercise price of R98.75 per share lapsed on 14 August 2004.

Mr Laubscher exercised the following options over shares in Old Mutual plc during 2004:

	Date of grant	Number of shares exercised	Exercise price £	Price at exercise date £	Date of exercise
R C M Laubscher	04.03.02	210,000	0.9525	1.3275	22.12.04
	26.02.03	231,885	0.8625	1.3275	22.12.04

The aggregate amount of gains made by Mr Laubscher under the above exercises was £186,576. Options granted to Mr Laubscher under the SOP on 8 March 2001 over 92,500 shares in Old Mutual plc at an exercise price of £1.6225 per share lapsed on 30 December 2004.

C) Option exercises and releases of restricted shares during 2004

Save as set out in A) and B) above and for the release of restricted shares to Mr Roberts described under "Directors' Interests under Employee Share Plans" earlier in this report, none of the directors of the Company exercised any options or received delivery of any share awards under any of the Group's employee share schemes during 2004.

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D) Employee Share Ownership Trusts
The Group operates a number of Employee Share Ownership Trusts (ESOTs), through which it collateralises some of its obligations under employee share schemes relating to the Company's shares. At 31 December 2004 the following shares in the Company were held in ESOTs:

Trust	Country	Old Mutual plc shares held in trust
Capital Growth Investment Trust[1]	Zimbabwe	2,031,338
Old Mutual Employee Share Trust[2]	Guernsey	2,848,742
OMGA Conversion Trust[3]	South Africa	1,558,872
OMGA Limited Trust[3]	South Africa	25,588,503
OMIOPT Limited Trust[3]	South Africa	160,813
OMIOPT Share Trust[3]	South Africa	1,085,226
OMSA Shares Trust[3]	South Africa	63,721,194

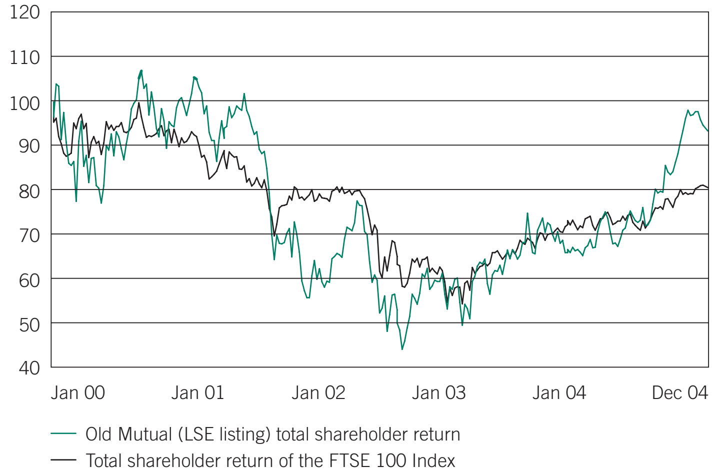
Notes:
1 The Capital Growth Investment Trust is used to satisfy restricted share awards or Deferred Delivery Shares in Zimbabwe. Any surplus shares held in trust because of non-vesting are taken into account when purchasing shares in respect of future grants.

2 The Old Mutual Employee Share Trust is primarily used to satisfy awards under the Old Mutual Restricted Share Plan around the Group (excluding South Africa and Zimbabwe). The strategy is to hold shares approximately equal to the number of shares awarded, but not yet vested, at any time. Any surplus shares held in trust because of non-vesting are taken into account when purchasing shares in respect of future grants.

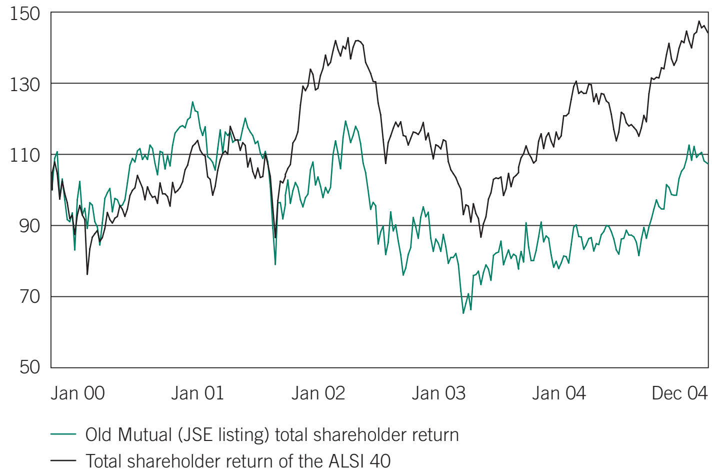
3 There are various trusts in existence in South Africa relating to various current and historic share incentive schemes. The strategy for each scheme has been to ensure that sufficient shares are acquired to match at least 90% of the obligations of each share incentive grant. Where excess shares are held by any of the trusts, transfers between them are made to rebalance holdings appropriately.

The general practice of the ESOTs mentioned above is not to vote shares held at shareholder meetings, although beneficiaries of restricted shares may in principle give directions for those shares to be voted.

COMPANY SHARE PRICE PERFORMANCE
The market price of the Company's shares was 132.5p (R14.30) at 31 December 2004, ranging from a low of 90.25p (R10.80) to a high of 136p (R15.30) during the year then ended. The graphs in the adjacent column show the total shareholder return on the Company's shares (in green) over the five-year period from 1 January 2000 to 31 December 2004, 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 Index of 40 leading companies listed on that exchange (the ALSI 40). The Company's opening share price has been re-based to 100 in each case for the purposes of these graphs.



Source: Bloomberg



Source: Bloomberg and i-Net Bridge

In the opinion of the directors, the FTSE 100 Index and the ALSI 40 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. The Board and Committee also have regard to a variety of other, sector-specific, comparators in reviewing the Company's performance.

SHAREHOLDER APPROVAL OF THE REMUNERATION REPORT
An advisory vote on the Remuneration Report will be put to shareholders at the Annual General Meeting on 11 May 2005 in accordance with the Directors' Remuneration Report Regulations 2002.

Christopher Collins
Chairman of the Remuneration Committee,
on behalf of the Board
28 February 2005

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 2004

The following table summarises the Group's results in the profit and loss accounts on pages 57 to 59. Adjusted operating profit represents the directors' view of the underlying performance of the Group. This summary does not form part of the statutory financial statements.

	Notes	£m Year to 31 December 2004	£m Year to 31 December 2003 (Restated)*	Rm Year to 31 December 2004	Rm Year to 31 December 2003 (Restated)*
Adjusted operating income					
Life assurance – gross premiums written	5(b)(i)	**4,901**	4,577	**57,818**	56,520
General insurance – gross premiums written	5(e)	**624**	526	**7,360**	6,486
Asset management – total revenue	5(c)(i)	**639**	688	**7,551**	8,500
Banking – total operating income	5(d)(i)	**1,280**	1,107	**15,109**	13,671
Adjusted profit and loss account					
South Africa					
Technical result		**313**	260	**3,697**	3,210
Long term investment return		**167**	178	**1,974**	2,198
Life assurance	5(b)(iii)	**480**	438	**5,671**	5,408
Asset management	5(c)(i)	**53**	55	**639**	678
Banking	5(d)(i)	**177**	(10)	**2,099**	(118)
General insurance	5(e)	**89**	73	**1,057**	909
		799	556	**9,466**	6,877
United States					
Life assurance	5(b)(iii)	**96**	85	**1,126**	1,050
Asset management	5(c)(i)	**89**	81	**1,050**	1,000
		185	166	**2,176**	2,050
United Kingdom and Rest of World					
Life assurance	5(b)(iii)	**18**	20	**206**	248
Asset management	5(c)(i)	**10**	(8)	**117**	(95)
Banking	5(d)(i)	**14**	4	**158**	48
		42	16	**481**	201
		1,026	738	**12,123**	9,128
Other shareholders' income/expenses	5(f)	**(33)**	(40)	**(390)**	(494)
Debt service costs	7	**(37)**	(48)	**(437)**	(593)
Adjusted operating profit**		**956**	650	**11,296**	8,041
Goodwill amortisation and impairment	18	**(110)**	(206)	**(1,290)**	(2,544)
Loss on disposal of investment in Dimension Data Holdings plc		**–**	(5)	**–**	(60)
Restructuring and integration costs	5(d)(ii)	**(21)**	(32)	**(246)**	(394)
Change in credit provisioning methodology	5(d)(iii)	**–**	(87)	**–**	(1,074)
Fines and penalties	11	**(49)**	–	**(596)**	–
Short term fluctuations in investment return	8(a)	**226**	143	**2,662**	1,767
Investment return adjustment for own shares held in policyholders' funds	5(b)(iv)	**(94)**	12	**(1,115)**	148
Operating profit on ordinary activities before tax		**908**	475	**10,711**	5,884
Non-operating items	17(b)	**(35)**	(32)	**(418)**	(404)
Profit on ordinary activities before tax		**873**	443	**10,293**	5,480
Tax on profit on ordinary activities	15(b)	**(286)**	(241)	**(3,374)**	(2,976)
Profit on ordinary activities after tax		**587**	202	**6,919**	2,504
Minority interests – equity	29(a)	**(44)**	117	**(519)**	1,445
– non-equity		**(59)**	(46)	**(696)**	(568)
Profit for the financial year		**484**	273	**5,704**	3,381
Dividends paid and proposed	4	**(182)**	(166)	**(2,001)**	(2,006)
Retained profit for the financial year		**302**	107	**3,703**	1,375

	Notes	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
The adjusted operating profit after tax and minority interests is determined as follows:					
Adjusted operating profit		**956**	650	**11,296**	8,041
Tax on adjusted operating profit	15(b)	**(240)**	(224)	**(2,834)**	(2,763)
		716	426	**8,462**	5,278
Minority interests – equity	29(a)	**(83)**	(7)	**(980)**	(96)
– non-equity		**(59)**	(46)	**(696)**	(568)
Adjusted operating profit after tax and minority interests		**574**	373	**6,786**	4,614

Earnings and dividend per share attributable to equity shareholders	Notes	p Year to 31 December 2004	p Year to 31 December 2003	c Year to 31 December 2004	c Year to 31 December 2003
Earnings per share					
Adjusted operating earnings per share**	3	**15.3**	10.0	**181.1**	123.8
Basic earnings per share	3	**14.1**	8.0	**166.2**	99.1
Diluted earnings per share	3	**14.1**	8.0	**166.2**	99.1
Dividend per share* **	4	**5.25**	4.8	**58.5**	56.0
Adjusted weighted average number of shares – millions	3	**3,748**	3,727	**3,748**	3,727
Weighted average number of shares – millions	3	**3,432**	3,411	**3,432**	3,411

* 2003 comparatives have been restated to be consistent with the current year segmental presentation.

** 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 within the policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, 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, and fines and penalties.

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 segmental analysis within the summary consolidated profit and loss account has been prepared on a gross of inter-segment transactions basis. Details of the inter-segment revenue and expenses are set out in note 5.

*** Indicative only – the actual amount of the final dividend per share in Rand will be determined by reference to the exchange rate prevailing on 31 March 2005 and will be announced by the Company on 1 April 2005.

Independent Auditors' Report to the Members of Old Mutual plc
for the year ended 31 December 2004

We have audited the financial statements set out on pages 57 to 137. 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 53, 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 Corporate Governance and Directors' Report on pages 26 to 41 reflects the Company's compliance with the nine provisions of the 2003 Financial Reporting Council 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 2004 and of the profit of the Group for the year then ended; and

- the financial statements and the part of 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

28 February 2005

Consolidated Profit and Loss Account
for the year ended 31 December 2004

Technical account – long term businesses	Notes	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Earned premiums, net of reinsurance					
Premiums written					
Gross amount	5(b)(i)	**4,901**	4,577	**57,818**	56,520
Outward reinsurance premiums		**(84)**	(44)	**(991)**	(543)
		4,817	4,533	**56,827**	55,977
Investment income	6	**2,547**	1,984	**30,051**	24,499
Unrealised gains on investments		**1,445**	1,078	**17,042**	13,312
Other technical income, net of reinsurance	5(b)(v)	**84**	94	**991**	1,161
		8,893	7,689	**104,911**	94,949
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		**(3,920)**	(3,580)	**(46,251)**	(44,208)
Reinsurers' share		**113**	62	**1,333**	766
		(3,807)	(3,518)	**(44,918)**	(43,442)
Change in the provision for claims, net of reinsurance		**(147)**	(15)	**(1,734)**	(185)
		(3,954)	(3,533)	**(46,652)**	(43,627)
Changes in other technical provisions, net of reinsurance					
Long term business provision, net of reinsurance					
Gross amount		**(2,117)**	(2,445)	**(24,978)**	(30,193)
Reinsurers' share		**6**	46	**71**	568
		(2,111)	(2,399)	**(24,907)**	(29,625)
Change in technical provisions for linked liabilities, net of reinsurance		**(1,484)**	(401)	**(17,509)**	(4,952)
		(3,595)	(2,800)	**(42,416)**	(34,577)
Net operating expenses	9	**(520)**	(498)	**(6,136)**	(6,149)
Investment expenses and charges	7	**(31)**	(24)	**(366)**	(296)
Other technical charges		**(33)**	(88)	**(389)**	(1,087)
Tax attributable to the long term business	15(a)	**(263)**	(227)	**(3,104)**	(2,802)
Long term business allocated investment return transferred to the non-technical account	8(a)	**(188)**	(143)	**(2,213)**	(1,766)
Balance on the technical account – long term business		**309**	376	**3,635**	4,645
Analysis of balance on the technical account – long term business					
Technical result before investment return		**137**	193	**1,610**	2,385
Long term investment return on shareholders' funds	8(a)	**172**	183	**2,025**	2,260
Balance on the technical account – long term business		**309**	376	**3,635**	4,645
Technical account – general business					
Earned premiums, net of reinsurance					
Premiums written					
Gross premiums written	5(e)	**624**	526	**7,360**	6,486
Outward reinsurance premiums		**(57)**	(72)	**(669)**	(888)
		567	454	**6,691**	5,598

OLD MUTUAL | plc

Consolidated Profit and Loss Account
for the year ended 31 December 2004 continued

Technical account – general business continued	Notes	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Changes in the provision for unearned premiums, net of reinsurance					
Gross amount		**12**	11	**140**	135
Reinsurers' share		**(8)**	(5)	**(95)**	(59)
		4	6	**45**	76
	5(e)	**571**	460	**6,736**	5,674
Allocated investment return transferred from the non-technical account	8(a)	**45**	47	**530**	580
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		**(360)**	(329)	**(4,245)**	(4,064)
Reinsurers' share		**28**	28	**330**	347
		(332)	(301)	**(3,915)**	(3,717)
Changes in the provision for claims, net of reinsurance					
Gross amount		**(35)**	(32)	**(410)**	(395)
Reinsurers' share		**(2)**	11	**(18)**	145
		(37)	(21)	**(428)**	(250)
	5(e)	**(369)**	(322)	**(4,343)**	(3,967)
Net operating expenses	9	**(158)**	(112)	**(1,866)**	(1,378)
Balance on the technical account – general business		**89**	73	**1,057**	909

Analysis of balance on the technical account – general business	Notes	£m 2004	£m 2003	Rm 2004	Rm 2003
Technical result before investment return		**44**	26	**527**	329
Long term investment return on shareholders' funds	8(a)	**45**	47	**530**	580
Balance on the technical account – general business		**89**	73	**1,057**	909

Non-technical account – banking business	Notes	£m 2004	£m 2003	Rm 2004	Rm 2003
Interest receivable		**2,029**	2,270	**23,944**	28,030
Interest payable		**(1,385)**	(1,723)	**(16,342)**	(21,276)
Net interest income	5(d)(i)	**644**	547	**7,602**	6,754
Dividend income		**12**	12	**143**	152
Fees and commissions receivable		**456**	415	**5,379**	5,120
Fees and commissions payable		**(61)**	(38)	**(715)**	(473)
Other operating income		**235**	171	**2,773**	2,118
Operating income	5(d)(i)	**1,286**	1,107	**15,182**	13,671
Administrative expenses		**(850)**	(675)	**(10,031)**	(8,335)
Depreciation		**(72)**	(81)	**(850)**	(1,000)
Goodwill amortisation and impairment	18	**(55)**	(146)	**(648)**	(1,803)
Loss on disposal of investment in Dimension Data Holdings plc		**–**	(5)	**–**	(60)
Restructuring and integration costs	5(d)(ii)	**(21)**	(32)	**(246)**	(394)
Other net operating charges		**(58)**	(133)	**(681)**	(1,642)
Banking result before provisions		**230**	35	**2,726**	437
Provisions (including impact of change in credit provisioning methodology)	5(d)(i), (iii)	**(120)**	(321)	**(1,451)**	(3,960)
		110	(286)	**1,311**	(3,523)
Share of associated undertakings' operating profit	5(d)(i)	**11**	10	**125**	121
Banking operating profit/(loss)		**121**	(276)	**1,436**	(3,402)

Non-technical account – insurance, asset management and banking businesses	Notes	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Technical account – long term business		**309**	376	**3,635**	4,645
Tax attributable to shareholders' profits on long term business	15(b)	**202**	185	**2,383**	2,284
		511	561	**6,018**	6,929
Technical account – general business		**89**	73	**1,057**	909
Banking operating profit/(loss)		**121**	(276)	**1,436**	(3,402)
Asset management result before goodwill amortisation, and fines and penalties	5(c)(i)	**135**	120	**1,603**	1,485
Fines and penalties	11	**(49)**	–	**(596)**	–
Other non-technical account					
Investment income	6	**46**	41	**543**	506
Unrealised gains on investments		**52**	15	**614**	186
Allocated investment returns transferred from the technical account					
– Long term business		**188**	143	**2,213**	1,766
– General business		**(45)**	(47)	**(530)**	(580)
Investment expenses and charges	7	**(37)**	(48)	**(437)**	(593)
Other income		**4**	2	**46**	25
Other charges		**(52)**	(49)	**(614)**	(606)
Goodwill amortisation (insurance and asset management)	18	**(55)**	(60)	**(642)**	(741)
Operating profit on ordinary activities before tax		**908**	475	**10,711**	5,884
Non-operating items	17(b)	**(35)**	(32)	**(418)**	(404)
Profit on ordinary activities before tax	10	**873**	443	**10,293**	5,480
Tax on profit on ordinary activities	15(b)	**(286)**	(241)	**(3,374)**	(2.976)
Profit on ordinary activities after tax		**587**	202	**6,919**	2,504
Minority interests – equity	29(a)	**(44)**	117	**(519)**	1,445
– non-equity		**(59)**	(46)	**(696)**	(568)
Profit for the financial year		**484**	273	**5,704**	3,381
Dividends paid and proposed	4	**(182)**	(166)	**(2,001)**	(2,006)
Retained profit for the financial year		**302**	107	**3,703**	1,375

Earnings and dividend per share attributable to equity shareholders	Notes	p Year to 31 December 2004	p Year to 31 December 2003	c Year to 31 December 2004	c Year to 31 December 2003
Earnings per share					
Adjusted operating earnings per share after tax and minority interests	3	**15.3**	10.0	**181.1**	123.8
Basic earnings per share	3	**14.1**	8.0	**166.2**	99.1
Diluted earnings per share	3	**14.1**	8.0	**166.2**	99.1
Dividend per share (Rand dividend indicative only for 2004)	4	**5.25**	4.8	**58.5**	56.0
Adjusted weighted average number of shares – millions	3	**3,748**	3,727	**3,748**	3,727
Weighted average number of shares – millions	3	**3,432**	3,411	**3,432**	3,411

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2004

	Notes	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Profit for the financial year		**484**	273	**5,704**	3,381
Foreign exchange movements	27	**141**	176	**(1,879)**	(2,574)
Total recognised gains and losses for the year		**625**	449	**3,825**	807
Prior year adjustment	1	**27**		**–**	
Total recognised gains and losses since last annual report		**652**		**3,825**	

Reconciliation of Movements in Consolidated Equity Shareholders' Funds
for the year ended 31 December 2004

	Notes	£m Year to 31 December 2004	£m Year to 31 December 2003 (Restated)*	Rm Year to 31 December 2004	Rm Year to 31 December 2003 (Restated)*
Total recognised gains and losses for the year		**625**	449	**3,825**	807
Dividends paid and proposed	4	**(182)**	(166)	**(2,001)**	(2,006)
		443	283	**1,824**	(1,199)
Issue of new capital	27	**–**	37	**–**	457
Shares issued under share incentive schemes	27	**15**	4	**177**	49
Net sale of shares held in ESOP Trusts and Policyholders' funds	27	**33**	6	**327**	76
Net increase/(decrease) in equity shareholders' funds		**491**	330	**2,328**	(617)
Equity shareholders' funds at the beginning of the year		**2,754**	2,424	**32,874**	33,491
Equity shareholders' funds at the end of the year		**3,245**	2,754	**35,202**	32,874

* Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 38 "Accounting for ESOP Trusts". The effects of this restatement are reductions in equity shareholders' funds at 31 December 2004 and 31 December 2003 of £127 million (R1,380 million) and £109 million (R1,301 million) respectively, representing the original cost of these shares of £143 million (R1,380 million) (2003: £136 million (R1,301 million)) less cumulative foreign exchange losses of £16 million (Rnil) (2003: £27 million (Rnil)). Details of the changes are set out in notes 1, 3 and 27.

Consolidated Balance Sheet
at 31 December 2004

	Notes	£m At 31 December 2004	£m At 31 December 2003 (Restated)*	Rm At 31 December 2004	Rm At 31 December 2003 (Restated)*
Intangible assets					
Goodwill	18	**1,152**	1,264	**12,497**	15,088
Insurance and other assets					
Investments					
Land and buildings	19	**773**	677	**8,386**	8,081
Other financial investments	20	**25,840**	22,756	**280,317**	271,631
		26,613	23,433	**288,703**	279,712
Assets held to cover linked liabilities	20	**7,977**	5,860	**86,536**	69,949
	5(i)	**34,590**	29,293	**375,239**	349,661
Reinsurers' share of technical provisions					
Provision for unearned premiums		**14**	19	**152**	227
Long term business provision		**269**	301	**2,918**	3,593
Claims outstanding		**70**	54	**759**	645
	31	**353**	374	**3,829**	4,465
Debtors					
Debtors arising from direct insurance operations	21	**173**	225	**1,877**	2,686
Debtors arising from reinsurance operations		**22**	7	**239**	84
Other debtors		**305**	470	**3,309**	5,610
		500	702	**5,425**	8,380
Other assets					
Tangible fixed assets	22	**74**	81	**803**	966
Cash at bank and in hand		**504**	695	**5,467**	8,296
Present value of acquired in-force business	23	**164**	194	**1,780**	2,315
Other assets	24	**425**	332	**4,610**	3,963
		1,167	1,302	**12,660**	15,540
Prepayments and accrued income					
Accrued interest and rent		**210**	184	**2,278**	2,196
Deferred acquisition costs	25	**665**	427	**7,214**	5,097
Other prepayments and accrued income		**123**	127	**1,334**	1,516
		998	738	**10,826**	8,809
Total insurance and other assets		**37,608**	32,409	**407,979**	386,855
Banking assets					
Cash and balances at central banks		**926**	1,025	**10,055**	12,235
Treasury bills and other eligible bills	26(a)	**1,485**	888	**16,110**	10,600
Loans and advances to banks	26(b)	**2,522**	2,092	**27,358**	24,972
Loans and advances to customers	26(c)	**17,174**	15,136	**186,316**	180,674
Debt securities	26(f)	**1,934**	1,420	**20,976**	16,952
Equity shares and other variable yield securities	26(g)	**259**	317	**2,811**	3,784
Interests in associated undertakings	26(h)	**91**	144	**987**	1,719
Tangible fixed assets	22	**223**	221	**2,423**	2,638
Land and buildings	19	**160**	141	**1,738**	1,683
Other assets	24	**2,456**	2,396	**26,638**	28,602
Prepayments and accrued income		**270**	262	**2,933**	3,126
Total banking assets		**27,500**	24,042	**298,345**	286,985
Total assets		**66,260**	57,715	**718,821**	688,928

* Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 38 "Accounting for ESOP Trusts". Details of the changes are set out in notes 1, 3 and 27.

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Consolidated Balance Sheet
at 31 December 2004 continued

	Notes	£m At 31 December 2004	£m At 31 December 2003 (Restated)*	Rm At 31 December 2004	Rm At 31 December 2003 (Restated)*
Capital and reserves					
Called up share capital	27	**386**	384	**4,187**	4,584
Share premium account	27	**600**	587	**6,509**	7,007
Merger reserve	27	**184**	184	**1,996**	2,196
Profit and loss account	27	**2,444**	2,000	**26,103**	22,995
		3,614	3,155	**38,795**	36,782
Reserve in respect of own shares held in policyholders' funds	27	**(369)**	(401)	**(3,593)**	(3,908)
Equity shareholders' funds		**3,245**	2,754	**35,202**	32,874
Minority interests					
Equity	27	**869**	652	**9,427**	7,783
Non-equity	27	**658**	658	**7,138**	7,854
		1,527	1,310	**16,565**	15,637
Subordinated liabilities	27	**–**	15	**–**	179
Insurance and other liabilities					
Technical provisions					
Provision for unearned premiums		**77**	80	**835**	955
Long term business provision		**23,138**	20,660	**251,006**	246,612
Claims outstanding		**680**	417	**7,376**	4,978
	31	**23,895**	21,157	**259,217**	252,545
Technical provisions for linked liabilities		**7,977**	5,860	**86,536**	69,949
Provisions for other risks and charges	32	**639**	551	**6,932**	6,576
Creditors					
Creditors arising from direct insurance operations	33(a)	**305**	478	**3,308**	5,706
Creditors arising from reinsurance operations		**10**	3	**108**	36
Other creditors including tax and social security	33(b)	**1,783**	1,806	**19,346**	21,550
Amounts owed to credit institutions	34	**467**	377	**5,065**	4,501
Convertible loan stock	34(a)(i)	**332**	357	**3,602**	4,261
		2,897	3,021	**31,429**	36,054
Accruals and deferred income		**181**	135	**1,964**	1,611
Total insurance and other liabilities		**35,589**	30,724	**386,078**	366,735
Banking liabilities					
Deposits by banks	35	**2,821**	4,381	**30,607**	52,295
Customer accounts	36	**17,508**	13,976	**189,933**	166,827
Debt securities in issue	37	**1,563**	468	**16,956**	5,586
Other liabilities	38	**3,228**	3,200	**35,025**	38,199
Provisions for deferred tax	39	**95**	229	**1,030**	2,732
Subordinated liabilities	30	**678**	648	**7,358**	7,745
Convertible loan stock	34(a)(ii)	**6**	10	**67**	119
Total banking liabilities		**25,899**	22,912	**280,976**	273,503
Total liabilities		**66,260**	57,715	**718,821**	688,928
Commitments	44	**1,072**	1,017	**11,629**	12,144
Contingent liabilities	45	**1,907**	2,422	**20,688**	28,910

* Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 38 "Accounting for ESOP Trusts". Details of the changes are set out in notes 1, 3 and 27.

Company Balance Sheet
at 31 December 2004

	Notes	£m At 31 December 2004	£m At 31 December 2003 (Restated)*	Rm At 31 December 2004	Rm At 31 December 2003 (Restated)*
Fixed assets					
Investments					
Shares in Group undertakings	40	**731**	722	**7,930**	8,618
Loans due from Group undertakings	40	**2,290**	2,014	**24,843**	24,041
Shares in associated companies		**16**	15	**174**	179
Shares and other variable yield securities		**45**	23	**488**	275
Deposits with credit institutions		**135**	45	**1,465**	537
		3,217	2,819	**34,900**	33,650
Current assets					
Debtors					
Other debtors		**2**	–	**22**	–
Amounts owed by Group undertakings		**1**	5	**11**	60
Other prepayments and accrued income		**4**	4	**43**	48
Cash at bank and in hand		**11**	12	**119**	143
		18	21	**195**	251
Creditors: amounts falling due within one year					
Amounts owed to credit institutions	34	**5**	28	**54**	334
Amounts owed to Group undertakings		**1,332**	1,169	**14,450**	13,954
Other creditors including tax and social security		**27**	52	**293**	621
Accruals and deferred income		**10**	11	**111**	131
Dividends payable	4	**56**	49	**607**	585
		1,430	1,309	**15,515**	15,625
Net current liabilities		**1,412**	1,288	**15,320**	15,374
Total assets less current liabilities		**1,805**	1,531	**19,580**	18,276
Creditors: amounts falling due after one year					
Amounts owed to credit institutions	34	**402**	295	**4,360**	3,522
Provisions for liabilities and charges	32(b)	**21**	26	**228**	310
Net assets		**1,382**	1,210	**14,992**	14,444
Capital and reserves					
Called up share capital	27	**386**	384	**4,187**	4,584
Share premium account	27	**600**	587	**6,509**	7,007
Profit and loss account	28	**396**	239	**4,296**	2,853
Equity shareholders' funds		**1,382**	1,210	**14,992**	14,444

* Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 38 "Accounting for ESOP Trusts" as described in note 1.

These financial statements have been approved by the Board and signed on its behalf by:

Julian V F Roberts
Group Finance Director
28 February 2005

Consolidated Cash Flow Statement
for the year ended 31 December 2004

		£m		Rm	
	Notes	**Year to 31 December 2004**	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Operating activities					
Net cash inflow from insurance and other operating activities	47	**952**	916	**11,239**	11,312
Net cash outflow from banking operating activities	47	**(412)**	(679)	**(4,863)**	(8,387)
Net cash inflow from operating activities		**540**	237	**6,376**	2,925
Net cash outflow from returns on investments and servicing of finance	47(a)	**(113)**	(128)	**(1,334)**	(1,580)
Total tax paid	47(a)	**(293)**	(174)	**(3,457)**	(2,149)
Net cash (outflow)/inflow from capital expenditure and financial investment	47(a)	**(2)**	227	**(23)**	2,804
Net cash (outflow)/inflow from acquisitions and disposals	47(a)	**(31)**	83	**(366)**	1,025
Equity dividends paid		**(181)**	(178)	**(2,132)**	(2,198)
Net cash (outflow)/inflow before financing activities		**(80)**	67	**(936)**	827
Net cash inflow from financing activities	47(a)	**284**	231	**3,346**	2,851
Net cash inflow of the Group excluding long term business		**204**	298	**2,410**	3,678
Cash flows relating to insurance and other activities were invested as follows:					
(Decrease)/increase in cash holdings	47(b),(c)	**(157)**	36	**(1,852)**	445
Increase in net portfolio investments	47(b),(c)	**546**	616	**6,442**	7,605
		389	652	**4,590**	8,050
Cash flows relating to banking activities were invested as follows:					
Decrease in cash and balances at central banks	47(d)	**(185)**	(354)	**(2,180)**	(4,372)
Net cash inflow of the Group excluding long term business		**204**	298	**2,410**	3,678

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 2004

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 255A 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 November 2003 (the ABI SORP), except for treatment of deferred acquisition costs (see note 1, long term business (iv) below).

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 (BBA 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.

As a result of the increase in the Group's holding in Mutual & Federal Insurance Company Limited during the year and in accordance with the ABI SORP, a general business technical account has been presented in the financial statements. The results were previously reported within the long term business technical account – other technical income.

CHANGES IN ACCOUNTING POLICIES
Comparative figures have been restated to reflect the adoption of UITF Abstract 38 "Accounting for ESOP Trusts". This Abstract requires that the Group's holdings in own shares held by Employee Share Ownership Plan Trusts (ESOP Trusts) be accounted for as a deduction from shareholders' funds rather than recorded as an asset. In addition, purchases and sales of such own shares should be shown as changes in shareholders' funds (as a deduction from the profit and loss reserve) such that no profit or loss is recognised. In the majority of cases, the ESOP Trusts have waived their rights to dividends such that there is no impact on operating profit after tax. Shares held in ESOP Trusts were previously held at cost such that the only impact was due to foreign exchange movements recognised within the statement of total recognised gains and losses in respect of shares held on the South African register.

The reductions in equity shareholders' funds at 31 December 2004 and 31 December 2003 were £127 million (R1,380 million) and £109 million (R1,301 million) respectively, representing the original cost of these shares of £143 million (R1,380 million) (2003: £136 million (R1,301 million)) less cumulative foreign exchange losses of £16 million (Rnil) (2003: £27 million (Rnil)).

The adoption of the ABI SORP has not had a material impact on the annual financial statements.

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.

Notes to the Financial Statements
for the year ended 31 December 2004 continued

1 ACCOUNTING POLICIES continued

BASIS OF CONSOLIDATION continued
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.

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.

As described above, comparative figures have been restated to reflect the adoption of UITF Abstract 38 "Accounting for ESOP Trusts". This has resulted in the £5 million (R54 million) (2003: £5 million) (R60 million) of own shares held in ESOP Trusts previously held as an asset on the Company's balance sheet being deducted from the Company's profit and loss reserve. There was no impact on the profit and loss account in either period.

No note of historical cost profits 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 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.

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.

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 accounts.

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 prepared in accordance with the Financial Soundness Valuation basis as set out in the guidelines issued by the Actuarial Society of South Africa in Professional 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 the 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.

Liability adequacy testing is performed to ensure that the carrying amount of technical provisions (less related deferred acquisition costs and intangible assets) is sufficient in view of estimated future cash flows. When performing the liability adequacy test, contractual cash flows are discounted and compared to the carrying value of the liability. Where a shortfall is identified an additional provision is made.

(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.

Notes to the Financial Statements
for the year ended 31 December 2004 continued

1 ACCOUNTING POLICIES continued

LONG TERM BUSINESS continued

(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 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.

Liability adequacy testing is performed to ensure that the carrying amount of claim liabilities (less related deferred acquisition costs) is sufficient in view of estimated future cash flows. Where a shortfall is identified an additional provision is made.

(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.

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 are 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.

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 2004 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' 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.

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 recoverabilty 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 shown as a deduction from shareholders' equity at cost.

Notes to the Financial Statements
for the year ended 31 December 2004 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$	
	2004	2003	**2004**	2003
Profit and loss account (average rate for the year)	**11.7986**	12.3487	**1.8327**	1.6354
Balance sheet (closing rate, at 31 December)	**10.8482**	11.9367	**1.9158**	1.7833

Foreign currency 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 profit and loss 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 return 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, 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, and fines and penalties.

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 after tax and minority interests is set out below:

		£m		Rm	
	Notes	**Year to 31 December 2004**	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Profit on ordinary activities after tax and minority interests		**484**	273	**5,704**	3,381
Goodwill amortisation and impairment net of minority interests		**83**	128	**971**	1,581
Loss on disposal of investment in Dimension Data Holdings plc net of tax and minority interests		**–**	3	**–**	30
Restructuring and integration costs net of tax and minority interests	5(d)(ii)	**8**	13	**92**	160
Change in credit provisioning methodology net of tax and minority interests	5(d)(iii)	**–**	31	**–**	376
Fines and penalties net of tax	11	**41**	–	**499**	–
Short term fluctuations in investment returns net of tax and minority interests		**(162)**	(95)	**(1,907)**	(1,170)
Investment return adjustment for own shares held in policyholders' funds	5(b)(iv)	**94**	(12)	**1,115**	(148)
Non-operating items net of tax and minority interests	17(b)	**26**	32	**312**	404
Adjusted operating profit after tax and minority interests		**574**	373	**6,786**	4,614

3 EARNINGS AND EARNINGS PER SHARE continued

	p		c	
	Year to 31 December 2004	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Basic earnings per share after tax and minority interests	**14.1**	8.0	**166.2**	99.1
Impact of inclusion of own shares held in policyholders' funds in weighted average number of shares	**(1.2)**	(0.7)	**(14.0)**	(8.4)
	12.9	7.3	**152.2**	90.7
Goodwill amortisation and impairment net of minority interests	**2.2**	3.4	**26.0**	42.4
Loss on disposal of investment in Dimension Data Holdings plc net of tax and minority interests	**–**	0.1	**–**	0.8
Restructuring and integration costs net of tax and minority interests	**0.2**	0.3	**2.5**	4.3
Change in credit provisioning methodology net of tax and minority interests	**–**	0.8	**–**	10.1
Fines and penalties net of tax	**1.1**	–	**13.3**	–
Short term fluctuations in investment return net of tax and minority interests	**(4.3)**	(2.5)	**(50.9)**	(31.3)
Investment return adjustment for own shares held in policyholders' funds	**2.5**	(0.3)	**29.7**	(4.0)
Non-operating items net of tax and minority interests	**0.7**	0.9	**8.3**	10.8
Adjusted operating earnings per share after tax and minority interests	**15.3**	10.0	**181.1**	123.8

Basic earnings per share is calculated by reference to the profit on ordinary activities after tax and minority interests of £484 million (R5,704 million) for the year ended 31 December 2004 (2003: £273 million (R3,381 million)) and a weighted average number of shares in issue of 3,432 million (2003: 3,411 million). The weighted average number of shares is calculated as follows:

	millions	
	At 31 December 2004	At 31 December 2003
Total weighted average number of shares in issue	**3,844**	3,824
Shares held in ESOP Trusts	**(96)**	(97)
Adjusted weighted average number of shares	**3,748**	3,727
Shares held in policyholders' funds	**(316)**	(316)
Weighted average number of shares	**3,432**	3,411

In accordance with UITF Abstract 37 "Purchases and Sales of Own Shares", shares in the Company held in policyholders' funds are not included in the weighted average number of shares used in basic earnings per share calculations. No adjustment is required in respect of UITF Abstract 38 "Accounting for ESOP Trusts" as the shares in the Company held in ESOP Trusts have already been excluded from the calculation as, in the majority of cases, the ESOP Trusts have waived their rights to dividends on these shares.

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

Notes to the Financial Statements
for the year ended 31 December 2004 continued

4 DIVIDENDS

	Notes	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Group					
Final dividend proposed: 3.5p (38.0c*) (2003: 3.1p (36.5c)) per 10p share		**122**	106	**1,323**	1,265
Interim dividend paid: 1.75p (20.5c) (2003: 1.7p (19.5c)) per 10p share		**60**	60	**678**	741
		182	166	**2,001**	2,006
Company					
Final dividend proposed: 3.5p (38.0c*) (2003: 3.1p (36.5c)) per 10p share		**56**	49	**607**	585
Interim dividend paid: 1.75p (20.5c) (2003: 1.7p (19.5c)) per 10p share		**28**	26	**316**	321
		84	75	**923**	906

Provision has been made in the Group financial statements for a final dividend of 3.5p (38.0c*) per share calculated using the number of shares in issue at 31 December 2004 of 3,854 million (2003: 3,837 million) less 92 million (2003: 97 million) shares in Employee Share Ownership Plans, which have waived their rights to dividends and 291 million (2003: 316 million) shares held in policyholders' funds of Group companies. The dividend will be paid on 31 May 2005 to shareholders on the register at the close of business on 22 April 2005, being the record date for the dividend.

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 that register on 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 31 March 2005 and announced by the Company on 1 April 2005.

5 SEGMENTAL ANALYSIS

5(a) Summary of operating profit on ordinary activities before tax

	Notes	£m South Africa	£m United States	£m UK and Rest of World	£m Total	Rm South Africa	Rm United States	Rm UK and Rest of World	Rm Total
Year to 31 December 2004									
Life assurance	5(b)(iii)								
Adjusted operating profit		480	96	18	594	5,671	1,126	206	7,003
Inter-segment (revenue)/expenses		(3)	12	2	11	(32)	137	25	130
Adjusted operating profit, net of inter-segment transactions		477	108	20	605	5,639	1,263	231	7,133
Asset management	5(c)(i)								
Adjusted operating profit		53	89	10	152	639	1,050	117	1,806
Inter-segment (revenue)/expenses		(10)	(11)	4	(17)	(120)	(130)	47	(203)
Adjusted operating profit, net of inter-segment transactions		43	78	14	135	519	920	164	1,603
Banking	5(d)(i)								
Adjusted operating profit		177	–	14	191	2,099	–	158	2,257
Inter-segment (revenue)/expenses		6	–	–	6	73	–	–	73
Adjusted operating profit, net of inter-segment transactions		183	–	14	197	2,172	–	158	2,330
General insurance business	5(e)	89	–	–	89	1,057	–	–	1,057
Other shareholders' income/expenses	5(f)	–	–	(33)	(33)	–	–	(390)	(390)
Debt service costs	7	(3)	–	(34)	(37)	(35)	–	(402)	(437)
Adjusted operating profit/(loss), net of inter-segment transactions		789	186	(19)	956	9,352	2,183	(293)	11,296
Goodwill amortisation and impairment	18	(57)	(50)	(3)	(110)	(672)	(583)	(35)	(1,290)
Restructuring and integration costs	5(d)(ii)	(21)	–	–	(21)	(246)	–	–	(246)
Fines and penalties	11	–	(49)	–	(49)	–	(596)	–	(596)
Short term fluctuations in investment return	8(a)	134	85	7	226	1,582	1,003	77	2,662
Investment return adjustment for own shares held in policyholders' funds	5(b)(iv)	(94)	–	–	(94)	(1,115)	–	–	(1,115)
Operating profit/(loss) on ordinary activities before tax		751	172	(15)	908	8,901	2,007	(197)	10,711
Analysed as:									
Life assurance		479	189	27	695	5,657	2,219	308	8,184
Asset management		43	(17)	11	37	519	(212)	129	436
Banking		107	–	14	121	1,278	–	158	1,436
General insurance business		125	–	–	125	1,482	–	–	1,482
Other shareholders' income/expenses		–	–	(33)	(33)	–	–	(390)	(390)
Debt service costs		(3)	–	(34)	(37)	(35)	–	(402)	(437)
Operating profit/(loss) on ordinary activities before tax		751	172	(15)	908	8,901	2,007	(197)	10,711

OLD MUTUAL | plc

Notes to the Financial Statements
for the year ended 31 December 2004 continued

5 SEGMENTAL ANALYSIS continued

5(a) Summary of operating profit on ordinary activities before tax	Notes	£m South Africa	£m United States	£m UK and Rest of World	£m Total	Rm South Africa	Rm United States	Rm UK and Rest of World	Rm Total
Year to 31 December 2003 (restated)									
Life assurance	5(b)(iii)								
Adjusted operating profit		438	85	20	543	5,408	1,050	248	6,706
Inter-segment (revenue)/expenses		(7)	11	4	8	(86)	135	49	98
Adjusted operating profit, net of inter-segment transactions		431	96	24	551	5,322	1,185	297	6,804
Asset management	5(c)(i)								
Adjusted operating profit		55	81	(8)	128	678	1,000	(95)	1,583
Inter-segment (revenue)/expenses		(2)	(10)	4	(8)	(22)	(123)	47	(98)
Adjusted operating profit, net of inter-segment transactions		53	71	(4)	120	656	877	(48)	1,485
Banking	5(d)(i)								
Adjusted operating profit		(10)	–	4	(6)	(118)	–	48	(70)
Inter-segment (revenue)/expenses		–	–	–	–	–	–	–	–
Adjusted operating profit, net of inter-segment transactions		(10)	–	4	(6)	(118)	–	48	(70)
General insurance business	5(e)	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/(loss), net of inter-segment transactions		543	167	(60)	650	6,720	2,062	(741)	8,041
Goodwill amortisation	18	(140)	(57)	(9)	(206)	(1,730)	(703)	(111)	(2,544)
Loss on disposal of investment in Dimension Data Holdings plc		(5)	–	–	(5)	(60)	–	–	(60)
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	(456)	2,420	(197)	1,767
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	288	12	702	4,964	3,556	149	8,669
Asset management		53	18	(13)	58	656	223	(159)	720
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

The 2004 segmental analysis has been prepared on a gross of inter-segment transactions basis. 2003 comparatives have been restated to be consistent with the current year presentation.

5 SEGMENTAL ANALYSIS continued

5(b) Life assurance	£m South Africa	£m United States	£m UK and Rest of World	£m Total	Rm South Africa	Rm United States	Rm UK and Rest of World	Rm Total
(i) Gross premiums written								
Year to 31 December 2004								
Individual business								
Single	**633**	**2,169**	**135**	**2,937**	**7,467**	**25,594**	**1,597**	**34,658**
Recurring	**940**	**205**	**46**	**1,191**	**11,088**	**2,415**	**544**	**14,047**
	1,573	**2,374**	**181**	**4,128**	**18,555**	**28,009**	**2,141**	**48,705**
Group business								
Single	**434**	**–**	**18**	**452**	**5,116**	**–**	**213**	**5,329**
Recurring	**299**	**–**	**22**	**321**	**3,532**	**–**	**252**	**3,784**
	733	**–**	**40**	**773**	**8,648**	**–**	**465**	**9,113**
Total gross premiums	**2,306**	**2,374**	**221**	**4,901**	**27,203**	**28,009**	**2,606**	**57,818**
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
(ii) Gross new business premiums written								
Year to 31 December 2004								
Individual business								
Single	**633**	**2,169**	**135**	**2,937**	**7,467**	**25,594**	**1,597**	**34,658**
Recurring	**157**	**58**	**8**	**223**	**1,858**	**679**	**97**	**2,634**
	790	**2,227**	**143**	**3,160**	**9,325**	**26,273**	**1,694**	**37,292**
Group business								
Single	**434**	**–**	**18**	**452**	**5,116**	**–**	**213**	**5,329**
Recurring	**15**	**–**	**2**	**17**	**182**	**–**	**21**	**203**
	449	**–**	**20**	**469**	**5,298**	**–**	**234**	**5,532**
Total gross new business premiums written	**1,239**	**2,227**	**163**	**3,629**	**14,623**	**26,273**	**1,928**	**42,824**
Annual premium equivalent	**279**	**275**	**25**	**579**	**3,298**	**3,238**	**299**	**6,835**

Notes to the Financial Statements
for the year ended 31 December 2004 continued

5 SEGMENTAL ANALYSIS continued

5(b) Life assurance continued	£m South Africa	£m United States	£m UK and Rest of World	£m Total	Rm South Africa	Rm United States	Rm UK and Rest of World	Rm Total
(ii) Gross new business premiums written continued								
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

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

	£m South Africa	£m United States	£m UK and Rest of World	£m Total	Rm South Africa	Rm United States	Rm UK and Rest of World	Rm Total
(iii) Life assurance adjusted operating profit								
Year to 31 December 2004								
Individual business	**224**	**96**	**11**	**331**	**2,643**	**1,126**	**123**	**3,892**
Group business	**89**	**–**	**2**	**91**	**1,054**	**–**	**32**	**1,086**
Life assurance technical result	**313**	**96**	**13**	**422**	**3,697**	**1,126**	**155**	**4,978**
Long term investment return	**167**	**–**	**5**	**172**	**1,974**	**–**	**51**	**2,025**
Adjusted operating profit	**480**	**96**	**18**	**594**	**5,671**	**1,126**	**206**	**7,003**
Inter-segment (revenue)/expenses	**(3)**	**12**	**2**	**11**	**(32)**	**137**	**25**	**130**
Adjusted operating profit, net of inter-segment transactions	**477**	**108**	**20**	**605**	**5,639**	**1,263**	**231**	**7,133**
Year to 31 December 2003								
Individual business	190	85	13	288	2,346	1,050	161	3,557
Group business	70	–	2	72	864	–	25	889
Life assurance technical result	260	85	15	360	3,210	1,050	186	4,446
Long term investment return	178	–	5	183	2,198	–	62	2,260
Adjusted operating profit	438	85	20	543	5,408	1,050	248	6,706
Inter-segment (revenue)/expenses	(7)	11	4	8	(86)	135	49	98
Adjusted operating profit, net of inter-segment transactions	431	96	24	551	5,322	1,185	297	6,804

Inter-segment (revenue)/expenses represents investment management fees paid to the Group's asset management companies and administration fees (received from)/paid to Group life assurance companies.

5 SEGMENTAL ANALYSIS continued

5(b) Life assurance continued

	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
(iv) Investment return adjustment for own shares held in policyholders' funds				
Dividend income	16	14	190	173
Realised gains on investment in own shares	2	–	28	–
Unrealised gains/(losses) on investment in own shares	76	(26)	897	(321)
Net investment gain/(loss) on own shares	94	(12)	1,115	(148)

(v) Other technical income

Other technical income of £84 million (R991 million) (2003: £94 million (R1,161 million)) principally consists of fees earned in respect of South African policyholders' funds and fees earned for healthcare administration.

5(c)(i) Asset management

	Note	£m Revenue	£m Expenses	£m Adjusted operating profit	Rm Revenue	Rm Expenses	Rm Adjusted operating profit
Year to 31 December 2004							
South Africa							
Fund management							
Old Mutual Asset Managers		42	(24)	18	497	(282)	215
Old Mutual Unit Trusts		23	(19)	4	273	(220)	53
Other		52	(42)	10	619	(495)	124
		117	(85)	32	1,389	(997)	392
Other financial services		16	(3)	13	192	(40)	152
Nedcor Unit Trusts and Portfolio Management		32	(24)	8	378	(283)	95
		165	(112)	53	1,959	(1,320)	639
US asset management	5(c)(ii)	367	(278)	89	4,330	(3,280)	1,050
UK & Rest of World							
Fund management		48	(31)	17	566	(366)	200
Selestia investment platform		7	(12)	(5)	83	(142)	(59)
Other financial services		18	(26)	(8)	212	(307)	(95)
Nedcor Unit Trusts and Portfolio Management		34	(28)	6	401	(330)	71
		107	(97)	10	1,262	(1,145)	117
Adjusted operating profit		639	(487)	152	7,551	(5,745)	1,806
Inter-segment (revenue)/expenses							
South Africa		(19)	9	(10)	(224)	104	(120)
US asset management		(11)	–	(11)	(130)	–	(130)
UK & Rest of World		–	4	4	–	47	47
		(30)	13	(17)	(354)	151	(203)
Adjusted operating profit, net of inter-segment transactions							
South Africa		146	(103)	43	1,735	(1,216)	519
US asset management		356	(278)	78	4,200	(3,280)	920
UK & Rest of World		107	(93)	14	1,262	(1,098)	164
		609	(474)	135	7,197	(5,594)	1,603

Notes to the Financial Statements
for the year ended 31 December 2004 continued

5 SEGMENTAL ANALYSIS continued

5(c)(i) Asset management continued	Note	£m Revenue	£m Expenses	£m Adjusted operating profit	Rm Revenue	Rm Expenses	Rm Adjusted operating profit
Year to 31 December 2003							
South Africa							
Fund management							
Old Mutual Asset Managers		37	(20)	17	458	(247)	211
Old Mutual Unit Trusts		21	(15)	6	259	(185)	74
Other		16	(12)	4	200	(148)	52
		74	(47)	27	917	(580)	337
Other financial services		42	(24)	18	519	(302)	217
Nedcor Unit Trusts and Portfolio Management		36	(26)	10	445	(321)	124
		152	(97)	55	1,881	(1,203)	678
US asset management	5(c)(ii)	347	(266)	81	4,285	(3,285)	1,000
UK & Rest of World							
Fund management		43	(37)	6	531	(454)	77
Private client – Gerrard		91	(83)	8	1,124	(1,025)	99
Selestia investment platform		3	(12)	(9)	37	(148)	(111)
Other financial services		10	(24)	(14)	123	(296)	(173)
Nedcor Unit Trusts and Portfolio Management		42	(41)	1	519	(506)	13
		189	(197)	(8)	2,334	(2,429)	(95)
Adjusted operating profit		688	(560)	128	8,500	(6,917)	1,583
Inter-segment (revenue)/expenses							
South Africa		(4)	2	(2)	(52)	30	(22)
US asset management		(10)	–	(10)	(123)	–	(123)
UK & Rest of World		–	4	4	–	47	47
		(14)	6	(8)	(175)	77	(98)
Adjusted operating profit, net of inter-segment transactions							
South Africa		148	(95)	53	1,829	(1,173)	656
US asset management		337	(266)	71	4,162	(3,285)	877
UK & Rest of World		189	(193)	(4)	2,334	(2,382)	(48)
		674	(554)	120	8,325	(6,840)	1,485

Adjusted operating profit includes £6 million (R73 million) (2003: nil) in relation to interest received on short-term funding provided to the Group's banking subsidiary. The remainder of the inter-segment (revenue)/expenses represents, investment management fees (received from)/paid to the Group's life assurance companies and other asset management companies.

5(c)(ii) US asset management	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Revenue				
Investment management fees	**311**	304	**3,669**	3,754
Transaction, performance and other fees	**56**	43	**661**	531
	367	347	**4,330**	4,285
Expenses				
Remuneration expenses	**121**	117	**1,428**	1,445
Other expenses	**157**	149	**1,852**	1,840
	278	266	**3,280**	3,285
Adjusted operating profit	**89**	81	**1,050**	1,000

5 SEGMENTAL ANALYSIS continued

5(d) Banking	Notes	£m South Africa	£m UK and Rest of World	£m Total	Rm South Africa	Rm UK and Rest of World	Rm Total
(i) Banking adjusted operating profit							
Year to 31 December 2004							
Interest receivable		**1,917**	**112**	**2,029**	**22,619**	**1,325**	**23,944**
Interest payable		**(1,320)**	**(71)**	**(1,391)**	**(15,576)**	**(839)**	**(16,415)**
Net interest income		**597**	**41**	**638**	**7,043**	**486**	**7,529**
Dividend income		**12**	**–**	**12**	**143**	**–**	**143**
Fees and commissions receivable		**504**	**11**	**515**	**5,940**	**133**	**6,073**
Fees and commissions payable		**(59)**	**(2)**	**(61)**	**(694)**	**(21)**	**(715)**
Net other operating income		**176**	**–**	**176**	**2,082**	**(3)**	**2,078**
Total operating income		**1,230**	**50**	**1,280**	**14,514**	**595**	**15,109**
Specific and general provisions charge	26(d)	**(116)**	**(4)**	**(120)**	**(1,370)**	**(45)**	**(1,415)**
Net income		**1,114**	**46**	**1,160**	**13,144**	**550**	**13,694**
Operating expenses		**(942)**	**(38)**	**(980)**	**(11,108)**	**(454)**	**(11,562)**
		172	**8**	**180**	**2,036**	**96**	**2,132**
Share of associated undertakings' profit		**5**	**6**	**11**	**63**	**62**	**125**
Adjusted operating profit		**177**	**14**	**191**	**2,099**	**158**	**2,257**
Inter-segment (revenue)/expenses		**6**	**–**	**6**	**73**	**–**	**73**
Adjusted operating profit, net of inter-segment transactions		**183**	**14**	**197**	**2,172**	**158**	**2,330**
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	5(d)(iii),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)

Operating expenses include translation losses of £32 million (R372 million) (2003: £110 million (R1,356 million)). Adjusted operating profit includes £6 million (R73 million) in relation to inter-company interest payable for short term funding now repaid.

Notes to the Financial Statements
for the year ended 31 December 2004 continued

5 SEGMENTAL ANALYSIS continued

5(d) Banking continued	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
(ii) Restructuring and integration costs				
Costs before tax and minority interests	**21**	32	**246**	394
Tax	**(6)**	(6)	**(71)**	(74)
Costs after tax and before minority interests	**15**	26	**175**	320
Minority interests	**(7)**	(13)	**(83)**	(160)
Costs after tax and minority interests	**8**	13	**92**	160

Restructuring and integration costs incurred in connection with the acquisition of BoE by Nedcor Limited have been excluded from adjusted operating profit.

	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
(iii) Change in credit provisioning methodology				
Costs before tax and minority interests	–	87	–	1,074
Tax	–	(26)	–	(322)
Costs after tax and before minority interests	–	61	–	752
Minority interests	–	(30)	–	(376)
Costs after tax and minority interests	–	31	–	376

During 2003, 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 was therefore adopted in preparation of the Group's financial statements, resulting in a one-off increase in opening specific provisions due to the discounting effect.

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

5(e) General insurance result	Gross premiums written £m	Earned premiums net of reinsurance £m	Claims incurred net of reinsurance £m	Adjusted operating profit £m	Gross premiums written Rm	Earned premiums net of reinsurance Rm	Claims incurred net of reinsurance Rm	Adjusted operating profit Rm
Year to 31 December 2004								
Commercial	**235**	**219**	**(133)**	**29**	**2,777**	**2,583**	**(1,579)**	**329**
Corporate	**45**	**19**	**(10)**	**4**	**528**	**225**	**(118)**	**49**
Personal lines	**249**	**244**	**(173)**	**8**	**2,938**	**2,878**	**(2,039)**	**100**
Risk financing	**95**	**89**	**(53)**	**3**	**1,117**	**1,050**	**(607)**	**49**
	624	**571**	**(369)**	**44**	**7,360**	**6,736**	**(4,343)**	**527**
Long term investment return				**45**				**530**
				89				**1,057**
Year to 31 December 2003								
Commercial	201	185	(123)	17	2,482	2,284	(1,516)	216
Corporate	54	17	(13)	(1)	667	210	(156)	(15)
Personal lines	212	206	(150)	6	2,618	2,543	(1,853)	75
Risk financing	59	52	(36)	4	719	637	(442)	53
	526	460	(322)	26	6,486	5,674	(3,967)	329
Long term investment return				47				580
				73				909

5(f) Other shareholders' income/expenses	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Distribution from unclaimed share trust	**16**	–	**190**	–
Provision for contributions to public benefit and charitable organisations	**(16)**	–	**(190)**	–
Interest receivable	**8**	6	**94**	74
Net corporate expenses	**(41)**	(41)	**(484)**	(506)
Net other expenses	**–**	(5)	**–**	(62)
Other shareholders' income/(expenses)	**(33)**	(40)	**(390)**	(494)

In accordance with proposals announced by the Company on 23 February 2004, and approved by its shareholders on 14 May 2004, during the year the Company received £16 million (R190 million) from the Old Mutual (South Africa) Unclaimed Shares Trust. This amount represents accumulated dividends and interest accrued thereon in respect of shares of the Company unclaimed at 18 August 2004, being the expiry date for claims notified to the trustees of that trust following the fifth anniversary of the demutualisation of the South African Mutual Life Assurance Society. It is the firm intention of the Board that all of this money will eventually be contributed to public benefit and charitable organisations and, therefore, full provision has been made for the cost of making such contributions.

Net corporate expenses include £6 million (R71 million) (2003: £5 million (R62 million)) in connection with the International Financial Reporting Standards conversion and Group-wide Economic Capital Projects.

Notes to the Financial Statements
for the year ended 31 December 2004 continued

5 SEGMENTAL ANALYSIS continued

5(g) Net assets	South Africa £m	United States £m	UK and Rest of World £m	Total £m	South Africa Rm	United States Rm	UK and Rest of World Rm	Total Rm
At 31 December 2004								
Life assurance	**1,089**	**1,225**	**93**	**2,407**	**11,814**	**13,289**	**1,009**	**26,112**
Asset management	**115**	**840**	**20**	**975**	**1,248**	**9,112**	**217**	**10,577**
Banking	**546**	**–**	**215**	**761**	**5,923**	**–**	**2,332**	**8,255**
General insurance	**257**	**–**	**–**	**257**	**2,788**	**–**	**–**	**2,788**
Other	**–**	**–**	**29**	**29**	**–**	**–**	**314**	**314**
	2,007	**2,065**	**357**	**4,429**	**21,773**	**22,401**	**3,872**	**48,046**
Debt				**(799)**				**(8,668)**
Preferred security				**(385)**				**(4,177)**
Net assets				**3,245**				**35,201**
At 31 December 2003								
Life assurance	1,063	1,012	69	2,144	12,689	12,080	823	25,592
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)
	1,547	1,912	455	3,914	18,467	22,823	5,431	46,721
Debt				(749)				(8,941)
Preferred securities				(411)				(4,906)
Net assets				2,754				32,874

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.

5(h) Banking business average assets	Year to 31 December 2004 £m	Year to 31 December 2003 £m	Year to 31 December 2004 Rm	Year to 31 December 2003 Rm
Nedbank Corporate	**11,078**	10,790	**130,699**	133,245
Imperial Bank	**1,253**	864	**14,785**	10,674
Nedbank Capital	**16,258**	13,692	**191,820**	169,080
Nedbank Retail and Wealth	**8,799**	6,496	**103,812**	80,220
Peoples Bank	**–**	1,183	**–**	14,612
Shared services	**1,840**	1,145	**21,708**	14,145
Capital management and central funding	**6,879**	2,868	**81,161**	35,412
Inter-segment eliminations and other adjustments	**(22,326)**	(13,472)	**(263,419)**	(166,366)
	23,781	23,566	**280,566**	291,022
Average interest-earning assets	**21,302**	18,515	**251,339**	228,637
		%		%
Net interest margin (based on average assets)	**3.00**	2.95	**3.00**	2.95

During 2004, the operations of Peoples Bank were integrated within the operations of Nedbank.

5 SEGMENTAL ANALYSIS continued

5(i) Funds under management	£m South Africa	£m United States	£m UK and Rest of World	£m Total	Rm South Africa	Rm United States	Rm UK and Rest of World	Rm Total
At 31 December 2004								
Investments including assets held to cover linked liabilities	21,938	9,857	2,795	34,590	237,987	106,931	30,321	375,239
SA asset management								
Fund management								
Old Mutual Asset Managers	8,011	–	–	8,011	86,905	–	–	86,905
Old Mutual Unit Trusts	288	–	–	288	3,124	–	–	3,124
	8,299	–	–	8,299	90,029	–	–	90,029
Nedcor Unit Trusts	1,428	–	–	1,428	15,491	–	–	15,491
Nedcor Portfolio Management	3,113	–	–	3,113	33,770	–	–	33,770
Other financial services	1,016	–	–	1,016	11,022	–	–	11,022
	13,856	–	–	13,856	150,312	–	–	150,312
US asset management	–	80,289	6,561	86,850	–	870,991	71,175	942,166
UK and Rest of World asset management								
Fund management	–	–	2,210	2,210	–	–	23,975	23,975
Selestia investment platform	–	–	531	531	–	–	5,760	5,760
Nedcor Unit Trusts	–	–	565	565	–	–	6,129	6,129
Nedcor Portfolio Management	–	–	1,252	1,252	–	–	13,582	13,582
Other financial services	–	–	270	270	–	–	2,929	2,929
	–	–	4,828	4,828	–	–	52,375	52,375
Total funds under management	35,794	90,146	14,184	140,124	388,299	977,922	153,871	1,520,092

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5 SEGMENTAL ANALYSIS continued

5(i) Funds under management continued	£m South Africa	£m United States	£m UK and Rest of World	£m Total	Rm South Africa	Rm United States	Rm UK and Rest of World	Rm Total
At 31 December 2003								
Investments including assets held to cover linked liabilities (restated)	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
	5,671	–	–	5,671	67,693	–	–	67,693
Nedcor Unit Trusts	865	–	–	865	10,325	–	–	10,325
Nedcor Portfolio Management	2,771	–	–	2,771	33,770	–	–	33,770
Other financial services	697	–	–	697	8,320	–	–	8,320
	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
Nedcor Unit Trusts	–	–	707	707	–	–	8,439	8,439
Nedcor Portfolio Management	–	–	4,210	4,210	–	–	50,254	50,254
Other financial services	–	–	345	345	–	–	4,118	4,118
	–	–	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

6 INVESTMENT INCOME

	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Technical account – long term business				
Income from investment properties	**53**	50	**625**	617
Income from other financial investments	**1,406**	1,345	**16,589**	16,609
Gains on the realisation of investments	**1,088**	589	**12,837**	7,273
	2,547	1,984	**30,051**	24,499
Non-technical – insurance and asset management businesses				
Income from other financial investments	**40**	34	**472**	420
Gains on the realisation of investments	**6**	7	**71**	86
	46	41	**543**	506

7 INVESTMENT EXPENSES AND CHARGES

	£m		Rm	
	Year to 31 December 2004	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Technical account – long term business				
Interest payable	**4**	7	**47**	86
Investment management expenses	**27**	17	**319**	210
	31	24	**366**	296
Non-technical account – insurance and asset management businesses				
Interest payable	**22**	33	**260**	408
Other finance costs	**15**	15	**177**	185
	37	48	**437**	593

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 2004	Year to 31 December 2003
South Africa and Namibian long term and general insurance businesses – weighted average return	**12.5%**	13.0%
Equities	**14.0%**	14.0%
Cash and other investible assets – Rand denominated	**11.0%**	12.5%
Cash and other investible assets – other currencies	**8.0%**	9.0%
United States	**6.00%**	6.04%

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.

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8 INSURANCE LONG TERM INVESTMENT RETURN ON SHAREHOLDERS' FUNDS continued

8(a) Analysis of short term fluctuations in investment return	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Long term business				
Actual investment return attributable to shareholders	**360**	326	**4,238**	4,026
Long term investment return credited to operating result	**172**	183	**2,025**	2,260
	188	143	**2,213**	1,766
General insurance business				
Actual investment return attributable to shareholders	**83**	51	**979**	630
Long term investment return credited to operating result	**45**	47	**530**	580
	38	4	**449**	50
Other income				
Actual investment return attributable to shareholders	**–**	(3)	**–**	(37)
Long term investment return credited to operating result	**–**	1	**–**	12
	–	(4)	**–**	(49)
Excess of actual return over longer term return	**226**	143	**2,662**	1,767

8(b) Five year comparison of long term investment return with actual investment return	£m 2000-2004	£m 1999-2003	Rm 2000-2004	Rm 1999-2003
Long term business				
Actual investment return attributable to shareholders	**1,030**	1,400	**12,655**	15,614
Long term investment return credited to operating result	**862**	877	**10,634**	10,453
	168	523	**2,021**	5,161
General insurance business				
Actual investment return attributable to shareholders	**267**	414	**3,130**	4,419
Long term investment return credited to operating result	**212**	223	**2,635**	2,657
	55	191	**495**	1,762
Other income				
Actual investment return attributable to shareholders	**31**	113	**481**	1,289
Long term investment return credited to operating result	**30**	51	**340**	547
	1	62	**141**	742
Excess of actual return over longer term return	**224**	776	**2,657**	7,665

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

9 NET OPERATING EXPENSES

	£m		Rm	
	Year to 31 December 2004	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Long term business				
Acquisition costs	**181**	179	**2,136**	2,210
Administration expenses	**339**	319	**4,000**	3,939
	520	498	**6,136**	6,149
General insurance business				
Acquisition costs	**112**	78	**1,316**	958
Administration expenses	**46**	34	**550**	420
	158	112	**1,866**	1,378

10 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	£m		Rm	
	Year to 31 December 2004	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Profit on ordinary activities before tax is stated				
After crediting				
Aggregate rentals receivable under				
Finance leases	**93**	15	**1,097**	185
Operating leases	**27**	14	**319**	173
Income from listed investments	**1,379**	1,105	**16,270**	13,645
Gains on the disposal of investment securities – banking	**1**	18	**12**	222
After charging				
Depreciation	**103**	113	**1,216**	1,392
Rental charges – operating leases and similar hire purchase	**65**	53	**767**	654
Auditors' remuneration	**12**	11	**145**	130

	£m		Rm	
10(a) Auditors' remuneration	**Year to 31 December 2004**	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Total fees payable to the Group's auditors				
Statutory audit services	**5.2**	4.5	**61**	56
Other audit and assurance services	**2.2**	3.5	**26**	43
	7.4	8.0	**87**	99
Tax services – advisory	**0.4**	0.4	**5**	5
– compliance	**0.1**	0.1	**1**	1
Other services	**4.4**	2.0	**52**	25
	12.3	10.5	**145**	130

Included in the above are audit fees payable by the Company of £0.4 million (R4.7 million) (2003: £0.4 million (R4.9 million)). In addition to the above, fees of £2.5 million (R30 million) (2003: £1.6 million (R20 million)) were payable to other auditors in respect of joint audit arrangements of certain banking subsidiaries. "Other services" consists primarily of advisory work in connection with the International Financial Reporting Standards conversion.

Notes to the Financial Statements
for the year ended 31 December 2004 continued

11 FINES AND PENALTIES

On 21 June 2004, one of the Group's US asset management affiliates, Liberty Ridge Capital Inc. (formerly known as Pilgrim Baxter & Associates, Ltd (PBA)), reached agreements with the US Securities and Exchange Commission (SEC) and the office of the New York State Attorney General (NYAG) which settle all charges brought by these authorities against PBA in relation to market timing in the US Mutual Fund business.

PBA agreed to pay US$40 million in disgorgement of past fees, as well as US$50 million in civil penalties. This has resulted in a charge of £49 million (R596 million) for the year, which has been taken to the profit and loss account in the Group's financial statements, but excluded from adjusted operating profit. Tax deductions have been recognised on the disgorgement of past fees, resulting in a tax credit of £8 million (R97 million).

In addition PBA will reduce fees to investors by approximately US$10 million over the next five years.

There are several related private lawsuits arising from the conduct alleged in the civil suits filed by the SEC and NYAG. These class action lawsuits were consolidated into a single lawsuit along with all other cases against US parties alleging market timing and late trading violations. Proceedings in this case are at a preliminary stage and it is not possible to say, at this time, whether or not the amount of the ultimate liability to be borne by the Group will be material. As a result, no amount has been recognised for additional fines or other penalties that may arise, as significant uncertainty remains over the quantum of any settlement.

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 2004 is shown in the Remuneration Report on pages 44 to 52.

The interests of directors of the Company in shares of the Company and its quoted subsidiaries are shown in the Corporate Governance and Directors' Report on page 27.

At 31 December 2004, one director of the Company had a loan advance outstanding of £0.1 million (R1 million) (2003: 1 director, £0.1 million (R1 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 2004	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
The aggregate remuneration payable in respect of employees during the year was:				
Wages and salaries	**893**	840	**10,536**	10,373
Social security costs	**19**	18	**224**	222
Pension costs	**45**	38	**531**	469
	957	896	**11,291**	11,064

13(a) Particulars of staff

	Year to 31 December 2004	Year to 31 December 2003
The average number of persons employed by the Group during the year was:		
Life assurance	**13,480**	14,093
Asset management	**3,173**	3,942
Banking	**21,293**	23,252
General insurance	**3,252**	3,292
Other	**138**	110
	41,336	44,689

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 30 June 2002 and 31 December 2004 and, in accordance with the transitional arrangements of FRS 17, have been updated by either internal or external actuaries at 31 December 2004. The major assumptions used in these valuations were:

	At 31 December 2004		At 31 December 2003		At 31 December 2002	
	South African schemes	**UK schemes**	South African schemes	UK schemes	South African schemes	UK schemes
Inflation assumption	**4.0%**	**2.75–3.0%**	5.0%	2.0–2.5%	6.5%	1.8–2.5%
Rate of increase in salaries	**5.5%**	**5.0–4.75%**	6.5%	4.0–4.5%	7.5–8.0%	3.5–4.5%
Rate of increase in pensions in payment	**4.0%**	**2.7–3.0%**	4.8%	2.0–3.0%	11.0%	1.8–3.1%
Discount rate	**8.5%**	**2.25–2.3%**	9.5%	5.3–5.5%	11.0–11.5%	5.5–6.5%

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 2004				
Equities	**11.5%**	**7.5–8.3%**	**129**	**1,399**
Bonds	**8.5%**	**4.5–5.3%**	**91**	**987**
Insurance policies and annuities	**6.5%**	**5.3%**	**150**	**1,627**
Cash	**9.5%**	**4.75–4.8%**	**12**	**130**
Total market value of assets			**382**	**4,143**
Present value of liabilities			**(364)**	**(3,949)**
Net pension surplus			**18**	**194**
Associated deferred tax asset			**(1)**	**(16)**
Net pension surplus after deferred tax			**17**	**178**

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for the year ended 31 December 2004 continued

14 EMPLOYEE BENEFITS continued

14(a) Employee pension plans continued	Expected long term rate of return: South African schemes	Expected long term rate of return: UK schemes	£m Value of assets	Rm 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
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%	4.5–7.5%	123	1,699
Cash	10%	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)

14 EMPLOYEE BENEFITS continued

14(a) Employee pension plans continued	£m Year to 31 December 2004	£m Year to 31 December 2003	£m Year to 31 December 2002	Rm Year to 31 December 2004	Rm Year to 31 December 2003	Rm Year to 31 December 2002
Movement during the year						
Net surplus/(deficit) in schemes at beginning of year	**5**	(3)	24	**57**	(41)	423
Disposed operations	–	12	–	**–**	148	–
Acquired operations	–	–	4	**–**	–	55
Contributions	**8**	4	4	**94**	49	55
Current service cost	**(2)**	(4)	(3)	**(24)**	(49)	(41)
Finance income						
Expected return on pension scheme assets	**27**	31	23	**319**	383	318
Interest on pension scheme liabilities	**(25)**	(28)	(18)	**(295)**	(346)	(249)
Actuarial gain/loss*	**2**	(13)	(46)	**24**	(161)	(635)
Foreign exchange translation	**3**	6	9	**19**	74	33
Net surplus/(deficit) in schemes at end of year	**18**	5	(3)	**194**	57	(41)

*The actuarial gain for the year to 31 December 2004 represents 0.6% (2003: actuarial loss, 4.0%; 2002: actuarial loss, 15.4%) of the total present value of scheme liabilities. The actual return on pension scheme assets was £11 million (R130 million) more than the expected return (2003: £6 million (R75 million) less), representing 3.0% (2003: 1.8%) of the total scheme assets. Experience gains arising on scheme liabilities were £0.2 million (R2 million) (2003: £2 million (R25 million)). Changes in the assumptions underlying the present value of scheme liabilities resulted in an actuarial loss of £9 million (R106 million) (2003: £9 million (R111 million)).

At 31 December 2004, the provision for pension contributions included in other provisions and charges in the Group's balance sheet amounted to £55 million (R597 million) (2003: £53 million (R632 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 Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Regular cost	**51**	52	**602**	642
Variations from regular cost	**(6)**	(14)	**(71)**	(173)
Profit and loss charge	**45**	38	**531**	469

Notes to the Financial Statements
for the year ended 31 December 2004 continued

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 2004	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Profit and loss (credit)/charge	**(1)**	5	**(12)**	62
Provisions for other risks and charges	**20**	21	**217**	251

14(c) Employee share ownership plans (ESOPs)
The ESOPs currently in use are described in the Remuneration Report on pages 44 to 52.

As described in note 1, in accordance with UITF38, shares held by ESOP Trusts are no longer recognised as current assets in the balance sheet, but are shown as a deduction from shareholders' equity.

The number and market value of the Company's ordinary shares held by ESOP Trusts at 31 December 2004 were 93 million (2003: 102 million) and £123 million (R1,333 million) (2003: £94 million (R1,122 million)), respectively.

15 TAX ON PROFIT ON ORDINARY ACTIVITIES

	£m		Rm	
15(a) Technical account – long term business	**Year to 31 December 2004**	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Current tax				
South Africa	**211**	162	**2,490**	2,000
United States	**11**	4	**130**	49
Rest of World	**1**	3	**12**	37
	223	169	**2,632**	2,086
Deferred tax	**40**	58	**472**	716
	263	227	**3,104**	2,802

15 TAX ON PROFIT ON ORDINARY ACTIVITIES continued

15(b) Non-technical account – insurance, asset management and banking businesses	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
United Kingdom tax				
UK corporation tax	**51**	34	**602**	420
Double tax relief	**(47)**	(24)	**(555)**	(296)
	4	10	**47**	124
Overseas tax				
South Africa	**72**	33	**849**	408
United States	**–**	11	**–**	136
Rest of World	**5**	4	**59**	49
Secondary tax on companies (STC)	**10**	14	**118**	173
	87	62	**1,026**	766
Adjustment in respect of prior periods	**1**	(8)	**12**	(99)
Current tax for the year	**92**	64	**1,085**	791
Current tax attributable to shareholders' profits on long term business	**162**	127	**1,911**	1,568
Total current tax on ordinary activities	**254**	191	**2,996**	2,359
Deferred tax – non-technical account	**(8)**	(8)	**(94)**	(99)
Deferred tax attributable to shareholders' profits on long term business	**40**	58	**472**	716
Reported tax charge	**286**	241	**3,374**	2,976
The reported tax charge is analysed as follows:				
Adjusted operating profit	**240**	224	**2,834**	2,763
Restructuring and integration costs	**(6)**	(6)	**(71)**	(74)
Change in credit provisioning methodology	**–**	(26)	**–**	(332)
Short term fluctuations in investment return	**60**	49	**708**	609
Fines and penalties	**(8)**	–	**(97)**	–
	286	241	**3,374**	2,976

15(c) Reconciliation of tax charge	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Tax at UK rate of 30.0% (2003: 30.0%) on profit on ordinary activities before tax	**262**	133	**3,088**	1,644
Untaxed and low taxed income (including tax exempt investment return)	**(83)**	(113)	**(979)**	(1,395)
Disallowable expenditure	**97**	179	**1,144**	2,210
STC	**10**	14	**118**	173
Timing differences	**(32)**	(50)	**(378)**	(617)
Other	**–**	28	**3**	344
Current tax charge	**254**	191	**2,996**	2,359

Notes to the Financial Statements
for the year ended 31 December 2004 continued

16 PROFIT/(LOSS) FOR THE FINANCIAL YEAR

The Company's profit for the financial year before dividends payable was £241 million (R2,843 million) (2003: loss of £100 million (R1,235 million)).

17 ACQUISITIONS AND DISPOSALS

17(a) Acquisitions

Mutual & Federal Insurance Company Limited

During the period the Group acquired an additional 37.0% of the equity share capital of its general insurance subsidiary, Mutual & Federal Insurance Company Limited, bringing its total holding to 87.6%. Cash consideration of £102 million (R1,343 million) was paid. At the year end the Group held 87.0% of the equity share capital.

The table below shows the fair value of the assets and liabilities acquired.

	£m			Rm
	Book value on acquisition	Fair value adjustments	Provisional fair value to Group	Provisional fair value to Group
Goodwill	10	(10)	–	–
Investments	304	–	304	4,214
Technical assets	73	–	73	1,006
Insurance debtors	28	–	28	394
Other assets	115	–	115	1,589
Minority interests	(3)	–	(3)	(38)
Technical provisions	(266)	–	(266)	(3,692)
Insurance creditors	(12)	–	(12)	(173)
Provisions	(11)	–	(11)	(155)
Other liabilities	(25)	–	(25)	(363)
Total net assets of Mutual & Federal Insurance Company Limited	213	(10)	203	2,782
Additional share of net assets acquired by the Group			75	1,029
Cash consideration paid			102	1,343
Goodwill arising on acquisition			27	314

In addition the Group's banking business made a number of smaller acquisitions giving rise to a goodwill amount of £17 million (R205 million).

Fair value adjustments
In accordance with Financial Reporting Standard 7 "Fair Values in Acquisition Accounting", the book value of goodwill has been deducted in determining the fair value of the net assets acquired as it is not a separately identifiable asset. There were no other fair value adjustments.

17 ACQUISITIONS AND DISPOSALS continued

17(b) Disposals (non-operating items)

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

	£m		Rm	
	Year to 31 December 2004	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
United States – asset management affiliates	**(5)**	(15)	**(59)**	(194)
South Africa – banking subsidiaries	**(5)**	–	**(64)**	–
South Africa – banking associates	**(13)**	–	**(153)**	–
United Kingdom – asset management subsidiaries	**(12)**	(17)	**(142)**	(210)
Loss on disposal before tax	**(35)**	(32)	**(418)**	(404)
Tax on non-operating items	**–**	–	**–**	–
Loss on disposal after tax	**(35)**	(32)	**(418)**	(404)
Minority interests – South Africa banking subsidiaries and associates	**9**	–	**106**	–
Loss on disposal after tax and minority interests	**(26)**	(32)	**(312)**	(404)

United States – asset management affiliates
During December, the Group discontinued the operations of Sirach Capital Management Inc. incurring a loss of £8 million (R94 million) including goodwill disposed of £6 million (R71 million). In addition, credits totalling £3 million (R35 million) were booked in respect of provisions for contingent payments on prior year disposals no longer required.

South Africa – banking subsidiaries
During the period the Group disposed of various non-core subsidiaries for cash consideration of £29 million (R343 million). The profit on disposal was £5 million (R64 million) after charging goodwill of £14 million (R164 million). No tax was payable and the minority interest attributable was £2 million (R31 million).

South Africa – banking associates
The non-operating charge for the period includes £13 million (R153 million) in respect of Group adjustments following disposals of certain banking associates. The minority interest attributable was £7 million (R75 million).

United Kingdom – asset management subsidiaries
During 2004 additional costs relating to onerous lease provisions were incurred in connection with the sale of Gerrard Management Services Ltd and other disposals made in prior years.

Notes to the Financial Statements
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18 GOODWILL

	Note	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
At beginning of year		**1,264**	1,598	**15,088**	22,075
Additions arising on acquisitions in the period	17(a)	**44**	–	**519**	–
Adjustments in respect of prior year acquisitions*		**(1)**	81	**(12)**	1,000
Disposals		**(20)**	(159)	**(206)**	(1,898)
Amortisation and impairment for the year		**(105)**	(194)	**(1,238)**	(2,396)
Foreign exchange and other movements		**(30)**	(62)	**(1,654)**	(3,693)
At end of year		**1,152**	1,264	**12,497**	15,088
Represented by:					
Cost less impairments		**1,432**	1,508	**15,534**	18,001
Accumulated amortisation		**(280)**	(244)	**(3,037)**	(2,913)
		1,152	1,264	**12,497**	15,088
Analysed between:					
Life assurance		**60**	75	**651**	895
Asset management		**745**	863	**8,082**	10,031
General insurance		**41**	12	**445**	143
Banking		**306**	314	**3,319**	3,749
		1,152	1,264	**12,497**	15,088

*Adjustments in respect of prior year acquisitions reflect the latest estimate of the deferred consideration payable for the purchase of certain US affiliates under various agreements which expire in 2007. As such the ultimate cost of purchase will remain uncertain, dependent on future events, and hence subject to further future adjustment.

Amortisation and impairment for the year

The total goodwill amortisation and impairment charge for the year of £110 million (R1,290 million) (2003: £206 million (R2,544 million)) comprises £55 million (R648 million) (2003: £146 million (R1,803 million)) attributable to banking businesses and £55 million (R642 million) (2003: £60 million (R741 million)) attributable to insurance and other businesses. Of this total charge, £105 million (R1,238 million) (2003: £194 million (R2,396 million)) is disclosed above and £5 million (R52 million) (2003: £12 million (R148 million)) is disclosed within investments in associated undertakings (note 26(h)). The charge for the period includes an impairment charge of £27 million (R319 million) in respect of Group adjustments associated with our banking subsidiaries.

19 LAND AND BUILDINGS

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Insurance and other assets				
Market value				
At beginning of year	**677**	600	**8,081**	8,288
Net disposals	**(24)**	(33)	**(283)**	(408)
Market value movements	**40**	51	**472**	630
Foreign exchange and other movements	**80**	59	**116**	(429)
At end of year	**773**	677	**8,386**	8,081

All land and buildings recognised under "insurance and other assets" are freehold. No land and buildings are occupied for own use.

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Banking				
Cost				
At beginning of year	**164**	138	**1,958**	1,903
Net additions/(disposals)	**20**	(4)	**236**	(49)
Foreign exchange and other movements	**12**	30	**(68)**	104
At end of year	**196**	164	**2,126**	1,958
Accumulated depreciation				
At beginning of year	**(23)**	(7)	**(275)**	(97)
Charge for year	**(5)**	(9)	**(59)**	(111)
Foreign exchange and other movements	**(8)**	(7)	**(57)**	(67)
At end of year	**(36)**	(23)	**(391)**	(275)
Net book value				
At end of year	**160**	141	**1,735**	1,683
Analysed between:				
Freehold	**156**	134	**1,692**	1,600
Long and short leasehold	**4**	7	**46**	83
	160	141	**1,738**	1,683

All land and buildings were occupied for own use.

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Market value				
Freehold	**202**	150	**2,191**	1,791
Long and short leasehold	**4**	7	**43**	84
Market value of land and buildings occupied for own use	**206**	157	**2,234**	1,875

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Notes to the Financial Statements
for the year ended 31 December 2004 continued

20 INSURANCE AND OTHER ASSETS – OTHER FINANCIAL INVESTMENTS

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Market value				
Shares and other variable yield securities and units in unit trusts	**8,890**	8,083	**96,440**	96,484
Debt securities and other fixed income securities	**14,561**	12,406	**157,961**	148,087
Other loans	**591**	782	**6,411**	9,334
Deposits with credit institutions	**1,138**	886	**12,345**	10,576
Other investments	**660**	599	**7,160**	7,150
	25,840	22,756	**280,317**	271,631

In 2004, zero-interest policy loans have been reclassified so as to treat loans granted as disinvestments of life assurance policies. The effect of this change has been a reduction in "other loans" above and policyholder liabilities, included within technical provisions, of £373 million (R4,405 million). Comparative information has not been restated but the effect of this change on 2003 would have been a reduction in other assets and technical provisions of £314 million (R3,746 million). There is no impact on operating profit as a result of this reclassification.

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Market value of other financial investments listed on recognised stock exchanges included above	**23,868**	18,732	**258,925**	223,598
Cost				
Shares and other variable yield securities and units in unit trusts	**7,141**	5,534	**77,467**	66,058
Debt securities and other fixed income securities	**15,206**	11,420	**164,958**	136,317
Other loans	**243**	770	**2,636**	9,191
Deposits with credit institutions	**1,161**	855	**12,595**	10,206
Other investments	**464**	470	**5,034**	5,610
	24,215	19,049	**262,690**	227,382
Assets held to cover linked liabilities				
Market value	**7,977**	5,860	**86,536**	69,949
Cost	**6,389**	5,584	**69,309**	66,655

21 DEBTORS ARISING FROM DIRECT INSURANCE OPERATIONS

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Amounts owed by policyholders	**59**	99	**640**	1,182
Amounts owed by intermediaries	**13**	10	**141**	119
Outstanding securities realised	**19**	18	**206**	215
Other	**82**	98	**890**	1,170
	173	225	**1,877**	2,686

22 TANGIBLE FIXED ASSETS

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Insurance and other assets				
Computer and other equipment, fixtures and vehicles				
Cost				
At beginning of year	**214**	201	**2,554**	2,777
Disposed operations	**(1)**	(27)	**(12)**	(333)
Additions	**42**	44	**496**	543
Disposals	**(28)**	(59)	**(330)**	(729)
Foreign exchange and other movements	**(3)**	55	**(278)**	296
At end of year	**224**	214	**2,430**	2,554
Accumulated depreciation				
At beginning of year	**(133)**	(104)	**(1,588)**	(1,437)
Disposed operations	**1**	22	**12**	272
Charge for year	**(31)**	(32)	**(366)**	(395)
Disposals	**16**	37	**189**	457
Foreign exchange and other movements	**(3)**	(56)	**126**	(485)
At end of year	**(150)**	(133)	**(1,627)**	(1,588)
Net book value				
At end of year	**74**	81	**803**	966
Banking				
Computer and other equipment, fixtures and vehicles				
Cost				
At beginning of year	**501**	354	**5,980**	4,890
Additions	**122**	78	**1,439**	963
Disposals	**(79)**	(31)	**(932)**	(383)
Foreign exchange and other movements	**45**	100	**(97)**	510
At end of year	**589**	501	**6,390**	5,980
Accumulated depreciation				
At beginning of year	**(280)**	(196)	**(3,342)**	(2,708)
Charge for year	**(67)**	(72)	**(791)**	(889)
Disposals	**25**	21	**295**	259
Foreign exchange and other movements	**(44)**	(33)	**(129)**	(4)
At end of year	**(366)**	(280)	**(3,967)**	(3,342)
Net book value				
At end of year	**223**	221	**2,423**	2,638

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Notes to the Financial Statements
for the year ended 31 December 2004 continued

23 PRESENT VALUE OF ACQUIRED IN-FORCE BUSINESS

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Cost				
At beginning of year	**279**	307	**3,330**	4,241
Foreign exchange movements	**(19)**	(28)	**(509)**	(911)
At end of year	**260**	279	**2,821**	3,330
Amortisation for the year				
At beginning of year	**(85)**	(52)	**(1,015)**	(718)
Amortisation for the year	**(17)**	(41)	**(201)**	(506)
Foreign exchange movements	**6**	8	**175**	209
At end of year	**(96)**	(85)	**(1,041)**	(1,015)
Net book value				
At end of year	**164**	194	**1,780**	2,315

24 OTHER ASSETS

	Notes	£m		Rm	
		At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Insurance and other assets					
Deferred tax asset	24(a)	**309**	253	**3,352**	3,020
Other		**116**	79	**1,258**	943
		425	332	**4,610**	3,963
Banking					
Customer indebtedness for acceptances		**139**	70	**1,508**	836
Deferred tax asset	24(c)	**109**	256	**1,182**	3,056
Derivative contracts – positive value	46(e)	**1,742**	1,720	**18,893**	20,531
Other		**466**	350	**5,055**	4,179
		2,456	2,396	**26,638**	28,602

Other assets include £1,742 million (R18,893 million) (2003: £1,720 million (R20,531 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

24(a) Deferred tax asset – insurance and other assets	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
At beginning of year	**253**	323	**3,020**	4,462
Net credit for the year	**69**	4	**814**	49
Foreign exchange and other movements	**(13)**	(74)	**(482)**	(1,491)
At end of year	**309**	253	**3,352**	3,020
The deferred tax asset arises as a result of:				
Insurance funds	**156**	69	**1,692**	824
Unrelieved tax losses	**31**	23	**336**	275
Accelerated capital allowances	**27**	47	**293**	561
Short term timing differences	**95**	114	**1,031**	1,360
	309	253	**3,352**	3,020

The recovery of £309 million (R3,352 million) (2003: £253 million (R3,020 million)) of the total deferred tax asset above is dependent upon future taxable profits.

24(b) Deferred tax asset, unrecognised – insurance and other assets	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Unrelieved tax losses	**66**	71	**716**	848
Accelerated capital allowances	**33**	44	**358**	525
Insurance funds	**7**	3	**76**	36
Short term timing differences	**33**	15	**358**	179
	139	133	**1,508**	1,588

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

24(c) Deferred tax asset – banking	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
At beginning of year	**256**	50	**3,056**	691
Net (charge)/credit for the year	**(29)**	7	**(342)**	86
Foreign exchange and other movements	**(118)**	199	**(1,532)**	2,279
At end of year	**109**	256	**1,182**	3,056
The deferred tax asset arises as a result of:				
Unrelieved tax losses	**235**	189	**2,549**	2,251
Short term timing differences	**(146)**	7	**(1,584)**	80
Other timing differences	**190**	60	**217**	725
	109	256	**1,182**	3,056

Other movements includes an adjustment of £169 million (R1,989 million) based on reclassification of deferred tax on structured finance transactions. There is a matching adjustment to the deferred tax liability accordingly.

There were unrecognised banking deferred tax assets at 31 December 2004 of £18 million (R198 million) relating to unrelieved tax losses (2003: nil).

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for the year ended 31 December 2004 continued

25 DEFERRED ACQUISITION COSTS

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
At beginning of year	**427**	284	**5,097**	3,924
Arising on policies written during the year	**323**	214	**3,811**	2,643
Amortisation	**(44)**	(30)	**(519)**	(370)
Foreign exchange and other movements	**(41)**	(41)	**(1,175)**	(1,100)
At end of year	**665**	427	**7,214**	5,097
Analysed between:				
Life assurance	**656**	420	**7,116**	5,013
General insurance	**9**	7	**98**	84
	665	427	**7,214**	5,097

26 BANKING ASSETS

	£m		Rm	
26(a) Treasury bills and other eligible bills	**At 31 December 2004**	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Investment securities				
Treasury bills and similar securities	**1,223**	792	**13,270**	9,454
Other eligible bills	**177**	31	**1,916**	370
	1,400	823	**15,186**	9,824
Other securities	**85**	65	**924**	776
	1,485	888	**16,110**	10,600
The movement in the book value of Treasury bills and other eligible bills held for investment purposes was as follows:				
At beginning of year	**823**	923	**9,824**	12,750
Additions	**1,498**	1,173	**17,680**	14,484
Disposals	**(1,023)**	(1,367)	**(12,071)**	(16,880)
Foreign exchange and other movements	**102**	94	**(247)**	(530)
At end of year	**1,400**	823	**15,186**	9,824

Investment securities are those intended for use on a continuing basis and not for dealing purposes. The market value of Treasury bills and other eligible bills at 31 December 2004 was £1,485 million (R16,110 million) (2003: £857 million (R10,228 million)).

	£m		Rm	
26(b) Loans and advances to banks	**At 31 December 2004**	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Remittances in transit	**37**	18	**406**	215
Other loans and advances to banks	**2,485**	2,074	**26,952**	24,757
	2,522	2,092	**27,358**	24,972
Maturity profile				
Repayable on demand	**1,016**	1,711	**11,023**	20,424
Repayable within one year but not on demand	**1,056**	381	**16,335**	4,548
	2,522	2,092	**27,358**	24,972

26 BANKING ASSETS continued

26(c) Loans and advances to customers	Notes	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Advances secured on residential properties		**5,699**	4,738	**61,827**	56,556
Leases and instalment debtors		**2,682**	2,967	**29,100**	35,416
Factoring accounts		**53**	54	**579**	645
Preference shares and debentures		**532**	511	**5,768**	6,100
Other loans and overdrafts		**8,165**	6,324	**88,573**	75,488
Loans granted under resale agreements		**1**	9	**16**	107
Other		**648**	1,132	**7,031**	13,512
Total loans and advances before provisions	26(e)	**17,780**	15,735	**192,894**	187,824
Provision for bad and doubtful debts	26(d)	**(606)**	(599)	**(6,578)**	(7,150)
Loans and advances to customers after provisions		**17,174**	15,136	**186,316**	180,674
Maturity profile					
Repayable on demand or at short notice		**1,436**	3,697	**15,573**	44,130
Three months or less but not repayable on demand or at short notice		**1,739**	1,123	**18,868**	13,409
One year or less but over three months		**1,486**	906	**16,124**	10,811
Five years or less but over one year		**5,725**	4,761	**62,106**	56,826
Over five years		**7,394**	5,248	**80,223**	62,648
Provision for bad and doubtful debts		**(606)**	(599)	**(6,578)**	(7,150)
Loans and advances to customers after provisions		**17,174**	15,136	**186,316**	180,674

26(d) Loans and advances to customers – provision for bad and doubtful debts	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Non-performing loans				
Value of non-performing loans before specific provisions	**635**	695	**7,488**	8,299
Specific provisions	**(515)**	(542)	**(5,590)**	(6,470)
Value of non-performing loans after specific provisions	**120**	153	**1,898**	1,829
Specific provisions				
At beginning of year	**542**	350	**6,470**	4,835
Charge to profit and loss account	**121**	321	**1,430**	3,956
Recoveries of advances written-off in previous years	**(19)**	(8)	**(227)**	(98)
Amounts written-off in year	**(210)**	(185)	**(2,474)**	(2,289)
Foreign exchange and other movements	**81**	64	**391**	66
At end of year	**515**	542	**5,590**	6,470
General provisions				
At beginning of year	**57**	124	**680**	1,713
Charge to profit and loss account	**18**	8	**212**	102
Amounts written back in year	**–**	(96)	**–**	(1,181)
Foreign exchange and other movements	**16**	21	**96**	46
At end of year	**91**	57	**988**	680
Total provision for bad and doubtful debts	**606**	599	**6,578**	7,150

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Notes to the Financial Statements
for the year ended 31 December 2004 continued

26 BANKING ASSETS continued

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

	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Loans and advances before provisions				
Individuals	**8,738**	7,236	**94,790**	86,374
Manufacturing	**637**	591	**6,906**	7,055
Asset management, insurance and real estate	**4,063**	3,930	**44,076**	46,911
Other industries	**4,342**	3,978	**47,122**	47,484
Loans and advances to customers before provisions	**17,780**	15,735	**192,894**	187,824
Specific provisions				
Individuals	**260**	153	**2,818**	1,826
Manufacturing	**10**	10	**105**	119
Asset management, insurance and real estate	**59**	47	**636**	561
Other industries	**186**	332	**2,031**	3,964
Specific provisions against loans and other advances to customers	**515**	542	**5,590**	6,470

26(f) Debt securities

	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Book value				
Investment securities				
Government securities	**1,425**	1,254	**15,448**	14,969
Other public sector securities	**50**	70	**546**	836
Private sector securities	**157**	70	**1,704**	836
	1,632	1,394	**17,698**	16,641
Other securities				
Government securities	**211**	3	**2,291**	36
Other public sector securities	**31**	–	**338**	–
Private sector securities	**60**	23	**649**	275
	302	26	**3,278**	311
	1,934	1,420	**20,976**	16,952

The market value of debt securities at 31 December 2004 was £1,941 million (R21,049 million) (2003: £1,437 million (R17,149 million)).

	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Maturity profile – book value				
Due within one year	**140**	198	**1,519**	2,363
Due one year and over	**1,794**	1,222	**19,457**	14,589
	1,934	1,420	**20,976**	16,952
Investment securities analysed by listing status				
Listed	**1,539**	1,368	**16,693**	16,329
Unlisted	**93**	26	**1,005**	312
	1,632	1,394	**17,698**	16,641
The movement in the book value of debt securities held for investment purposes was as follows:				
At beginning of year	**1,394**	913	**16,641**	12,612
Additions	**1,211**	732	**14,289**	9,039
Disposals	**(1,209)**	(331)	**(14,267)**	(4,087)
Foreign exchange and other movements	**236**	80	**1,035**	(923)
At end of year	**1,632**	1,394	**17,698**	16,641

26 BANKING ASSETS continued

26(g) Equity securities and other variable yield securities	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Book value				
Investment securities				
Listed on recognised investment exchanges	**61**	52	**665**	621
Unlisted	**198**	265	**2,146**	3,163
	259	317	**2,811**	3,784
Market value				
Investment securities				
Listed on recognised investment exchanges	**71**	43	**774**	514
Unlisted	**248**	263	**2,686**	3,132
	319	306	**3,460**	3,646
The movement in the book value of equity securities held for investment purposes was as follows:				
At beginning of year	**317**	965	**3,784**	13,331
Additions	**66**	23	**784**	285
Disposals	**(161)**	(61)	**(1,898)**	(754)
Reclassification	**–**	(639)	**–**	(7,891)
Foreign exchange and other movements	**37**	29	**141**	(1,187)
At end of year	**259**	317	**2,811**	3,784

26(h) Investment in associated undertakings	Note	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
At beginning of year		**144**	124	**1,719**	1,713
Share of associated undertakings' retained profit		**5**	14	**56**	173
Net (disposal)/acquisition of interests		**(43)**	19	**(506)**	235
Goodwill amortisation	18	**(5)**	(12)	**(52)**	(148)
Foreign exchange and other movements		**(10)**	(1)	**(230)**	(254)
At end of year		**91**	144	**987**	1,719
Represented by:					
Net asset valuation		**71**	117	**770**	1,396
Unamortised goodwill on acquisition		**20**	27	**217**	323
		91	144	**987**	1,719

Notes to the Financial Statements
for the year ended 31 December 2004 continued

27 EQUITY SHAREHOLDERS' FUNDS

	£m At 31 December 2004	£m At 31 December 2003
Authorised		
6,000,000,000 ordinary shares of 10p each	**600**	600

The movement in consolidated equity shareholders' funds for the year is shown below:

Allotted, called up and fully paid shares of 10p each	Note	Millions Number of shares	£m Share capital	Share premium	Merger reserve	Profit and loss	Reserve in respect of own shares held in policyholders' funds*	Total
Year to 31 December 2004								
Opening equity shareholders' funds		**3,837**	**384**	**587**	**184**	**2,109**	**(401)**	**2,863**
Prior year adjustment	1	**–**	**–**	**–**	**–**	**(109)**	**–**	**(109)**
		3,837	**384**	**587**	**184**	**2,000**	**(401)**	**2,754**
Shares issued under share incentive schemes		**17**	**2**	**13**	**–**	**–**	**–**	**15**
Net sale of shares from ESOP Trusts and policyholders' funds		**–**	**–**	**–**	**–**	**1**	**32**	**33**
Retained profit for the financial year		**–**	**–**	**–**	**–**	**302**	**–**	**302**
Foreign exchange and other movements		**–**	**–**	**–**	**–**	**141**	**–**	**141**
Closing equity shareholders' funds		**3,854**	**386**	**600**	**184**	**2,444**	**(369)**	**3,245**
Year to 31 December 2003 (restated)								
Opening equity shareholders' funds		3,783	378	552	184	1,711	(401)	2,424
Issue of new capital		50	5	32	–	–	–	37
Shares issued under share incentive schemes		4	1	3	–	–	–	4
Net sale of shares from ESOP Trusts		–	–	–	–	6	–	6
Retained profit for the financial year		–	–	–	–	107	–	107
Foreign exchange and other movements		–	–	–	–	176	–	176
Closing equity shareholders' funds		3,837	384	587	184	2,000	(401)	2,754

* Represents original cost of shares in the Company held by policyholders' funds.

27 EQUITY SHAREHOLDERS' FUNDS continued

	Note	Millions	Rm					
		Number of shares	Share capital	Share premium	Merger reserve	Profit and loss	Reserve in respect of own shares held in policyholders' funds*	Total
Year to 31 December 2004								
Opening equity shareholders' funds		**3,837**	**4,584**	**7,007**	**2,196**	**24,296**	**(3,908)**	**34,175**
Prior year adjustment	1	**–**	**–**	**–**	**–**	**(1,301)**	**–**	**(1,301)**
		3,837	**4,584**	**7,007**	**2,196**	**22,995**	**(3,908)**	**32,874**
Shares issued under share incentive schemes		**17**	**24**	**153**	**–**	**–**	**–**	**177**
Net sale of shares from ESOP Trusts and policyholders' funds		**–**	**–**	**–**	**–**	**12**	**315**	**327**
Retained profit for the financial year		**–**	**–**	**–**	**–**	**3,703**	**–**	**3,703**
Foreign exchange and other movements		**–**	**(421)**	**(651)**	**(200)**	**(607)**	**–**	**(1,879)**
Closing equity shareholders' funds		**3,854**	**4,187**	**6,509**	**1,996**	**26,103**	**(3,593)**	**35,202**
Year to 31 December 2003 (restated)								
Opening equity shareholders' funds		3,783	5,222	7,625	2,542	22,010	(3,908)	33,491
Issue of new capital		50	62	395	–	–	–	457
Shares issued under share incentive schemes		4	12	37	–	–	–	49
Net sale of shares from ESOP Trusts		–	–	–	–	76	–	76
Retained profit for the financial year		–	–	–	–	1,375	–	1,375
Foreign exchange and other movements		–	(712)	(1,050)	(346)	(466)	–	(2,574)
Closing equity shareholders' funds		3,837	4,584	7,007	2,196	22,995	(3,908)	32,874

* Represents original cost of shares in the Company held by policyholders' funds.

Restatement of equity shareholders' funds

As described in note 1, in accordance with UITF Abstract 38 "Accounting for ESOP Trusts", shares in the Company held in ESOP Trusts previously included as an asset are now accounted for as a deduction from the profit and loss reserve in arriving at equity shareholders' funds.

Notes to the Financial Statements
for the year ended 31 December 2004 continued

28 COMPANY RESERVES – PROFIT AND LOSS ACCOUNT

	£m		Rm	
	At 31 December 2004	At 31 December 2003 (Restated)*	**At 31 December 2004**	At 31 December 2003 (Restated)*
At beginning of year	**239**	414	**2,853**	5,727
Retained profit/(loss) for the year	**157**	(175)	**1,852**	(2,161)
Foreign exchange movements taken directly to reserves	**–**	–	**(409)**	(713)
At end of year	**396**	239	**4,296**	2,853

* Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 38 "Accounting for ESOP Trusts" as described in note 1.

Distributable reserves of the Company at 31 December 2004 were £396 million (R4,296 million) (2003: £239 million (R2,853 million)).

29 MINORITY INTERESTS

29(a) Equity interests	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
At beginning of year	**652**	783	**7,783**	10,816
Minority interests' share of profit/(loss)	**44**	(117)	**519**	(1,445)
Minority interests' share of dividends paid	**(25)**	(61)	**(295)**	(753)
Net acquisition/(disposal) of interests	**121**	(41)	**1,428**	(506)
Foreign exchange and other movements	**77**	88	**(8)**	(329)
At end of year	**869**	652	**9,427**	7,783

Reconciliation of minority interests share of profit/(loss)	Note	£m		Rm	
		Year to 31 December 2004	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
The minority interest charge/(credit) is analysed as follows:					
Adjusted operating profit		**83**	7	**980**	96
Goodwill amortisation and impairment		**(27)**	(78)	**(319)**	(963)
Loss on disposal of investment in Dimension Data Holdings plc		**–**	(2)	**–**	(30)
Restructuring and integration costs	5(d)(ii)	**(7)**	(13)	**(83)**	(160)
Change in credit provisioning methodology		**–**	(30)	**–**	(376)
Short term fluctuations in investment returns		**4**	(1)	**47**	(12)
Non-operating items	17(b)	**(9)**	–	**(106)**	–
Reported charge/(credit)		**44**	(117)	**519**	(1,445)

29 MINORITY INTERESTS continued

29(b) Non-equity interests	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2004
R2,000 million non-cumulative preference shares (banking subsidiary)[1]	**184**	168	**2,000**	2,000
R792 million non-cumulative preference shares (banking subsidiary)[2]	**73**	69	**792**	825
US$750 million cumulative preferred securities[3]	**391**	421	**4,247**	5,020
Other (general insurance subsidiary)[4]	**7**	3	**76**	36
	655	661	**7,115**	7,881
Unamortised issue costs	**(9)**	(12)	**(98)**	(143)
Undistributed profits due to minority interests	**12**	9	**121**	116
	658	658	**7,138**	7,854

Notes:

1 200 million R10 preference shares issued by Nedbank Limited (Nedbank), the Group's banking subsidiary. These shares are non-redeemable and non-cumulative and pay a cash dividend equivalent to 75% 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.

2 77.3 million R10 preference shares issued at R10.68 per share by Nedbank on the same terms as the securities described in 1 above. Included in original proceeds were R33 million cumulative dividend paid during 2004.

3 US$750 million Guaranteed Cumulative Perpetual Preference Securities issued on 19 May 2003 by Old Mutual Capital Funding L.P., a subsidiary of the Group. Subject to certain limitations, holders of these securities are entitled to receive preferential cash distributions at a fixed rate of 8.0% per annum payable quarterly in arrear. The Group may defer payment of distributions at its sole discretion, but such an act may restrict Old Mutual plc 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.

4 The Group has a general insurance subsidiary which offers clients a share of underwriting surpluses, in preference to ordinary shares, which accrue in respect of certain policies.

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Notes to the Financial Statements
for the year ended 31 December 2004 continued

30 SUBORDINATED LIABILITIES

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Insurance and other liabilities				
Insurance and other subordinated debt instruments of the Group are as follows:				
US$27.1 million repaid during 2004	**–**	15	**–**	179
Banking				
Subordinated debt instruments are repayable:				
Within one year	**46**	–	**502**	–
Between two and five years	**50**	67	**536**	806
After five years	**582**	581	**6,320**	6,939
	678	648	**7,358**	7,745
Comprising:				
US$40 million repaid during 2004	**–**	22	**–**	265
US$18 million repaid during 2004	**–**	10	**–**	119
R500 million repaid during 2004	**–**	42	**–**	500
R502 million repayable 20 September 2005 (8.564 per cent.)	**46**	–	**502**	–
R515 million repayable 4 December 2008 (13.5 per cent.)	**50**	45	**536**	541
R2.0 billion repayable 20 September 2011 (11.3 per cent.)[1]	**190**	173	**2,064**	2,064
R4.0 billion repayable 9 July 2012 (13.2 per cent.)[1]	**392**	356	**4,254**	4,254
R200 million repayable 30 November 2029 (interest free)	**–**	–	**2**	2
	678	648	**7,358**	7,745

Note:

1 These notes are subordinated to all unsecured unsubordinated claims against the issuer, Nedbank Limited, but rank equally with all other unsecured subordinated obligations. Subject to prior approval by the South African Registrar of Banks, Nedbank Limited has the option to elect for early redemption of these notes.

31 TECHNICAL PROVISIONS

	£m			Rm		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At 31 December 2004						
Provision for unearned premiums	**77**	**(14)**	**63**	**835**	**(152)**	**683**
Long term business technical provision	**23,138**	**(269)**	**22,869**	**251,006**	**(2,918)**	**248,088**
Claims outstanding – long term business	**393**	**(10)**	**383**	**4,263**	**(108)**	**4,155**
Claims outstanding – general business	**287**	**(60)**	**227**	**3,113**	**(651)**	**2,462**
	23,895	**(353)**	**23,542**	**259,217**	**(3,829)**	**255,388**
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

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 discretionary 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 provisions to meet financial options and guarantees.

Certain individual life mortality assumptions were reduced to better reflect ongoing mortality experience. These were largely offset by an increase of £75 million (R819 million) in mortality discretionary margins so that profit continues to emerge over the terms of those policies.

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 for non-participating policies, assumed future mortality experience of policyholders and the level of discretionary margins.

The principal assumptions used at 31 December 2004 and 31 December 2003 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 (2003: 11.0 per cent. per annum)	Tables derived from own experience with allowance for increasing AIDS claims

Notes to the Financial Statements
for the year ended 31 December 2004 continued

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. per annum (2003: 8.0 per cent.).

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. (2003: 8.8 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 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 for long term business are set out below.

	Rates of interest (gross of tax and charges)	Mortality tables used
All products	2004: 5.0 per cent. per annum (2003: 6.4 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 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.

32 INSURANCE – PROVISIONS FOR OTHER RISKS AND CHARGES

	£m				Rm			
	Deferred tax (note 32(a))	Pension and retirement obligations	Other provisions	Total	Deferred tax (note 32(a))	Pension and retirement obligations	Other provisions	Total
Group								
Year to 31 December 2004								
At beginning of year	**295**	**74**	**182**	**551**	**3,521**	**883**	**2,172**	**6,576**
Charge to the profit and loss account	**87**	**8**	**56**	**151**	**1,026**	**94**	**661**	**1,781**
Utilised during the year	**–**	**(19)**	**(37)**	**(56)**	**–**	**(224)**	**(437)**	**(661)**
Released during the year	**–**	**–**	**(7)**	**(7)**	**–**	**–**	**(83)**	**(83)**
Foreign exchange and other movements	**(21)**	**12**	**9**	**–**	**(631)**	**61**	**(111)**	**(681)**
At end of year	**361**	**75**	**203**	**639**	**3,916**	**814**	**2,202**	**6,932**
Year to 31 December 2003								
At beginning of year	231	81	174	486	3,191	1,119	2,404	6,714
Acquisition of subsidiaries	89	33	74	196	1,099	408	2,420	3,927
Charge to the profit and loss account	–	(64)	(55)	(119)	–	(790)	(1,469)	(2,259)
Utilised 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

The provision for pension and other retirement obligations relates to £55 million (R597 million) (2003: £53 million (R632 million)) for pension contributions referred to in note 14(a) and £20 million (R217 million) (2003: £21 million (R251 million)) for post retirement benefits referred to in note 14(b).

Other provisions relate to provisions for impairment of various life operations within the Group, warranty provisions in respect of businesses sold, employee obligations, onerous property leases and obligations in respect of unclaimed share trusts (note 5(f)).

Notes to the Financial Statements
for the year ended 31 December 2004 continued

32 INSURANCE – PROVISIONS FOR OTHER RISKS AND CHARGES continued

32(a) Deferred tax liability	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
The deferred tax liability arises from:				
Deferred acquisition costs	**244**	183	**2,647**	2,184
Other short term timing differences	**117**	112	**1,269**	1,337
	361	295	**3,916**	3,521

There were no unrecognised deferred tax liabilities as at 31 December 2004 (2003: nil).

32(b) Provisions for liabilities and charges – Company	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
At beginning of year	**26**	38	**310**	525
Charge to the profit and loss account	**12**	–	**142**	–
Utilised during the year	**(17)**	(12)	**(201)**	(148)
Foreign exchange and other movements	**–**	–	**(23)**	(67)
At end of year	**21**	26	**228**	310

Provisions for liabilities and charges primarily relate to employee obligations.

33 CREDITORS

33(a) Creditors arising from direct insurance operations	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Amounts owed to policyholders	**164**	227	**1,779**	2,710
Amounts owed to intermediaries	**17**	26	**184**	310
Outstanding securities purchased	**2**	7	**22**	84
Other	**122**	218	**1,323**	2,602
	305	478	**3,308**	5,706

33(b) Other creditors including tax and social security	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2004
Falling due within one year				
Current taxation	**152**	118	**1,649**	1,409
Dividends payable	**122**	106	**1,323**	1,265
Loans and advances from policyholders	**1,057**	736	**11,467**	8,785
Other creditors	**404**	843	**4,386**	10,055
	1,735	1,803	**18,825**	21,514
Falling due after one year				
Other creditors	**48**	3	**521**	36
	1,783	1,806	**19,346**	21,550

34 AMOUNTS OWED TO CREDIT INSTITUTIONS

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Group				
Bank and other loans				
Repayable within one year:				
Floating rate notes[1]	**5**	11	**54**	131
Commercial paper	**–**	17	**–**	203
	5	28	**54**	334
Repayable between one and two years:				
Term loan[4]	**24**	–	**260**	–
Floating rate notes[2]	**24**	–	**260**	–
	48	–	**520**	–
Repayable between two and five years:				
Floating rate notes[1]	**5**	6	**54**	72
Term loan	**–**	25	**–**	298
Fixed rate notes[5]	**182**	196	**1,974**	2,340
Other[6]	**52**	48	**564**	573
	239	275	**2,592**	3,283
Repayable after five years:				
Floating rate notes[3]	**167**	68	**1,812**	812
Other[6]	**8**	6	**87**	72
	175	74	**1,899**	884
	467	377	**5,065**	4,501

Notes to the Financial Statements
for the year ended 31 December 2004 continued

34 AMOUNTS OWED TO CREDIT INSTITUTIONS continued

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Company				
Bank and other loans				
Repayable within one year:				
Floating rate notes[1]	**5**	11	**54**	131
Commercial paper	**–**	17	**–**	203
	5	28	**54**	334
Repayable between one and two years:				
Term loan[4]	**24**	–	**260**	–
Floating rate notes[2]	**24**	–	**260**	–
	48	–	**520**	–
Repayable between two and five years:				
Floating rate notes[1]	**5**	6	**54**	72
Term loan	**–**	25	**–**	298
Fixed rate notes[5]	**182**	196	**1,974**	2,340
	187	227	**2,028**	2,710
Repayable after five years:				
Floating rate notes[3]	**167**	68	**1,812**	812
	407	323	**4,414**	3,856

Floating rate notes:

1 US$10.5 million repaid on 18 January 2005, and US$10 million repayable September 2009.

2 £24 million repayable November 2006.

3 £28 million note repayable on 31 December 2010, with the holders having the option to elect for early redemption every six months, €30 million fixed rate bond due 2010 swapped into floating rate US Dollars, US$50 million note repayable September 2011, US$150 million note repayable September 2014, €10 million fixed rate bond due in 2010 and €20 million fixed rate bond due in 2013 (issued during 2003 with the capital and interest immediately swapped into floating rate US Dollars).

Term loan:

4 US$45 million term loan repayable on 30 June 2006.

Fixed rate notes:

5 €400 million Euro notes due 2007, capital and interest swapped into fixed rate US Dollars.

Other:

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

During the year, the Company entered into a new £1.1 billion 5-year multi-currency Revolving Credit Facility, which matures in May 2009, and cancelled its existing £900 million, US$600 million and US$60 million Revolving Credit Facilities. The new facility was undrawn at 31 December 2004.

34 AMOUNTS OWED TO CREDIT INSTITUTIONS continued

34(a) Convertible loan stock

(i) Insurance and other assets

At 31 December 2004, the Group had in issue US$636 million (£332 million (R3,602 million) (2003: £357 million (R4,261 million)) 3.625 per cent. Convertible Bonds maturing on 2 May 2005, which are guaranteed by Old Mutual plc. Holders of the Bonds have the right to elect to convert the Bonds into ordinary shares in Old Mutual plc at a conversion price of 190p per share and an exchange rate of one US dollar to 69.52p Sterling.

(ii) Banking

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Compulsory convertible loan maturing 6 November 2005 (13.75 per cent.)	**2**	3	**20**	37
Compulsory convertible loan maturing 31 December 2005 (18.12 per cent.)	**4**	7	**47**	82
	6	10	**67**	119

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 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Items in the course of transmission to other banks	**59**	17	**643**	203
Other deposits	**2,762**	4,364	**29,694**	52,092
	2,821	4,381	**30,607**	52,295

All deposits by banks are repayable on demand other than other deposits of £23 million (R245 million) (2003: £13 million (R150 million)) which are due after more than one year.

36 CUSTOMER ACCOUNTS, MATURITY PROFILE

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Repayable on demand	**7,905**	8,676	**85,759**	103,563
Agreed maturity dates or years of notice, by remaining maturity, of:				
Three months or less, but not repayable on demand	**6,965**	3,196	**75,554**	38,150
One year or less, but over three months	**1,824**	1,544	**19,784**	18,430
Five years or less, but over one year	**748**	504	**8,115**	6,016
Over five years	**66**	56	**721**	668
	17,508	13,976	**189,933**	166,827

Notes to the Financial Statements
for the year ended 31 December 2004 continued

37 DEBT SECURITIES IN ISSUE

	Notes	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Bonds and medium term notes	37(a)	**1,563**	173	**16,956**	2,065
Other debt securities in issue	37(b)	**–**	295	**–**	3,521
		1,563	468	**16,956**	5,586

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

	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Bonds and medium term notes repayable:				
Within one year	**1,524**	13	**16,536**	155
Between one and two years	**38**	39	**414**	466
Between two and five years	**1**	121	**6**	1,444
	1,563	173	**16,956**	2,065

37(b) Other debt securities, maturity profile

	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Other debt securities repayable:				
Within one year	**–**	262	**–**	3,127
Between one and two years	**–**	4	**–**	48
Between two and five years	**–**	29	**–**	346
	–	295	**–**	3,521

38 BANKING – OTHER LIABILITIES

	Note	£m At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Current tax		**18**	13	**196**	150
Liabilities under acceptances		**139**	70	**1,511**	836
Securities sold under agreements to repurchase		**351**	281	**3,811**	3,350
Derivative contracts – negative value	46(e)	**1,837**	1,742	**19,924**	20,796
Trade creditors and other liabilities		**883**	1,094	**9,583**	13,067
		3,228	3,200	**35,025**	38,199

Other liabilities include £1,837 million (R19,924 million) (2003: £1,742 million (R20,796 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.

39 BANKING – PROVISION FOR DEFERRED TAX

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
At beginning of year	**229**	105	**2,732**	1,450
Additions from acquired operations	**–**	49	**3**	583
Credit to profit and loss account	**(15)**	(28)	**(178)**	(347)
Foreign exchange and other movements	**(119)**	103	**(1,527)**	1,046
At end of year	**95**	229	**1,030**	2,732
Comprising:				
Short term timing differences	**18**	16	**200**	191
Leasing transactions	**–**	137	**–**	1,635
Other	**77**	76	**830**	906
	95	229	**1,030**	2,732

Other movements includes an adjustment of £169 million (R1,989 million) based on reclassification of deferred tax on structured finance transactions. There is a corresponding adjustment to the deferred tax asset accordingly.

There were no unrecognised banking deferred tax liabilities at 31 December 2004 (2003: nil).

40 INVESTMENTS – COMPANY

	£m			Rm		
	Shares in subsidiaries	Loans to subsidiaries	Total	Shares in subsidiaries	Loans to subsidiaries	Total
Year to 31 December 2004						
At beginning of year	**722**	**2,014**	**2,736**	**8,618**	**24,041**	**32,659**
Acquisitions	**9**	**–**	**9**	**106**	**–**	**106**
Net amount advanced during year	**–**	**276**	**276**	**–**	**3,256**	**3,256**
Foreign exchange movements	**–**	**–**	**–**	**(794)**	**(2,454)**	**(3,248)**
At end of year	**731**	**2,290**	**3,021**	**7,930**	**24,843**	**32,773**
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

The Company's principal subsidiaries at 31 December 2004 are set out in note 41.

Notes to the Financial Statements
for the year ended 31 December 2004 continued

41 PRINCIPAL SUBSIDIARIES AND 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 Kotak Mahindra Old Mutual Life Insurance 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
Clay Finlay, Inc.	Asset management	100	New York, United States of America
Dwight Asset Management Company	Asset management	100	Delaware, United States of America
First Pacific Advisors, Inc.	Asset management	100	Massachusetts, United States of America
Heitman LLC	Asset management	50	Delaware, United States of America
Liberty Ridge Capital Inc.	Asset management	100	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 Investment Services (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
Pacific Financial Research, Inc.	Asset management	100	Massachusetts, United States of America
Palladyne Asset Management B.V.	Asset management	100	Netherlands
Provident Investment Counsel, Inc.	Asset management	100	Massachusetts, United States of America
Selestia Life & Pensions Ltd	Asset management	100	England and Wales
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
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
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
Kotak Mahindra Old Mutual Life Insurance Ltd	Life assurance	26	India
Ned Life Assurance Company Ltd	Life assurance	52	Republic of South Africa
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
Old Mutual Life Assurance Company (South Africa) Ltd	Life assurance	100	Republic of South Africa
Old Mutual Life Assurance Company Ltd	Life assurance	62	Kenya

41 PRINCIPAL GROUP UNDERTAKINGS continued

Name	Nature of business	Percentage holding*	Country of incorporation
Old Mutual Life Assurance Company Zimbabwe Ltd	Life assurance	100	Zimbabwe
Old Mutual Reassurance (Ireland) Ltd	Life assurance	100	Ireland
OMNIA (Bermuda) Ltd	Life assurance	100	Bermuda
Mutual & Federal Insurance Company Ltd	General insurance	87	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
Fairbairn Private Bank Ltd	Banking	67	Jersey
Nedbank Ltd	Banking	52	Republic of South Africa
Nedcor Investment Holdings 101 Ltd	Banking	52	Republic of South Africa
Nedcor	Banking	52	Republic of South Africa
Peoples Bank Ltd	Banking	52	Republic of South Africa

* Effective holding of issued ordinary shares at 31 December 2004.

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 Kotak Mahindra Old Mutual Life Insurance 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, and banking services provided by the Group's banking operation, Nedcor.

No director had a material interest in any contract of significance with the Company or any of its subsidiaries during 2004, except for that described in note 12.

43 POST BALANCE SHEET EVENTS

There are no material post balance sheet date events.

44 COMMITMENTS

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Undrawn formal standby facilities, credit lines and other commitments to lend	**985**	1,005	**10,685**	12,001
Capital and other commitments	**87**	12	**944**	143
	1,072	1,017	**11,629**	12,144

Notes to the Financial Statements
for the year ended 31 December 2004 continued

45 CONTINGENT LIABILITIES

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
Guarantees and assets pledged as collateral security	**994**	1,039	**10,783**	12,402
Irrevocable letters of credit	**325**	503	**3,526**	6,004
Secured lending	**539**	735	**5,847**	8,773
Other contingent liabilities	**49**	145	**532**	1,731
	1,907	2,422	**20,688**	28,910

Contingent liabilities arise principally from the normal operating activities of the Group's banking operations.

Group companies give indemnities and guarantees as a normal part of their operating activities or in relation to capital market transactions.

Various Group companies have given guarantees, indemnities and warranties in connection with disposals of subsidiaries to parties outside the Group in recent years. Provision has been made for certain of these where a realistic estimate of the obligation can be made. In all other cases, in the opinion of the directors, no material loss will arise as a result of these guarantees, indemnities and warranties.

On 21 June 2004, one of the Group's US asset management affiliates, Liberty Ridge Capital Inc., (formerly known as Pilgrim Baxter & Associates, Ltd (PBA)), reached agreements with the US Securities and Exchange Commission (SEC) and the Office of the New York State Attorney General (NYAG) which settle all charges brought by these authorities against PBA in relation to market timing in the US mutual fund business. There are several related private lawsuits arising from the conduct alleged in the civil suits filed by the SEC and NYAG.

These class action lawsuits were consolidated into a single lawsuit along with all other cases against US parties alleging market timing and late trading violations. Proceedings in this case are at a preliminary stage and it is not possible to say, at this time, whether or not the amount of the ultimate liability to be borne by the Group will be material. As a result, no amount has been recognised for additional fines or other penalties that may arise, as significant uncertainty remains over the quantum of any settlement.

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.

46(a) Derivatives held for trading purposes	£m Notional principal	£m Positive fair value	£m Negative fair value	Rm Notional principal	Rm Positive fair value	Rm Negative fair value
At 31 December 2004						
Exchange rate contracts						
Spot, forwards and futures	1,637	131	77	17,763	1,425	832
Currency swaps	529	72	33	5,744	785	358
Options purchased	21	9	–	226	95	–
Options written	13	–	4	138	–	38
	2,200	212	114	23,871	2,305	1,228
Interest rate contracts						
Interest rate swaps	30,236	1,130	1,469	328,005	12,250	15,947
Forward rate agreements	17,835	40	43	193,482	437	463
Caps, collars and floors	564	1	1	6,121	10	6
Options purchased	43	4	–	470	37	–
Options written	66	–	–	720	–	4
Futures	1,007	–	–	10,928	2	2
	49,751	1,175	1,513	539,726	12,736	16,422
Equity contracts						
Options purchased	474	295	–	5,142	3,198	–
Options written	2,748	–	210	29,806	–	2,274
Futures	132	60	–	1,430	654	–
	3,354	355	210	36,378	3,852	2,274
Balances arising from off-balance sheet financial instruments	55,305	1,742	1,837	599,975	18,893	19,924

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Notes to the Financial Statements
for the year ended 31 December 2004 continued

46 FINANCIAL INSTRUMENTS continued

46(a) Derivatives held for trading purposes continued	£m Notional principal	£m Positive fair value	£m Negative fair value	Rm Notional principal	Rm Positive fair value	Rm Negative fair value
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(b) Derivatives held for non-trading purposes	£m Notional principal	£m Positive value	£m Negative value	Rm Notional principal	Rm Positive value	Rm Negative value
At 31 December 2004						
Exchange rate contracts						
Spot, forwards and futures	**1,032**	**75**	**36**	**11,198**	**814**	**394**
Currency swaps	**9,607**	**698**	**668**	**104,218**	**7,574**	**7,243**
	10,639	**773**	**704**	**115,416**	**8,388**	**7,637**
Interest rate contracts						
Interest rate swaps	**738**	**25**	**42**	**8,006**	**267**	**458**
Options purchased	**11**	**1**	**–**	**124**	**11**	**–**
Options written	**20**	**–**	**3**	**214**	**–**	**31**
	769	**26**	**45**	**8,344**	**278**	**489**
Balances arising from off-balance sheet financial instruments	**11,408**	**799**	**749**	**131,766**	**8,933**	**8,584**

46 FINANCIAL INSTRUMENTS continued

46(b) Derivatives held for non-trading purposes continued	£m Notional principal	£m Positive fair value	£m Negative fair value	Rm Notional principal	Rm Positive fair value	Rm Negative fair value
At 31 December 2003						
Exchange rate contracts						
Spot, forwards, futures and currency swaps	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

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 At 31 December 2004	£m At 31 December 2003	Rm At 31 December 2004	Rm At 31 December 2003
Maturity analysis of notional principal amounts of non-trading instruments entered into with third parties:				
Exchange rate contracts				
Under one year	**10,321**	12,963	**111,967**	154,747
One to five years	**317**	334	**3,434**	3,987
Over five years	**1**	1	**15**	11
	10,639	13,298	**115,416**	158,745
Interest rate contracts				
Under one year	**193**	130	**2,097**	1,552
One to five years	**329**	373	**3,564**	4,452
Over five years	**247**	258	**2,683**	3,086
	769	761	**8,344**	9,090

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46 FINANCIAL INSTRUMENTS continued

46(c) Credit risk exposure on derivative contracts	£m Exchange rate contracts	£m Interest rate contracts	£m Equity contracts	£m Total	Rm Exchange rate contracts	Rm Interest rate contracts	Rm Equity contracts	Rm Total
At 31 December 2004								
Replacement cost of OTC derivatives – trading book only:								
Maturity analysis								
Under one year	141	106	169	416	1,533	1,147	1,834	4,514
One to five years	46	599	186	831	502	6,495	2,018	9,015
Over five years	25	470	–	495	270	5,094	–	5,364
	212	1,175	355	1,742	2,305	12,736	3,852	18,893
Counterparty analysis								
Financial institutions	190	1,061	340	1,591	2,066	11,507	3,692	17,265
Non-financial institutions	22	114	15	151	239	1,229	160	1,628
	212	1,175	355	1,742	2,305	12,736	3,852	18,893

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

	£m Exchange rate contracts	£m Interest rate contracts	£m Equity contracts	£m Total	Rm Exchange rate contracts	Rm Interest rate contracts	Rm Equity contracts	Rm Total
Notional principal of OTC derivatives – trading book only:								
Maturity analysis								
Under one year	1,797	25,436	534	27,767	19,494	275,931	5,789	301,214
One to five years	321	16,967	819	18,107	3,477	184,059	8,887	196,423
Over five years	83	7,350	2,001	9,434	900	79,736	21,702	102,338
	2,201	49,753	3,354	55,308	23,871	539,726	36,378	599,975
Counterparty analysis								
Financial institutions	2,165	39,156	3,257	44,578	23,489	424,775	35,332	483,596
Non-financial institutions	36	10,597	97	10,730	382	114,951	1,046	116,379
	2,201	49,753	3,354	55,308	23,871	539,726	36,378	599,975

	£m Exchange rate contracts	£m Interest rate contracts	£m Total	Rm Exchange rate contracts	Rm Interest rate contracts	Rm 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

46 FINANCIAL INSTRUMENTS continued

46(c) Credit risk exposure on derivative contracts

	£m Exchange rate contracts	£m Interest rate contracts	£m Total	Rm Exchange rate contracts	Rm Interest rate contracts	Rm Total
Notional principal of OTC derivatives – trading book only:						
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

The following analysis summarises the timing mismatch of interest receivable on assets and interest payable on liabilities by reference to the earliest date on which repricing to market value can occur.

46(d) Non-trading book interest rate risk

£m

	Notes	Under three months	Three to six months	Six months to one year	One to five years	Over five years	Trading book and non-interest bearing	Total
At 31 December 2004								
Assets								
Cash and balances at central banks		133	–	–	–	–	793	926
Treasury bills and other eligible bills	26(a)	402	77	1	–	–	1,005	1,485
Loans and advances to banks	26(b)	728	–	–	–	–	1,794	2,522
Loans and advances to customers	26(c)	14,658	60	126	1,446	866	18	17,174
Debt securities	26(f)	73	–	–	1,156	94	611	1,934
Equity securities	26(g)	–	–	–	–	–	259	259
Investments in associated undertakings	26(h)	–	–	–	–	–	91	91
Tangible fixed assets	22	–	–	–	–	–	223	223
Land and buildings	19	–	–	–	–	–	160	160
Other assets	24	–	–	–	–	–	2,456	2,456
Prepayments and accrued income		–	–	–	–	–	270	270
		15,994	137	127	2,602	960	7,680	27,500
Liabilities								
Deposits by banks	35	1,851	159	83	22	–	706	2,821
Customer accounts	36	13,201	795	878	734	27	1,873	17,508
Debt securities in issue	37	1,142	251	130	35	–	5	1,563
Other liabilities	38	255	–	–	–	19	2,954	3,228
Provision for liabilities and charges	39	–	–	–	–	–	95	95
Subordinated liabilities	30	–	–	46	601	–	31	678
Convertible loan stock	34(a)	–	–	6	–	–	–	6
		16,449	1,205	1,143	1,392	46	5,664	25,899
Net position		(455)	(1,068)	(1,016)	1,210	914	2,016	1,601
Off-balance sheet items		(1,404)	1,402	1,447	(867)	(578)	–	–
Interest rate sensitivity gap		(1,859)	334	431	343	336	2,016	–
Cumulative gap		(1,859)	(1,525)	(1,094)	(751)	(415)	1,601	1,601

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Notes to the Financial Statements
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46 FINANCIAL INSTRUMENTS continued

£m

46(d) Non-trading book interest rate risk continued	Notes	Under three months	Three to six months	Six months to one year	One to five years	Over 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

46(d) Non-trading book interest rate risk

Rm

	Notes	Under three months	Three to six months	Six months to one year	One to five years	Over five years	Trading book and non-interest bearing	Total
At 31 December 2004								
Assets								
Cash and balances at central banks		1,439	–	–	–	–	8,616	10,055
Treasury bills and other eligible bills	26(a)	4,365	833	10	4	–	10,898	16,110
Loans and advances to banks	26(b)	7,893	–	–	–	–	19,465	27,358
Loans and advances to customers	26(c)	159,014	650	1,364	15,687	9,393	208	186,316
Debt securities	26(f)	795	–	–	12,543	1,024	6,614	20,976
Equity securities	26(g)	–	–	–	–	–	2,811	2,811
Investments in associated undertakings	26(h)	–	–	–	–	–	987	987
Tangible fixed assets	22	–	–	–	–	–	2,423	2,423
Land and buildings	19	–	–	–	–	–	1,738	1,738
Other assets	24	–	–	–	–	–	26,638	26,638
Prepayments and accrued income		–	–	–	–	–	2,933	2,933
		173,506	1,483	1,374	28,234	10,417	83,331	298,345
Liabilities								
Deposits by banks	35	20,075	1,728	900	243	2	7,569	30,607
Customer accounts	36	143,210	8,620	9,520	7,961	294	20,328	189,933
Debt securities in issue	37	12,392	2,718	1,415	383	3	45	16,956
Other liabilities	38	2,770	–	–	1	211	32,043	35,025
Provision for liabilities and charges	39	–	–	–	–	–	1,030	1,030
Subordinated liabilities	30	–	–	500	6,515	–	343	7,358
Convertible loan stock	34(a)	–	–	67	–	–	–	67
		178,447	13,066	12,402	15,103	510	61,448	280,976
Net position		(4,941)	(11,583)	(11,028)	13,131	9,907	21,883	17,369
Off-balance sheet items		(15,230)	15,209	15,698	(9,408)	(6,269)	–	–
Interest rate sensitivity gap		(20,171)	3,626	4,670	3,723	3,638	21,883	–
Cumulative gap		(20,171)	(16,545)	(11,875)	(8,152)	(4,514)	17,369	17,369

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46 FINANCIAL INSTRUMENTS continued

46(d) Non-trading book interest rate risk	Notes	Under three months	Three to six months	Six months to one year	One to five years	Over five years	Trading book and non-interest bearing	Total
								Rm
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

46(e) Fair value disclosures

	£m		Rm	
	Fair value at 31 December 2004	Fair value at 31 December 2003	**Fair value at 31 December 2004**	Fair value at 31 December 2003
The fair value of the financial assets and liabilities of the Group's banking subsidiaries comprises:				
Trading book financial assets and liabilities				
Assets				
Treasury bills and other eligible bills	**797**	–	**8,650**	–
Debt securities	**250**	26	**2,709**	311
Derivative contracts – positive value	**1,742**	1,720	**18,893**	20,531
Liabilities				
Derivative contracts – negative value	**1,837**	1,742	**19,924**	20,796
Non-trading book financial assets and liabilities				
Assets				
Treasury bills and other eligible bills	**688**	857	**7,462**	10,228
Debt securities	**1,691**	1,411	**18,340**	16,838
Equity securities	**309**	306	**3,352**	3,646
Liabilities				
Debt securities in issue	**1,563**	468	**16,956**	5,586
Subordinated liabilities	**678**	648	**7,358**	7,745

The fair value of all of the Group's financial assets and liabilities is the same as the book value of those assets and liabilities in all instances except for non-trading book debt securities with a book value of £1,691 million (R18,340 million) at 31 December 2004 (2003: £1,411 million (R16,838 million)) and non-trading book equity securities with a book value of £309 million (R3,352 million) at 31 December 2004 (2003: £306 million (R3,646 million)).

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.

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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	
Total VaR	**Year to 31 December 2004**	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
At 31 December	**2**	2	**17**	19
Highest	**3**	2	**33**	26
Lowest	**1**	1	**10**	8
Average	**1**	1	**14**	16

47 RECONCILIATION OF OPERATING PROFIT TO NET OPERATING CASH FLOWS

	£m		Rm	
	Year to 31 December 2004	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Profit from insurance and asset management activities before tax and non-operating items	**727**	690	**8,578**	8,521
Depreciation and amortisation of intangible assets	**68**	83	**802**	1,025
Unrealised investment gains	**(35)**	(161)	**(413)**	(1,988)
Profits relating to long term business	**(511)**	(541)	**(6,018)**	(6,681)
Investment return in the life business	**172**	183	**2,025**	2,260
Cash received from long term business	**336**	261	**3,964**	3,223
Increase/(decrease) in provisions for other risks and charges	**37**	(29)	**437**	(358)
Increase in insurance technical provisions net of reinsurance	**24**	18	**283**	222
Other (including amounts reinvested in long term business operations)	**134**	412	**1,581**	5,088
Net cash inflow from insurance operating activities	**952**	916	**11,239**	11,312
Profit from banking activities before tax and non-operating items	**78**	(144)	**920**	(1,778)
Provision for bad and doubtful debts	**139**	321	**1,640**	3,960
Depreciation and goodwill amortisation and impairment	**127**	239	**1,498**	2,951
Decrease in accrued income, prepayments and other trading adjustments	**110**	277	**1,298**	3,422
Net cash flow from banking trading activities	**454**	693	**5,356**	8,555
Net decrease in collections/transmissions	**(16)**	(17)	**(189)**	(210)
Net increase in loans and advances to banks and customers	**(859)**	(997)	**(10,135)**	(12,305)
Net increase in deposits by banks and customer accounts	**114**	1,735	**1,345**	21,425
Net (decrease)/increase in debt securities in issue	**962**	(2,081)	**11,350**	(25,698)
Net increase in other operating assets	**(788)**	(135)	**(9,297)**	(1,663)
Net decrease/(increase) in other operating liabilities	**(279)**	123	**(3,293)**	1,509
Net cash outflow from banking operating activities	**(412)**	(679)	**(4,863)**	(8,387)

47 RECONCILIATION OF OPERATING PROFIT TO NET OPERATING CASH FLOWS continued

47(a) Analysis of cash flows	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Returns on investment and servicing of finance				
Net interest paid	**(22)**	(30)	**(260)**	(370)
Dividends paid to minority interests	**(80)**	(95)	**(944)**	(1,173)
Bank charges and other finance costs	**(11)**	(3)	**(130)**	(37)
Net cash outflow from returns on investments and servicing of finance	**(113)**	(128)	**(1,334)**	(1,580)
Tax				
United Kingdom corporation tax	**10**	–	**118**	–
Overseas tax	**(303)**	(174)	**(3,575)**	(2,149)
Total tax paid	**(293)**	(174)	**(3,457)**	(2,149)
Capital expenditure and financial investment				
Net disposal of banking investment securities	**71**	316	**838**	3,903
Net purchase of tangible fixed assets	**(73)**	(89)	**(861)**	(1,099)
Net cash (outflow)/inflow from capital expenditure and financial investment	**(2)**	227	**(23)**	2,804
Acquisitions and disposals				
Acquisition of interests in subsidiary undertakings and revenue share payments	**(110)**	(67)	**(1,298)**	(827)
Disposal of interests in subsidiary and associate undertakings	**79**	227	**932**	2,803
Net cash movement on acquisition and disposals of subsidiaries	**–**	(77)	**–**	(951)
Net cash (outflow)/inflow from acquisitions and disposals	**(31)**	83	**(366)**	1,025
Financing				
Issue of ordinary share capital	**15**	41	**177**	506
Issue of ordinary share capital of subsidiary undertakings to minority interests	**217**	14	**2,560**	173
Net increase/(decrease) in amounts due to credit institutions	**104**	(365)	**1,227**	(4,507)
Net increase/(decrease) in subordinated liabilities	**(48)**	44	**(566)**	544
Repayment of convertible unsecured debt	**(4)**	(14)	**(52)**	(175)
Non-equity preference shares and preferred securities issued – net of issue costs	**–**	511	**–**	6,310
Net cash inflow from financing	**284**	231	**3,346**	2,851

47(b) Movement in portfolio investments, net of financing	£m Year to 31 December 2004	£m Year to 31 December 2003	Rm Year to 31 December 2004	Rm Year to 31 December 2003
Cash flow (excluding long term business):				
Net cash inflow for the year	**(157)**	36	**(1,852)**	445
Portfolio investments	**546**	616	**6,442**	7,605
Movement arising from cash flow	**389**	652	**4,590**	8,050
Movement in long term business	**96**	8	**1,133**	99
Changes in market values and exchange rates	**2,504**	3,401	**439**	2,652
Total movement in portfolio investments, net of financing	**2,989**	4,061	**6,162**	10,801
Portfolio investments, net of financing at beginning of year	**24,128**	20,067	**288,008**	277,207
Portfolio investments, net of financing at end of year	**27,117**	24,128	**294,170**	288,008

Notes to the Financial Statements
for the year ended 31 December 2004 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	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	695	(157)	(42)	8	504
Land and buildings	677	9	17	70	773
Other financial investments	22,756	537	121	2,426	25,840
	24,128	389	96	2,504	27,117
Movement in financing					
Share capital	384	2	–	–	386
Share premium and merger reserve	771	13	–	–	784
Subordinated liabilities	15	(15)	–	–	–
Amounts owed to credit institutions	377	104	–	(14)	467
Convertible loan stock	357	–	–	(25)	332
Preferred securities (including undistributed profits)	411	–	–	(19)	392
	2,315	104	–	(58)	2,361

Rm

	At start of year	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	8,296	(1,852)	(496)	(481)	5,467
Land and buildings	8,081	106	201	(2)	8,386
Other financial investments	271,631	6,336	1,428	922	280,317
	288,008	4,590	1,133	439	294,170
Movement in financing					
Share capital	4,584	24	–	(421)	4,187
Share premium and merger reserve	9,203	153	–	(851)	8,805
Subordinated liabilities	179	(179)	–	–	–
Amounts owed to credit institutions	4,501	1,227	–	(663)	5,065
Convertible loan stock	4,261	–	–	(659)	3,602
Preferred securities (including undistributed profits)	4,906	–	–	(655)	4,251
	27,634	1,225	–	(3,249)	25,610

47 RECONCILIATION OF OPERATING PROFIT TO NET OPERATING CASH FLOWS continued

47(d) Movement in banking cash and changes in financing during the period

£m

	At start of year	Cash flow	Changes to market value, currencies and other	At end of year
Cash and balances at central banks	1,025	(185)	86	926
Movement in financing				
Subordinated liabilities	648	(33)	63	678
Convertible loan stock	10	(4)	–	6
Non-equity preference shares (including undistributed profits)	244	–	22	266
	902	(37)	85	950

Rm

	At start of year	Cash flow	Changes to market value, currencies and other	At end of year
Cash and balances at central banks	12,235	(2,180)	–	10,055
Movement in financing				
Subordinated liabilities	7,745	(387)	–	7,358
Convertible loan stock	119	(52)	–	67
Non-equity preference shares (including undistributed profits)	2,912	–	(25)	2,887
	10,776	(439)	(25)	10,312

Supplementary Disclosures FRS 27 "Life Assurance"
for the year ended 31 December 2004

In December 2004, the UK Accounting Standards Board (ASB) released Financial Reporting Standard 27 "Life Assurance" (FRS 27) with implementation for years ending on or after 23 December 2005. In keeping with industry practice, and in recognition of the Memorandum of Understanding signed by UK listed insurance companies, the Association of British Insurers and the ASB, key components of FRS 27 disclosures are provided as supplementary information for the year ended 31 December 2004. This information is not subject to audit and does not form part of the financial statements. The disclosures will be incorporated into the financial statements prepared under International Financial Reporting Standards for the year ending 31 December 2005 and subsequent years.

CAPITAL POSITION STATEMENT

The capital position of the Group's significant life businesses, based on latest estimates, can be summarised as follows:

	£m			Rm		
	South Africa	United States	Rest of World	South Africa	United States	Rest of World
Equity shareholders' funds	3,357	1,228	85	36,418	13,318	922
Adjustments on to regulatory basis:						
Inadmissible assets	(33)	(55)	–	(354)	(600)	–
Other adjustments	(677)	(716)	(19)	(7,340)	(7,769)	(206)
Total available capital resources	2,647	457	66	28,724	4,949	716
Total capital requirements – local regulatory basis	1,013	160	26	10,993	1,738	282
Overall capital excess	1,634	297	40	17,731	3,211	434
Long term business provision (net of reinsurance)	14,168	8,331	370	153,697	90,376	4,015
Technical provisions for linked liabilities	6,599	147	817	71,587	1,595	8,863
	20,767	8,478	1,187	225,284	91,971	12,878

Technical provisions for linked liabilities exclude £414 million (R4,491 million) in respect of other life businesses not included in the above analysis.

South Africa

The amounts disclosed above represent the capital position of Old Mutual Life Assurance Company (South Africa) Limited (OMLAC(SA)). The calculations have been determined in accordance with the requirements of the South African Financial Services Board, with estimates of the regulatory adjustments, as regulatory returns have yet to be completed. At 31 December 2004, OMLAC(SA)'s statutory capital cover was 2.6 times the statutory capital adequacy requirement (SCAR), after allowing for statutory limitations on the value of certain assets.

The equity shareholders' funds include OMLAC(SA)'s investments in Nedcor Limited (£928 million (R10,066 million)) and Mutual & Federal Insurance Company Limited (£486 million (R5,274 million)). In addition, £261 million (R2,831 million) is invested in the Group's loan notes and £198 million (R2,153 million) is held in intercompany loans. There are no formal intra-Group arrangements that exist to provide capital to other subsidiaries. All intercompany loans are immediately repayable and subject to commercial terms and conditions, with the exception that interest may be waived in certain circumstances.

The amount of the surplus available to be distributed as dividends to the ultimate parent, Old Mutual plc, is subject to available distributable reserves within the shareholders' fund, maintaining the minimum statutory capital adequacy requirement and foreign exchange controls, as determined by the South African Reserve Bank.

United States

The amounts disclosed above represent the consolidated capital position of the US Life group of companies, including Fidelity & Guaranty Life Assurance Company, Fidelity & Guaranty Life Insurance Company of New York, Life Insurance Company of New York, OMNIA (Bermuda) Limited and Old Mutual Reassurance (Ireland) Limited. The calculations have been determined on the basis of local regulatory requirements for the United States, Bermuda and Ireland accordingly.

There are no formal intra-Group arrangements that exist to provide capital to other subsidiaries.

The amount of the surplus available to be distributed as dividends to the ultimate parent, Old Mutual plc, is subject to available distributable reserves within the entities and the requirement to maintain the minimum statutory capital requirements, being 100% of the risk-based capital (referred to as the Company Action Level).

Rest of World

The amounts disclosed above represent the capital position of the life business in Namibia and Old Mutual International, based in Guernsey. The statutory solvency requirement for Namibia is N$4 million (£0.4 million (R4 million)). The calculations have been determined on the South African statutory basis, which is more prudent. Old Mutual International has been included on the basis of the Guernsey regulatory requirements.

There are no formal intra-Group arrangements that exist to provide capital to other subsidiaries.

The amount of the surplus available to be distributed as dividends to the ultimate parent, Old Mutual plc, is subject to available distributable reserves within the shareholders' fund, maintaining the minimum statutory capital adequacy requirement and foreign exchange controls.

Capital management policies

Capital is actively managed to ensure that the Group is properly capitalised and funded at all times, having regard to its regulatory needs, prudent management and the needs of all stakeholders.

The Group has a business planning process that runs on an annual cycle with regular updates to projections. It is through this process, which includes risk and sensitivity analyses of forecasts, and the operations of the Group Capital Management Committee (GCMC) that the operating businesses gain approval from the Old Mutual plc Board for their requests for capital.

The GCMC is a sub-committee of the Executive Committee of the Board, established to set an appropriate framework and guidelines to ensure the appropriate management of capital, allocation of capital to the various businesses, and monitoring of the return on allocated capital for each business relative to the agreed hurdle. The GCMC comprises the Executive Directors of Old Mutual plc together with certain executives drawn from Old Mutual plc and/or one or more subsidiaries. Meetings are held as regularly as circumstances require and in any event not less than half-yearly and approve requests for capital that are outside the business plans.

Specifically, the Group has adopted the following capital management policies:

Each regulated business is required to hold, as a minimum, capital sufficient to meet the requirements of any applicable regulator in respect of its business in the jurisdictions in which it operates and such additional capital as management believes is necessary to ensure that obligations to policyholders and/or clients can be met on a timely basis.

Each business ensures that it maintains an appropriate level of liquidity at all times. Old Mutual plc further ensures that it can meet its expected capital and financing needs at all times, having regard to the Group's business plans, forecasts and any strategic initiatives.

The Group will always ensure it maintains adequate capital resources to ensure it satisfies its regulatory requirements.

From 1 January 2005, the Group is subject to the UK Financial Services Authority's Group capital adequacy requirements established following introduction of the EU Financial Groups Directive. Management regularly monitors the capital requirements of the Group, taking account of future balance sheet growth, profitability, projected dividend payments and any anticipated regulatory changes, in order to ensure that the Group is at all times able to meet the forecast future minimum capital requirements.

Sensitivities

The Group has both qualitative and quantitative risk management procedures to monitor, at the individual company and Group levels, the key risks and sensitivities of the business. This is achieved through stress tests, scenario analyses and individual risk assessments by the operating businesses. From an understanding of the principal risks, the Group defines appropriate risk limits and controls.

The key risks affecting the surplus capital of the Group are:

Market Risk – the risk of loss due to fluctuations in the financial markets (equity investment returns, interest rates or exchange rates).

Credit Risk – the risk of a major counterparty no longer being able to pay its debt, including amounts due as a result of investment activities.

Underwriting Risks – arise from higher claims being experienced than anticipated when premium, bonus rates and surrender value levels were set.

Business Risks – arise from changes in structural, regulatory and/or competitive environments.

For further details of the management of specific risks, refer to the Corporate Governance and Directors' Report on pages 26 to 41.

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 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 2004

We have audited the supplementary information on pages 142 to 155 in respect of the year ended 31 December 2004. 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 142 to 155. The supplementary information should be read in conjunction with the primary financial statements which are on pages 57 to 137.

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 140, 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 142 to 155. 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 2004 has been properly prepared in accordance with the Guidance using the methodology and assumptions set out on pages 142 to 155.

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

28 February 2005

OLD MUTUAL | plc

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2004

1 CONSOLIDATED PROFIT AND LOSS ACCOUNT ON AN ACHIEVED PROFITS BASIS

	£m		Rm	
	Year to 31 December 2004	Year to 31 December 2003 (Restated)***	**Year to 31 December 2004**	Year to 31 December 2003 (Restated)***
South Africa				
Life assurance	**623**	475	**7,350**	5,872
Asset management	**53**	55	**639**	678
Banking	**177**	(10)	**2,099**	(118)
General insurance	**89**	73	**1,057**	909
	942	593	**11,145**	7,341
United States				
Life assurance	**104**	127	**1,227**	1,569
Asset management	**89**	81	**1,050**	1,000
	193	208	**2,277**	2,569
United Kingdom and Rest of World				
Life assurance	**22**	(2)	**259**	(24)
Asset management	**10**	(8)	**117**	(95)
Banking	**14**	4	**158**	48
	46	(6)	**534**	(71)
	1,181	795	**13,956**	9,839
Other shareholders' income/(expenses)	**(33)**	(40)	**(390)**	(494)
Debt service costs	**(37)**	(48)	**(437)**	(593)
Adjusted operating profit*	**1,111**	707	**13,129**	8,752
Goodwill amortisation and impairment	**(110)**	(206)	**(1,290)**	(2,544)
Loss on disposal of investment in Dimension Data Holdings plc	**–**	(5)	**–**	(60)
Restructuring and integration costs	**(21)**	(32)	**(248)**	(394)
Change in credit provisioning methodology	**–**	(87)	**–**	(1,074)
Fines and penalties	**(49)**	–	**(596)**	–
Short term fluctuations in investment return (including economic assumption changes)				
Life assurance	**256**	71	**3,020**	872
Other	**38**	–	**449**	–
Investment return adjustment for own shares held in policyholders' funds	**(94)**	12	**(1,115)**	148
Other life assurance changes**	**(119)**	(86)	**(1,404)**	(1,065)
Operating profit on ordinary activities before tax	**1,012**	374	**11,945**	4,635
Non-operating items	**(35)**	(32)	**(418)**	(404)
Profit on ordinary activities before tax	**977**	342	**11,527**	4,231
Tax on profit on ordinary activities	**(327)**	(211)	**(3,859)**	(2,605)
Profit on ordinary activities after tax	**650**	131	**7,668**	1,626
Minority interests – equity	**(44)**	115	**(518)**	1,420
– non-equity	**(59)**	(46)	**(696)**	(568)
Profit for the financial year	**547**	200	**6,454**	2,478
Dividends paid and proposed	**(182)**	(166)	**(2,001)**	(2,006)
Retained profit for the financial year	**365**	34	**4,453**	472

1 CONSOLIDATED PROFIT AND LOSS ACCOUNT ON AN ACHIEVED PROFITS BASIS continued

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

	£m		Rm	
	Year to 31 December 2004	Year to 31 December 2003 (Restated)***	**Year to 31 December 2004**	Year to 31 December 2003 (Restated)***
Adjusted operating profit*	**1,111**	707	**13,129**	8,752
Tax on adjusted operating profit	**(254)**	(250)	**(2,999)**	(3,087)
	857	457	**10,130**	5,665
Minority interests – equity	**(83)**	(9)	**(979)**	(111)
– non-equity	**(59)**	(46)	**(696)**	(568)
Adjusted operating profit after tax and minority interests	**715**	402	**8,455**	4,986
Earnings per share – achieved profits basis		p		c
Adjusted operating earnings per share*	**19.1**	10.8	**225.6**	133.8
Basic earnings per share	**15.9**	5.9	**188.1**	72.6
Adjusted weighted average number of shares – millions	**3,748**	3,727	**3,748**	3,727
Weighted average number of shares – millions	**3,432**	3,411	**3,432**	3,411

* 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 within the policyholders' funds. For banking business, adjusted operating profit excludes the loss on disposal of investment in Dimension Data Holdings plc, restructuring and integration costs and the transitional impact of the change of credit provisioning methodology. For all businesses, adjusted operating profit excludes goodwill amortisation and impairment and fines and penalties.

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 segmental analysis within the achieved profits consolidated profit and loss account has been prepared on a gross of inter-segment transactions basis.

** Refer to segmental analysis of results in section 7.

*** 2003 comparatives have been restated to be consistent with the current year segmental presentation.

2 CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES ON AN ACHIEVED PROFITS BASIS

	£m		Rm	
	Year to 31 December 2004	Year to 31 December 2003 (Restated)****	**Year to 31 December 2004**	Year to 31 December 2003 (Restated)****
Profit for the financial year	**547**	200	**6,454**	2,478
Foreign exchange movements	**250**	307	**(1,583)**	(2,186)
Total recognised gains and losses for the year	**797**	507	**4,871**	292

**** Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 38 "Accounting for ESOP Trusts". The effect of this restatement is that consolidated achieved profits equity shareholders' funds of £3,561 million (R42,503 million) before prior year adjustments have been decreased by £109 million (R1,301 million).

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2004 continued

3 RECONCILIATION OF MOVEMENTS IN CONSOLIDATED ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS

	£m		Rm	
	Year to 31 December 2004	Year to 31 December 2003 (Restated)*	**Year to 31 December 2004**	Year to 31 December 2003 (Restated)*
Total recognised gains and losses for the year	**797**	507	**4,871**	292
Dividends paid and proposed	**(182)**	(166)	**(2,001)**	(2,006)
	615	341	**2,870**	(1,714)
Issue of new capital	**–**	37	**–**	457
Shares issued under share incentive schemes	**15**	4	**177**	49
Net sales of shares held in ESOP Trusts and policyholders' funds	**33**	6	**389**	76
Net increase/(decrease) in achieved profits equity shareholders' funds	**663**	388	**3,436**	(1,132)
Achieved profits equity shareholders' funds at the beginning of the year	**3,452**	3,064	**41,202**	42,334
Achieved profits equity shareholders' funds at the end of the year	**4,115**	3,452	**44,638**	41,202

4 CONSOLIDATED BALANCE SHEET ON AN ACHIEVED PROFITS BASIS

	£m		Rm	
	At 31 December 2004	At 31 December 2003 (Restated)*	**At 31 December 2004**	At 31 December 2003 (Restated)*
Assets				
Goodwill	**1,152**	1,264	**12,497**	15,088
Insurance and other assets	**37,608**	32,409	**407,979**	386,855
Banking assets	**27,500**	24,042	**298,345**	286,985
Total long term in-force business asset	**872**	700	**9,460**	8,353
Total assets	**67,132**	58,415	**728,281**	697,281
Liabilities				
Achieved profits equity shareholders' funds	**4,115**	3,452	**44,638**	41,202
Minority interests	**1,529**	1,312	**16,589**	15,662
Subordinated liabilities	**–**	15	**–**	179
Insurance and other liabilities	**35,589**	30,724	**386,078**	366,735
Banking liabilities	**25,899**	22,912	**280,976**	273,503
Total liabilities	**67,132**	58,415	**728,281**	697,281
Reconciliation of total long term in-force business asset				
Value of in-force business	**1,592**	1,276	**17,271**	15,227
OMUSL statutory solvency adjustment	**(716)**	(566)	**(7,767)**	(6,756)
OMI life subsidiaries statutory solvency adjustment	**(19)**	(17)	**(206)**	(203)
Adjustment for discounting CGT	**15**	7	**162**	85
Total long term in-force business asset	**872**	700	**9,460**	8,353

* Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 38 "Accounting for ESOP Trusts" (UITF38). The effect of this restatement is that consolidated achieved profits equity shareholders' funds of £3,561 million (R42,503 million) before prior year adjustments have been decreased by £109 million (R1,301 million).

This supplementary information has been approved by the Board and signed on its behalf by:

Julian V F Roberts
Group Finance Director
28 February 2005

5 BASIS OF PREPARATION

This supplementary information has been prepared in accordance with the methodology for supplementary reporting for long term insurance 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 assurance 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 assurance 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 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 this supplementary information of all business other than life assurance business is unchanged from the statutory financial statements.

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2004 continued

6 COMPONENTS OF ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS

	£m		Rm	
	At 31 December 2004	At 31 December 2003 (Restated)*	**At 31 December 2004**	At 31 December 2003 (Restated)*
Shareholders' adjusted net worth	**2,525**	2,178	**27,391**	26,000
Equity shareholders' funds	**3,245**	2,754	**35,202**	32,874
Adjustment to include OMUSL on a statutory solvency basis	**(716)**	(566)	**(7,767)**	(6,756)
Adjustment to include OMI life subsidiaries on a statutory solvency basis	**(19)**	(17)	**(206)**	(203)
Adjustment for discounting CGT	**15**	7	**162**	85
Value of in-force business	**1,592**	1,276	**17,271**	15,227
Value of in-force business before cost of solvency capital	**1,871**	1,450	**20,297**	17,304
Cost of solvency capital	**(279)**	(174)	**(3,026)**	(2,077)
Minority interest in value of in-force business	**(2)**	(2)	**(24)**	(25)
Achieved profits equity shareholders' funds	**4,115**	3,452	**44,638**	41,202
Pro-forma adjustment to bring Group investments to market value				
Achieved profits equity shareholders' funds	**4,115**	3,452	**44,638**	41,202
Adjustment to bring listed subsidiaries to market value	**876**	288	**9,502**	3,444
Adjustment to market value of own shares held in policyholders' funds	**368**	275	**3,994**	3,283
Adjusted embedded value	**5,359**	4,015	**58,134**	47,929
		p		c
Adjusted embedded value per share	**139.1**	104.6	**1,508**	1,249
Number of shares in issue at the end of the period including own shares held in policyholders' funds – millions	**3,854**	3,837	**3,854**	3,837

* Comparative figures have been restated to reflect the adoption of Urgent Issues Taskforce Abstract 38 "Accounting for ESOP Trusts". The effect of this restatement is that consolidated achieved profits equity shareholders' funds of £3,561 million (R42,503 million) before prior year adjustments have been decreased by £109 million (R1,301 million).

Shareholders' adjusted net worth includes goodwill relating to OMUSL of £56 million (R608 million) (December 2003: £63 million (R752 million)).

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

	£m		Rm	
	At 31 December 2004	At 31 December 2003	**At 31 December 2004**	At 31 December 2003
South Africa	**1,005**	824	**10,903**	9,832
Individual business	**698**	507	**7,577**	6,053
Group business	**307**	317	**3,326**	3,779
United States	**512**	393	**5,554**	4,691
United Kingdom and Rest of World	**75**	59	**814**	704
Value of in-force business	**1,592**	1,276	**17,271**	15,227

6 COMPONENTS OF ACHIEVED PROFITS EQUITY SHAREHOLDERS' FUNDS continued

The encumbered and unencumbered capital for South Africa and United States is shown in the table below.

	£m		Rm	
	At 31 December 2004	At 31 December 2003	At 31 December 2004	At 31 December 2003
South Africa	**1,692**	1,551	**18,350**	18,513
Encumbered capital	**1,016**	1,021	**11,020**	12,186
Unencumbered capital	**676**	530	**7,330**	6,327
United States	**456**	391	**4,948**	4,666
Encumbered capital	**160**	153	**1,736**	1,822
Unencumbered capital	**296**	238	**3,212**	2,844

For South Africa the average unencumbered capital applicable was £306 million (R3,606 million) (December 2003: £196 million (R2,419 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 2004								
New business contribution	98	88	4	190	1,156	1,038	47	2,241
Profits from existing business:								
Expected return on in-force business	193	45	6	244	2,277	531	71	2,879
Expected return on encumbered capital	114	9	5	128	1,345	106	59	1,510
Experience variances	74	(24)	(2)	48	873	(283)	(24)	566
Operating assumption changes	106	(28)	9	87	1,251	(330)	106	1,027
Expected return on unencumbered capital	38	14	–	52	448	165	–	613
Life assurance adjusted operating profit before tax	623	104	22	749	7,350	1,227	259	8,836
Investment return variances:								
On value of in-force	43	26	4	73	507	307	47	861
On capital	111	(9)	7	109	1,310	(106)	82	1,286
Effect of economic assumption changes	71	–	3	74	838	–	35	873
Effect of changes in and cost of solvency capital	(117)	–	(2)	(119)	(1,380)	–	(24)	(1,404)
Life assurance achieved profits before tax	731	121	34	886	8,625	1,428	399	10,452
Attributed tax	(206)	(36)	–	(242)	(2,431)	(425)	–	(2,856)
Life assurance achieved profits after tax	525	85	34	644	6,194	1,003	399	7,596

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2004 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 2003 (Restated)*								
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	29	(9)	(9)	11	358	(111)	(111)	136
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	475	127	(2)	600	5,872	1,569	(24)	7,417
Investment return variances:								
On value of in-force business	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 costs 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	459	135	(9)	585	5,666	1,668	(110)	7,224
Attributed tax	(127)	(34)	–	(161)	(1,568)	(420)	–	(1,988)
Life assurance achieved profits after tax	322	101	(9)	424	4,098	1,248	(110)	5,236

* 2003 comparatives have been restated to be consistent with the current year segmental presentation.

Expected return on the unencumbered capital for South Africa and the United States is 12.5% p.a. (2003: 13.4%) and 6.0% p.a. (2003: 7.0%) respectively. For South Africa the expected return is applied to the average unencumbered capital given in section 6.

The South African operating assumption changes of £106 million (R1,251 million) for 2004 include: (a) £60 million (R708 million) before tax increase in the value of in-force business in respect of an increase in discretionary mortality margins in the Financial Soundness Valuation (FSV), which arose as a result of a reduction in Individual Business mortality assumptions, reflecting positive experience variances, (b) £62 million (R732 million) before tax increase in the value of in-force business in respect of sources of profit that have not previously been valued, and (c) other changes to valuation methodology and assumptions.

The segmental results of the United States include the operating profit generated by Old Mutual Reassurance (Ireland) Limited (OMRe), which provides reinsurance to the United States life companies, and OMNIA Life (Bermuda) Limited. During 2004, all the deferred annuity business reinsured with OMRe was recaptured by the United States life companies. The effect of this recapture was to reduce the life assurance achieved profit for 2004 by £31 million (R366 million) before tax which is included within experience variances.

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 in 2003 reflects the impact of reducing the economic assumptions for the South African actuarial liability valuation by 3% p.a.

The effect of BoE Life in 2003 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 the non-life businesses.

7 SEGMENTAL ANALYSIS OF RESULTS continued

	£m		Rm	
	Year to 31 December 2004	Year to 31 December 2003	**Year to 31 December 2004**	Year to 31 December 2003
Tax on life assurance achieved profits				
South Africa – value of in-force	**163**	119	**1,923**	1,469
– capital	**43**	8	**508**	99
United States	**36**	34	**425**	420
United Kingdom and Rest of World	**–**	–	**–**	–
	242	161	**2,856**	1,988
Tax on other businesses	**85**	50	**1,003**	617
Tax on profit on ordinary activities	**327**	211	**3,859**	2,605

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2004 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 2004 and the year to 31 December 2003. 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 2004						
£m						
Recurring premiums	**157**	**15**	**172**	**58**	**10**	**240**
Single premiums	**546**	**203**	**749**	**2,157**	**146**	**3,052**
Annual Premium Equivalent	**212**	**35**	**247**	**274**	**25**	**546**
Value of new business before tax	**84**	**14**	**98**	**88**	**4**	**190**
Value of new business after tax	**52**	**9**	**61**	**62**	**4**	**127**
Margin before tax	**39%**	**41%**	**40%**	**32%**	**16%**	**35%**
Margin after tax	**24%**	**25%**	**25%**	**23%**	**16%**	**23%**
Rm						
Recurring premiums	**1,858**	**182**	**2,040**	**679**	**118**	**2,837**
Single premiums	**6,442**	**2,399**	**8,841**	**25,455**	**1,728**	**36,024**
Annual Premium Equivalent	**2,502**	**422**	**2,924**	**3,225**	**291**	**6,440**
Value of new business before tax	**983**	**173**	**1,156**	**1,038**	**47**	**2,241**
Value of new business after tax	**612**	**107**	**719**	**732**	**47**	**1,498**
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%	15%	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

The new business shown above for 31 December 2004 for South African Group recurring premium business includes bulk new business into existing schemes, with value of new business of £1 million (R10 million) after tax and APE of £3 million (R33 million).

The new business shown above for the United States for 31 December 2003 excludes the value of OMNIA Life (Bermuda) business that was acquired during 2003, and which is included within the value of new business shown in section 7.

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.

8 VALUE OF NEW BUSINESS continued

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 2004, is set out below.

	£m		Rm	
	Recurring premiums	Single premiums	Recurring premiums	Single premiums
New business premiums as stated in the notes to the financial statements	240	3,389	2,837	39,987
Less:				
United States reinsurance ceded externally	–	(12)	–	(139)
Group market-linked business not valued	–	(238)	–	(2,799)
Unit trust business not valued	–	(87)	–	(1,025)
New business premiums as per achieved profits supplementary information	240	3,052	2,837	36,024

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2004 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 2004	At 31 December 2003
South Africa		
Fixed interest return	**8.3%**	9.4%
Cash return	**7.0%**	–
Equity return	**10.3%**	11.4%
Property return	**9.3%**	10.4%
Inflation	**5.3%**	6.4%
Risk discount rate	**10.8%**	11.9%
United States		
Treasury yield	**4.3%**	4.3%
Inflation	**3.0%**	3.0%
New money yield assumed	**5.1%**	6.0%
Net portfolio earned rate	**5.9%**	6.4%
Risk discount rate	**8.3%**	8.3%

- 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. 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 Africa (2003: 37.8%), 30% for the United States (2003: 25%) and 0% for the United Kingdom and the Rest of World (2003: 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 material 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 sensitivity 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$	
	2004	2003	**2004**	2003
Profit and loss account (average rate for the year)	**11.7986**	12.3487	**1.8327**	1.6354
Balance sheet (closing rate at 31 December)	**10.8482**	11.9367	**1.9158**	1.7833

Achieved Profits Basis Supplementary Information
for the year ended 31 December 2004 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 2004 and the value of new business for the year to 31 December 2004 to changes in key assumptions. For each sensitivity illustrated, all other assumptions have been left unchanged. The value of new business is shown before tax.

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.

	£m		Rm	
South Africa	Value of in-force business at 31 December 2004	Value of new life business at 31 December 2004	Value of in-force business at 31 December 2004	Value of new life business at 31 December 2004
Central assumptions	1,005	98	10,903	1,156
Value before cost of solvency capital	1,248	111	13,543	1,310
Cost of solvency capital	(243)	(13)	(2,640)	(154)
Effect of:				
Central discount rate +1%	878	87	9,525	1,025
Value before cost of solvency capital	1,178	102	12,777	1,203
Cost of solvency capital	(300)	(15)	(3,252)	(178)
Central discount rate –1%	1,149	111	12,462	1,310
Value before cost of solvency capital	1,327	120	14,393	1,415
Cost of solvency capital	(178)	(9)	(1,931)	(105)
Pre-tax investment return assumptions –1%, with bonus rates changing commensurately	919	92	9,969	1,086
Value before cost of solvency capital	1,210	106	13,126	1,251
Cost of solvency capital	(291)	(14)	(3,157)	(165)
Voluntary discontinuance rates +10%	984	90	10,675	1,062
Maintenance expense levels +10%, with no corresponding increase in policy charges	944	92	10,241	1,085
Inflation assumption +1%, with no corresponding increase in policy charges	970	93	10,523	1,097
Mortality and morbidity assumptions for assurances +10%, and mortality assumptions for annuities –10%, with no corresponding increase in policy charges	906	82	9,828	967
For value of new business, acquisition expenses other than commission and commission-related expenses +10%, with no corresponding increase in policy charges	–	92	–	1,085

10 ALTERNATIVE ASSUMPTIONS continued

United States	£m Value of in-force business at 31 December 2004	£m Value of new life business at 31 December 2004	Rm Value of in-force business at 31 December 2004	Rm Value of new life business at 31 December 2004
Central assumptions	512	88	5,554	1,038
Value before cost of solvency capital	543	102	5,891	1,203
Cost of solvency capital	(31)	(14)	(337)	(165)
Effect of:				
Central discount rate +1%	489	83	5,305	979
Value before cost of solvency capital	525	98	5,695	1,156
Cost of solvency capital	(36)	(15)	(390)	(177)
Central discount rate –1%	537	94	5,825	1,109
Value before cost of solvency capital	562	105	6,097	1,239
Cost of solvency capital	(25)	(11)	(272)	(130)
Pre-tax investment return assumptions –1%, with credited rates changing commensurately	481	81	5,222	956
Value before cost of solvency capital	515	96	5,586	1,133
Cost of solvency capital	(34)	(15)	(364)	(177)
Voluntary discontinuance rates +10%	479	82	5,194	967
Maintenance expense levels +10%, with no corresponding increase in policy charges	491	85	5,321	1,003
Inflation assumption +1%, with no corresponding increase in policy charges	510	86	5,531	1,015
Mortality and morbidity assumptions for assurances +10%, and mortality assumptions for annuities –10%, with no corresponding increase in policy charges	508	88	5,509	1,038
Increasing Risk Based Capital to 200%, with 1% reduction in central discount rate	512	83	5,553	979
Value before cost of solvency capital	562	105	6,097	1,239
Cost of solvency capital	(50)	(22)	(544)	(260)
For value of new business, acquisition expenses other than commission and commission-related expenses +10%, with no corresponding increase in policy charges	–	85	–	1,003

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Financial History
Sterling

					£m
	2004	2003 (Restated)	2002 (Restated)	2001 (Restated)	2000 (Restated)
Life assurance new business premiums					
Single	**3,389**	3,200	4,003	2,140	1,902
Recurring	**240**	262	219	217	248
Annual premium equivalent	**579**	583	619	431	438
Summary consolidated profit and loss account					
South Africa					
Life assurance					
– Technical result	**313**	260	208	249	250
– Long term investment return	**167**	178	135	148	215
	480	438	343	397	465
Asset management	**53**	55	28	37	46
Banking	**177**	(10)	165	290	269
General insurance	**89**	73	35	46	44
	799	556	571	770	824
United States					
Life assurance	**96**	85	83	13	–
Asset management	**89**	81	95	116	44
	185	166	178	129	44
United Kingdom and Rest of World					
Life assurance	**18**	20	(3)	(2)	13
Asset management	**10**	(8)	2	(3)	34
Banking	**14**	4	56	79	58
	42	16	55	74	105
	1,026	738	804	973	973
Other shareholders' income/expenses	**(33)**	(40)	(22)	(29)	(34)
Debt service costs	**(37)**	(48)	(58)	(67)	(28)
Write-down of strategic investments	**–**	–	–	(21)	–
Adjusted operating profit	**956**	650	724	856	911
Goodwill amortisation and impairment	**(110)**	(206)	(120)	(632)	(54)
Loss on disposal/write-down of investment in Dimension Data Holdings plc	**–**	(5)	(68)	(269)	–
Restructuring and integration costs	**(21)**	(32)	(14)	–	–
Change in credit provisioning methodology	**–**	(87)	–	–	–
Fines and penalties	**(49)**	–	–	–	–
Short term fluctuations in investment return	**226**	143	(91)	126	(180)
Investment return adjustment for own shares held in policyholders' funds	**(94)**	12	42	76	(73)
Operating profit on ordinary activities before tax	**908**	475	473	157	604
Non-operating items	**(35)**	(32)	(6)	–	356
Profit on ordinary activities before tax	**873**	443	467	157	960
Tax on profit on ordinary activities	**(286)**	(241)	(224)	(319)	(138)
Profit/(loss) on ordinary activities after tax	**587**	202	243	(162)	822
Minority interests (equity and non-equity)	**(103)**	71	(44)	(26)	(341)
Profit/(loss) for the financial year	**484**	273	199	(188)	481
Dividends paid and proposed	**(182)**	(166)	(161)	(158)	(152)
Retained profit/(loss) for the financial year	**302**	107	38	(346)	329

Earnings and dividend per share	2004	2003 (Restated)	2002 (Restated)	2001 (Restated)	2000 (Restated)
					p
Adjusted operating earnings per share	**15.3**	10.0	11.3	12.1	18.4
Basic earnings per share	**14.1**	8.0	5.9	(5.8)	15.7
Dividend per share	**5.25**	4.8	4.8	4.8	4.7
Adjusted weighted average number of shares – millions	**3,748**	3,727	3,670	3,550	3,373
Weighted average number of shares – millions	**3,432**	3,411	3,354	3,234	3,057

Consolidated balance sheet	2004	2003 (Restated)	2002 (Restated)	2001 (Restated)	2000 (Restated)
					£m
Assets					
Intangible assets (goodwill)	**1,152**	1,264	1,598	1,580	2,279
Insurance and other assets	**37,608**	32,409	26,231	31,553	26,288
Banking assets	**27,500**	24,042	21,377	11,309	17,287
	66,260	57,715	49,206	44,442	45,854
Liabilities					
Equity shareholders' funds	**3,245**	2,754	2,424	2,108	3,046
Minority interests	**1,527**	1,310	927	565	1,013
Subordinated liabilities	**–**	15	18	22	39
Insurance and other liabilities	**35,589**	30,724	25,602	31,292	26,355
Banking liabilities	**25,899**	22,912	20,235	10,455	15,401
	66,260	57,715	49,206	44,442	45,854
Funds under management	**140,124**	125,226	123,334	142,819	168,223
Adjusted embedded value	**5,359**	4,015	3,828	3,437	5,465

Exchange rates	2004	2003	2002	2001	2000
Sterling/Rand					
Average rate	**11.7986**	12.3487	15.7878	12.3923	10.5213
Closing rate	**10.8482**	11.9367	13.8141	17.4286	11.3148
Sterling/US Dollar					
Average rate	**1.8327**	1.6354	1.5030	1.4405	1.5159
Closing rate	**1.9158**	1.7833	1.6105	1.4542	1.4937

The information contained in the above financial history is extracted from published accounts. Comparative years have been restated for the implementation of FRS 19 "Deferred Tax", UITF Abstract 37 "Purchases and Sales of Own Shares" and UITF Abstract 38 "Accounting for ESOP Trusts".

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Financial History
Rand

	2004	2003 (Restated)	2002 (Restated)	2001 (Restated)	2000 (Restated)
					Rm
Life assurance new business premiums					
Single	**39,987**	39,515	63,187	26,520	20,010
Recurring	**2,837**	3,235	3,444	2,688	2,609
Annual premium equivalent	**6,835**	7,186	9,763	5,339	4,610
Summary consolidated profit and loss account					
South Africa					
Life assurance					
– Technical result	**3,697**	3,210	3,283	3,085	2,630
– Long term investment return	**1,974**	2,198	2,131	1,830	2,262
	5,671	5,408	5,414	4,915	4,892
Asset management	**639**	678	441	458	484
Banking	**2,099**	(118)	2,605	3,593	2,829
General insurance	**1,057**	909	556	570	463
	9,466	6,877	9,016	9,536	8,668
United States					
Life assurance	**1,126**	1,050	1,310	161	–
Asset management	**1,050**	1,000	1,500	1,437	462
	2,176	2,050	2,810	1,598	462
United Kingdom and Rest of World					
Life assurance	**206**	248	(47)	(25)	137
Asset management	**117**	(95)	31	(38)	359
Banking	**158**	48	884	979	611
	481	201	868	916	1,107
	12,123	9,128	12,694	12,050	10,237
Other shareholders' income/expenses	**(390)**	(494)	(347)	(359)	(357)
Debt service costs	**(437)**	(593)	(916)	(830)	(295)
Write-down of strategic investments	**–**	–	–	(260)	–
Adjusted operating profit	**11,296**	8,041	11,431	10,601	9,585
Goodwill amortisation and impairment	**(1,290)**	(2,544)	(1,895)	(7,832)	(568)
Loss on disposal/write-down of investment in Dimension Data Holdings plc	**–**	(60)	(1,080)	(3,334)	–
Restructuring and integration costs	**(246)**	(394)	(227)	–	–
Change in credit provisioning methodology	**–**	(1,074)	–	–	–
Fines and penalties	**(596)**	–	–	–	–
Short term fluctuations in investment return	**2,662**	1,767	(1,439)	1,561	(1,894)
Investment return adjustment for own shares held in policyholders' funds	**(1,115)**	148	663	943	(763)
Operating profit on ordinary activities before tax	**10,711**	5,884	7,453	1,939	6,360
Non-operating items	**(418)**	(404)	(88)	–	3,746
Profit on ordinary activities before tax	**10,293**	5,480	7,365	1,939	10,106
Tax on profit on ordinary activities	**(3,374)**	(2,976)	(3,535)	(3,948)	(1,455)
Profit/(loss) on ordinary activities after tax	**6,919**	2,504	3,830	(2,009)	8,651
Minority interests (equity and non-equity)	**(1,215)**	877	(695)	(322)	(3,588)
Profit/(loss) for the financial year	**5,704**	3,381	3,135	(2,331)	5,063
Dividends paid and proposed	**(2,001)**	(2,006)	(2,319)	(2,433)	(1,595)
Retained profit/(loss) for the financial year	**3,703**	1,375	816	(4,764)	3,468

Earnings and dividend per share	2004	2003 (Restated)	2002 (Restated)	2001 (Restated)	2000 (Restated)
					c
Adjusted operating earnings per share	**181.1**	123.8	179.0	149.1	194.3
Basic earnings per share	**166.2**	99.1	93.5	(72.1)	165.6
Dividend per share	**58.5***	56.0	66.0	72.3	49.5
Adjusted weighted average number of shares – millions	**3,748**	3,727	3,670	3,550	3,373
Weighted average number of shares – millions	**3,432**	3,411	3,354	3,234	3,057

Consolidated balance sheet	2004	2003 (Restated)	2002 (Restated)	2001 (Restated)	2000 (Restated)
					Rm
Assets					
Intangible assets (goodwill)	**12,497**	15,088	22,075	27,537	25,786
Insurance and other assets	**407,979**	386,855	362,363	549,932	297,484
Banking assets	**298,345**	286,985	295,291	197,099	195,597
	718,821	688,928	679,729	774,568	518,867
Liabilities					
Equity shareholders' funds	**35,202**	32,874	33,491	36,745	34,505
Minority interests	**16,565**	15,637	12,808	9,847	11,458
Subordinated liabilities	**–**	179	249	383	442
Insurance and other liabilities	**386,078**	366,735	353,666	545,377	298,203
Banking liabilities	**280,976**	273,503	279,515	182,216	174,259
	718,821	688,928	679,729	774,568	518,867
Funds under management	**1,520,092**	1,494,786	1,703,747	2,489,141	1,903,414
Adjusted embedded value	**58,134**	47,929	52,890	59,883	61,831

* The dividend recommended (final 3.5p per share, making 5.25p 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 at the close of business on 31 March 2005 (or 30 March 2005 in the case of Zimbabwe).

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 Wednesday 11 May 2005 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 2004.

2 To declare a final dividend of 3.5p per ordinary share.

3 (i) To elect Mr R P Edey as a director of the Company;
(ii) To elect Professor W L Nkuhlu as a director of the Company;
(iii) To re-elect Mr C D Collins as a director of the Company;
(iv) To re-elect Mr J H Sutcliffe as a director of the Company.

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

5 To authorise the 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 and 10 (i) to (iv) as Special Resolutions:

ORDINARY RESOLUTIONS

6 To approve the Remuneration Report in the Company's report and accounts for the year ended 31 December 2004.

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 £38,544,000 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 £19,272,000 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 385,442,000;

(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 2006, whichever is the earlier), provided that any contract for the purchase of any such Ordinary Shares which is concluded before the expiry of the said authority may be executed wholly or partly after the said authority expires; and

(iv) all Ordinary Shares purchased pursuant to the said authority shall 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 2006, whichever is the earlier):

(i) contract between the Company and Merrill Lynch South Africa (Pty) Limited pursuant to which the Company may make off-market purchases from Merrill Lynch South Africa (Pty) Limited of up to a maximum of 385,442,000 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 385,442,000 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 Imara Edwards Securities (Private) Limited pursuant to which the Company may make off-market purchases from Imara Edwards Securities (Private) Limited of up to a maximum of 385,442,000 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 385,442,000 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)).

By order of the Board

Martin C Murray
Group Company Secretary
28 February 2005

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 9 May 2005 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 Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 7NH by not later than 11.00 a.m. (UK time) on 9 May 2005. 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 and the contingent purchase contracts referred to in Resolutions 10 (i) to (iv) 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 2196, 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 3.5p 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 at the close of business on 31 March 2005 (or 30 March 2005 in the case of Zimbabwe), 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 1 April 2005.

Resolutions 3 (i) to (iv) – Election and re-election of directors

Mr Edey and Professor Nkuhlu, who have been appointed as directors since the last Annual General Meeting, automatically retire in accordance with Article 94 of the Company's Articles of Association and will seek election at the meeting.

Mr Collins and Mr Sutcliffe 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.

Mr Levett retires at the Annual General Meeting and will not be seeking re-election.

Biographical details of each of the directors who are standing for election or re-election accompany their photographs on pages 42 and 43 of this Report.

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 Nomination Committee of the Company has also 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 referred to in Resolutions 3 (i) to (iv).

The election or re-election of directors is considered a significant matter, and approval of the elections and re-elections will therefore be carried out by separate ordinary resolutions.

Subject to their being elected, Mr Edey's and Professor Nkuhlu's appointments are expected to last for an initial term of three years from their respective dates of appointment (i.e. until 23 June 2007 for Mr Edey and 29 February 2008 for Professor Nkuhlu) and will then be considered for renewal.

Mr Collins has been chosen to stand for re-election in recognition of his prospective change of role from senior independent non-executive director to Chairman at the end of the Annual General Meeting. Further details of his current and prospective terms are contained in the Remuneration Report on pages 44 to 52.

Details of Mr Sutcliffe's employment contract are also contained in the Remuneration Report.

Notice of Annual General Meeting
Continued

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 44 to 52. A summary of that Report is set out in 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 Remuneration Report can also 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 10% (rounded down to the nearest £1,000 nominal) of the current issued ordinary share capital at 28 February 2005 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 192,720,000 ordinary shares, being 5% (rounded down to the nearest £1,000 nominal) of the issued ordinary share capital of the Company at 28 February 2005.

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 (rounded down to the nearest 1,000 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).

In accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, companies may now retain any of their own shares that they have purchased as treasury stock with a view to possible re-issue at a future date, rather than cancelling them. 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.

Shareholder Information

LISTINGS AND SHARE ANALYSIS

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 as having traded on the London Stock Exchange and the JSE Securities Exchange South Africa during 2004 and 2003 were as follows:

	2004		2003	
	High	**Low**	High	Low
London Stock Exchange	**136.0p**	**90.25p**	108p	70p
JSE Securities Exchange South Africa	**R15.30**	**R10.80**	R13.30	R9.10

At 31 December 2004, the geographical analysis and shareholder profile of the Company's share register were as follows:

Register	Total shares	% of whole	Number of holders
UK	1,594,326,285	41.37	12,468
South Africa	2,170,353,709	56.32	52,123[1]
Malawi	5,922,856	0.15	5,285[1]
Namibia	9,905,340	0.26	9,174[1]
Zimbabwe	73,434,800	1.90	33,528[1]
Total	3,853,942,990	100	112,578

Range	Total shares	% of whole	Number of holders
1-1,000	25,699,630	0.67	88,148
1,001-10,000	31,383,702	0.81	21,252
10,001-100,000	29,162,801	0.76	2,105
100,001-250,000	32,164,026	0.83	353
250,001 +	3,735,532,831	96.93	720
Total	3,853,942,990	100.00	112,578

Note:

1 The registered shareholdings on the South African branch register included PLC Nominees (Pty) Limited, which held a total of 1,603,352,606 shares, including 525,137,062 shares held for the Company's sponsored nominee, Old Mutual (South Africa) Nominees (Pty) Limited, for the benefit of 527,793 underlying beneficial owners. The registered shareholdings on the Malawi branch register included Old Mutual (Blantyre) Nominees Limited, which held a total of 43,400 shares as nominee for 150 underlying beneficial owners. The registered shareholdings on the Namibian section of the principal register included Old Mutual (Namibia) Nominees (Pty) Limited, which held a total of 6,072,500 shares as nominee for 8,436 underlying beneficial owners. The registered shareholdings on the Zimbabwe branch register included Old Mutual Zimbabwe Nominees (Pvt) Limited, which held a total of 783,700 shares as nominee for 3,521 underlying beneficial owners.

Shareholder Information
Continued

REGISTRARS

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

UK
Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 7NH
(PO Box 82, Bristol BS99 7NH)
Tel: +44 (0)870 702 0000
e-mail: web.queries@computershare.co.uk

South Africa
Computershare Investor Services 2004 (Pty) Ltd
70 Marshall Street, Johannesburg 2001
(PO Box 61051, Marshalltown 2107)
Tel: +27 (0)11 370 5000

Malawi
Trust Finance Limited
Michiru House, Ground Floor
Victoria Avenue, Blantyre
(PO Box 1396, Blantyre)
Tel: +265 (0)623 856

Namibia
Transfer Secretaries (Pty) Limited
Kaiserkrone Centre
Shop No. 12, Windhoek
(PO Box 2401, Windhoek)
Tel: +264 (0)61 227 647

Zimbabwe
Corpserve (Private) Limited
4th Floor, Intermarket Centre
Corner 1st Street and
Kwame Nkrumah Avenue, Harare
(PO Box 2208, Harare)
Tel: +263 (0)4 758393/750711
e-mail: corpserve@corpserve.co.zw

The Company's South African Registrars, Computershare Investor Services, 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 principal 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 is payable based on the value of the shares sold.

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. 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 (0)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 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 Investor Services in Johannesburg on +27 (0)861 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, dividend mandate instructions, 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 Investor Services by e-mail.

FINANCIAL CALENDAR

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

Currency conversion date for the final dividend (Zimbabwe)	30 March 2005
Currency conversion date for the final dividend (Malawi, Namibia and South Africa)	31 March 2005
Announcement of currency equivalents of the final dividend	1 April 2005
Ex-dividend date in Zimbabwe	opening of business on 15 April 2005
Ex-dividend date in Malawi, Namibia and South Africa	opening of business on 18 April 2005
Ex-dividend date on the London Stock Exchange	opening of business on 20 April 2005
Record date for the final dividend	close of business on 22 April 2005
Annual General Meeting	11 May 2005
Final dividend payment date	31 May 2005
Interim results	August 2005
Interim dividend payment date	30 November 2005
Final results for 2005	February 2006

Note:
No dematerialisation or rematerialisation within STRATE and no transfers between registers may take place in the period 18 to 22 April 2005 (15 to 22 April 2005 in the case of Zimbabwe), 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 2004, 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 printed on forms of proxy (but not voting instruction forms) for the Annual General Meeting.

Before you register, you will be asked to agree to 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 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. 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 form of proxy. Electronic submission is not, however, available for voting instruction forms.

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OLD MUTUAL | plc

OLD MUTUAL PLC
Registered in England and Wales No. 3591559
and as an external company in each of
South Africa (No. 1999/004855/10), Malawi (No. 5282),
Namibia (No. F/3591559) and Zimbabwe (No. E1/99)

Registered Office:
5th Floor
Old Mutual Place
2 Lambeth Hill
London EC4V 4GG

www.oldmutual.com