

## OFFERING CIRCULAR



# OLD MUTUAL

## Old Mutual Capital Funding L.P.

### US\$750,000,000 8 per cent. Guaranteed Cumulative Perpetual Preferred Securities

having the benefit of a subordinated guarantee of

## Old Mutual plc

(incorporated in England and Wales under the Companies Act 1985 with registered number 3591559)

### Issue price: US\$1,000 per Preferred Security

The US\$750,000,000 8 per cent. Guaranteed Cumulative Perpetual Preferred Securities (the "Preferred Securities") each with a liquidation preference of US\$1,000 (the "Liquidation Preference") comprising limited partnership interests in Old Mutual Capital Funding L.P. (the "Issuer") are proposed to be issued on 22 May 2003 (the "Closing Date"). The Preferred Securities will entitle holders to receive (subject as described herein under "Description of the Preferred Securities") preferential cash distributions (each, a "Distribution") accruing from the Closing Date, payable in arrear on a cumulative basis, quarterly on 22 March, 22 June, 22 September and 22 December in each year (each, a "Distribution Payment Date"), commencing on 22 September 2003 (in respect of the period from and including the Closing Date to (but excluding) 22 September 2003), at the rate of 8 per cent. per annum of the Liquidation Preference (the "Distribution Rate"), subject to the right of the Issuer to defer Distributions, all as more fully described herein under "Description of the Preferred Securities – Distributions".

The Issuer, as a Jersey limited partnership, is not a legal entity separate from its partners. All obligations of the Issuer to make payments in respect of the Preferred Securities will be guaranteed on a limited and subordinated basis by Old Mutual plc (the "Company") pursuant to a subordinated guarantee dated 22 May 2003 (the "Guarantee"), as more fully described herein under "Subordinated Guarantee".

The Preferred Securities will be perpetual securities and not subject to any mandatory redemption provisions. The Preferred Securities may be redeemed, however, on 22 December 2008 or on any Distribution Payment Date thereafter in whole, but not in part, subject to satisfaction of the Redemption Condition (as defined herein), at the option of Old Mutual Capital Funding (Jersey) Limited as general partner of the Issuer (the "General Partner"), by payment of the Optional Redemption Price, being an amount (as more fully set out herein under "Description of the Preferred Securities") equal to the sum of (i) the Liquidation Preference, (ii) any accrued but unpaid Distributions in respect of the Distribution Period (each as defined herein) in which the redemption date falls, (iii) any Deferred Distribution (as defined herein) and (iv) any Additional Amounts (as defined herein). The Preferred Securities may also be redeemed in whole, but not in part, at the option of the General Partner, subject to satisfaction of the Redemption Condition, following the occurrence of a Tax Event or a Regulatory Event (each as defined herein) by payment of the Optional Redemption Price (as defined herein) to the Holders (as defined below), as more fully described herein under "Description of the Preferred Securities – Redemption and Purchase".

In the event of (i) the Voluntary Dissolution (as defined herein) of the Issuer or (ii) the Involuntary Dissolution (as defined herein) of the Issuer in circumstances where the Company is itself insolvent or in liquidation or (iii) the occurrence of a Substitution Event (as defined herein) where the Company does not allot, issue and deliver or procure the allotment, issue and delivery of substituted securities as provided herein, the holders of the Preferred Securities ("Holders") will be entitled to receive (subject as provided herein) the Liquidation Distribution (as defined herein) in respect of each Preferred Security held, out of the assets of the Issuer available for distribution, as more fully described herein under "Description of the Preferred Securities – Liquidation Distribution". As soon as reasonably practicable following a Substitution Event, the General Partner and the Company will take all reasonable steps to cause the Preferred Securities to be substituted, at the option of the General Partner, by fully-paid preference shares issued directly by the Company or fully-paid preferred securities issued by any other subsidiary undertaking of the Company and guaranteed by the Company, as more fully described herein under "Description of the Preferred Securities – Substitution and Change of Control".

The Preferred Securities are expected to be assigned on issue a rating of "Baa1" by Moody's Investor Services, Limited ("Moody's") and "A-" by Fitch Ratings Limited ("Fitch"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

See "Investment Considerations" for a discussion of certain factors that should be considered by prospective investors.

Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange.

The Preferred Securities will be represented on issue by a single global certificate in registered form (the "Global Certificate"). The Global Certificate will be registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee for, and will be deposited with, a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear system ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or around the Closing Date.

**BNP PARIBAS**

**HSBC**

**MERRILL LYNCH  
INTERNATIONAL**

**CITIGROUP**

**JPMORGAN**

**UBS WARBURG**

**OLD MUTUAL SPECIALISED FINANCE**  
Selling Agent

Dated: 19 May 2003

*Each of the General Partner (in relation to itself, the Issuer and the Preferred Securities only) and the Company confirms, after having made all reasonable enquiries, that this Offering Circular contains all information with regard to the Issuer, the General Partner, the Company and its subsidiaries (the “Group”) and the Preferred Securities which is material in the context of the issue of the Preferred Securities, that the information contained in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which makes this Offering Circular as a whole, or any such information or the expression of any such opinion or intention, misleading. Each of the General Partner and the Company accepts responsibility accordingly.*

*No person has been authorised to give any information or to make any representation not contained or incorporated in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the General Partner, the Company or the Managers (as defined under “Subscription and Sale”). Neither the delivery of this Offering Circular nor any subscription, sale or purchase made in connection herewith shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer, the General Partner, the Company or the Group since the date hereof.*

*Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence and domicile relating to the acquisition, holding or disposal of the Preferred Securities and any foreign exchange restrictions that might be relevant to them. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer or any of its partners, the Company or the Managers to subscribe for or purchase any of the Preferred Securities.*

*Prospective investors should satisfy themselves that they understand all of the risks associated with making investments in the Preferred Securities. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Preferred Securities, he should consult his professional advisers.*

*The distribution of this Offering Circular and the offering of the Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the General Partner, the Company and the Managers to inform themselves about, and to observe, any such restrictions.*

*This Offering Circular is directed only at (a) investment professionals falling within article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the “Promotion of CIS Order”) and article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the “Financial Promotion Order”), who have professional experience of participating in unregulated schemes and of matters relating to investments; and (b) persons falling within article 22(2) of the Promotion of CIS Order and article 49(2) of the Financial Promotion Order. Preferred Securities are only available to such persons. Persons who do not either (i) have such professional experience in participating in unregulated schemes and in matters relating to investments or (ii) fall within the said articles 22(2) and 49(2) should not rely on this Offering Circular.*

*No action has been taken to permit a public offering of the Preferred Securities in any jurisdiction where action would be required for such purpose. Accordingly, the Preferred Securities may not be offered or sold, directly or indirectly, and this Offering Circular may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in that jurisdiction. In particular, the Preferred Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”). Subject to certain exceptions, the Preferred Securities may not be offered, sold or delivered within the United States or to US persons. A further description of certain restrictions on the offering and sale of the Preferred Securities and on the distribution of this Offering Circular is given under “Subscription and Sale” below.*

*The Jersey Financial Services Commission (the “Commission”) has given and has not withdrawn its consent under Article 8 of the Control of Borrowing (Jersey) Order 1958 to the creation by the Issuer of the Preferred Securities. The Commission is protected by the Borrowing (Control) (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that Law.*

*Nothing in this Offering Circular or anything communicated to Holders of, or investors in, the Preferred Securities (or any such potential Holders or investors) by the General Partner is intended to constitute or should be construed as advice on the merits of the purchase of or subscription for the Preferred Securities or the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998, as amended.*

*An investment in the Preferred Securities is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result therefrom.*

*Unless otherwise specified or the context requires, references in this Offering Circular to “£” and “Sterling” are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the “UK”); references to “€” and “euro” are to the currency introduced at the start of the third stage of European Economic and Monetary Union, pursuant to the Treaty establishing the European Community, as amended from time to time; references to “US\$” and “US Dollars” are to the lawful currency of the United States of America (the “US”); and references to “R” and “Rand” are to the lawful currency of the Republic of South Africa.*

*The following exchange rates, have, unless the context indicates otherwise, been used, as appropriate, in this Offering Circular:*

	<b><i>Rand per £1.00</i></b>	<b><i>US\$ per £1.00</i></b>	<b><i>Rand per US\$1.00</i></b>
<i>At 31 December 2002</i>	<i>13.8141</i>	<i>1.6105</i>	<i>8.5775</i>
<i>At 31 December 2001</i>	<i>17.4286</i>	<i>1.4542</i>	<i>11.9850</i>
<i>Year to 31 December 2002 (average)</i>	<i>15.7878</i>	<i>1.5030</i>	<i>10.5042</i>
<i>Year to 31 December 2001 (average)</i>	<i>12.3923</i>	<i>1.4405</i>	<i>9.2670</i>

*IN CONNECTION WITH THIS ISSUE, BNP PARIBAS, OR ANY AGENT ACTING ON ITS BEHALF, MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE IS NO OBLIGATION ON BNP PARIBAS OR ANY AGENT ACTING ON ITS BEHALF TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.*

## TABLE OF CONTENTS

	<i>Page</i>
Documents Incorporated by Reference.....	4
Summary of the Offering .....	5
Investment Considerations .....	15
Old Mutual Capital Funding L.P.....	19
Old Mutual Capital Funding (Jersey) Limited.....	21
Use of Proceeds.....	22
Consolidated Capitalisation and Indebtedness of Old Mutual plc .....	23
Old Mutual plc .....	25
Description of the Preferred Securities .....	39
Summary of Provisions Relating to the Preferred Securities in Global Form .....	53
Subordinated Guarantee .....	55
Taxation.....	62
Subscription and Sale.....	63
General Information.....	65
Summary Consolidated Profit and Loss Account of Old Mutual plc .....	67
Summary Consolidated Balance Sheet of Old Mutual plc .....	68

---

### DOCUMENTS INCORPORATED BY REFERENCE

The audited consolidated accounts of the Company for the years ended 31 December 2001 and 31 December 2002 are incorporated by reference in this Offering Circular. Copies of these documents may be obtained free of charge at the specified office of each of the Paying and Transfer Agents and at the registered offices of the Issuer and the Company as described in “General Information” below.

Non-consolidated balance sheets for the Company as at 31 December 2001 and 31 December 2002 are included in its audited consolidated accounts for the years ended 31 December 2001 and 31 December 2002, respectively. Pursuant to Section 230 of the Companies Act 1985 (as amended), no non-consolidated profit and loss accounts were presented for the Company for the years ended 31 December 2001 and 31 December 2002.

## SUMMARY OF THE OFFERING

*The following summary is qualified in its entirety by the more detailed information included elsewhere in this Offering Circular. Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them under “Description of the Preferred Securities”. Prospective investors should also consider carefully, amongst other things, the factors set out under “Investment Considerations”.*

<b>Issuer:</b> .....	Old Mutual Capital Funding L.P. (the “Issuer”), a subsidiary undertaking of the Company established for an unlimited duration as a limited partnership in Jersey and registered under the Limited Partnerships (Jersey) Law, 1994, as amended (the “Law”). The Issuer is not a legal entity separate from its partners and has no operating history.
<b>General Partner:</b> .....	Old Mutual Capital Funding (Jersey) Limited (the “General Partner”), a wholly owned subsidiary of, and fully controlled by, the Company, incorporated in Jersey with limited liability, is the sole general partner in the Issuer and, as such, solely operates the Issuer.
<b>Preferential Limited Partner:</b> .....	Old Mutual Finance (No. 4) Limited (the “Preferential Limited Partner”).
<b>Guarantor:</b> .....	Old Mutual plc (the “Company”).
<b>Issue:</b> .....	US\$750,000,000 8 per cent. Guaranteed Cumulative Perpetual Preferred Securities (the “Preferred Securities”) each with a liquidation preference of US\$1,000 (the “Liquidation Preference”) comprising limited partnership interests in the Issuer.
<b>Use of Proceeds:</b> .....	The net proceeds of the issue of the Preferred Securities will be used by the Issuer to subscribe for subordinated cumulative perpetual notes (the “Subordinated Notes”) to be issued by the Company.
<b>Subordinated Notes:</b> .....	<p>The Subordinated Notes will have an aggregate principal amount which equals the aggregate Liquidation Preference of the Preferred Securities, will bear interest at a rate which is the same as the Distribution Rate of the Preferred Securities and will contain rights as to redemption which are substantially the same as those of the Preferred Securities.</p> <p>Interests in the Subordinated Notes and the Deferred Subordinated Notes (as defined and described under “Limitations on Distribution Payments” below) will not be delivered or otherwise made available in any form to holders of the Preferred Securities (the “Holders”), and the rights of such Holders shall be represented solely by the Guarantee and the Preferred Securities.</p>
<b>Ranking of the Preferred Securities:</b> .....	<p>Claims under the Preferred Securities in respect of any Liquidation Distribution will rank (i) senior to the rights of the General Partner and the Preferential Limited Partner and the holder of any corresponding preferential right in respect of other partnership interests issued by the Issuer, (ii) <i>pari passu</i> with claims of the holders of all other preferred securities issued by the Issuer which rank <i>pari passu</i> with the Preferred Securities and (iii) junior to the claims of creditors of the Issuer and holders of obligations of the Issuer which are neither Parity Obligations (as defined below) nor subordinated to the Preferred Securities.</p> <p>“Liquidation Distribution” means the Liquidation Preference, plus (i) any accrued but unpaid Distributions calculated from (and including) the immediately preceding Distribution Payment Date (or, if none, the Closing Date) to (but excluding) the date of payment, (ii) any Deferred Distribution (as defined below) and (iii) any Additional Amounts (as defined below) payable.</p>

<b>Negative Pledge:</b> .....	The Issuer will not have any creditors whose claims rank senior to the Preferred Securities, other than as permitted by the Limited Partnership Agreement.
<b>Subordinated Guarantee:</b> .....	<p>Subject as provided under “Limitations on Distribution Payments” below, the Company will irrevocably guarantee on a subordinated basis to the Holders payments (without duplication) of (i) all Distributions due on the Preferred Securities, (ii) any Liquidation Distribution to which Holders are entitled, (iii) the Optional Redemption Price (as defined below), (iv) any Deferred Distribution, (v) any Additional Amounts and (vi) any Relevant Amount (as defined below) (together, the “Guaranteed Payments”) as and when due, regardless of whether the Issuer has funds legally available for distribution or for making the relevant payment and regardless of any provision of the Law.</p> <p>The Guarantee is intended to provide Holders with rights against the Company in respect of Guaranteed Payments which are nearly as possible equivalent to those which they would have had if the Preferred Securities had been directly issued preference shares of the Company (whether or not the Company could in fact have issued such securities). Accordingly, the Guarantee will not enable Holders to cause redemption of the Preferred Securities or enforce creditor rights against the Company.</p> <p>The Company has undertaken in the Guarantee that it will not issue any preferred securities or preference shares or Capital Securities (as defined herein) ranking senior to its obligations under the Guarantee or enter into any support agreement or give any guarantee in respect of any preferred securities or preference shares or Capital Securities issued by any other subsidiary if such support agreement or guarantee would rank senior to the Guarantee (including any guarantee that would provide a priority of payment with respect to Adjusted Distributable Reserves (as defined herein)) unless, in each case, (a) the Guarantee is amended so that the Guarantee ranks <i>pari passu</i> with, and contains substantially equivalent rights of priority as to payment on, any such preferred securities, preference shares, Capital Securities or such other support agreement or guarantee, (b) the four most recent payments of Distributions on the Preferred Securities have been made either by the Issuer or by the Company pursuant to the Guarantee and (c) there are no Deferred Distributions outstanding and unpaid.</p>
<b>Ranking of the Guarantee:</b> .....	<p>Claims under the Guarantee will rank (i) senior to Junior Share Capital (as defined below), (ii) <i>pari passu</i> with equivalent claims under all outstanding and future Parity Obligations of the Company and (iii) junior to all other liabilities (including subordinated liabilities) of the Company.</p> <p>“Junior Share Capital” means the ordinary shares of the Company and any other securities or obligations of the Company which rank, or are expressed to rank, junior to the Parity Obligations.</p> <p>“Parity Obligations” means any preference shares, preferred securities (other than the Preferred Securities) or other securities or obligations either (i) issued or incurred directly by the Company and ranking <i>pari passu</i> with the Company’s obligations under the Guarantee or (ii) issued or incurred by the Issuer or any other subsidiary of the Company or any entity entitled to the benefit of the Guarantee or any other guarantee or support agreement ranking <i>pari passu</i> with the Guarantee.</p>



<b>Maturity and Redemption:</b> .....	<p>The Preferred Securities are perpetual securities and not subject to any mandatory redemption provisions and may only be redeemed, at the option of the General Partner only, in the circumstances described below.</p>
<b>Optional Redemption:</b> .....	<p>The Preferred Securities are redeemable, in whole but not in part, at the option of the General Partner and subject to satisfaction of the Redemption Condition, on 22 December 2008 or any Distribution Payment Date thereafter by payment of an amount equal to the Liquidation Preference, plus (i) any accrued but unpaid Distributions calculated from (and including) the immediately preceding Distribution Payment Date (or, if none, the Closing Date) to (but excluding) the relevant redemption date, (ii) any Deferred Distributions and (iii) any Additional Amounts payable (together, the “Optional Redemption Price”).</p> <p>“Redemption Condition” means, with respect to any redemption, that the Company either (i) has Adjusted Distributable Reserves or (ii) proceeds available from an issue of Replacement Capital that has been made for the purpose of funding the redemption, in either case in an amount at least equal to the aggregate Optional Redemption Price.</p> <p>“Replacement Capital” means shares or other securities issued by the Company or shares or other securities issued by a subsidiary of the Company or other entity which would, under then generally accepted accounting practice in the UK, qualify as at the date of issue thereof for treatment as a minority interest or as shareholders’ funds in the Company’s consolidated accounts.</p>
<b>Tax Redemption:</b> .....	<p>The Preferred Securities are redeemable, in whole but not in part, at the option of the General Partner and subject to satisfaction of the Redemption Condition, if at any time a Tax Event has occurred and is continuing, by payment of the Optional Redemption Price.</p> <p>For these purposes:</p> <p>“Tax Event” means that, as a result of a change in any law or regulation of the UK or Jersey, or in any treaty to which the UK or Jersey is a party, or in the official interpretation or application of any law, regulation or treaty by any relevant body in the UK or Jersey becoming effective after 19 May 2003 (i) the Issuer or the General Partner would be subject to more than a <i>de minimis</i> amount of tax in respect of the Subordinated Notes or the Preferred Securities (except, in the case of the General Partner only, for any such tax that would arise as a result of (a) profits arising to it as a result of allocations of income to it under the Limited Partnership Agreement or (b) activities (if any) carried on by it (other than those permitted or contemplated in the Limited Partnership Agreement in respect of the Subordinated Notes or the Preferred Securities) in Jersey or the UK, (ii) payments to Holders would be subject to deduction or to withholding tax or would give rise to any obligation to account for any tax in Jersey or the UK, (iii) payments by the Company in respect of the Subordinated Notes would be subject to deduction or to withholding tax in the UK or (iv) the Company would not obtain relief for the purposes of UK corporation tax for any payment of interest in respect of the Subordinated Notes.</p> <p>Before a tax redemption may take place, the General Partner shall be required to, <i>inter alia</i>, obtain an opinion of counsel to the Company experienced in such matters to the effect that a Tax Event has occurred and specifying which of the clauses (i) to (iv) above is applicable.</p>

**Regulatory Redemption:**..... The Preferred Securities are redeemable, in whole but not in part, at the option of the General Partner and subject to satisfaction of the Redemption Condition, if at any time a Regulatory Event has occurred and is continuing, by payment of the Optional Redemption Price.

For these purposes:

A “Regulatory Event” is deemed to have occurred if (as a result of a change in, or in the official interpretation or application of, the Directive (as defined herein) or any directive, law, rule or regulation (whether having the force of law or otherwise) becoming effective after 19 May 2003) in any solvency calculation in respect of the Company required by the FSA (including, without limitation, pursuant to the Directive or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (being as at the Closing Date, the European Union together with Norway, Liechtenstein and Iceland) implementing the Directive or pursuant to any other applicable directive, law, rule or regulation (whether having the force of law or otherwise) relating to the solvency of insurance companies) the Preferred Securities would not be capable as counting as cover for the minimum or notional margin of solvency required of the Company.

Before a regulatory redemption may take place, the General Partner shall be required to, *inter alia*, obtain an opinion of counsel to the Company experienced in such matters to the effect that a Regulatory Event has occurred.

**Distributions:** ..... Subject to the limitations described in “Limitations on Distribution Payments” below, Holders will be entitled to receive preferential cash distributions (each a “Distribution”) accruing from the Closing Date payable in arrear on a cumulative basis, quarterly on 22 March, 22 June, 22 September and 22 December in each year, (each a “Distribution Payment Date”), commencing on 22 September 2003 (in respect of the period from (and including) the Closing Date to (but excluding) 22 September 2003).

The period from (and including) the Closing Date to (but excluding) the first Distribution Payment Date and each period thereafter from (and including) one Distribution Payment Date to (but excluding) the next following Distribution Payment Date is referred to as a “Distribution Period”.

If payable, such Distributions will be paid, at a fixed rate of 8 per cent. per annum (the “Distribution Rate”) of the Liquidation Preference (calculated on a 30/360 basis).

#### **Limitations on Distribution**

**Payments:** ..... Notwithstanding the existence of resources legally available for distribution by the Issuer, neither the Issuer nor the Company will pay any Distributions or make any payment in respect of Distributions (including any Additional Amounts) under the Preferred Securities or the Guarantee:

- (i) if such payment, together with the amount of any distributions or dividends paid or scheduled to be paid to holders of Parity Obligations on the relevant Distribution Payment Date would exceed Adjusted Distributable Reserves as at the Distribution Determination Date (as defined herein) immediately preceding such Distribution Payment Date; or



- (ii) if the General Partner gives notice to, *inter alios*, the Holders (a “Distribution Deferral Notice”) at least 20 London Business Days prior to the relevant Distribution Payment Date that the Distribution payable on such Distribution Payment Date shall not be paid.

The General Partner may give a Distribution Deferral Notice in its sole discretion and for any reason. Save as provided below in respect of a Deferred Distribution (as defined herein), no partial payment of a Distribution will be made.

The Company has undertaken that, if any Distribution is not paid on the relevant Distribution Payment Date, the Company will not (i) declare or pay any dividend or distribution in respect of any Junior Share Capital or (if permitted) effect any repurchase of, or redeem, any Junior Share Capital (or contribute any moneys to a sinking fund for the redemption of any Junior Share Capital) until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid or (ii) (if permitted) repurchase or redeem any Parity Obligations until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid in full.

However, if the relevant Distribution is due to be paid but is not so paid solely as a result of an administrative or technical error or problems (whether in transmission of funds within the banking system or otherwise) but is paid within 5 London Business Days following the relevant Distribution Payment Date, then the restriction referred to in the paragraph immediately above shall only apply from and including the relevant Distribution Payment Date until such Distribution is so paid in full.

Any Distribution which is not paid on a Distribution Payment Date (a “Deferred Distribution”) may, at the option of the General Partner, be paid in whole or in part on any Distribution Payment Date upon the expiration of not less than seven days’ prior notice to such effect given by the General Partner to the Holders, provided that the amount of such payment, together with the amount of the Distribution payable in respect of the Preferred Securities and any distributions or dividends paid or scheduled to be paid to holders of Parity Obligations on the relevant Distribution Payment Date would not exceed Adjusted Distributable Reserves as at the Distribution Determination Date immediately preceding such Distribution Payment Date. All Deferred Distributions will automatically become immediately due and payable upon the earliest of:

- (a) the date of any redemption of any Preferred Securities;
- (b) the date of liquidation, dissolution or winding-up of the Company (other than pursuant to a Permitted Reorganisation (as defined herein)); and
- (c) the dissolution of the Issuer (other than circumstances constituting a Substitution Event and where substituted securities are issued);

but, save as provided above, shall not be payable in any other circumstances.

“Adjusted Distributable Reserves” means, at any time, the lawful distributable reserves of the Company at such time less the cumulative amount since the Closing Date of all redemptions of and payments

(except, in each case, for such amounts as have been either charged to the lawful distributable reserves of the Company or funded at that time by an issue of Replacement Capital as described under “Optional Redemption” above) on (i) any preference shares or other obligations of the Company that are accounted for under then generally accepted accounting practice in the UK as shareholders’ funds in the Company’s accounts and (ii) all securities or other obligations of an undertaking which are accounted for under then generally accepted accounting practice in the UK as minority interest capital of, and with recourse (whether by way of guarantee, support agreement or otherwise) to, the Company that are similar in all material respects to the Preferred Securities and the Guarantee, taken together, whether or not Parity Obligations.

To the extent that a Distribution is not paid on a Distribution Payment Date by reason of one or more of the limitations described above or by reason of the giving of a Distribution Deferral Notice, no Guaranteed Payment will be paid, or may be claimed, on the relevant Distribution Payment Date or otherwise until such payment is due.

Save as described above, Holders will have no right to participate in the profits of the Issuer or the Company and in particular will have no rights to receive from the Issuer (i) amounts paid under the Subordinated Notes in excess of Distributions due and payable under the Preferred Securities, (ii) any interest received by the Issuer in respect of any Deferred Subordinated Notes or (iii) any principal amount received by the Issuer on redemption of the Deferred Subordinated Notes in excess of the amount required to make payments in respect of any Deferred Distributions due and payable. All amounts of interest received by the Issuer pursuant to the Deferred Subordinated Notes will be paid to the Preferential Limited Partner and Holders will have no rights in respect thereof.

If any amounts received by the Issuer pursuant to the Subordinated Notes exceed the amount (if any) then due by way of Distribution under the Preferred Securities, the amount of such excess will be paid to the Preferential Limited Partner and Holders will have no rights in respect thereof.

The principal amount of the Deferred Subordinated Notes received by the Issuer upon a redemption of the Deferred Subordinated Notes will be applied by the Issuer in making payments to Holders in respect of Deferred Distributions and the Preferential Limited Partner will have no rights in respect thereof save as provided in the next sentence. If any amounts received by the Issuer pursuant to a redemption of the Deferred Subordinated Notes exceeds the amount (if any) then due by way of payment of Deferred Distributions, the amount of such excess will be paid to the Preferential Limited Partner and the Holders will have no rights in respect thereof.

Without prejudice to the preceding sentence, the Company has undertaken in the Guarantee that the Deferred Subordinated Notes will be redeemed only in an amount equal to any Deferred Distributions payable pursuant to the Preferred Securities, and on the date on which payment of Deferred Distributions becomes due.

“Deferred Subordinated Notes” means the US dollar subordinated cumulative perpetual notes that may be issued from time to time by the Company to the Issuer pursuant to the terms of the Limited Partnership Agreement, or any successor securities issued or securities substituted therefor with the prior written consent of the FSA (if then required).

Neither the Company nor the Issuer shall make or procure or permit to be made any payments in respect of the Preferred Securities or under the Guarantee except for payments to which Holders are expressly entitled under the terms of the Preferred Securities or the Guarantee.

**Rights upon Liquidation:.....**

In the event of (i) the Voluntary Dissolution of the Issuer or (ii) the Involuntary Dissolution of the Issuer in circumstances where the Company is itself insolvent or in liquidation or (iii) the occurrence of a Substitution Event where the Company does not allot, issue and deliver or procure the allotment, issue or delivery of substituted securities, the Holders will be entitled to receive (subject as provided herein) the Liquidation Distribution in respect of each Preferred Security held, out of the assets of the Issuer available for distribution to such Holders under the Law. Pursuant to the Law, in the event of the Involuntary Dissolution of the Issuer, the Jersey courts may direct the amount, and the manner, of the distribution of the assets of the Issuer which will override any of the provisions of the Limited Partnership Agreement. Accordingly the Jersey courts may direct that the Holders shall be entitled to receive less than the Liquidation Distribution in the case of an Involuntary Dissolution. Subject to any directions of the Jersey courts (in the case of an Involuntary Dissolution), if at the time such Liquidation Distribution is to be paid:

- (a) proceedings have been commenced for the liquidation, dissolution or winding-up of the Company (other than pursuant to a Permitted Reorganisation), the Liquidation Distribution per Preferred Security payable to the Holders shall not exceed the amount per Preferred Security that would have been paid as a liquidation distribution out of the assets of the Company had the Preferred Securities been directly issued preference shares of the Company with equivalent rights of participation in the capital of the Company (whether or not the Company could in fact have issued such securities) and ranked (i) senior to Junior Share Capital (ii) *pari passu* with equivalent claims under all outstanding and future Parity Obligations of the Company and (iii) junior to all other liabilities (including subordinated liabilities) of the Company; or
- (b) proceedings have not been commenced for the liquidation, dissolution or winding-up of the Company, the Liquidation Distribution shall only be payable to the extent that the Company either has (i) Adjusted Distributable Reserves or (ii) proceeds available from an issue of Replacement Capital that has been made for the purpose of funding the Liquidation Distribution.

The Liquidation Distribution will be made to Holders (i) before any distribution of assets is made to the General Partner or the Preferential Limited Partner and the holder of any corresponding preferential right in respect of other partnership interests issued by the Issuer and (ii) *pari passu* with the claims of the holders of all other preferred securities issued by the Issuer which rank *pari passu* with the Preferred Securities and (iii) after the claims of all creditors of the Issuer and holders of obligations of the Issuer which are neither Parity Obligations nor subordinated to the Preferred Securities.

After full payment of the amount of any Liquidation Distribution, the General Partner and the Preferential Limited Partner will be entitled to any remaining assets of the Issuer available for distribution in accordance with the terms of the Limited Partnership Agreement. After

full payment of the amount of the Liquidation Distribution to which they are entitled, the Holders will have no right or claim to any of the remaining assets of the Issuer or the Company.

The Limited Partnership Agreement provides that, in the event that an order is made for the liquidation, dissolution or winding-up of the Company other than pursuant to a Permitted Reorganisation or the Company is declared insolvent, the Issuer shall be dissolved and the Liquidation Distribution to which Holders shall be entitled will be calculated as described above. However, the Limited Partnership Agreement prohibits the General Partner from taking any action that would or might cause the dissolution of the Issuer.

#### **Substitution Event and**

**Substitution:** .....

As soon as reasonably practicable following the Involuntary Dissolution of the Issuer (in circumstances where the Company is itself not insolvent or in liquidation) (a “Substitution Event”), the General Partner and the Company shall take all reasonable steps to cause the substitution of the Preferred Securities by (i) fully-paid preference shares issued directly by the Company or, at the option of the General Partner, (ii) fully-paid preferred securities issued by any subsidiary undertaking of the Company and guaranteed by the Company, in each case having in all material commercial respects the same economic rights and benefits (including those relating to cumulative distributions and status) as are attached to the Preferred Securities and the Guarantee taken together, and each such substituted security will have an entitlement to any Deferred Distributions *mutatis mutandis* as provided by the Preferred Securities.

**Change of Control:** .....

The Issuer shall give notice to Holders in the event of a Change of Control (as defined below) and each of the Issuer and the Company has agreed, to the extent that such action is within their reasonable control, to vary the terms of the Preferred Securities and the Guarantee in order to, and to use all reasonable endeavours to ensure that the Acquiror (as defined below) gives such undertakings as are necessary to, preserve the rights and entitlements of the Holders under the Preferred Securities and the Guarantee following such Change of Control. Such undertakings by the Acquiror shall include, *inter alia*, an undertaking that, if any Distribution is not paid on a Distribution Payment Date, the Acquiror will not declare or pay any dividend or distributions in respect of its ordinary shares or (if permitted) effect any repurchase of its ordinary shares until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid.

Each of the Issuer and the Company will, in addition, take such steps as are within their reasonable control to ensure that the economic interests of the Holders (including as to Distributions and ranking of the Preferred Securities) are not adversely affected by the actions of the Acquiror following such Change of Control.

A “Change of Control” will be deemed to have occurred at such time as any person or group of persons acting in concert (as defined in the City Code) (the “Acquiror”) discloses to the Company that, or the Company otherwise becomes aware that, the Acquiror has become the beneficial owner, directly or indirectly, of shares in the Company representing in the aggregate the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company.

<b>Withholding Tax and Gross Up: .....</b>	<p>Except in certain limited cases, the Issuer, and the Company pursuant to the Guarantee, will pay such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by each Holder in respect of Distributions or other payments under the Preferred Securities or the Guarantee, as the case may be, after withholding for any taxes imposed by Jersey or the UK, as the case may be, on payments made by or on behalf of the Issuer or the Company (in the case of payments made under the Guarantee) will equal the amount which would have been received in the absence of any requirement to make any such withholding.</p>
<b>Voting Rights: .....</b>	<p>Except as stated in the following paragraph (and subject to the Law), Holders will not be entitled to receive notice of, or attend or vote at, any meeting of partners of the Issuer or participate in the management of the Issuer.</p> <p>If Distributions and Additional Amounts have not been paid (and/or the Company has not made payments due under the Guarantee in respect of such Distributions and Additional Amounts) for any four consecutive Distribution Periods, the Holders will be entitled by written notice to the General Partner given by the Holders of a majority in Liquidation Preference or by resolution passed at an appropriately constituted meeting to appoint a special representative to enforce their statutory rights (if any) as limited partners including provision of information on the affairs of the Issuer. Such special representative must vacate its office if, after its appointment, Distributions and Additional Amounts are paid for four consecutive Distribution Periods by the Issuer or by the Company under the Guarantee in respect thereof.</p>
<b>The Law: .....</b>	<p>All payments by the Issuer of Distributions (including Deferred Distributions) and all other payments by the Issuer in respect of the Preferred Securities (including upon redemption) may only be made subject to the Law, however this shall not affect the obligation of the Company in respect of any Guaranteed Payments.</p> <p><i>The Law provides, inter alia, that no return of any part of a limited partner’s contribution or payment of a limited partner’s share of profits may be made if the limited partnership is insolvent either at the time of making the payment or immediately after making the payment; however this shall not affect the obligation of the Company in respect of any Guaranteed Payments. For these purposes, a limited partnership is insolvent where the general partner is unable to discharge as they fall due the debts and obligations of the limited partnership (excluding its liabilities to partners in respect of their partnership interests) out of the limited partnership’s assets without recourse to the separate assets of the general partner not contributed to the limited partnership. The Law also provides that on an insolvent dissolution of a limited partnership the winding up of the limited partnership will be subject to such directions (if any) as the Jersey Courts may make.</i></p>
<b>Form of the Preferred Securities: .....</b>	<p>The Preferred Securities will be issued in registered form and will be represented by a Global Certificate. The Global Certificate will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg. For so long as the Preferred Securities are deposited and registered as described above, book-entry interests in the Preferred Securities will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Preferred Securities will be issued in definitive certificated form only in limited circumstances.</p>

<b>Governing Law:</b> .....	The Guarantee will be governed by, and construed in accordance with, English law. The Limited Partnership Agreement and the Preferred Securities will be governed by, and construed in accordance with, Jersey law.
<b>Listing:</b> .....	Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange.
<b>Ratings:</b> .....	The Preferred Securities are expected to be assigned on issue a rating of A- by Fitch and Baa1 by Moody's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.
<b>ISIN:</b> .....	XS0168687100
<b>Common Code:</b> .....	016868710
<b>Investment Considerations:</b> .....	Prospective investors should carefully consider the information under "Investment Considerations" in conjunction with the other information contained in this Offering Circular.



## INVESTMENT CONSIDERATIONS

*Prospective investors should consider carefully the following information in conjunction with the other information contained in this Offering Circular before investing in the Preferred Securities. Capitalised terms used but not defined in this section shall bear the respective meanings ascribed to them under “Description of the Preferred Securities”.*

### **Considerations relating to the Preferred Securities**

#### *Risks associated with the Company’s financial condition*

An investment in the Preferred Securities will have substantially the same economic risks as an investment in perpetual preference shares issued directly by the Company having the same liquidation preference and rate of distribution as the Preferred Securities. It is expected that the Issuer’s sole source of funds to pay Distributions on the Preferred Securities will be payments which it receives under the Subordinated Notes or the Deferred Subordinated Notes. The rights of Holders shall be represented solely by the Guarantee and the Preferred Securities, the terms of which provide that interests in the Subordinated Notes and the Deferred Subordinated Notes will not be delivered or otherwise made available to Holders. The Preferred Securities are guaranteed on a limited and subordinated basis by the Company pursuant to the terms of the Guarantee. Accordingly, if the Company’s financial condition were to deteriorate, the Issuer and the Holders may suffer direct and materially adverse consequences, including non-payment of Distributions on the Preferred Securities or non-payment of Guaranteed Payments.

#### *Perpetual nature of the Preferred Securities*

The Preferred Securities have no fixed final redemption date and Holders have no rights to call for the redemption of the Preferred Securities. Although the Issuer may redeem the Preferred Securities in certain circumstances in whole but not in part (including, at the option of the General Partner, on 22 December 2008 or on any Distribution Payment Date thereafter or following the occurrence of a Tax Event or a Regulatory Event), there are limitations on its ability to do so. Therefore Holders should be aware that they may be required to bear the financial risks of an investment in the Preferred Securities for an indefinite period of time.

#### *Deferral of Distributions*

The General Partner may elect to defer any Distribution at its sole discretion and for any reason. Any Deferred Distributions may, at the option of the General Partner (subject to certain limitations, as set out in “Description of the Preferred Securities – Distributions”), be paid in whole or in part on any Distribution Payment Date upon the expiration of not less than seven days’ notice to such effect given by the General Partner to Holders. All Deferred Distributions will become due on the date upon which the Preferred Securities are redeemed or on a liquidation, dissolution or winding up of the Company or the dissolution of the Issuer (subject to certain exceptions) but shall not be payable in any other circumstances, as set out in “Description of the Preferred Securities – Distributions”. Deferred Distributions will not bear interest. The Company has undertaken that, if any Distribution is not paid by the Issuer on a Distribution Payment Date, the Company will not (i) declare or pay any dividend or distributions in respect of any Junior Share Capital or (if permitted) effect any repurchase or redeem any Junior Share Capital (or contribute any moneys to a sinking fund for the redemption of any Junior Share Capital) until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid or (ii) (if permitted) repurchase or redeem any Parity Obligations until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid in full. However, if the Distribution is not paid on the relevant Distribution Payment Date as a result of an administrative or technical error or problem, but is paid within 5 London Business Days after the relevant Distribution Payment Date, then the restrictions described in (i) and (ii) above will cease to apply upon such Distribution being paid in full.

#### *Mandatory substitution*

In certain limited circumstances described in “Description of the Preferred Securities – Substitution and Change of Control”, the Preferred Securities may be substituted by fully-paid directly issued preference shares of the Company or fully-paid preferred securities issued by any other subsidiary undertaking of the Company and guaranteed by the Company, in each case having in all material respects the same economic rights and benefits (including those relating to distributions and status) as are attached to the Preferred Securities and the Guarantee taken together.

Although the Company has undertaken that, if substitute securities are to be issued, it will take all reasonable steps to ensure it is legally able to allot, issue and deliver, or procure the allotment issue and delivery of, such substitute securities, there can be no assurance that the Company will be legally able to do so at the relevant time. In particular, there are no preference shares, having in all material respects the same economic rights and benefits as are attached to the Preferred Securities and the Guarantee taken together, in the capital of the Company as at the date of this Offering Circular and there can be no assurance that the Company's shareholders will agree to the authorisation and issue of any such preference shares.

Although the Company has undertaken to take all reasonable steps to procure a listing for such substituted securities, there can be no assurance that a recognised stock exchange will agree to list such substituted securities. In addition, the tax treatment for holders of such substituted securities may be different from that for holders of the Preferred Securities.

#### *No limitation on future debt*

The Company is not prohibited from issuing, guaranteeing or otherwise incurring further debt ranking *pari passu* with, or senior to, its obligations under the Guarantee.

#### *Subordination*

The obligations of the Company under the Guarantee will rank junior as to payments of all liabilities to creditors of the Company (including without limitation general creditors and subordinated debt holders) and claims of holders of senior ranking securities. In the event that the Company is wound up, liquidated or dissolved, the assets of the Company would be available to pay obligations under the Guarantee only after all payments have been made on such senior liabilities and claims.

#### *Absence of prior public market*

The Preferred Securities constitute the creation of new partnership interests by the Issuer. Prior to the issue of the Preferred Securities, there will have been no public market for the Preferred Securities. Although application has been made for the Preferred Securities to be listed on the Luxembourg Stock Exchange, there can be no assurance that an active public market for the Preferred Securities will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity of, and the market prices for, the Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Company and other factors that generally influence the market prices of securities.

### **Considerations relating to the Group's operations**

#### *Political, social and economic factors in South Africa*

As a significant proportion of the operations and customers of the Group are located in South Africa, political, social and economic conditions in South Africa are relevant to investors in assessing a proposed investment in the Preferred Securities. South Africa faces many challenges in overcoming substantial inequalities in levels of social and economic development among its people.

Although the South African Government has taken a number of significant steps towards addressing the political tensions and social and economic problems in South Africa, it is not possible to predict with any certainty the future economic direction of South Africa. Particular considerations include how, and to what extent, the Government will ultimately address such tensions and problems and the effect on South African businesses of the ongoing integration of the South African economy with the economies of the rest of the world. The economic direction of South Africa will be influenced by the extent to which the Government, organised labour and business are able to agree upon common goals and the means of achieving them. Any slowdown in South Africa's economic growth may have a material adverse effect on the Group's business and its financial performance.

In South Africa there is an emphasis on black economic empowerment ("BEE"). The industries represented by the financial services sector, including Old Mutual (South Africa) Limited, Nedcor Limited and Mutual & Federal Insurance Company Limited, have proactively and voluntarily initiated a process to analyse their contribution to BEE.

To date, the Company's South African subsidiaries have been engaged in a range of BEE activities. The Company is seeking further opportunities to do so and is committed to the BEE process. However, should a contrary perception of the Company's contribution to the BEE process develop, this could adversely impact on the Group's business. No assurance can be given that any laws or regulations introduced by the South African Government in

relation to BEE will not be implemented or applied in a manner that could have a material adverse effect on the operations of the Group.

#### *Changes in investment market conditions in South Africa and elsewhere*

The South African based earnings of the Group are particularly sensitive to the performance of the JSE Securities Exchange South Africa (the “JSE Securities Exchange”), as well as the level of interest rates in South Africa. Partly as a consequence of exchange controls, trading volumes and liquidity of shares listed and traded on the JSE Securities Exchange have historically been low in comparison to those of other major markets. Since operating profits of the Group depend to a significant extent on the performance of equities listed on the JSE Securities Exchange, adverse market conditions may have a significant impact on profits. In addition, the Group’s South African life assurance business holds substantial interests in several large South African groups and the size of these holdings may make it difficult to realise these interests readily at their current market value.

The revenues of the Group’s asset management businesses are derived principally from transaction charges and investment management fees, which are based primarily on the market value of assets under management. Consequently, the financial results of the Group’s asset management businesses are highly dependent on changes in the economies and financial markets in which the assets under management are invested. These economies and financial markets can be highly volatile and difficult to predict and could have a material impact on all aspects of the Group’s business.

#### *Fluctuations in exchange rates*

The Company presents its consolidated financial statements in Sterling and Rand. The Preferred Securities are denominated in US Dollars. A substantial proportion of the Group’s operations are accounted for in currencies other than Sterling, principally Rand and US Dollars. As a result, fluctuations in the relative value of Sterling to the Rand, the US Dollar and other currencies will be significant to the Group and its shareholders because, amongst other things, these fluctuations affect the translation of the results of the Group’s non-UK operations into Sterling. In addition, these fluctuations could, amongst other things:

- significantly affect the comparability of the Group’s performance between financial periods;
- cause the Group’s earnings to fluctuate;
- increase the amount, in Sterling or Rand terms, of the Group’s US Dollar denominated debt; and
- increase the Group’s financing costs.

There can be no assurance, therefore, that the Group’s Sterling reported financial results will not fluctuate significantly from year to year as a result of changes in exchange rates.

#### *Exchange Controls*

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which such exchange controls will be further relaxed by the South African Government cannot be predicted with certainty, although the Government has committed itself to a gradual approach of relaxing exchange controls. Further relaxation or abolition of exchange controls may change the capital flows to and from South Africa. If the net result was large capital outflows, this could adversely affect the Group’s South African businesses, which would have an adverse effect on the financial condition of the Group as a whole.

All exchange controls in South Africa over non-residents were abolished as a result of the termination of the Financial Rand system in 1995. However, as a result of the non-resident status of the Company (the Company being resident in the UK), it is subject to certain exchange controls in respect of its dealings with its South African subsidiaries. South African companies within the Group are not allowed to give financial assistance (which includes the payment of dividends) to the Company or other Group companies without the approval of an authorised dealer of the South African Reserve Bank. There can be no assurance that an authorised dealer of the South African Reserve Bank will give approval for such assistance (including in relation to dividend payments) by the Group’s South African subsidiaries.

As part of the Group’s demutualisation, the South African Reserve Bank required, *inter alia*, that the Group’s South African operations be controlled via a South African holding company, that its South African businesses and assets remain in South Africa and that its assets may not be exported from South Africa without the specific approval of the South African Reserve Bank.

#### *Inflation and interest rates*

The South African Government and the South African Reserve Bank have sought to control inflation and outflows of capital from South Africa by pursuing a policy of fiscal and monetary discipline.

The recent return of high inflation is seen as temporary and the South African Government has had relative success in containing the inflation rate in recent years. However there can be no assurance that the inflation rate will not rise in the future. Similarly, it is not possible to predict with any certainty the future direction of interest rates in South Africa. Any political instability in South Africa could trigger increased inflation and/or interest rates. Significant increases in inflation or in interest rates could materially and adversely affect the Group's business operations and its financial performance.

#### *HIV/AIDS*

The incidence of HIV/AIDS infection in southern Africa is high and forecast to increase over the next decade. As payment under a policy written by the Company's South African life business, Old Mutual Life Assurance Company (South Africa) Limited ("OMLAC(SA)"), will not necessarily be precluded where AIDS has been a contributory factor in death, OMLAC(SA) has taken a number of steps to minimise the effect of AIDS on its business. Where appropriate, OMLAC(SA) sells products that allow it to adjust premiums for in-force business on a regular basis, or are priced with an allowance for expected escalations in mortality due to AIDS. Given the socio-economic classes which have traditionally formed the target market for OMLAC(SA)'s insurance products, as well as the fact that new products introduced by OMLAC(SA) take into account HIV/AIDS risk, management believes that OMLAC(SA)'s existing reserves are adequate. Although management does not believe that increased levels of HIV/AIDS infection will have a material adverse effect on OMLAC(SA)'s financial position, increases beyond those expected in the incidence of HIV/AIDS infection amongst OMLAC(SA) policyholders could adversely affect the Group's South African life assurance business's earnings in future periods.

#### **Other considerations**

##### *No operating history*

The Issuer is a newly established limited partnership with no previous operating history or revenues.

##### *Legality of purchase*

None of the Issuer, the General Partner, the Company, the Managers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Preferred Securities by a prospective purchaser of the Preferred Securities whether under the law of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

##### *Holding company structure*

The Company is the holding company for the Group and does not carry on any operating activities nor, save for its shareholding interests in other Group companies, does it have any material assets. In servicing its obligations, the Company will rely primarily on cashflows, chiefly dividend payments and loan repayments from its subsidiaries. The ability of such subsidiaries to make such payments will be affected by the obligations of such subsidiaries to their creditors and claims in relation to the Guarantee against the cashflows and assets of such subsidiaries will effectively be subordinated to the claims of such creditors. The ability of such subsidiaries to pay dividends will also be subject to applicable law (including exchange controls (see "Exchange Controls" above)) and, in addition, may be subject to restrictions and limitations imposed in various financing agreements.

## **OLD MUTUAL CAPITAL FUNDING L.P.**

### **Introduction**

Old Mutual Capital Funding L.P. (the “Issuer”) was registered in Jersey on 2 May 2003 under the Limited Partnerships (Jersey) Law, 1994 for an unlimited duration, with Old Mutual Capital Funding (Jersey) Limited (incorporated in Jersey with registered number 85332) as the general partner (the “General Partner”), HSBC Issuer Services Common Depositary Nominee (UK) Limited as the initial limited partner (the “Initial Holder”) and Old Mutual Finance (No. 4) Limited (incorporated in England and Wales with registered number 4718926), a wholly-owned subsidiary of Old Mutual plc (the “Company”), as the preferential limited partner (the “Preferential Limited Partner” and, together with the Initial Holder and other holders of limited partnership interests in the Issuer from time to time, the “Limited Partners”) holding the Preferential Right (as defined under “Description of the Preferred Securities”). The General Partner, the Preferential Limited Partner, the Initial Holder and the Company have entered into a Limited Partnership Agreement dated 19 May 2003 (the “Limited Partnership Agreement”) for the purpose of establishing the Issuer. The Issuer is not a legal entity separate from its partners and as such has no subsidiaries. Although a party to the Limited Partnership Agreement, the Company is not a partner in the Issuer.

The General Partner, a wholly-owned subsidiary of the Company, is the sole General Partner of the Issuer and, as such, solely operates the Issuer. The Company will undertake in the Guarantee to ensure that the General Partner will at all times be a directly or indirectly wholly-owned subsidiary of the Company unless at least a majority of the Holders of then outstanding Preferred Securities have agreed in writing to waive this undertaking.

Provided that the Limited Partners do not become involved with the management of the limited partnership other than in the circumstances provided for in the Limited Partnership Agreement (see “Description of the Preferred Securities”), the liability of the Limited Partners for the debts or obligations of the limited partnership will be limited to the amount which they have contributed or agreed to contribute to the partnership (which, in the case of the Holders, will be through their investment in the Preferred Securities).

### **Sole Activity**

The Issuer was established for the sole purpose of raising finance for the Group. It has carried out no operations since its registration other than in relation to the creation of the Preferred Securities and the Preferential Right. The capital contributions to be made by the Limited Partners will be used by the Issuer to subscribe for the Subordinated Notes.

### **Administration**

The registered office of the Issuer is 3rd Floor, 28 New Street, St. Helier, Jersey JE2 3TE. The Issuer will be operated by the General Partner. No Holder may participate in the operation or administration of the Issuer.

The General Partner has agreed to contribute capital from time to time to the extent required for the Issuer to meet any operating expenses which it may have. The General Partner has also agreed that it will at all times maintain sole ownership of its general partner interest in the Issuer, subject to the terms of the Limited Partnership Agreement. The Limited Partnership Agreement provides that all of the Issuer’s business and affairs will be conducted by the General Partner and the General Partner will have unlimited liability for the debts and obligations of the Issuer to the extent that these cannot be satisfied out of partnership assets.

If the Issuer is dissolved, the Limited Partnership Agreement provides that the General Partner will only be entitled to any assets of the Issuer remaining after (i) all debts and other liabilities of the Issuer have been satisfied in full and (ii) the full Liquidation Preference to which the Holders are entitled and all other amounts to which the holders of any other partnership interests are entitled have been paid to such holders.

### **Capitalisation**

In addition to the initial capital contribution by the Company and the capital contribution of US\$750,000,000 to be made by the Limited Partners in relation to the Preferred Securities and such other capital contributions as may be made by the General Partner from time to time to meet certain operating expenses of the partnership, the General Partner may accept additional limited partners and additional capital contributions to the Issuer and agree the withdrawal of limited partners in accordance with the provisions of the Limited Partnership Agreement.

**Indebtedness**

Since the date of its registration, the Issuer has not had any loan capital outstanding, has not incurred any borrowings, has had no contingent liabilities, has not granted any guarantees and does not intend to have outstanding any such loan capital, incur any such borrowings, have any such contingent liabilities or grant any such guarantees other than in connection with the issue of the Preferred Securities and other partnership interests in the Issuer. The General Partner will undertake not to incur any indebtedness in the name of the Issuer other than the costs and expenses incidental to creating the Preferred Securities and the Issuer and any other partnership interests in the Issuer, performing its obligations in respect of the Limited Partnership Agreement, maintaining the listing of the Preferred Securities and any other partnership interests in the Issuer (where applicable), the Register, the Registrar, the Paying and Transfer Agents and a listing agent in respect of the Preferred Securities and corresponding agents (where applicable) with respect to any other partnership interests in the Issuer, the Issuer's holding of the Subordinated Notes, the Deferred Subordinated Notes or any securities substituted therefor and any other securities acquired with any other capital contributions to the Issuer or substitutions therefor and the maintenance of any custodian therefor, the exercise of the Issuer's rights in respect of the Subordinated Notes, the Deferred Subordinated Notes or any securities substituted therefor and any other securities acquired with any other capital contributions to the Issuer or substitutions therefor and the administration of the Issuer.



## OLD MUTUAL CAPITAL FUNDING (JERSEY) LIMITED

### General

Old Mutual Capital Funding (Jersey) Limited (the “General Partner”) is a wholly owned subsidiary of the Company. It was incorporated in Jersey with limited liability on 30 April 2003 under the Companies (Jersey) Law 1991 with registered number 85332. The registered office of the General Partner is 3rd Floor, 28 New Street, St. Helier, Jersey JE2 3TE. No accounts of the General Partner have yet been prepared or audited. The first accounts for the General Partner are expected to be prepared for the period ending on 31 December 2003 and thereafter it intends to publish accounts annually.

The General Partner has an authorised share capital of US\$10,000, consisting of 10,000 ordinary shares of US\$1 each, two of which have been issued and registered in the name of the Company.

The General Partner was incorporated, amongst other things, to facilitate the raising of finance for the Group.

### Directors of Old Mutual Capital Funding (Jersey) Limited

At the date of this Offering Circular, the directors of the General Partner, their functions within the General Partner and their principal outside activities are as follows:

<b>Name</b>	<b>Function within the General Partner</b>	<b>Principal outside activities</b>
J G Thomas	Director	Director of Gerrard Trust (Jersey) Limited, Gerrard Corporate Services (Jersey) Limited and Gerrard (Nominees) Limited.
C J Roscouet	Director	Director of Gerrard Trust (Jersey) Limited, Gerrard Corporate Services (Jersey) Limited and Gerrard (Nominees) Limited.

The business address of each of the directors of the General Partner is 3rd Floor, 28 New Street, St. Helier, Jersey, JE2 3TE.

## **USE OF PROCEEDS**

The net proceeds of the offering of the Preferred Securities, which are expected to amount to approximately US\$729,375,000, will be used by the General Partner, on behalf of the Issuer, to subscribe for the Subordinated Notes, the net proceeds of which will, in turn, be put towards the general corporate purposes of the Group and the refinancing of the Group's existing debt. The Managers will receive fees and commissions as set out under "Subscription and Sale" below.

## CONSOLIDATED CAPITALISATION AND INDEBTEDNESS OF OLD MUTUAL PLC

The following table sets out the consolidated capitalisation and indebtedness of the Company at 31 December 2002:

<b>Capital and reserves:</b> <sup>(1)</sup>	<b>£m</b>
Called up share capital	378
Share premium account	552
Merger Reserve	184
Profit and loss account	1,672
Equity Shareholders' Funds <sup>(2)</sup>	2,786
Minority Interests <sup>(3)</sup>	927
<b>Indebtedness</b> excluding banking liabilities: <sup>(4)</sup>	
Senior Debt <sup>(5)</sup>	1,171
Subordinated Liabilities <sup>(6)</sup>	18
Total Debt	1,189

### NOTES:

- (1) At 31 December 2002, the authorised share capital of the Company was £600 million comprising 6,000 million ordinary shares of 10 pence each, of which 3,783 million ordinary shares of 10 pence each were issued and fully paid.

In September 2001, the Company issued 190,356,631 ordinary shares of 10 pence each at an issue price of 106.825 pence to St. Paul Fire & Marine Insurance Company ("St. Paul") as a part of the purchase price of Fidelity & Guaranty Life Insurance Company. The premium on the issue of shares of £184 million has been credited to a merger reserve on consolidation in accordance with Section 131 of the Companies Act 1985. This balance forms part of the share premium account within the individual company accounts of the Company.

Following the release of the lock-up arrangements between the Company and St. Paul and the associated placing of 190,356,631 shares held by St. Paul, the Company issued 38,071,326 ordinary shares of 10 pence each under the over-allotment option attached to the above placing. The net proceeds from the exercise of the over-allotment option were approximately £39.3 million and were used for general commercial purposes.

The book value of shares in the Company held by Employee Share Ownership Plans at 31 December 2002 was £115 million.

On demutualisation, the Company issued free shares to the existing members of the original society and, in addition, issued 37 million free shares to a nominee company, incorporated in South Africa, where they were held in trust pending their use in correcting any errors made when allocating free shares to qualifying members. Under the terms of the demutualisation agreement, 18 months after demutualisation any free shares issued to the nominee company remaining in trust and not allocated to qualifying members were sold in the market and the proceeds paid to the Company. In accordance with the Scheme of Demutualisation, 25 million shares were sold in 2000. Certain allocations were still in the process of being finalised, and the Company considered it appropriate to sell some of the remaining shares during 2001 and 2002. As these proceeds represent external funds passing to the Company, they are treated as distributable reserves and reflected as a movement in reserves.

On 6 March 2003 the Company placed 49,520,000 new ordinary shares at a price of 74 pence per ordinary share. The proceeds of this placing were used to fund the payment of the second fixed instalment of the payments due to Harold Baxter and Gary Pilgrim, the principals of the Company's US asset management subsidiary, Pilgrim Baxter & Associates Limited, under the restructuring agreement terms in relation to the Pilgrim Baxter revenue share agreement, announced on 14 March 2002.

- (2) At 31 December 2002 the Group's profit and loss reserve stood at £1,672 million compared to £1,396 million at 31 December 2001. The main reasons for this increase were foreign exchange gains on net assets held by overseas subsidiaries, principally in South Africa, of £295 million less a retained loss for the year of £19 million. The main cause of the foreign exchange gains was the appreciation in the Sterling:Rand exchange rate over the year.
- (3) During 2002, Nedbank Limited issued 200 million R10 preference shares. These shares are non-redeemable and non-cumulative and pay a cash dividend of 75 per cent. of the prime overdraft interest rate of Nedbank. The net proceeds of the issue were £126 million. The preference shares are disclosed as non-equity minority interests in the Group's accounts.
- (4) At 31 December 2002, none of the Company's consolidated indebtedness was secured or guaranteed by third parties.
- (5) During the year ended 31 December 2002, the Company entered into US\$600 million and US\$60 million multi-currency revolving credit facilities as back-stops for its £600 million multi-currency Euro commercial paper programme. Both are 364 day facilities, although the Company has term-out options of 18 and 12 months respectively. At 31 December 2002 neither facility was drawn.

In April 2002, the Company issued €400 million of five year, fixed rate notes under its medium term note programme, the proceeds of which were applied to repay existing debt. The Company also issued US\$10.5 million floating rate notes, repayable 18 January 2005, and US\$20 million floating rate notes, repayable 17 September 2004, under the medium term note programme during 2002.

In May 2001, Old Mutual Finance (Cayman Islands) Limited, a subsidiary of the Company, issued US\$650 million of 3.625 per cent. Convertible Bonds guaranteed by the Company. The bonds are convertible, at the election of the holder, into Exchangeable Redeemable Preference Shares in the issuer which will be immediately exchanged for ordinary shares in the Company at a conversion price of 190 pence per share at an exchange rate of one US Dollar to 69.52 pence Sterling. The net proceeds of this issue were applied towards the repayment of the senior debt of the Company. On 2 May 2003, bondholders exercised their right to put US\$13.7 million of the bonds back to the issuer. These bonds were immediately cancelled and, as of that date, the total nominal amount of the outstanding bonds was US\$636,286,000, all of which are redeemable on 2 May 2005.

- (6) At 31 December 2002, there was no subordinated loan capital of the Company. At 31 December 2002, the following subordinated loan capital of subsidiary undertakings of the Company was outstanding:

<b>Non-Banking</b>	<b>£m</b>
£0.8 million repayable 31 July 2003 (base rate plus 2.0 per cent.)	1
US\$27.1 million repayable during 2004 (6.0 per cent.)	17
	<hr/> 18
<b>Banking</b>	<b>£m</b>
R140 million repayable 15 May 2003 (14.0 per cent.)	10
US\$40 million repayable 17 April 2008 (5.0 per cent.)	25
R239 million repayable 4 December 2008 (14.0 per cent.)	17
US\$18 million repayable 31 August 2009 (5.0 per cent.)	12
R2,063 million repayable 20 September 2011 (11.3 per cent.)	149
R4,253 million repayable 9 July 2012 (13.0 per cent.)	308
	<hr/> 521

Nedcor Limited has the option to elect for redemption of the £149 million (R2,063 million) debt listed above on 20 September 2006, subject to regulatory consent.

- (7) At 31 December 2002, subsidiary non-banking undertakings of the Company had contingent liabilities of £74 million relating to irrevocable letters of credit and subsidiary banking undertakings of the Company had contingent liabilities of £1,308 million (comprising guarantees and assets pledged as collateral security of £867 million, irrevocable letters of credit of £162 million and secured lending and other liabilities of £279 million).
- (8) There has been no material change in the consolidated capitalisation and indebtedness, contingent liabilities or guarantees of the Company since 31 December 2002.

## OLD MUTUAL PLC

### OVERVIEW

Old Mutual plc (the “Company”) is the holding company of a large international financial services group headquartered in the UK, consisting of life assurance, asset management and other financial services, banking and general insurance businesses. The activities of the Company and its subsidiaries (the “Group”) are focused on asset gathering and asset management. The Group had funds under management of £123.6 billion as at 31 December 2002.

The Group offers a diverse range of financial services in three principal geographic regions, South Africa, the US and the UK. In South Africa, which has a sophisticated and well-developed financial services industry, the Group is the largest financial services business, through its life assurance, asset management, banking and general insurance operations. In the US, the Group was one of the top ten fixed annuity businesses in 2002 by gross premium sales and its asset management business, which covers a range of investment styles and products, offers an array of specialist asset management services. In the UK, the Group focuses on wealth management. Gerrard Limited, the Group’s largest UK operation, is one of the leading private client stockbroking businesses in the UK.

The Company is incorporated and registered in England and Wales as a public limited company with registered number 3591559. Its registered office, and the Group’s principal place of business in the UK, is 3rd Floor, Lansdowne House, 57 Berkeley Square, London W1J 6ER. The Company’s memorandum and articles of association form its constitutional documents.

The table below shows an analysis of operating profit from the Group’s principal businesses for the financial years ended 31 December 2001 and 2002:

#### Operating profit before tax

	£ million		R million	
	Year to 31 December 2002 <sup>(1)</sup>	Year to 31 December 2001 <sup>(2,3)</sup>	Year to 31 December 2002 <sup>(1)</sup>	Year to 31 December 2001 <sup>(2,3)</sup>
<b>South Africa</b>				
Life assurance	343	397	5,414	4,915
Asset management	28	37	441	458
Banking	165	290	2,605	3,593
General insurance	35	46	556	570
	571	770	9,016	9,536
<b>United States</b>				
Life assurance	83	13	1,310	161
Asset management	95	116	1,500	1,437
	178	129	2,810	1,598
<b>United Kingdom and Rest of the World</b>				
Life assurance	(3)	(2)	(47)	(25)
Asset management	2	(3)	31	(38)
Banking	56	79	884	979
	55	74	868	916
	804	973	12,694	12,050
Other shareholders’ income/(expenses)	(22)	(29)	(347)	(359)
Debt service costs	(58)	(67)	(916)	(830)
Write-down of strategic investments	–	(21)	–	(260)
<b>Operating profit<sup>(4)</sup></b>	<b>724</b>	<b>856</b>	<b>11,431</b>	<b>10,601</b>

Operating earnings per share of the Company in 2002<sup>(5)</sup>, at 11.3 pence (2001: 12.1 pence (restated)<sup>(3)</sup>), were 7 per cent. lower than in 2001 in Sterling terms but higher by 20 per cent., from 149.1 cents (restated)<sup>(3)</sup> to 179.0 cents, in Rand terms.

Notes:

(1) The average Sterling:Rand exchange rate during 2002 was R15.7878 = £1.00.

(2) The average Sterling:Rand exchange rate during 2001 was R12.3923 = £1.00.

(3) Figures for the year to 31 December 2001 have been restated to reflect the adoption of Financial Reporting Standard 19 “Deferred Tax”.

(4) Operating profit is based on a long term investment return before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc of £68 million and Nedcor restructuring and integration costs of £14 million.

(5) Operating earnings per share are stated on the same basis as operating profit, but after tax and minority interests.

## CORPORATE HISTORY

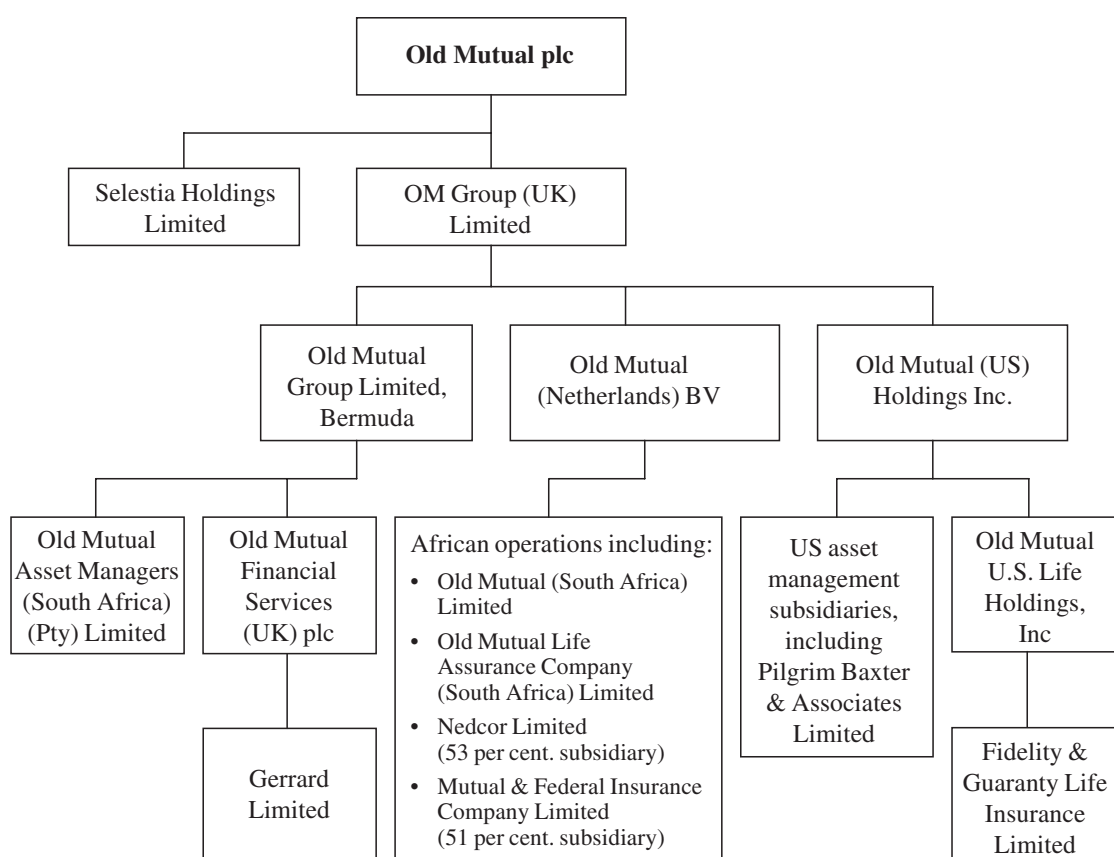
The Group's South African life business was founded in Cape Town in 1845 as a mutual life assurance society (The South African Mutual Life Assurance Society ("SAMLAS")) and initially only provided life assurance. Over the course of its history, the SAMLAS group expanded the range of its financial services with the addition of general insurance, banking and asset management services.

In August 1997, the board of SAMLAS announced that it had decided in principle that the SAMLAS group should demutualise and list on a number of stock exchanges. In March 1999, the members of SAMLAS approved a proposal that the SAMLAS group demutualise and seek listings on the London, Johannesburg, Malawi, Namibian and Zimbabwe stock exchanges. In May 1999, having received the approval of the High Court of South Africa to the demutualisation proposal, SAMLAS demutualised and Old Mutual plc became the holding company of the Group.

On 12 July 1999 the Company's ordinary shares were admitted to the Official List of the London Stock Exchange (where it is a member of the FTSE-100 Index) and listed on the Johannesburg Stock Exchange (now the JSE Securities Exchange South Africa (the "JSE Securities Exchange")). The Company's ordinary shares are also listed on the Malawi, Namibian and Zimbabwe stock exchanges. The Company is headquartered in the UK.

## ORGANISATIONAL STRUCTURE

The following chart shows, in simplified form, the organisational structure of the Group at 1 January 2003:





## THE BUSINESS OF THE GROUP

### Overview

The Group is a financial services group headquartered in the UK, with substantial life assurance, banking and general insurance businesses in South Africa, significant asset management and life assurance businesses in the US and private client stockbroking and financial services businesses in the UK and certain other parts of the world.

At 31 December 2002, the Group had assets under management of £123.6 billion, of which over £100 billion were managed outside South Africa. The Group had an average of approximately 46,000 employees during 2002.

Group operating profit for the year ended 31 December 2002 totalled £724 million (2001: £856 million). The decrease in reported profit in 2002 was primarily attributable to the impact of poor equity markets, the depreciation of the Rand in late 2001 (which lowered the average Sterling:Rand exchange rate for the translation of Rand earnings) and currency translation losses at Nedcor Limited ("Nedcor"), which were partially offset by a significant increase in profits from the Group's US life assurance business and a 10 per cent. increase in Rand terms in profits from South African life assurance.

The main operations of the Group are summarised below.

### South Africa

The Group is the largest financial services business in South Africa, providing life assurance, asset management, banking and general insurance services to over 4 million customers. The Group's South African business contributed approximately 71 per cent. (£571 million) of the Group's operating profit in Sterling in the year to 31 December 2002 before other shareholders' expenses, debt service costs and the write-down of strategic investments. Of this 71 per cent., approximately 42.6 per cent. came from the Group's life assurance business, 20.5 per cent. from banking, 4.4 per cent. from general insurance and 3.5 per cent. from asset management.

During 2003 the Group will be required to adopt the South African Statement of Accounting Practice AC 133, which will entail a move to a more dynamic provisioning approach based upon a marked-to-market basis. This change in accounting policy could lead to a one-off adjustment that would impact on the consolidated profit and loss accounts of both the Company and Nedcor, as well as a reduction in the level of Nedcor's surplus capital.

### Life Assurance

The Group's South African life assurance businesses, operating through Old Mutual Life Assurance Company (South Africa) Limited ("OMLAC(SA)"), provide life, disability, health, retirement savings and investment products to individuals and groups.

The South African life business consists of two business units:

- (i) *Individual Business*, which contributed approximately 58 per cent. of gross premiums written by OMLAC(SA) in 2002 and which supplies life, disability and health insurance, retirement annuities and savings and investment products, mainly to individual customers, through its *Individual Life* division; and low premium risk and savings products, mainly to individual members of affinity groups such as trade unions, staff associations and company employees, through its *Group Schemes* division; and
- (ii) *Group Business*, which contributed approximately 42 per cent. of gross premiums written by OMLAC(SA) in 2002 and which principally comprises the *Employee Benefits* and *Old Mutual Healthcare* divisions and is a primary supplier of group retirement savings schemes and group life and disability insurance to retirement funds established by institutions and trade unions. *Group Business* also provides administration and consulting services to these funds.

In the *Individual Business* unit, a customer segmentation strategy, which involves focusing service distribution and product strategies for various income/wealth groupings, was initiated in 2001. As part of this strategy, the private wealth segment of *Individual Business*, which targets affluent clients, was reorganised, resulting in it being re-branded as *Private Wealth Management*, and the launch in July 2002 of *Fairbairn Capital* by Fairbairn Capital (Pty) Limited, a subsidiary of Old Mutual (South Africa) Limited, which offers a range of South African and offshore investments. In addition, US Dollar and Sterling denominated life, endowment and investment products were launched early in 2002 under the *Individual Business* business unit, through the Group's Guernsey-based operating subsidiaries, in order to satisfy demand for products utilising an individual investor's R750,000 personal offshore investment allowance.

During 2002, *Individual Business* also expanded its distribution capability, particularly in Gauteng province in South Africa including improvements in distribution for its *Personal Finance Advice* business, which targets the middle income market, which have resulted in increased distribution efficiency.

Bancassurance initiatives and joint ventures involving Individual Business and Nedcor, the Group's 53 per cent. owned South African banking business, were initiated, with total life bancassurance annual premium equivalent increasing by 14 per cent. during 2002 when compared with 2001.

*Old Mutual Healthcare*, a division of Group Business that provides fee-based medical aid administration, financial and risk management services, launched a new retail product, *Oxygen*, which provides medical cover to meet individual needs, in the second half of 2002, while investment in new technology administration systems continued throughout the year. This included the development of a new retirement fund administration platform called the Compass pensions administration system, which the Group hopes will lead to improved customer service and choice, placing the *Employee Benefits* division in a stronger competitive position.

The Group's South African life assurance business's gross premiums for the years ended 31 December 2001 and 2002 are set out below:

#### South African life operations – gross premiums

	£ million		R million	
	Year to 31 December 2002 <sup>(1)</sup>	Year to 31 December 2001 <sup>(2)</sup>	Year to 31 December 2002 <sup>(1)</sup>	Year to 31 December 2001 <sup>(2)</sup>
Individual Business	1,222	1,611	19,293	19,964
Group Business	888	878	14,020	10,881
<b>Total</b>	<b>2,100</b>	<b>2,489</b>	<b>33,313</b>	<b>30,845</b>

Notes:

(1) The average Sterling:Rand exchange rate during 2002 was R15.7878 = £1.00.

(2) The average Sterling:Rand exchange rate during 2001 was R12.3923 = £1.00.

#### Asset Management

The Group's asset management operations in South Africa include the businesses of Old Mutual Asset Managers (South Africa) (Pty) Limited ("OMAM(SA)"), Old Mutual Unit Trust Managers Limited, Old Mutual Specialised Finance (Pty) Limited and Old Mutual Properties (Pty) Limited. OMAM(SA) is owned by a Bermudan subsidiary of the Company; the other three of these companies are subsidiaries of Old Mutual (South Africa) Limited. Total Group assets under management in South Africa were £23 billion at the end of 2002, compared to £15 billion at the end of 2001. In local currency terms, funds under management increased to R319 billion at the end of 2002 from R261 billion at the end of 2001.

As a major participant in the local institutional market, OMAM(SA) offers a wide range of investment products to local and international investors, including segregated and pooled portfolios, as well as managing life funds and unit trusts on behalf of the Old Mutual Group.

OMAM(SA)'s asset management business is broadening its investment capabilities, particularly in the areas of alternative asset classes and specialist conventional asset capabilities. OMAM(SA) is also the largest manager by assets under management of infrastructural assets for institutions in South Africa and manages, directly or indirectly, a total of R1.9 billion in this asset class.

Management believes that OMAM(SA)'s investment performance relative to its peers and to index-related benchmarks showed considerable improvement in 2002, when compared with 2001. Retirement funds managed by OMAM(SA) for the year ending 2002 finished in second position over one year out of the ten largest asset managers covered in the Alexander Forbes Large Manager Watch Survey (South African retirement funds including international assets). Retirement funds managed by OMAM(SA) were also placed second over five years in the same survey. OMAM(SA)'s range of *Profile Funds* (pooled retirement funds) performed strongly in 2002, achieving top quartile ranking, as well as delivering consistent and superior (half being upper quartile) returns over three and five year periods.

The unit trust portfolios managed by OMAM(SA) performed well in 2002, earning four awards in the 2002 annual Standard & Poor's – Financial Mail Unit Trust rankings: Top Fund of the year (2002); Most Improved Group; for 2002 Top Balanced Prudential Fund over 5 years; and Top Foreign Fixed Interest Fund for 2002.

Eight out of ten unit trust equity funds managed by OMAM(SA) achieved either top quartile or first positions in their peer groups in 2002.

Old Mutual Unit Trust Managers Limited is one of the largest unit trust management companies in South Africa, which had assets under management of around R16 billion at 31 December 2002. Old Mutual Specialised Finance (Pty) Limited provides corporate banking, structuring and underwriting services, while Old Mutual Properties (Pty) Limited is a property manager and developer.

### *Banking*

The Group has a 53 per cent. interest in Nedcor Limited ("Nedcor"), which is listed on the JSE Securities Exchange. The remaining 47 per cent. of the shares in Nedcor are publicly held. At 31 December 2002, the Nedcor group of companies (the "Nedcor Group") included Nedbank Limited ("Nedbank"), Nedcor Investment Bank Holdings Limited ("NIB"), Cape of Good Hope Bank Limited, BoE Bank Limited and Gerrard Private Bank (Jersey) Limited, and incorporated the Nedbank, Nedbank Corporate, Permanent Bank, Peoples Bank, Nedcor Investment Bank, Cape of Good Hope Bank and BoE banking operations in South Africa. The Nedcor Group's activities include retail, commercial, corporate and investment banking and asset management.

In 2002, Nedcor expanded its South African operations by acquiring 100 per cent. of BoE Limited ("BoE"), which was South Africa's sixth largest bank by total assets at 31 December 2001. With effect from 1 October 2002, Nedcor also acquired the 11.6 per cent. of the share capital of NIB that the Group did not already own; and NIB acquired the remaining 50 per cent. of the Franklin Templeton NIB Asset Management Company Pty Limited that the Nedcor Group did not already own, as part of a process of rationalisation of the wealth management activities of Nedbank, NIB and BoE. These wealth management activities were subsequently classified into private and institutional asset management businesses, with the institutional business being sold, with effect from 1 January 2003, to black economic empowerment partners. The private client business, both domestically and internationally, remains part of the Nedcor Group and is operated under the BoE brand.

The acquisition of BoE provided the opportunity for a major restructuring and re-alignment of the Nedcor Group, which involved the integration of BoE, NIB, Cape of Good Hope Bank and parts of Peoples Bank with Nedbank with effect from 1 January 2003. In addition, Old Mutual Bank, which had been a separate legal entity within the Group, was merged with Permanent Bank's deposit-taking activities and infrastructure during 2002 and has operated under the Old Mutual Bank brand as a division of Nedbank since 1 January 2003. The primary focus of the combined operation is the delivery of banking products to the Group's South African life clients. As a result of this merger, the Nedcor Group now includes all of the Group's banking interests worldwide.

Nedcor's management believes that through the composition of its merged core businesses, following the recent restructuring and re-alignment of the Nedcor Group, and through strategic alliances with other parts of the Group and certain third parties, it has one of the largest banking presences, and some of the leading business partners in South Africa. Management believes that it also has an improved bancassurance and wealth management model and a stronger focus on its client base.

Following increased investment in technology by Nedcor, Nedcor's management anticipates that the acquisition of BoE will provide the enlarged Nedcor Group with opportunities to leverage advantages of scale, increasing efficiencies and reducing cost-to-income ratios. Nedcor has also begun to exploit its core processing competence, which includes information technology, card-processing and operational processing services, by offering outsourcing services. This allows it to utilise the processing capacity it has created and, in due course, it expects to defray some processing costs and to create a recurring external income stream.

At 31 December 2002, Nedbank had approximately 3.8 million banking customers.

### *General Insurance*

The Company has a 51 per cent. interest in Mutual & Federal Insurance Company Limited ("Mutual & Federal"), a leading general insurance group in South Africa, which writes motor, fire, accident, engineering and marine business covering both the personal and commercial markets. Mutual & Federal is listed on the JSE Securities Exchange. 38 per cent. of its shares are owned by Royal & Sun Alliance Insurance Group plc and the remaining 11 per cent. are publicly held.

Mutual & Federal's net insurance premiums were R4.9 billion for the year ended 31 December 2002 (2001: R4.3 billion). It was the second largest general insurer in South Africa by gross premiums in 2002 according to the Quest information survey, with a 21 per cent. market share by gross premiums. It has steadily improved its underlying underwriting profitability through, management believes, stringent risk selection and withdrawal from unprofitable business, and returned an underwriting surplus in both 2001 and 2002.

Mutual & Federal operates largely through brokers, who are able to offer clients personal service and advice when purchasing policies and practical assistance in the event of a claim.

## US

The Group operates life assurance and asset management businesses in the US, which contributed approximately 10.5 per cent. and 12 per cent. respectively (together, around 22 per cent. (£178 million)) of the Group's operating profit in the year to 31 December 2002 before other shareholders' expenses, debt service costs and the write-down of strategic investments.

### *Life Assurance*

The Company has one of the top ten fixed annuity businesses in the US by gross premium sales, following its purchase in 2001 of Fidelity & Guaranty Life Insurance Company ("F&G Life") and Unified Life Assurance Company (subsequently re-named Americom Life & Annuity Insurance Company).

The Group's US life assurance operations saw substantial growth in 2002, with life sales totalling £2.8 billion (annual premium equivalent: £336 million) reflecting strong industry-wide sales of fixed annuities and, management believes, the Group's improved competitiveness, the speed with which it was able to deliver new products to the market, and the breadth and strength of its distribution network. Life sales during the six months of 2001 for which the results of the Group's US life business were consolidated were £0.7 billion (annual premium equivalent: £84 million).

Operating profit during 2002 was US\$124 million (including the first full year contribution from F&G Life); operating profit for the six months of 2001 for which the results of the Group's US life business were consolidated was US\$32 million (before deducting US\$13 million of transitional items related to the purchase of F&G Life).

During 2002, the Group injected US\$313 million of capital to support the writing of new business, enabling the US life business to expand and to maintain its key external financial strength ratings. At the end of 2002, A.M. Best confirmed its financial strength rating of "A" for F&G Life.

Following the acquisition of F&G Life, management of most of its portfolio of assets was passed to one of the Group's US asset management subsidiaries, Dwight Asset Management Company ("Dwight"). US\$3.3 billion of net policy cash inflows were invested with Dwight during 2002. In addition, a dynamic hedging mandate was awarded to another of the Group's US asset management subsidiaries, Analytic Investors, Inc., and a bond lending programme was instituted with eSecLending, LLC ("eSecLending"), a global securities lending manager which is majority-owned by the Group. eSecLending designs, implements and administers customised securities lending programmes for major institutional investors worldwide.

Dwight's investment process allows the Group's life business to manage its bond portfolio proactively. Accordingly, whilst, in common with other US life companies, various bond impairments and write-offs were suffered in 2002, the Group's life business worked closely with Dwight to manage these risks.

At 31 December 2002, funds under management of the US life business were £6.8 billion, an increase of 61 per cent. over 2001 in local currency terms.

In April 2003, the Company announced that it had entered into an agreement to purchase Sage Life (Bermuda) Ltd, a specialist provider of customised and proprietary annuity products to non-US residents, for an undisclosed sum.

### *Asset Management*

The Company's subsidiary Old Mutual (US) Holdings Inc. (trading as Old Mutual Asset Management) is the holding company for the Group's asset management subsidiaries in the US. These incorporate 23 businesses, including Pilgrim Baxter & Associates Limited ("Pilgrim Baxter"); Acadian Asset Management; Analytic Investors, Inc.; Barrow, Hanley, Mewhinney & Strauss, Inc.; Clay Finlay, Inc.; Dwight Asset Management Company; Provident Investment Counsel, Inc.; First Pacific Advisors, Inc.; Pacific Financial Research, Inc.; and Thompson, Siegel & Walmsley, Inc.. Between them, these businesses offer a range of investment styles and products to a diverse group of investors, including institutional clients, high net worth individuals and mutual fund investors.

Total funds under management of the Group's US asset management operations, including funds managed for the Group's US life operations, stood at £74 billion at 31 December 2002, compared with £96 billion at 31 December 2001. Approximately £9.3 billion of this reduction was due to divestitures of certain affiliates.

In 2002, the Group gathered significant net fund inflows of US\$5.1 billion, (including US\$3.3 billion from its US life operations). Funds under management declined during 2002 as a result of market movements by 9 per cent..

In March 2002, the Group renegotiated terms to acquire a residual 20 per cent. revenue-share interest in Pilgrim Baxter held by Harold Baxter and Gary Pilgrim, co-founders of Pilgrim Baxter, which was originally put in place in order to secure the stability of the business through their continuing involvement. The Group agreed to pay US\$175 million, plus an earn-out over five years if profit growth exceeds 7.5 per cent. per annum. This transaction has strengthened the Group's position in the US retail asset management market and further aligned the Group's interests with those of Messrs. Pilgrim and Baxter with a view to maximising future growth and profits.

Assets managed for institutional clients represented approximately 89 per cent. of funds under management at the end of 2002. Overall, the Group's US asset management businesses performed well in 2002, with more than 80 per cent. of assets under management outperforming their respective benchmarks for three and five-year periods on an asset-weighted basis. Mutual fund assets, excluding sub-advised funds, represented approximately 11 per cent. of funds under management at 31 December 2002. Morningstar, the US-based investment researcher had given 34 per cent. (64 per cent. by value) of the Group's rated funds in the US a four or five star rating at 31 January 2003.

### **UK and the Rest of the World**

In the UK, the Group focuses on wealth management. Its businesses there include Gerrard Limited ("Gerrard"), one of the leading private client wealth managers in the UK, the asset management business Old Mutual Asset Managers (UK) Limited ("OMAM(UK)") and a life assurance business operated by Selestia Investments Limited ("Selestia"). The Group's operations outside South Africa, the US and the UK include life assurance operations in Namibia, Kenya, Malawi and Zimbabwe and a minority interest in a life assurance business in India.

The Group's UK and other operations outside South Africa and the US contributed around 7 per cent. (£55 million) of the Group's operating profit in Sterling in the year to 31 December 2002 before other shareholders' expenses, debt service costs and the write-down of strategic investments. This £55 million operating profit comprised around £56 million contributed by Nedcor Group banking operations outside South Africa, around £2 million from asset management (including Gerrard) and a loss of around £3 million by the Group's life assurance operations.

#### *Life Assurance*

Outside South Africa, the Group's other African life businesses operate in Namibia, Kenya, Malawi and Zimbabwe. The Group's business in Zimbabwe, the largest financial services business in that country, continues to be profitable but rapid currency devaluation in Zimbabwe has significantly reduced its contributions to the Group's results.

In 2002, its first year of operation, the Group's UK life company, Selestia, produced a loss, which was in line with management expectations. However, management considers that Selestia made a positive impact on the market and it received the Best Online Investment Provider award at the 2002 Incisive Media Online Finance Awards, which the management hopes will position it as a leading business solutions provider for independent financial advisers. Selestia obtained a life company licence in May 2002.

The Group's 26 per cent. owned joint venture life assurance company in India, OM Kotak Mahindra, continued to make progress in 2002, increasing its agency force to approximately 3,500 agents in 2002, from 1,000 in 2001, and expanding its product range. OM Kotak Mahindra now operates from a total of twenty-seven offices throughout India.

#### *Private Client*

Gerrard, the Group's largest UK operation, is a leading private client wealth manager in the UK, with funds under management at the end of 2002 of £12.5 billion (2001: £17.4 billion). It provides a range of discretionary, advisory and execution only investment services, including investment management, stockbroking, self investment pension plans and individual savings accounts, and has an in-house financial planning capability. In addition, financial planning is provided by Gerrard Financial Services Limited and offshore services by Gerrard Private Bank Limited.

Gerrard produced an operating profit of £4 million in 2002, compared with a loss of £10 million in 2001 (which included £12 million of integration costs). Gerrard considered that this was a positive result in the face of difficult market conditions. During 2002, significant cost savings more than offset an 18 per cent. reduction in revenue year on year, which compared to a fall in the FTSE 100 Index of 24 per cent. over the same period.



Management consider that the UK retail investment market will remain competitive following the recently challenging equity market conditions, which have stressed the importance of client relationships to fund retention and growth. Increasing regulation and margin pressure is expected to continue to drive industry consolidation, although new entrants to the UK market have made little impact in recent years despite significant investment.

#### *Fund Management*

The Group's UK and other fund management businesses outside South Africa and the US produced an operating loss of £2 million in 2002, compared to an operating profit of £6 million in 2001. Included in these results are OMAM(UK), Old Mutual Asset Managers (Bermuda) Limited and Bright Capital Limited (previously GNI Fund Management Limited). Funds under management stood at around £27 billion at the end of 2002 (2001: £32 billion).

OMAM(UK), the Group's UK asset management business, offers discretionary investment management services to institutional clients and manages assets on behalf of investors. It also manages segregated portfolios of specialist equities and bonds on behalf of pension fund clients.

OMAM(UK) achieved net fund inflows of £82 million from external clients during 2002. It launched the UK Select Mid Cap and Large Cap Funds in 2002, following the success of its Smaller Companies Fund launched in 2001. Together, these equity funds raised £156 million of new funds in 2002 and exceeded their respective index benchmarks, resulting in top decile performance relative to their peer group. OMAM(UK) also had success with its Corporate Bond Fund, which raised £100 million of new funds during 2002 and has been top in its sector since its launch in 2000.

#### *Banking*

Nedcor Group banking operations outside South Africa contributed around £56 million of the Group's operating profit in Sterling in the year to 31 December 2002 before other shareholders' debt service costs and the write-down of strategic investments, compared with £79 million in 2001. Nedbank operates branches in London, on the Isle of Man, in Hong Kong and in Singapore, as well as having representation in Namibia, Swaziland, Lesotho, Malawi, Mauritius, Madagascar and Zimbabwe. There are representative offices in Beijing and Taipei.

Nedbank's offshore structures are designed primarily to serve the international needs of its domestic client base in the corporate, commercial and private banking sectors and focus on specialist product niches, such as structured trade finance, private banking and wealth management.

### **REGULATORY ENVIRONMENT**

Set out below is a summary of the regulatory environment in which the Group operates in South Africa, the US and the UK.

#### *South Africa*

The life industry in South Africa is regulated principally by the Long Term Insurance Act 1998, which requires the appointment of a public officer, auditor and actuary to ensure compliance with the requirements of that Act. These requirements include the maintenance by each life business of adequate levels of financial resources that not only cover the minimum value of policy liabilities, but also any statutory capital adequacy requirements, so as to ensure that each life business has sufficient assets to meet liabilities in specified adverse circumstances. Information on the solvency ratios of the Group's South African life assurance business is set out below under "Capital".

Supervision of the insurance industry in South Africa is carried out by the Financial Services Board.

General insurance in South Africa is regulated principally by the Short Term Insurance Act and, as for life assurance, the Financial Services Board carries out detailed supervisory activities. General insurers are also required to maintain adequate financial resources.

The supervisory function in relation to banks in South Africa is conducted by the Bank Supervision Department of the Reserve Bank of South Africa. The purpose is to achieve a sound, efficient banking system in the interests of depositors, banks and the economy as a whole. This function is performed by issuing banking licences to banking institutions, and monitoring their activities in terms of either the Banks Act (No. 94 of 1990), or the Mutual Banks Act (No. 124 of 1993).



## US

Each of the Group's asset management businesses in the US is a registered investment adviser regulated by the Securities Exchange Commission (the "SEC"). In addition, the Group has several limited broker dealers regulated by both the SEC and the National Association of Securities Dealers. The principal focus of the SEC is the protection of shareholders and other securities holders through the regulation of investment advisers and their securities investment and trading activities.

F&G Life, whose registered office is in Maryland, is principally regulated by the Maryland Insurance Administration (the "MIA"). The MIA monitors F&G Life's financial soundness and systems of control, as well as market conduct and compliance. However, as life insurance regulation in the US is dependent on where business is conducted, F&G Life is individually subject to market conduct and compliance supervision in 49 States and the District of Columbia. In New York, products are available through its wholly-owned subsidiary, Fidelity & Guaranty Life of New York.

Information on the solvency ratios of the Group's US life assurance business is set out below under "Capital".

## UK

In the UK, Gerrard, OMAM(UK) and Selestia, in common with other financial services businesses, are regulated by the FSA under the Financial Services and Markets Act 2000. The scope of this regulation includes prudential issues, such as financial soundness and systems of internal control within firms, and conduct of business rules, such as trading standards, marketing and the competence of employees. Although at present there are differences in the regulation of insurance, banking and investment firms by the FSA, these are expected to become less marked over time as the FSA moves towards a more uniform approach for investment business sectors.

## FINANCIAL RESULTS

The table below presents the profit after tax of the Group for the financial years ended 31 December 2001 and 2002. This information should be read in conjunction with the Company's consolidated accounts for the years ended 31 December 2001 and 31 December 2002, which are incorporated by reference in this Offering Circular.

	£ million		R million	
	Year to 31 December 2002	Year to 31 December 2001 <sup>(1)</sup>	Year to 31 December 2002	Year to 31 December 2001 <sup>(1)</sup>
<b>Operating profit<sup>(2)</sup></b>	724	856	11,431	10,601
Goodwill amortisation and impairment	(120)	(632)	(1,895)	(7,832)
Write-down of investment in Dimension Data Holdings plc	(68)	(269)	(1,080)	(3,334)
Nedcor restructuring and integration costs	(14)	–	(227)	–
Short term fluctuations in investment return	(91)	126	(1,439)	1,561
<b>Operating profit on ordinary activities before tax</b>	431	81	6,790	996
Non-operating items	(6)	–	(88)	–
<b>Profit on ordinary activities before tax</b>	425	81	6,702	996
Tax on profit on ordinary activities	(224)	(319)	(3,535)	(3,948)
<b>Profit/(loss) on ordinary activities after tax</b>	201	(238)	3,167	(2,952)

Notes:

- (1) Figures for the year to 31 December 2001 have been restated to reflect the adoption of Financial Reporting Standard 19 "Deferred Tax".
- (2) Operating profit is based on a long term investment return before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc and Nedcor restructuring and integration costs.

## CAPITAL

Shareholders' capital was affected during 2002 by a number of factors. In May 2002, capital of £39 million was raised through an issue of new shares made at the same time as the St. Paul group placed its shares in the Company, acquired as part of the Group's purchase of F&G Life. Secondly, shareholders' capital benefited by

£457 million from a strengthening, from R17.43 at 31 December 2001 to R13.81 at 31 December 2002, in the Sterling:Rand exchange rate.

In March 2003, approximately £36 million was raised through a placing of new shares, in accordance with the Group's strategy of accessing the equity capital markets to finance acquisitions and expanding its shareholder base outside southern Africa. The proceeds of the placing were used to fund the payment of the second fixed instalment due to Messrs. Pilgrim and Baxter under the renegotiated terms to acquire their residual interest in Pilgrim Baxter.

The Group seeks to manage its capital position prudently and aims to ensure that capital allocated to subsidiaries is strictly monitored. The Group has accessed debt and credit markets to secure an attractive funding structure, with gearing (core debt\* over core debt plus equity shareholders' funds) at 31 December 2002 of 30 per cent., an improvement over the level of 35 per cent. at 31 December 2001.

The solvency ratios of the Group's key businesses at 31 December 2002 were all above minimum statutory requirements. Its South African and US life businesses held excess assets equivalent to approximately 2.19 (2001: 2.5) and approximately 3.15 (2001: 3.08) times minimum statutory, or regulatory, capital respectively. The solvency ratio of the South African life business has fallen since then due to a 17.2 per cent. fall in the FTSE/JSE All Share Index and an 8.23 per cent. strengthening of the Rand against the US Dollar between 31 December 2002 and 31 March 2003, although it remains comfortably above the statutory requirement at around 1.9 times the minimum statutory capital requirement. Nedcor maintained a capital adequacy ratio of 11.0 per cent. at 31 December 2002, above the statutory requirement of 10 per cent. Mutual & Federal's solvency margin, being the ratio of net assets to net premiums, was in excess of 60 per cent. as at 31 December 2002, well above the statutory minimum of 25 per cent..

## **DISTRIBUTABLE RESERVES AND DIVIDEND HISTORY**

Distributable reserves of the Company at 31 December 2002 were £419 million (2001: £532 million).

On 24 February 2003, the Company announced a recommended final dividend for 2002 of 3.1 pence per ordinary share (or its equivalent in other currencies of payment using the exchange rates prevailing on 3 April 2003) to be paid, subject to shareholder approval, on 30 May 2003.

Previous dividends per ordinary share paid by the Company are set out below:

<b>Payment Date</b>	<b>Dividend per ordinary share</b>
31 May 2000	2.0 pence
30 November 2000	1.6 pence
31 May 2001	3.1 pence
30 November 2001	1.7 pence
31 May 2002	3.1 pence
29 November 2002	1.7 pence

## **DEBT AND DEBT FACILITIES**

The Group's strategy is to diversify its sources of funding. In April 2002 it successfully launched its first Eurobond issue, raising €400 million. The Group's euro commercial paper programme, rated P1 and F1 by Moody's and Fitch respectively, was increased in size from £300 million to £600 million. In addition, the Group negotiated new committed syndicated and bilateral bank facilities totalling US\$660 million. In April 2003, the Group's global medium term note programme was increased in size from £1.0 billion to £1.5 billion. On 2 May 2003, holders of guaranteed bonds issued by Old Mutual Finance (Cayman Islands) Limited under the US\$650 million 3.625 per cent. Guaranteed Convertible Bond exercised their right to put US\$13.7 million of these bonds back to the issuer. The bonds were immediately cancelled and, as of that date, the total nominal amount of the outstanding bonds was US\$636,286,000, all of which are redeemable in May 2005.

## **FOREIGN EXCHANGE**

Substantial proportions of the Group's operations are conducted in currencies other than Sterling. Where possible, the Group seeks to reduce its balance sheet exposure by borrowing in appropriate currencies directly or through currency hedging transactions. This was the case with the Group's €400 million eurobond issue in April 2002, which was immediately swapped into a US\$349 million fixed rate debt liability. In total, at the date of this

\*Core debt excludes debt from banking activities and is net of cash and short term investments that are immediately available to repay debt.

Offering Circular, approximately 90 per cent. of the Group's debt is US Dollar-denominated, which helps to hedge the Group's US Dollar assets.

## **DIRECTORS OF OLD MUTUAL PLC**

At the date of this Offering Circular, the directors of the Company, their functions and their principal outside activities are as follows:

<b>Name</b>	<b>Function within the Company</b>	<b>Principal outside activities</b>
M J Levett	Non-executive Chairman and Chairman of the Nomination Committee	Non-executive Director of Barloworld Limited, Central Africa Building Society, Mutual & Federal Insurance Company Limited, Nedcor Limited, SABMiller plc and Old Mutual South Africa Trust plc.
J H Sutcliffe	Chief Executive	Non-executive director of Nedcor Limited and Nedbank Limited.
R C M Laubscher	Executive Director	Chief Executive of Nedcor Limited and Nedbank Limited and Director of Nedcor Investment Bank Limited, Old Mutual Financial Services (UK) plc and Old Mutual Life Assurance Company (South Africa) Limited.
J V F Roberts	Group Finance Director	Non-executive Director of Mutual & Federal Insurance Company Limited and of Nedcor Limited.
N D T Andrews	Non-executive Director and Non-executive Director of Old Mutual (US) Holdings Inc.	Member of the boards of Great Lakes Chemical Corporation and the Victory Funds and a governor of London Business School.
R Bogni	Non-executive Director	Chairman of the board of Medinvest International SCA, Luxembourg and the International Advisory Board of Oxford Analytica. Member of the boards of the LGT Foundation, Civilia and of Prospect Publishing and the governing council of the Centre for the Study of Financial Innovation.
N N Broadhurst	Non-executive Director and Chairman of the Group Audit Committee	Chairman of Freightliner Limited and of Chloride Group plc. Non-executive Director of Cattles plc, Taylor Woodrow plc, Tomkins plc and United Utilities PLC.
W A M Clewlow	Non-executive Director and Chairman of the Group Compliance and Risk Management Committee	Chairman of Barloworld Limited. Non-executive Director of Nedcor Limited and Sasol Limited.
C D Collins	Senior Non-executive Director and Chairman of the Remuneration Committee	Chairman of Hanson PLC and Forth Ports PLC and a non-executive Director of The Go-Ahead Group plc and of Alfred McAlpine PLC.
P G Joubert	Non-executive Director	Chairman of Delta Motor Corporation (Pty) Limited, Delta Electrical Industries Limited, Foodcorp Holdings (Pty) Limited, Impala Platinum Holdings Limited, Munich Reinsurance of Africa Limited, and Sandvik (Pty) Limited. Deputy chairman of Nedcor Limited and a non-executive Director of Murray & Roberts Holdings Limited.
C F Liebenberg	Non-executive Director	Chairman of Nedcor Limited. Non-executive Director of Mutual & Federal Insurance Company Limited and MacSteel Holdings (Pty) Ltd.
C M Stuart	Non-executive Director	Member of the Supervisory Board of Vivendi Environnement, and a member of the Advisory Board of Credit Lyonnais Europe.

The business address of each of the directors is 3rd Floor, Lansdowne House, 57 Berkeley Square, London W1J 6ER.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

### **Overview**

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

Executive management have implemented an internal control system designed to facilitate effective and efficient operation of the Group and its business units and aimed at enabling them 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 and fraud, and ensuring that liabilities are identified and managed. 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.

### **Monitoring of controls**

The Board of the Company (the "Board") regularly reviews the effectiveness of the Group's system of internal control. The key processes supporting the Board's regular and annual review process are summarised below.

The chief executive officers of the Group's principal subsidiaries and business units report to the Board on behalf of their respective executive committees on major changes in the business and external environment that affect the significant risks to the businesses. The Group Finance Director provides the Board with monthly performance information, which includes key performance and risk indicators.

As part of the Board's annual review process, each executive director is asked to complete a letter of representation confirming compliance throughout the year and up to the date of approval of the Company's annual report with the Group's scheme of delegated authority and risk management and control policies. The results of these letters of representation are reported to the Group Audit Committee. These letters of representation are supported by regularly updated risk profiles of each subsidiary and business unit, combined with a process of control self-assessment. Management teams in each subsidiary and business unit have applied the Criteria of Control Model developed by the Canadian Institute of Chartered Accountants, and have produced a control integrity profile for successive assurances given at increasingly higher levels of management and finally to the Group Audit Committee. This process is co-ordinated by the Group Compliance and Risk Management Committee, a sub-committee of the Group Audit Committee, and facilitated by the Group risk function.

As a result of structural changes arising from its corporate activity in 2002, Nedcor was excluded from applying this model, but has developed an Enterprise-wide Risk Management Framework ("ERMF") for the restructured Nedcor Group in accordance with best practice, the requirements of Basel II and the South African Code of Corporate Practices and Conduct and Banking Act Regulations.

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

The Group's internal audit function operates on a decentralised basis, co-ordinated at Group level by the Group's head of internal audit. It carries out regular risk-focused reviews of the system of internal control and reports to local executive management, with unrestricted access to the chairman of the Group Audit Committee. An internal audit charter, reviewed and approved by the Group Audit Committee, governs internal audit activity within the Group and is conducted in accordance with an annual audit plan. Progress against that plan is reported regularly to the Group Audit Committee.

## **Management of specific risks**

At Group level, the principal risks are the volatility of the major currencies in which the Group operates (Rand and US Dollars) compared with Sterling and investment market movements.

Given the lack of deep and liquid markets for African trading currencies and the size of currency-related risks, the Group does not actively 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 use of derivative contracts. In general, the use of derivatives is only permitted for the purposes of risk reduction or efficient portfolio management. Speculative activity is not permitted and all transactions must be fully covered by cash or corresponding assets and liabilities. The total income from all derivative instruments outside regulated entities is not material to the Group.

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

### *Life assurance*

The Group is exposed to a number of risks through its life assurance operations, which may be divided into two general categories: risks which the Group seeks to manage through processes and procedures established by management such as underwriting and operating risks; and market risks, such as equity price risk, interest rate risk and credit risk, which are monitored according to relevant guidelines.

The management of each of the Group's life businesses is responsible for managing the risks pertaining to the operational activities and markets in which that business operates and employs its own actuaries to ensure that sound risk management practices are being employed in the conduct of its daily operations.

Underwriting risk relates to the process by which applications submitted for insurance coverage are reviewed and decisions are made whether the coverage being requested for a specified premium will be provided, as well as the pricing of such risk. Underwriting risk is controlled by underwriting principles governing product repricing procedures and authority limits.

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

Operating risk is the potential for loss caused by factors such as a breakdown in information, communication, transaction processing and settlement systems and procedures, and can include failure to obtain proper internal authorisations or to document transactions properly, equipment failure, or inadequate training of or errors by employees. The Group seeks to minimise operating risk by maintaining a comprehensive system of internal controls and back-up systems.

Equity price risk and interest rate risk (on the value of securities) are modelled by the Group's risk-based capital practices. The level of capital held by life assurance companies in the Group are dependent in part on the mix of investments and are sufficiently in excess of the statutory minimum to allow the Group to manage significant equity exposures.

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.

Credit risk is monitored by credit committees covering life and third party funds, which have established appropriate exposure limits by portfolio. Guaranteed annuities, issued principally by F&G Life, carry credit risk for the Group in the event of default of the bonds backing these annuities. This risk is managed through controlled pricing of the annuities, investment limits on the credit risk of the portfolio and through active investment management by specialist fund managers.



### *Banking*

Financial instruments are fundamental to the operations of the Nedcor Group and such instruments are frequently used to manage the risks that the Nedcor Group is exposed to in the course of its normal operations. Risks relating to trading and non-trading activities are managed through a comprehensive framework of policies, processes and independent monitoring committees.

Asset and liability management is conducted within a formal structure, including the Nedcor Group's Asset/Liability Management Committee (the "ALCO") that monitors the levels of acceptable financial risk and the management thereof. The ALCO's objective is to maximise the Nedcor Group's return on assets and equity by promoting growth in net interest, foreign exchange, derivatives and securities trading income, while maintaining an acceptable level of interest rate, foreign exchange, investment and liquidity risk within the capabilities and expertise of the Nedcor Group's personnel and systems. Where appropriate, responsibility for managing and monitoring these risks is delegated to committees within the various operating businesses in the Nedcor Group. Asset and liability management is not heavily reliant on trading securities and derivatives. The focus is on using on-balance sheet mechanisms.

Interest rate risk for the Nedcor Group is its net income exposure to adverse movements in rates arising as a result of the mismatches in the repricing terms of assets and liabilities. Prospective repricing of assets and liabilities is assessed using gap analysis, which measures the difference between the volume of assets and liabilities subject to repricing within a given period, and earnings at risk modelling techniques in order to assess the potential impact.

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

Credit risk is governed by policy guidelines and administered by an appropriately constituted committee at Nedcor, which approves all facilities in excess of 10 per cent. of capital, together with other large exposures, risk limits, provisions and non-performing loans. Concentrations in country credit risk are similarly managed.

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

### *Asset management*

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

### *General insurance*

Underwriting risks are controlled through a formal system of parameters within Mutual & Federal, which is regularly updated to take account of underwriting out-turn and market conditions. Deviations from these parameters only take place following approval by senior management. Reinsurance cover is in place, with retentions set at conservative levels. Reinsurance arrangements are reviewed every year and renewed using guidance from industry experts.

The Mutual & Federal group aims to ensure that there is sufficient capital in excess of the statutory minimum requirement to cover equity price risk.

Management has a credit policy in place and the exposure to credit risk is monitored.

## DESCRIPTION OF THE PREFERRED SECURITIES

*The Preferred Securities are limited partnership interests in the Issuer. The following summary, should be read in conjunction with, and is subject to the terms of, the Limited Partnership Agreement, a copy of which is available for inspection as described under "General Information".*

### 1. Definitions and Interpretation

In this description of the Preferred Securities, except to the extent that the context otherwise requires:

"30/360 Basis" means that the day-count fraction used will be the number of days in the period from (and including) the most recent Distribution Payment Date (or, if none, the Closing Date) to (but excluding) the next (or first) Distribution Payment Date or, if earlier, the relevant payment date divided by 360 (the number of days being calculated on the basis of a year of 360 days with 12 30-day months);

"Additional Amounts" means the additional amounts which may be payable in respect of the Preferred Securities as described in paragraph 6;

"Adjusted Distributable Reserves" means, at any time, the lawful distributable reserves of the Company at such time less the cumulative amount since the Closing Date of all redemptions of and payments (except, in each case, for such amounts as have been either charged to the lawful distributable reserves of the Company or funded at that time by an issue of Replacement Capital as described in item (b) of the definition of "Redemption Condition") on (a) any preference shares or other obligations of the Company that are accounted for under then generally accepted accounting practice in the UK as shareholders' funds in the Company's accounts and (b) all securities or other obligations of an undertaking which are accounted for under then generally accepted accounting practice in the UK as minority interest capital of, and with recourse (whether by way of guarantee, support agreement or otherwise) to, the Company that are similar in all material respects to the Preferred Securities and the Guarantee, taken together, whether or not Parity Obligations ;

"Agency Agreement" means the agency agreement dated 22 May 2003 relating to the Preferred Securities between, *inter alios*, the Company and the Paying and Transfer Agents;

"Business Day" means a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the financial centre(s) specified;

"City Code" means the City Code on Takeovers and Mergers;

"Clearstream, Luxembourg" means Clearstream Banking, société anonyme or its successor;

"Closing Date" means 22 May 2003;

"Company" means Old Mutual plc and its successors and assigns;

"Deferred Distribution" has the meaning provided in paragraph 2.7;

"Deferred Subordinated Notes" means the US dollar subordinated cumulative perpetual notes that may be issued from time to time by the Company to the Issuer pursuant to the terms of the Limited Partnership Agreement, or any successor securities issued or securities substituted therefor with the prior written consent of the FSA (if then required);

"Directive" means Directive 98/78 EC of the European Union;

"Distributions" means the distributions in respect of the Preferred Securities as described under paragraph 2;

"Distribution Determination Date" means, with respect to any Distribution Payment Date, the day ten Business Days in London prior to such Distribution Payment Date;

"Distribution Payment Date" means 22 March, 22 June, 22 September and 22 December in each year, commencing on 22 September 2003;

"Distribution Period" means the period from (and including) the Closing Date to (but excluding) the first Distribution Payment Date and each period thereafter from (and including) one Distribution Payment Date to (but excluding) the next following Distribution Payment Date;



“Distribution Rate” means 8 per cent. per annum;

“Euroclear” means Euroclear Bank S.A./N.V. as operator of the Euroclear system or its successor;

“FSA” means the Financial Services Authority in the UK and shall include any successor organisation responsible for the supervision of banks’ and/or insurance companies’ (as the context requires) regulatory functions in the UK ;

“General Partner” means Old Mutual Capital Funding (Jersey) Limited, a Jersey incorporated company being a directly or indirectly wholly owned subsidiary of the Company;

“Group” means the Company together with its Subsidiaries;

“Guarantee” means the subordinated guarantee in respect of the Preferred Securities executed by the Company on 22 May 2003 as a deed poll;

“Holder” means, in respect of each Preferred Security, each person registered on the Register as the limited partner holding such Preferred Security at the relevant time;

“Initial Holder” means HSBC Issuer Services Common Depositary Nominee (UK) Limited;

“Involuntary Dissolution” means, in respect of the Issuer, a dissolution by court order pursuant to the Law;

“Issuer” means Old Mutual Capital Funding L.P.;

“Jersey” means the Island of Jersey;

“Jersey Tax” means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Jersey or by any authority therein or thereof having power to tax;

“Junior Share Capital” means the ordinary shares of the Company and any other securities or obligations of the Company which rank, or are expressed to rank, junior to the Parity Obligations;

“Law” means the Limited Partnerships (Jersey) Law 1994, as amended or restated from time to time;

“Limited Partnership Agreement” means an agreement dated 19 May 2003 between the General Partner, the Preferential Limited Partner, the Company and the Initial Holder establishing the Issuer, as the same may be amended from time to time;

“Liquidation Distribution” means the Liquidation Preference plus (a) any accrued but unpaid Distributions calculated from (and including) the immediately preceding Distribution Payment Date (or, if none, the Closing Date) to (but excluding) the date of payment, (b) any Deferred Distribution and (c) any Additional Amounts payable;

“Liquidation Preference” means the liquidation preference of US\$1,000 per Preferred Security;

“Office” means the registered office of the Issuer for the time being in accordance with the Limited Partnership Agreement;

“Optional Redemption Date” means, in the case of an optional redemption pursuant to paragraph 4.2, 22 December 2008 or any Distribution Payment Date thereafter, as specified in the relevant notice of redemption;

“Optional Redemption Price” means the Liquidation Preference plus (a) any accrued but unpaid Distributions calculated from (and including) the immediately preceding Distribution Payment Date (or, if none, the Closing Date) to (but excluding) the relevant Optional Redemption Date, Tax Event Redemption Date or Regulatory Event Redemption Date, as the case may be, (b) any Deferred Distributions and (c) any Additional Amounts payable;

“Parity Obligations” means any preference shares, preferred securities (other than the Preferred Securities) or other securities or obligations either (a) issued or incurred directly by the Company and ranking *pari passu* with the Company’s obligations under the Guarantee or (b) issued or incurred by the Issuer or any other Subsidiary or entity and entitled to the benefit of the Guarantee or any other guarantee or support agreement ranking *pari passu* with the Guarantee;

“Paying and Transfer Agents” means HSBC Bank plc and Dexia Banque Internationale à Luxembourg, société anonyme or such other entities as are appointed by the General Partner on behalf of the Issuer and notified to the Holders as described under paragraph 10;

“Permitted Reorganisation” means a solvent reconstruction, amalgamation, reorganisation, merger or consolidation, with the prior approval of the Holders of not less than a simple majority of outstanding Preferred Securities, whereby all or substantially all the business, undertaking and assets of the Company are transferred to a successor entity, which assumes all the obligations under the Guarantee;

“Preferential Limited Partner” means Old Mutual Finance (No. 4) Limited or any other holder of the Preferential Right from time to time;

“Preferential Right” means the limited partnership interests in the Issuer held by the Preferential Limited Partner and entitling it to receive in preference to the rights of the General Partner;

- (i) all amounts received by the Issuer from its investment in the Subordinated Notes in excess of those required to make payments in respect of the Preferred Securities by reason of the provisions of paragraphs 2, 3 or 6;
- (ii) any interest received by the Issuer in respect of any Deferred Subordinated Notes; and
- (iii) any principal amount received by the Issuer on redemption of the Deferred Subordinated Notes in excess of the amount required to make payments in respect of any Deferred Distributions due and payable;

“Preferred Capital Contribution” means, in relation to each of the Preferred Securities, the aggregate contribution to the assets of the Issuer (being a whole multiple of US\$1,000) paid in cash by the Holders;

“Preferred Securities” means the US\$750,000,000 8 per cent. Guaranteed Cumulative Perpetual Preferred Securities of the Issuer, each such security representing an interest of a Holder in the Issuer attributable to each US\$1,000 of the Preferred Capital Contribution and including any further Preferred Securities of the Issuer issued after the Closing Date and ranking *pari passu* with the Preferred Securities as regards participation in the profits and assets of the Issuer and “Preferred Security” shall be construed accordingly;

“Redemption Condition” means, with respect to any redemption, that the Company either has (a) Adjusted Distributable Reserves or (b) proceeds available from an issue of Replacement Capital that has been made for the purpose of funding the redemption, in either case in an amount at least equal to the aggregate Optional Redemption Price;

“Register” means the register of Holders maintained outside the UK on behalf of the Issuer under the Law;

“Registrar” means HSBC Trustee (C.I.) Limited or such other entity appointed by the Issuer having its office outside the UK and notified to the Holders as described under paragraph 10;

A “Regulatory Event” is deemed to have occurred if (as a result of a change in, or in the official interpretation or application of, the Directive or any directive, law, rule or regulation (whether having the force of law or otherwise) becoming effective after 19 May 2003) in any solvency calculation in respect of the Company required by the FSA (including, without limitation, pursuant to the Directive or any legislation, rules or regulations (whether having the force of law or otherwise) in any state within the European Economic Area (being, as at the Closing Date, the European Union together with Norway, Liechtenstein and Iceland) implementing the Directive or pursuant to any other applicable directive, law, rule or regulation (whether having the force of law or otherwise) relating to the solvency of insurance companies) the Preferred Securities would not be capable of counting as cover for the minimum or notional margin of solvency required of the Company;

“Regulatory Event Redemption Date” means the date designated for optional redemption of the Preferred Securities as described under paragraph 4.4;

“Relevant Amount” means, in the case of an Involuntary Dissolution of the Issuer, the amount (if any) by which what would have been the Liquidation Distribution in the case of a Voluntary Dissolution of the Issuer exceeds the Liquidation Distribution or, as the case may be, such lesser amount as the Jersey courts may direct that Holders shall be entitled to receive in respect of such Involuntary Dissolution;

“Relevant Proportion” means, in relation to any partial payment of any Liquidation Distribution on a Preferred Security, the total amount available for any such payment and for making any corresponding payment of a liquidation distribution on any Parity Securities divided by the sum of (i) the full Liquidation Distributions before any reduction or abatement in respect of the Preferred Securities and (ii) the amount of the full liquidation distribution before any reduction or abatement in respect of any Parity Securities, converted where necessary into the same currency in which liquidation payments are made to creditors of the Company;

“Replacement Capital” means shares or other securities issued by the Company or shares or other securities issued by a Subsidiary or other entity which would, under the then generally accepted accounting practice in the UK, qualify as at the date of issue thereof for treatment as a minority interest or shareholders’ funds in the Company’s consolidated accounts;

“Restricted Person” means a person to whom substituted securities comprising preference shares in the Company will not be available for issue in accordance with paragraph 5 being (a) Euroclear, or Clearstream, Luxembourg, or any other person providing a clearance service within section 96 of the Finance Act 1986 of the UK or any nominee thereof or (b) a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within section 93 of the Finance Act 1986 of the UK or (c) any other person the issue to whom would give rise to an equivalent charge to stamp duty reserve tax in the UK, in each case at any time prior to the “abolition day” as defined in section 111(1) of the Finance Act 1990 of the UK;

“Special Representative” means the representative of the Holders as described under paragraph 8;

“Stock Exchange” means the Luxembourg Stock Exchange or such other stock exchange approved by the General Partner on which the Preferred Securities may be listed from time to time;

“Subordinated Notes” means the US\$750,000,000 8 per cent. subordinated cumulative perpetual notes issued by the Company or any successor securities issued or securities substituted therefor with the prior written consent of the FSA (if then required);

“Subsidiary” means any entity which is for the time being a subsidiary undertaking of the Company (within the meaning of the Companies Act 1985);

“Substitution Event” has the meaning provided in paragraph 5.1;

“Tax Event” means that, as a result of a change in any law or regulation of the UK or Jersey, or in any treaty to which the UK or Jersey is a party, or in the official interpretation or application of any law, regulation or treaty by any relevant body in the UK or Jersey becoming effective after 19 May 2003, (i) the Issuer or the General Partner would be subject to more than a *de minimis* amount of tax in respect of the Subordinated Notes or the Preferred Securities (except, in the case of the General Partner only, for any such tax that would arise as a result of (a) profits arising to it as a result of allocations of income to it under the Limited Partnership Agreement or (b) activities (if any) carried on by it other than those permitted or contemplated in the Limited Partnership Agreement in respect of the Subordinated Notes and the Preferred Securities) in Jersey or the UK, (ii) payments to Holders would be subject to deduction or to withholding tax or would give rise to any obligation to account for any tax in Jersey or the UK, (iii) payments by the Company in respect of the Subordinated Notes would be subject to deduction or to withholding tax in the UK or (iv) the Company would not obtain relief for the purposes of UK corporation tax for any payment of interest in respect of the Subordinated Notes;

“Tax Event Redemption Date” means the date designated for optional redemption of the Preferred Securities as described under paragraph 4.3;

“UK” means the United Kingdom of Great Britain and Northern Ireland;

“US Dollars” or “US\$” means the lawful currency for the time being of the United States of America; and

“Voluntary Dissolution” means, in respect of the Issuer, a dissolution other than an Involuntary Dissolution.

In this description of the Preferred Securities any reference to a particular time shall, unless otherwise specified, be to that time in London.

## **2. Distributions**

- 2.1 Subject as provided in paragraphs 2.3 and 2.7, distributions (“Distributions”) on the Preferred Securities will accrue from the Closing Date (or, in the case of any further preferred securities issued so as to rank *pari passu* with the Preferred Securities as regards participation in the profits and assets of the Issuer, their respective dates of issue) and shall be payable in arrear on each Distribution Payment Date.
- 2.2 Distributions in respect of any Distribution Period will be payable at the Distribution Rate on the amount of the Liquidation Preference calculated on a 30/360 Basis and in respect of each Distribution Period shall be US\$20 per Preferred Security, save that the Distribution in respect of the Distribution Period ending on 22 September 2003 will be US\$26.67 per Preferred Security.
- 2.3 Distributions on the Preferred Securities will accrue on a 30/360 Basis. Distributions on the Preferred Securities will be payable out of the Issuer’s own legally available resources on each Distribution Payment Date. Notwithstanding the existence of resources legally available for distribution by the Issuer, neither the Issuer nor the Company will pay any Distributions or make any payment in respect of Distributions (including any Additional Amounts) under the Preferred Securities or the Guarantee:
- (A) if such payment, together with the amount of any distributions or dividends paid or scheduled to be paid to holders of Parity Obligations on the relevant Distribution Payment Date would exceed Adjusted Distributable Reserves as at the Distribution Determination Date immediately preceding such Distribution Payment Date; or
  - (B) if the General Partner gives notice to the Stock Exchange, the Registrar and the Paying and Transfer Agents and to Holders, in accordance with paragraph 10, not less than 20 London Business Days prior to a Distribution Payment Date that the Distribution payable on such Distribution Payment Date shall not be paid.

A notice may be given by the General Partner pursuant to paragraph 2.3(B) in its sole discretion and the General Partner shall not be required to provide any reason therefor.

No partial payments of a Distribution will be made other than in accordance with paragraph 2.7.

- 2.4 The Company has undertaken in the Guarantee that, if any Distribution is not paid on the relevant Distribution Payment Date, whether as a result of paragraph 2.3 or otherwise, it will not (a) declare or pay any dividend or distribution and, where applicable, will procure that no dividend or distribution is declared or paid in respect of any Junior Share Capital or (if permitted) effect any repurchase or redeem any Junior Share Capital (or contribute any moneys to a sinking fund for the redemption of any Junior Share Capital) until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid or (b) (if permitted) repurchase or redeem any Parity Obligations until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid.

However, if the relevant Distribution is due to be paid on the relevant Distribution Payment Date but is not so paid solely as a result of an administrative or technical error or problems (whether in transmission of funds within the banking system or otherwise) but is paid in full within 5 London Business Days following the relevant Distribution Payment Date, then with effect from the date the relevant Distribution is so paid the above restrictions in this paragraph 2.4 shall not apply, but for the avoidance of doubt such restrictions shall apply from and including the relevant Distribution Payment Date until such payment is so made.

- 2.5 No Holder shall have any claim against the Issuer or the Company in respect of any Distribution or part thereof not payable as a result of paragraph 2.3, other than as provided in paragraph 2.7.
- 2.6 The Company will determine whether sufficient Adjusted Distributable Reserves exist to allow a payment of the Distribution to be made on the relevant Distribution Payment Date and if such cannot be paid pursuant to paragraph 2.3(A), the Company will notify or procure notification to the Stock Exchange, the General Partner, the Registrar and the Paying and Transfer Agents and to Holders, in accordance with paragraph 10, by not later than 20 London Business Days prior to the relevant Distribution Payment Date.
- 2.7 Any Distribution which is not paid on a Distribution Payment Date pursuant to paragraph 2.3, shall, so long as the same remains unpaid, constitute a “Deferred Distribution”.

All or any part of any Deferred Distribution may be paid to Holders on any Distribution Payment Date at the option of the General Partner, upon not less than seven days prior notice in accordance with paragraph 10,

provided that the amount of such payment, together with the amount of the Distribution payable in respect of the Preferred Securities and any distributions or dividends paid or scheduled to be paid to holders of Parity Obligations on the relevant Distribution Payment Date would not exceed Adjusted Distributable Reserves as at the Distribution Determination Date immediately preceding such Distribution Payment Date. Payment of any Deferred Distribution shall be made on an equal basis in respect of each of the Preferred Securities. Any such notice shall be irrevocable and the Issuer shall be bound to make payment of the relevant amount specified in such notice and on the Distribution Payment Date specified in such notice.

Any Deferred Distributions will automatically become immediately due and payable upon the earliest of the following:

- (A) the date of any redemption of any Preferred Securities pursuant to paragraph 4.2, 4.3 or 4.4;
- (B) the date on which an order is made by any competent court or a resolution is passed for the winding-up, liquidation or dissolution of the Company (other than pursuant to a Permitted Reorganisation); and
- (C) the dissolution of the Issuer (other than in circumstances constituting a Substitution Event and where substitute securities are issued pursuant to paragraph 5).

- 2.8 Save as described above, Holders will have no right to participate in the profits of the Issuer or the Company and in particular will have no rights to receive from the Issuer (i) amounts paid under the Subordinated Notes in excess of Distributions due and payable under the Preferred Securities, (ii) any interest received by the Issuer in respect of any Deferred Subordinated Notes or (iii) any principal amount received by the Issuer on redemption of the Deferred Subordinated Notes in excess of the amount required to make payments in respect of any Deferred Distributions due and payable. All amounts of interest received by the Issuer pursuant to the Deferred Subordinated Notes will be paid to the Preferential Limited Partner and Holders will have no rights in respect thereof.

If any amounts received by the Issuer pursuant to the Subordinated Notes exceed the amount (if any) then due by way of Distribution under the Preferred Securities, the amount of such excess will be paid to the Preferential Limited Partner and Holders will have no rights in respect thereof.

The principal amount of the Deferred Subordinated Notes received by the Issuer upon a redemption of the Deferred Subordinated Notes will be applied by the Issuer in making payments to Holders in respect of Deferred Distributions and the Preferential Limited Partner will have no rights in respect thereof save as provided in the next sentence. If any amounts received by the Issuer pursuant to a redemption of the Deferred Subordinated Notes exceed the amount (if any) then due by way of payment of Deferred Distributions, the amount of such excess will be paid to the Preferential Limited Partner and Holders will have no rights in respect thereof.

Without prejudice to the preceding sentence, the Company has undertaken in the Guarantee that the Deferred Subordinated Notes will be redeemed only in an amount equal to any Deferred Distributions payable pursuant to the Preferred Securities, and on the date on which payment of Deferred Distributions becomes due.

- 2.9 The liability of a Holder to contribute to the debts or obligations of the Issuer (if any) shall (subject to the Law) not exceed the amount of that Holder's Preferred Capital Contribution.

### **3. Liquidation Distributions**

- 3.1 In the event of (i) the Voluntary Dissolution of the Issuer or (ii) the Involuntary Dissolution of the Issuer in circumstances where the Company is itself insolvent or in liquidation or (iii) the occurrence of a Substitution Event where the Company does not allot, issue and deliver or procure the allotment, issue and delivery of substituted securities in accordance with paragraph 5.1, the Holders will be entitled to receive (subject as provided in this paragraph 3.1, paragraph 3.2 and paragraph 7.4) the Liquidation Distribution in respect of each Preferred Security held, out of the assets of the Issuer available for distribution to such Holders under the Law. Pursuant to the Law, in the event of the Involuntary Dissolution of the Issuer, the Jersey courts may direct the amount, and the manner, of the distribution of the assets of the Issuer and this will override any of the provisions of the Limited Partnership Agreement. Accordingly, the Jersey courts may direct that Holders shall be entitled to receive less than the Liquidation Distribution in the case of an Involuntary Dissolution and in such circumstances references hereafter in this paragraph 3.1 and in 3.2 to the "Liquidation Distribution" shall be construed as references to such amount. Subject to any directions of the Jersey courts



in the case of an Involuntary Dissolution, the Liquidation Distribution will be made to Holders (a) before any distribution of assets to the Preferential Limited Partner and the holder of any corresponding preferential right in respect of other partnership interests issued by the Issuer, (b) before any distribution of assets is made to the General Partner, (c) *pari passu* with the entitlement of the holders of all other preferred securities issued by the Issuer which rank *pari passu* with the Preferred Securities and (d) after the claims of all creditors of the Issuer and holders of obligations of the Issuer which are not Parity Obligations nor subordinated to the Preferred Securities.

However, notwithstanding the availability of sufficient assets of the Issuer to pay any Liquidation Distribution to the Holders pursuant to the preceding provisions of this paragraph 3.1, if at the time such Liquidation Distribution is to be paid:

- (A) proceedings have been commenced for the liquidation, dissolution or winding up of the Company other than pursuant to a Permitted Reorganisation, the Liquidation Distribution per Preferred Security payable to Holders shall not exceed the amount per Preferred Security that would have been paid as a liquidation distribution out of the assets of the Company had the Preferred Securities and all Parity Obligations been directly issued preference shares of the Company with equivalent rights of participation in the capital of the Company (whether or not the Company could in fact have issued such preference shares) and ranked (i) senior to Junior Share Capital, (ii) *pari passu* with the equivalent claims under all outstanding and future Parity Obligations of the Company and (iii) junior to all other liabilities (including subordinated liabilities) of the Company; or
- (B) proceedings have not been commenced for the liquidation, dissolution or winding up of the Company, the Liquidation Distribution shall only be payable to the extent that the Company either has (i) Adjusted Distributable Reserves or (ii) proceeds available from an issue of Replacement Capital that has been made for the purpose of funding the Liquidation Distribution.

Without prejudice to rights against the Company in respect of any Relevant Amount, no Holder shall have any claim (whether against the Issuer or the Company) in respect of any Liquidation Distribution or part thereof not paid as a result of (a) and (b) above.

- 3.2 If the Liquidation Distribution and any other such liquidation distributions cannot be made in full by reason of the limitation described in paragraph 3.1 or any equivalent article or term of a Parity Security, but there are funds available for payment so as to allow payment of part of the Liquidation Distribution, then each Holder will be entitled to receive the Relevant Proportion of the Liquidation Distribution. After payment of all Liquidation Distributions, or the Relevant Proportion thereof if applicable, the Preferential Limited Partner will be entitled to any remaining assets of the Issuer representing proceeds of the Subordinated Notes and any Deferred Subordinated Notes and the Holders will have no right or claim to any of the remaining assets of the Issuer or (other than, in the case of an Involuntary Dissolution, the Relevant Amount) the Company.
- 3.3 If an order is made for the liquidation, dissolution or winding-up of the Company other than pursuant to a Permitted Reorganisation or the Company is declared insolvent or determined by a court of competent jurisdiction to be insolvent, the Issuer shall be dissolved (by delivery by the General Partner of a statement of dissolution in accordance with the Law) and the amount per Preferred Security to which Holders shall be entitled as a Liquidation Distribution will be as set out in paragraphs 3.1 and 3.2.
- 3.4 Subject to the Law and other than in the event referred to in paragraphs 3.3 or 8.6, neither the Preferential Limited Partner nor the General Partner will permit, or take any action that would or might cause, the dissolution of the Issuer.

#### **4. Redemption and Purchase**

- 4.1 The Preferred Securities have no fixed final redemption date and Holders have no rights to call for the redemption of the Preferred Securities.
- 4.2 The Preferred Securities are redeemable, at the option of the General Partner, subject to satisfaction of the Redemption Condition, in whole but not in part only, on any Optional Redemption Date upon not less than 30 nor more than 60 days' prior notice to the Holders specifying the Optional Redemption Date (which notice shall be irrevocable), at the Optional Redemption Price. Upon the expiry of such notice, the Issuer shall be bound to redeem all of the Preferred Securities by payment of an amount equal to the Optional Redemption Price per Preferred Security.

- 4.3 If at any time a Tax Event has occurred and is continuing, the effect of which cannot be avoided by the Issuer or the Company taking reasonable measures available to it, then the Preferred Securities may be redeemed, in whole but not in part only, at the option of the General Partner, subject to satisfaction of the Redemption Condition, at any time upon not less than 30 nor more than 60 days' prior notice to the Holders specifying the Tax Event Redemption Date (which notice shall be irrevocable), at the Optional Redemption Price. Prior to the publication of any notice of redemption pursuant to the foregoing, the General Partner shall deliver to the Registrar a certificate signed by two Directors of the Company stating that the Issuer is entitled to effect such redemption and an opinion of counsel to the Company experienced in such matters to the effect that a Tax Event has occurred (and specifying which of clauses (i) to (iv) as set out in the definition of "Tax Event" is applicable). Upon the expiry of such notice, the Issuer shall be bound to redeem all of the Preferred Securities by payment of an amount equal to the Optional Redemption Price per Preferred Security.
- 4.4 If at any time a Regulatory Event has occurred and is continuing the Preferred Securities may be redeemed, in whole but not in part only, at the option of the General Partner, subject to satisfaction of the Redemption Condition, at any time upon not less than 30 nor more than 60 days' prior notice to the Holders specifying the Regulatory Event Redemption Date (which notice shall be irrevocable), at the Optional Redemption Price. Prior to the publication of any notice of redemption pursuant to the foregoing, the General Partner shall deliver to the Registrar a certificate signed by two Directors of the Company stating that the Issuer is entitled to effect such redemption and an opinion of counsel to the Company experienced in such matters to the effect that a Regulatory Event has occurred. Upon the expiry of such notice, the Issuer shall be bound to redeem all of the Preferred Securities by payment of an amount equal to the Optional Redemption Price per Preferred Security.
- 4.5 Subject to satisfaction of the Redemption Condition, the Company or any Subsidiary (other than the Issuer) may at any time purchase Preferred Securities in the open market or otherwise at any price. Any purchase by tender offer shall be made available to all Holders alike. The Issuer may not purchase any Preferred Security in the open market or otherwise at any time.
- 4.6 All Preferred Securities redeemed shall be cancelled forthwith and may not be reissued or resold.

## **5. Substitution and Change of Control**

- 5.1 As soon as reasonably practicable following the Involuntary Dissolution of the Issuer (in circumstances where the Company is itself not insolvent or in liquidation) (a "Substitution Event"), the General Partner and the Company shall cause notice thereof to be given in accordance with paragraph 10 and shall take all reasonable steps to cause the substitution of the Preferred Securities by (i) fully-paid preference shares issued directly by the Company or, at the option of the General Partner, (ii) fully-paid preferred securities issued by any Subsidiary and guaranteed by the Company, the terms of which in each case provide the Holders in all material commercial respects with the same economic rights and benefits (including those relating to distributions and status) as are attached to the Preferred Securities and the Guarantee taken together. The Company has undertaken in the Guarantee that it will (i) take all reasonable steps to ensure it is legally able to allot, issue and deliver, or to procure that there are allotted, issued or delivered, such substituted securities and (ii) take all reasonable steps to procure that such substituted securities will at the relevant time be listed on a recognised stock exchange. The Company has undertaken in the Guarantee that as soon as practicable after a Substitution Event it will give written notice to the Holders enclosing a substitution confirmation (the "Substitution Confirmation") which each Holder will be required to complete. The form of such Substitution Confirmation shall also be made available at the offices of each Paying and Transfer Agent. To receive substituted securities in respect of its holding of Preferred Securities, each Holder must deliver to a Paying and Transfer Agent a Substitution Confirmation together with the certificate representing its holding of Preferred Securities or other evidence of entitlement satisfactory to the General Partner. Any such substitution shall be effected subject in each case to any applicable fiscal laws or other laws or regulations. The Company has undertaken in the Guarantee that following such substitution, each substituted security issued or allotted will rank for any dividend or distribution from the immediately preceding Distribution Payment Date or, if none, the Closing Date and will have an entitlement to any Deferred Distributions *mutatis mutandis* as provided by the Preferred Securities. Following any substitution of a Holder's Preferred Securities, the relevant Paying and Transfer Agent will notify the Registrar and the General Partner who shall amend the record of the Holder's interest in the Issuer on the Register accordingly.
- 5.2 The Company has undertaken in the Guarantee that it will pay any taxes or capital duties or stamp duties payable in the UK or Jersey or in the jurisdiction in which any relevant Subsidiary is incorporated or resident or any taxing jurisdiction to which it is subject and which arise on or in connection with the allotment and



issue of the substituted securities. The Company will not be obliged to pay, and each Holder delivering Preferred Securities and a duly completed Substitution Confirmation to a Paying and Transfer Agent must pay, any other taxes, stamp duty reserve taxes and capital, stamp, issue and registration duties arising on the relevant substitution. The Company will not be obliged to pay and each Holder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Preferred Security in connection with such substitution. Substituted securities that comprise preference shares of the Company will not be allotted to Restricted Persons.

- 5.3 The General Partner will use all reasonable endeavours to procure that certificates (if any) for substituted securities issued on substitution will be despatched by mail free of charge (but uninsured and at the risk of the person entitled thereto) within one month after receipt of a duly completed Substitution Confirmation. Notwithstanding the foregoing, if substituted securities are required to be issued, Holders will continue to be entitled to receive Distributions and/or a Liquidation Distribution in respect of the Preferred Securities until such time as notice is given by the Company in accordance with paragraph 10 that the substituted securities are available for issue upon substitution and thereafter Holders will have no further rights, title or interest in or to their Preferred Securities except to have them substituted in the manner described above.
- 5.4 The Issuer shall give notice to Holders in accordance with paragraph 10 in the event of a Change of Control (as defined below) and the Issuer agrees and the Company has in the Guarantee agreed, to the extent that such action is within their reasonable control, to vary the terms of the Preferred Securities and the Guarantee in order to, and to use all reasonable endeavours to ensure that the Acquiror (as defined below) gives such undertakings as are necessary to, preserve the rights and entitlements of the Holders under the Preferred Securities and the Guarantee following such Change of Control. Such undertakings by the Acquiror shall include, *inter alia*, an undertaking that, if any Distribution is not paid on a Distribution Payment Date, the Acquiror will not declare or pay any dividend or distributions in respect of its ordinary shares or (if permitted) effect any repurchase of its ordinary shares until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid.

The Issuer will and the Company has in the Guarantee agreed that it will, in addition, take such steps as are within their reasonable control to ensure that the economic interests of the Holders (including as to Distributions and ranking of the Preferred Securities) are not adversely affected by the actions of the Acquiror following such Change of Control.

A “Change of Control” will be deemed to have occurred at such time as any person or group of persons acting in concert (as defined in the City Code) (the “Acquiror”) discloses to the Company that, or the Company otherwise becomes aware that, the Acquiror has become the beneficial owner, directly or indirectly, of shares in the Company representing in the aggregate the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company.

*Notwithstanding the provisions of paragraph 5.4, as, in particular, the Company will not contractually or otherwise be able to control the actions of the Acquiror following a Change of Control, there can be no assurance that the Issuer or the Company will be able to take any action that will be effective to preserve the rights and entitlement of the Holders, or to ensure that the economic interests of Holders are not adversely affected, following such Change of Control. In particular, the Company may not be able to require the Acquiror to give any such undertakings, and the Acquiror will not be bound by these provisions to give any such undertakings, although it may consent to do so. As a result, there can be no assurance that the Acquiror will not take any action following a Change of Control which is prejudicial to the financial condition of the Company or to the economic interests of the Holders, including with regard to the ability to pay, or the deferral of, Distributions.*

## **6. Additional Amounts**

All payments in respect of the Preferred Securities by the Issuer will be made without withholding or deduction for, or on account of, any Jersey Tax, unless the withholding or deduction of such Jersey Tax is required by law. In the event of such withholding or deduction, each Holder will be entitled to receive, as further distributions, such additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Preferred Securities in the absence of such withholding or deduction; except that no such Additional Amounts will be payable to a Holder (or to a third party on his behalf) with respect to any Preferred Security (i) to the extent that such Jersey Tax is imposed or levied by virtue of such Holder (or the beneficial owner) of such Preferred Security having some connection with

Jersey, other than merely being a Holder (or beneficial owner) of such Preferred Security or (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive or (iii) who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another Paying and Transfer Agent in a Member State of the European Union, and except that the Issuer's obligations to make any such payments are subject to the Law and to the limitations provided in paragraphs 2.3, 3.1, 3.2 and 7.4.

## **7. Payments**

- 7.1 Distributions will be payable on the relevant Distribution Payment Date (or, where any Distribution Payment Date is not a Business Day in London and New York, on the next Business Day in London and New York (without interest or any further amount in respect of such delay)) to the Holders of record as they appear on the Register on the relevant record date, which will be five Business Days in London and New York prior to the relevant Distribution Payment Date.

If the General Partner gives a notice of redemption pursuant to paragraph 4.2, 4.3 or 4.4 in respect of the Preferred Securities, then, on the Optional Redemption Date, the Tax Event Redemption Date or the Regulatory Event Redemption Date, as the case may be, the General Partner shall procure that the Optional Redemption Price will be paid by the Registrar or by the Paying and Transfer Agent on behalf of the Issuer to the Holders. Upon such payment, all rights of Holders to participate in the assets of the Issuer or to be returned any amount in respect of the Preferred Securities (including the Preferred Capital Contribution (or any part thereof) made by or on behalf of the Holders) will be extinguished and the Holder shall thereupon cease to be a limited partner of the Issuer provided its holding of Preferred Securities is redeemed in accordance with the foregoing, and the Preferred Capital Contribution will, on payment of the Optional Redemption Price be deemed repaid.

- 7.2 Subject to all applicable fiscal or other laws and regulations:

- (A) each payment in respect of Distributions will be made by cheque and mailed to the Holder of record at such Holder's address as it appears on the Register on the relevant record date for the Preferred Securities; and
- (B) any payment in respect of the Optional Redemption Price or the Liquidation Distribution in respect of any Preferred Security will be made by cheque against presentation and surrender of the relevant certificate of entitlement at the office of the Registrar or a Paying and Transfer Agent,

provided, however, that a Holder may receive such payment by direct transfer if appropriate direct transfer instructions have been received by the Registrar in sufficient time prior to the relevant date of payment. Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day in London and New York, if the Holder is late in surrendering certificates (if required to do so) or if a cheque mailed in accordance with this paragraph arrives after the due date for payment.

If payment of the Optional Redemption Price in respect of any Preferred Security is improperly withheld or refused and not paid by the Issuer when due, Distributions on such Preferred Security, subject as described in paragraph 2.3, will continue to accrue, on a 30/360 Basis, from the Optional Redemption Date, Tax Event Redemption Date or Regulatory Event Redemption Date, as the case may be, to the date of actual payment of such Optional Redemption Price.

- 7.3 The General Partner will, and the Company has undertaken in the Guarantee that it will procure that the General Partner will, maintain at all times whilst the Preferred Securities are outstanding (a) whilst the Preferred Securities are listed on the Luxembourg Stock Exchange, a Paying and Transfer Agent in Luxembourg, (b) a Registrar having its office outside the UK and (c) a Paying and Transfer Agent having a specified office in a European Union Member State (if any) that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.
- 7.4 All payments by the Issuer of Distributions (including Deferred Distributions) and all other payments by the Issuer in respect of the Preferred Securities (including Liquidation Distributions and payments upon

redemption) may only be made subject to the Law and, in the case of an Involuntary Dissolution, in accordance with any directions of the Jersey courts.

*The Law provides, inter alia, that no return of any part of a limited partner's contribution or payment of a limited partner's share of profits may be made if the limited partnership is insolvent either at the time of making the payment or immediately after making the payment; however this shall not affect the obligation of the Company in respect of any Guaranteed Payments. For these purposes, a limited partnership is insolvent where the general partner is unable to discharge as they fall due the debts and obligations of the limited partnership (excluding its liabilities to partners in respect of their partnership interests) out of the limited partnership's assets without recourse to the separate assets of the general partner not contributed to the limited partnership. The Law also provides that on an insolvent dissolution of a limited partnership the winding up of the limited partnership will be subject to such directions (if any) as the Jersey courts may make.*

## **8. Voting Rights**

8.1 Except as described below and provided for in the Law, Holders will not be entitled to receive notice of or attend or vote at any meeting of partners in the Issuer or participate in the management of the Issuer.

8.2 If for four consecutive Distribution Periods:

(A) Distributions and any Additional Amounts in respect of such Distributions have not been paid on the Preferred Securities by the Issuer; and/or

(B) the Company breaches any of its payment obligations under the Guarantee in respect of such Distributions or any such Additional Amounts thereon,

then the Holders of outstanding Preferred Securities, acting as a single class, will be entitled, by written notice to the General Partner, at the Office, given by the Holders of a majority by Liquidation Preference of such Preferred Securities or by resolution passed by the Holders of a simple majority by Liquidation Preference of such Preferred Securities present in person or by proxy at a separate general meeting of such Holders convened for the purpose, to appoint a special representative (the "Special Representative"). The Special Representative shall be authorised to represent the Holders (for this purpose as defined in the Guarantee) to enforce their statutory rights (if any) as limited partners including provision of information on the affairs of the Issuer; however, it has no rights in addition to those held by Holders and, for the avoidance of doubt, the Special Representative shall have no authority hereby to participate in the management of the Issuer or to bind the Issuer or Holders, or any of them. The Special Representative shall not, by virtue only of acting in such capacity, be admitted or authorised to act as a general partner in relation to the Issuer or be admitted as a Holder or otherwise be deemed to be a general partner or a Holder in the Issuer and shall have no liability for the debts, obligations or liabilities of the Issuer or for any unpaid contribution of a partner in such capacity.

Not later than 30 days after such entitlement arises, if the written notice of the Holders of outstanding Preferred Securities in the circumstances described in the preceding paragraph has not been given as provided for in the preceding paragraph, the General Partner will convene a separate general meeting for the above purpose. If the General Partner fails to convene such meeting within such 30 day period, the Holders of 10 per cent. by Liquidation Preference of the outstanding Preferred Securities will be entitled to convene such meeting for the above purpose. The Limited Partnership Agreement contains provisions concerning the convening and conduct of meetings of Holders. Any Special Representative so appointed shall vacate office, if for four consecutive Distribution Periods, Distributions and any Additional Amounts in respect of such Distributions have resumed with payment on the Preferred Securities by the Issuer and/or the Company has made payment of all amounts in respect of such Distributions and any Additional Amounts in respect thereof.

8.3 The consent in writing of the Holders of at least a simple majority in Liquidation Preference of the outstanding Preferred Securities or the sanction of a resolution, passed by Holders of at least a simple majority in Liquidation Preference of the outstanding Preferred Securities present or represented at a separate meeting at which the quorum shall be Holders present or represented holding at least one-third in Liquidation Preference of the outstanding Preferred Securities, shall be required in order to give effect to any variation or abrogation of the rights, preferences and privileges of the Preferred Securities by way of amendment of the Limited Partnership Agreement or otherwise (including, without limitation, the authorisation or creation of any securities, obligations or ownership interests of the Issuer ranking, as to

participation in the profits or assets of the Issuer, senior to the Preferred Securities or the approval of the exchange or substitution of the Preferred Securities and/or the Subordinated Notes and/or the Deferred Subordinated Notes for obligations or securities of another entity) (unless otherwise required by applicable law). No such sanction shall be required if, as determined by the General Partner, the change is solely of a formal, minor or technical nature or is to correct an error or cure an ambiguity, provided that the change does not reduce the amounts payable to Holders, impose any obligation on the Holders or adversely affect their voting rights or any modification of the terms of the Preferred Securities pursuant to paragraph 8.4.

8.4 Notwithstanding the foregoing, provided that the four most recent Distributions have been paid by the Issuer (or the Company pursuant to the Guarantee), the General Partner may, without the consent or sanction of the Holders, take such action as is required in order to amend the Limited Partnership Agreement:

- (A) to allow an increase in the level of the Preferred Capital Contributions and the corresponding number of Preferred Securities or to create and issue one or more other series of preferred securities of the Issuer ranking *pari passu* with the Preferred Securities as regards participation in the profits and assets of the Issuer and to admit if relevant new holders in respect thereof; or
- (B) to authorise, create and issue one or more other series of securities or partnership interests in the Issuer ranking junior, as regards participation in the profits and assets of the Issuer, to the Preferred Securities and to admit, if relevant, new holders in respect thereof.

Thereafter the Issuer may, provided that the circumstances for non-payment of Distributions in paragraph 2.3(A) are not subsisting and provided that there are no Deferred Distributions outstanding and unpaid, without the consent of the Holders issue any such further securities either having the same terms and conditions as the Preferred Securities in all respects (or in all respects except for the first payment of Distributions on them) and so that such further issue shall be consolidated and form a single series with the Preferred Securities or upon such other terms as aforesaid. References herein to the Preferred Securities include (unless the context requires otherwise) any other securities issued pursuant to this paragraph and forming a single series with the Preferred Securities.

8.5 Notwithstanding the foregoing, no vote of the Holders will be required for the redemption or cancellation or substitution of the Preferred Securities or withdrawal of a Holder in accordance with the Limited Partnership Agreement.

8.6 Subject to the Law, the Issuer may not be dissolved by the General Partner or the Preferential Limited Partner whilst any Preferred Security is outstanding, unless a majority of the Holders of each series then outstanding of preferred securities issued by the Issuer have approved such action by resolution or in writing. Such approval shall not be required if the dissolution of the Issuer is proposed or initiated because of the liquidation, dissolution or winding up of the Company or the General Partner.

8.7 Any Preferred Security and any other preferred security of the Issuer that is owned by the Company, or any entity of which the Company, either directly or indirectly, owns 20 per cent. or more of the voting shares or similar ownership interests, shall not carry a right to vote in a meeting of Holders or at any meeting called to vote for the election of a Special Representative pursuant to paragraph 8.2 and shall, for voting purposes and for the purposes of determining a quorum and for all other purposes, be treated as if it were not outstanding.

8.8 The General Partner will cause a notice of any meeting at which Holders are entitled to vote and any voting forms to be mailed to each Holder. Each such notice will include a statement setting forth (a) the date, time and place of such meeting, (b) a description of any resolution to be proposed for adoption at such meeting on which such Holders are entitled to vote and (c) instructions for the delivery of proxies.

## **9. Covenant of the General Partner**

The General Partner will undertake not to incur any indebtedness or other obligations or liabilities in the name of the Issuer other than the costs and expenses incidental to creating the Preferred Securities and the Issuer and any other partnership interests in the Issuer, performing its obligations in respect of the Limited Partnership Agreement, maintaining the listing of the Preferred Securities and any other partnership interests in the Issuer (where applicable), the Register, the Registrar, the Paying and Transfer Agents and a listing agent in respect of the Preferred Securities and corresponding agents (where applicable) with respect to any other partnership interests in the Issuer, the Issuer's holding of the Subordinated Notes, the Deferred Subordinated Notes or any securities substituted therefor or issued pursuant to the terms thereof and any

other securities acquired with any other capital contributions to the Issuer or substitutions therefor and the maintenance of a custodian therefor, the exercise of the Issuer's rights in respect of the Subordinated Notes, the Deferred Subordinated Notes or any securities substituted therefor and any other securities acquired with any other capital contributions to the Issuer or substitutions therefor and the administration of the Issuer.

#### **10. Notices**

All notices to the Holders will be mailed to the Holder of record and, so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, published in a leading Luxembourg daily newspaper which is expected to be the *Luxemburger Wort*. Any mailed notice shall be deemed to have been given one clear day after the date on which it was posted and any notice published in a newspaper shall be deemed to have been given on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

#### **11. Transfers and Form**

The Preferred Securities will be in registered form each in an amount equal to the Liquidation Preference. On or about the Closing Date, a single certificate representing the Preferred Securities will be deposited with HSBC Bank plc (the "Common Depositary") as common depositary for Euroclear and Clearstream, Luxembourg. The Preferred Securities will be registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited, as nominee for the Common Depositary. For so long as the Preferred Securities are deposited and registered as described above, book-entry interests in the Preferred Securities will be shown on, and transfers of such interests will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg.

If (a) either or both of Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days or more (other than for the purposes of a public holiday) or announces an intention permanently to cease business or (b) as a result of a change in law, transfer duties or similar taxes become payable on transfers of the Preferred Securities in Euroclear and/or Clearstream, Luxembourg, a number of Preferred Securities corresponding to its book-entry interest in the Preferred Securities represented by the certificate held by the Common Depositary referred to above will, subject to such reasonable requirements as the General Partner may require, be transferred to each holder of an interest in the Preferred Securities whose name is notified by the Common Depositary to the Registrar. Each such holder will be registered as a Holder in the Register and receive a certificate made out in its name. Other than in the circumstances referred to in this paragraph, definitive certificates will not be available to Holders.

If definitive certificates are made available in respect of Preferred Securities they will be available from the Registrar and from the Paying and Transfer Agent in Luxembourg, and will be posted to the relevant Holders at the address shown in the Register or, as applicable, in the relevant instrument of transfer within three Business Days in London of issue, by uninsured post at the risk of such Holders. Transfers of Preferred Securities if represented by definitive certificates may be effected by presentation of the relevant certificate (with the transfer certificate relating thereto duly completed on behalf of the transferor and transferee) at the specified office of the Registrar or any Paying and Transfer Agent. Where a Holder transfers some only of the Preferred Securities represented by any such certificate he shall be entitled to a certificate for the balance without charge.

#### **12. Replacement of Certificates**

If a certificate is damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same Preferred Securities may be issued on payment of such fee and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses as the General Partner may think fit and on payment of the costs of the General Partner incidental to its investigation of the evidence and, if damaged or defaced, on delivery up of the old certificate at the office of the Paying and Transfer Agent in Luxembourg.

#### **13. Prescription**

Claims against the Issuer for payment of Distributions and sums in respect of the Optional Redemption Price or Liquidation Distribution of the Preferred Securities will be prescribed in accordance with Jersey law unless made within 10 years from the date on which such payment becomes due or, if later, the date on which the Issuer makes such payment available to Holders.



#### **14. Governing Law**

The Limited Partnership Agreement and the Preferred Securities shall be governed by, and construed in accordance with, Jersey law and each of the General Partner, the Preferential Limited Partner, the Company and the Initial Holder has, in the Limited Partnership Agreement, irrevocably submitted to the non-exclusive jurisdiction of the courts of Jersey to settle any disputes arising out of the Limited Partnership Agreement and the Preferred Securities. However, determinations in respect of amounts of Adjusted Distributable Reserves shall be construed in accordance with English law.

The Guarantee shall be governed by English law and the Company has, in the Guarantee, irrevocably submitted to the jurisdiction of the courts of England to settle any disputes arising out of the Guarantee.

## **SUMMARY OF PROVISIONS RELATING TO THE PREFERRED SECURITIES IN GLOBAL FORM**

### **Initial Issue of Preferred Securities**

The Preferred Securities will be issued in registered form and will be initially represented by interests in the Global Certificate which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg on or about the Closing Date. Upon the initial registration of Preferred Securities in the name of a nominee of Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the common depositary for Euroclear and Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg will, in accordance with their respective procedures, credit each subscriber with such number of Preferred Securities equal to the number thereof for which it has subscribed and paid.

### **Exchange**

If (i) either or both of Euroclear and Clearstream, Luxembourg is or are closed for business for a continuous period of 14 days (other than for the purposes of a public holiday) or announces an intention permanently to cease business or (ii) as a result of a change in law, transfer duties or similar taxes become payable on transfers of the Preferred Securities in Euroclear and/or Clearstream, Luxembourg, a number of Preferred Securities corresponding to its book-entry interest in the Preferred Securities represented by the Global Certificate will, subject to such reasonable requirements as the General Partner may require, be transferred to each holder of an interest in the Preferred Securities whose name is notified by the common depositary to the Registrar. Each such holder will be registered as a Holder of the Preferred Securities in the Register maintained by or on behalf of the Issuer and will receive a certificate made out in its name.

### **Accountholders**

So long as the Preferred Securities are registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg, the nominee for Euroclear and Clearstream, Luxembourg will be the sole registered owner or holder of the Preferred Securities represented by the Global Certificate for all purposes under the Limited Partnership Agreement. Except as set forth under “Description of Preferred Securities – Transfers and Form” and under “– Transfers of Interests” below, the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holders of the Preferred Securities evidenced by the Global Certificate (each an “Accountholder”) will not be entitled to have Preferred Securities registered in their names, will not receive or be entitled to receive physical delivery of definitive certificates evidencing interests in the Preferred Securities and will not be considered registered owners or holders thereof under the Limited Partnership Agreement. Accordingly, each Accountholder must rely on the rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be, to exercise any rights and obligations of a holder of Preferred Securities under the Limited Partnership Agreement.

### **Payment**

Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made by the Issuer to the registered holder of the Preferred Securities and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be. Such persons shall have no claim directly against the Issuer in respect of payments due on the Preferred Securities for so long as the Preferred Securities are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the registered holder of the Preferred Securities in respect of each amount so paid.

### **Transfers of Interests**

Accountholders will only be able to transfer their beneficial interests in the Preferred Securities in accordance with the restrictions described under “Description of Preferred Securities – Transfers and Form” and with the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be.

### **Notices**

So long as the Preferred Securities are represented by the Global Certificate and the Global Certificate is registered in the name of a nominee of, and deposited with a common depositary for, a clearing system, notices to Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for publication as required by the terms of the Preferred Securities, except that so



long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

## SUBORDINATED GUARANTEE

*The following is the Subordinated Guarantee substantially in the form to be executed by the Company.*

THIS DEED OF GUARANTEE (this “Guarantee”), dated 22 May 2003, is executed and delivered by Old Mutual plc (the “Company”) for the benefit of the Holders (as defined below).

WHEREAS:

The Company desires to issue this Guarantee for the benefit of the Holders, as provided herein; and

This Guarantee is intended to provide the Holders, on a dissolution of the Issuer (as defined below) or on a default by the Issuer in discharging its obligations in respect of the Preferred Securities (as defined below), with rights against the Company in respect of the Guaranteed Payments (as defined below) which are as nearly as possible equivalent to those which they would have had if the Preferred Securities had been directly issued preference shares of the Company (whether or not the Company could in fact have issued such securities)

NOW, THEREFORE the Company executes and delivers this Guarantee as a deed poll for the benefit of the Holders.

### 1. Definitions

As used in this Guarantee, capitalised terms not defined herein shall have the meanings ascribed to them in the Limited Partnership Agreement (as defined below) and the following terms shall, unless the context otherwise requires, have the following meanings:

“Capital Securities” means any obligation of the Company or, as the case may be, a Subsidiary or other entity which is, or is capable of being, treated as capital of the Company for regulatory purposes on a consolidated basis;

“Guaranteed Payments” means (without duplication) collectively (i) all Distributions due on the Preferred Securities, (ii) any Liquidation Distribution to which Holders are entitled, (iii) the Optional Redemption Price, (iv) any Deferred Distribution, (v) any Additional Amounts and (vi) any Relevant Amount;

“Holder” means, in respect of each Preferred Security, each person registered on the Register as the limited partner holding such Preferred Security at the relevant time save for as long as the Preferred Securities are registered in the name of a common depository (or of a nominee for a common depository) for Clearstream, Luxembourg and Euroclear, “Holder” shall mean each person (other than Euroclear and Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg as the holder of any Preferred Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the number of Preferred Securities standing to the account of any person shall be conclusive and binding for all purposes) other than with respect to payments, the right to which shall be vested in the name of the person appearing as the relative limited partner in the Register;

“Issuer” means Old Mutual Capital Funding L.P.;

“Limited Partnership Agreement” means the Limited Partnership Agreement dated 19 May 2003 establishing the Issuer, as the same may be amended from time to time; and

“Preferred Securities” means the US\$750,000,000 8 per cent. Guaranteed Cumulative Perpetual Preferred Securities of the Issuer, whether or not in issue on the date of this Guarantee, the Holders of which are entitled to the benefits of this Guarantee as evidenced by the execution of this Guarantee.

### 2. Guarantee

2.1 Subject to the exceptions and limitations contained in the following provisions of this clause 2, the Company irrevocably agrees to pay in full to the Holders the Guaranteed Payments, as and when due, to the extent, that such payments shall not have been paid when due and payable by the Issuer (for the purpose and all other purposes of this Guarantee, treating any Relevant Amount as an amount due and payable to Holders by the Issuer at the same time as the relevant Liquidation Distribution) regardless (a) of any defence, right of set-off or counterclaim which the Issuer may have or assert, (b) of whether the Issuer has funds legally available for distribution or for making the relevant payment and (c) of any provision of the Law or any direction of the Jersey courts on a dissolution of the Issuer relating to the distribution of the assets of the

Issuer. This Guarantee is continuing, irrevocable and absolute. The rights and claims of the Holders against the Company under this Guarantee are subordinated to the claims of the Senior Creditors (as defined in clause 2.3) in that payment of the Guaranteed Payments is conditional upon satisfaction of the conditions set out in the following provisions of this clause 2.

2.2 Notwithstanding clause 2.1:

- (A) the Company will not be obliged to make any Guaranteed Payment in respect of Distributions on any Preferred Securities:
  - (i) if such payment, together with the amount of any distributions or dividends paid or scheduled to be paid to holders of Parity Securities on the relevant Distribution Payment Date would exceed Adjusted Distributable Reserves as at the Distribution Determination Date immediately preceding such Distribution Payment Date; or
  - (ii) if the General Partner gives notice to the Stock Exchange, the Registrar and the Paying and Transfer Agents and to Holders in accordance with paragraph 10 of the Preferred Securities not less than 20 London Business Days prior to a Distribution Payment Date that the Distribution payable on such Distribution Payment Date shall not be paid;
- (B) the Company will not be obliged to make any Guaranteed Payment in respect of Deferred Distributions on any Preferred Securities if such payment, together with the amount of any distributions or dividends paid or scheduled to be paid to holders of Parity Securities on the relevant Distribution Payment Date would exceed Adjusted Distributable Reserves as at the Distribution Determination Date immediately preceding such Distribution Payment Date.

2.3 Notwithstanding clause 2.1, if at the time the Liquidation Distribution and, if applicable, any Relevant Amount is to be paid by the Company under this Guarantee in respect of any Preferred Securities:

- (A) proceedings have been commenced for the liquidation, dissolution or winding-up of the Company (other than pursuant to a Permitted Reorganisation), payment under this Guarantee of such Liquidation Distribution and, if applicable, any Relevant Amount shall not exceed the amount per Preferred Security that would have been paid as a liquidation distribution out of the assets of the Company had the Preferred Securities and all Parity Securities been directly issued preference shares of the Company with equivalent rights of participation in the capital of the Company (whether or not the Company could in fact have issued such securities) and ranked (i) senior to Junior Share Capital, (ii) *pari passu* with the equivalent claims under all outstanding and future Parity Obligations of the Company and (iii) junior to all other liabilities (including subordinated liabilities) of the Company (“Senior Creditors”); or
- (B) proceedings have not been commenced for the liquidation, dissolution or winding-up of the Company, the Liquidation Distribution and, if applicable, any Relevant Amount shall only be payable to the extent that the Company either has (i) Adjusted Distributable Reserves or (ii) proceeds available from an issue of Replacement Capital that has been made for the purpose of funding the Liquidation Distribution and, if applicable, any Relevant Amount.

No Holder shall have any claim (whether against the Issuer or the Company) in respect of any Liquidation Distribution and, if applicable, any Relevant Amount or part thereof not paid when it would, but for the operation of the preceding provision of this paragraph 2.3, otherwise have become due.

2.4 All Guaranteed Payments made hereunder will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the UK or any political sub-division thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Company will pay such additional amounts (“Guarantor Additional Amounts”) as may be necessary in order that the net amounts received by the Holders after such withholding or deduction shall equal the amounts which would have been receivable under this Guarantee in the absence of a requirement to make such withholding or deduction; except that no such Guarantor Additional Amounts will be payable to a Holder (or a third party on his behalf) (i) to the extent that such taxes, duties, assessments or governmental charges are imposed or levied by virtue of such Holder (or the beneficial owner of a Preferred Security) having some connection with the UK other than being a Holder (or beneficial owner) of a Preferred Security or (ii) where such withholding or deduction is imposed on a

payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive or (iii) who would have been able to avoid such withholding or deduction by presenting the Preferred Securities to another Paying and Transfer Agent in a Member State of the European Union, and except that the Company's obligation to pay any Guarantor Additional Amounts is subject to the exceptions relating to Guaranteed Payments set out in clauses 2.2 and 2.3.

- 2.5 In the event that amounts payable under this Guarantee in respect of the Liquidation Distribution and, if applicable, any Relevant Amount, cannot be made in full by reason of the condition referred to in clause 2.3, such amounts will be payable *pro rata* in the Relevant Proportion and the obligations of the Company in respect of any such unpaid balance shall lapse.
- 2.6 The Company hereby waives notice of acceptance of this Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, protest, notice of non-payment, notice of dishonour, notice of redemption and all other notices and demands.
- 2.7 The obligations, covenants, agreements and duties of the Company under this Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:
- (A) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by or on behalf of the Issuer;
  - (B) the extension of time for the payment by or on behalf of the Issuer of all or any portion of any Distribution, Deferred Distribution the Optional Redemption Price, the Liquidation Distribution or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities;
  - (C) any failure, omission, delay or lack of diligence on the part of Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;
  - (D) the voluntary or involuntary winding-up, dissolution, amalgamation, reconstruction, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganisation, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;
  - (E) any invalidity of, or defect or deficiency in, the Preferred Securities; or
  - (F) the settlement or compromise of any obligation guaranteed hereby or hereby incurred.

There shall be no obligation on the Holders to give notice to, or obtain consent of, the Company with respect to the happening of any of the foregoing.

- 2.8 This Guarantee shall be deposited with and held by the Registrar until all the obligations of the Company have been discharged in full. The Company hereby acknowledges the right of every Holder to the production of, and the right of every Holder to obtain a copy of, this Guarantee from the Registrar.
- 2.9 A Holder may enforce this Guarantee directly against the Company, and the Company waives any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Company. Subject to clause 2.10, all waivers contained in this Guarantee shall be without prejudice to the right to proceed against the assets of the Issuer and the General Partner as permitted by the terms of the Preferred Securities. The Company agrees that this Guarantee shall not be discharged except by complete performance of all obligations of the Company under this Guarantee.
- 2.10 The Company shall be subrogated to any and all rights of the Holders against the assets of the Issuer in respect of any amounts paid to the Holders by the Company under this Guarantee. The Company shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this

Guarantee. If the Company shall receive or be paid any amount with respect to the Preferred Securities in violation of the preceding sentence, the Company agrees to pay over such amount to the Holders.

- 2.11 Subject to applicable law, the Company agrees that its obligations hereunder constitute unsecured obligations of the Company and Holders will at all times rank (i) senior to Junior Share Capital, (ii) *pari passu* with the equivalent claims under all outstanding and future Parity Obligations of the Company and (iii) junior to all Senior Creditors.
- 2.12 The Company acknowledges that its obligations hereunder are several and independent of the obligations of the Issuer with respect to the Preferred Securities and that the Company shall be liable as principal and sole obligor hereunder to make Guaranteed Payments pursuant to the terms of this Guarantee, notwithstanding the occurrence of any event referred to in clause 2.7.
- 2.13 Following a breach by the Company of its payment obligations under this Guarantee, a Holder may petition for the winding-up of the Company and claim in the liquidation of the Company but no other remedy shall be available to the Holder.
- 2.14 No Holder shall following any breach by the Company of any of its obligations under this Guarantee be entitled to exercise any right of set-off or counterclaim which may be available to it against amounts owing by the Company to such Holder. Notwithstanding the provisions of the foregoing sentence, if any of the said rights and claims of any Holder against the Company is discharged by set-off, such Holder will immediately pay an amount equal to the amount of such discharge to the Company or, in the event of its winding-up, the liquidator of the Company and until such time as payment is made will hold a sum equal to such amount in trust for the Company, or the liquidator of the Company and accordingly any such discharge will be deemed not to have taken place.
- 2.15 In the event of the winding-up of the Company if any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Company being subordinated to the payment of amounts owing under this Guarantee, shall be received by any Holders, before the claims of Senior Creditors have been paid in full, such payment or distribution shall be held in trust by the Holder, as applicable, and shall be immediately returned by it to the liquidator of the Company and in that event the receipt by the liquidator shall be a good discharge to the relevant Holder. Thereupon, such payment or distribution will be deemed not to have been made or received.

### **3. Undertakings**

- 3.1 The Company undertakes that it will not issue any preferred securities, preference shares or Capital Securities ranking senior to its obligations under this Guarantee or enter into any support agreement or give any guarantee in respect of any preferred securities or preference shares or Capital Securities issued by any Subsidiary or other entity if such support agreement or guarantee would rank senior to this Guarantee (including, without limitation, any guarantee that would provide a priority of payment with respect to Adjusted Distributable Reserves) unless, in each case, (a) this Guarantee is changed to give the Holders such rights and entitlements as are contained in or attached to such preferred securities, preference shares or Capital Securities or such other support agreement or guarantee so that this Guarantee ranks *pari passu* with, and contains substantially equivalent rights of priority as to payment on, any such preferred securities, preference shares, Capital Securities or such other support agreement or guarantee, (b) the four most recent payments of Distributions on the Preferred Securities have been made either by the Issuer or by the Company pursuant to this Guarantee and (c) there shall be no Deferred Distributions outstanding and unpaid.
- 3.2 The Company undertakes that if any Distribution is not paid to Holders on the relevant Distribution Payment Date, whether as a result of paragraph 2.3 of the Preferred Securities or otherwise, it will not (a) declare or pay any dividend or distribution and, where applicable, will procure that no dividend or distribution is declared or paid in respect of any Junior Share Capital or (if permitted) effect any repurchase or redeem any Junior Share Capital (or contribute any moneys to a sinking fund for the redemption of any such stock or securities) until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid or (b) (if permitted) repurchase or redeem any Parity Obligations until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid.

However, if the relevant Distribution is due to be paid on the relevant Distribution Payment Date but is not so paid solely as a result of an administrative or technical error or problems (whether in transmission of

funds within the banking system or otherwise) but is paid in full within 5 London Business Days following the relevant Distribution Payment Date, then with effect from the date the relevant Distribution is so paid the above restrictions in this paragraph 2.4 shall not apply, but for the avoidance of doubt such restrictions shall apply from and including the relevant Distribution Payment Date until such payment is so made.

- 3.3 The Company undertakes that, so long as any of the Preferred Securities is outstanding (a) unless the Company is itself being wound up, it will not permit, or take any action that would or might cause, the liquidation, dissolution or winding-up of the General Partner or the Issuer, and will procure that no such action is taken in relation to the Issuer by the General Partner or the Preferential Limited Partner and (b) the General Partner will at all times be a directly or indirectly wholly owned subsidiary of the Company, unless in the case of (a) or (b), at least a majority of the Holders of each series then outstanding of preferred securities issued by the Issuer have approved such action by resolution or in writing. Such approval shall not be required for the dissolution of the Issuer proposed or initiated because of the liquidation, dissolution or winding-up of the Company or the General Partner.
- 3.4 The Company undertakes that if substituted securities are to be issued pursuant to the terms of the Preferred Securities (a) it will take all reasonable steps to ensure it is legally able to allot, issue and deliver, or to procure that there are allotted, issued or delivered, such substituted securities, (b) it will, to the extent it is legally able to do so at the relevant time, allot, issue and deliver substituted securities or procure that there is allotted, issued and delivered, substitute securities, (together, where relevant, with a guarantee from the Company) in satisfaction of the rights of the Holders in the circumstances described in the Limited Partnership Agreement, such substituted securities (together where appropriate with the guarantee from the Company) having the rights and being subject to the conditions set out in the Limited Partnership Agreement, (c) it will take all reasonable steps to procure that such substituted securities will at the relevant time be listed on a recognised stock exchange and (d) it will pay any taxes or capital duties or stamp duties payable in the UK or Jersey or in the jurisdiction in which any relevant Subsidiary is incorporated or resident or any taxing jurisdiction to which it is subject and which arise on or in connection with the allotment and issue of such substituted securities. The Company will not be obliged to pay, and each Holder delivering Preferred Securities and a duly completed Substitution Confirmation to a Paying and Transfer Agent must pay, any other taxes, stamp duty reserve taxes and capital, stamp, issue and registration duties arising on the relevant substitution. The Company will not be obliged to pay and each Holder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Preferred Security in connection with such substitution. Substituted securities that comprise preference shares of the Company will not be allotted to Restricted Persons. The Company undertakes that as soon as practicable after a Substitution Event it will give written notice to the Holders enclosing a Substitution Confirmation which each Holder will be required to complete. The form of such Substitution Confirmation shall also be made available at the offices of each Paying and Transfer Agent. The Company undertakes that following such substitution, each substituted security issued or allotted will rank for any dividend or distribution from the immediately preceding Distribution Payment Date or, if none, the Closing Date and will have an entitlement to any Deferred Distributions *mutatis mutandis* as provided in the Preferred Securities.
- 3.5 The Company will procure that the General Partner will maintain at all times whilst the Preferred Securities are outstanding (a) whilst the Preferred Securities are listed on the Luxembourg Stock Exchange, a Paying and Transfer Agent in Luxembourg, (b) a Registrar having its office outside the UK and (c) a Paying and Transfer Agent having a specified office in a European Union Member State (if available) that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.
- 3.6 The Company undertakes, to the extent that such action is within its reasonable control, to vary the terms of the Preferred Securities and the Guarantee in order to, and to use all reasonable endeavours to ensure that the Acquiror (as defined below) gives such undertakings as are necessary to, preserve the rights and entitlements of the Holders under the Preferred Securities and the Guarantee following any Change of Control (as defined below). Such undertakings by the Acquiror shall include, *inter alia*, an undertaking that, if any Distribution is not paid on a Distribution Payment Date, the Acquiror will not declare or pay any dividend or distributions in respect of its ordinary shares or (if permitted) effect any repurchase of its ordinary shares until after the fourth consecutive following Distribution Payment Date on which a Distribution in respect of the Preferred Securities is paid.



The Company undertakes, in addition, to take such steps as are within its reasonable control to ensure that the economic interests of the Holders (including as to Distributions and ranking of the Preferred Securities) are not adversely affected by the actions of the Acquiror following such Change of Control.

A “Change of Control” will be deemed to have occurred at such time as any person or group of persons acting in concert (as defined in the City Code) (the “Acquiror”) discloses to the Company that, or the Company otherwise becomes aware that, the Acquiror has become the beneficial owner, directly or indirectly, of shares in the Company representing in the aggregate the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company.

The Company undertakes that the Deferred Subordinated Notes will be redeemed only in an amount equal to any Deferred Distributions payable pursuant to the Preferred Securities, and on the date on which payment of Deferred Distributions becomes due.

#### **4. Termination**

With respect to the Preferred Securities, this Guarantee shall terminate and be of no further force and effect upon:

- (A) payment in full of the Optional Redemption Price in respect of all the outstanding Preferred Securities;
- (B) purchase and cancellation of all outstanding Preferred Securities;
- (C) payment in full of the Liquidation Distribution in respect of all outstanding Preferred Securities; or
- (D) upon allotment or issue of substitute securities (together, where relevant, with a guarantee from the Company) as provided herein and in the Limited Partnership Agreement,

whichever shall first occur, provided however that this Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time payment of any sums paid in respect of the Preferred Securities or under this Guarantee must be restored by a Holder for any reason whatsoever.

#### **5. Transfer; Amendment; General; Notices**

- 5.1 Subject to operation of law, all guarantees and agreements contained in this Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the Holders. The Company shall not transfer its obligations hereunder without the prior approval of the Holders of not less than a simple majority in Liquidation Preference of the outstanding Preferred Securities, which approval shall be obtained in accordance with procedures contained in Schedule 3 to the Limited Partnership Agreement and applicable law of Jersey.
- 5.2 Except for those changes (a) required by clause 3.1 hereof; or (b) which do not adversely affect the rights of Holders (in any of which cases no agreement will be required), this Guarantee shall be changed only by agreement in writing signed by the Company with the prior approval of the Holders of not less than a simple majority in Liquidation Preference of the outstanding Preferred Securities, which approval shall be obtained in accordance with the procedures contained in Schedule 3 to the Limited Partnership Agreement and applicable law of Jersey.
- 5.3 Any Preferred Security and any other preferred security of the Issuer that is owned by the Company, or any entity of which the Company, either directly or indirectly, owns 20 per cent. or more of the voting shares or similar ownership interests, shall not carry a right to vote in a meeting of Holders or at any meeting called to vote for the election of a Special Representative pursuant to paragraph 8.2 of the Preferred Securities and shall, for voting purposes and for the purposes of determining a quorum and for all other purposes, be treated as if it were not outstanding.
- 5.4 Any notice, request or other communication required or permitted to be given hereunder to the Company shall be given in writing by delivering the same against receipt therefor or be addressed to the Company, as follows, to:

Old Mutual plc  
57 Berkeley Square  
London  
W1J 6ER  
Attention: Company Secretary  
Telephone: 020 7569 0100  
Facsimile: 020 7569 0205

The address of the Company may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Company to the Registrar for the Preferred Securities.

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by the Company in the same manner as notices sent on behalf of Old Mutual Capital Funding L.P. to Holders.

- 5.5 This Guarantee is solely for the benefit of the Holders and is not separately transferable from their interests in respect of the Preferred Securities.
- 5.6 The Company will furnish any Holder, upon request of such Holder, with a copy of its annual report, and any interim reports made generally available by the Company to holders of the ordinary shares of the Company.

**6. Governing Law**

This Guarantee shall be governed by, and construed in accordance with, English law and the Company irrevocably submits to the jurisdiction of the courts of England to settle any disputes arising out of this Guarantee.

IN WITNESS WHEREOF this Guarantee has been executed as a deed poll on behalf of the Company.

Executed as a deed by  
Old Mutual plc  
Acting by  
Director/Secretary

## TAXATION

### General

Prospective investors should inform themselves as to the tax consequences within the countries of their residence and domicile of the acquisition, holding or disposal of Preferred Securities. The comments below are of a general nature based on law and practice as at the date hereof in each jurisdiction referred to and do not constitute tax or legal advice. They relate only to the position of persons who are the absolute beneficial owners of their Preferred Securities and may not apply to certain classes of persons such as dealers. Any holders who are in doubt as to their personal tax position should consult their professional advisers. In assessing their tax position investors should note that the Issuer is a Jersey limited partnership and not a legal entity separate from its partners.

### Jersey taxation

Holders of Preferred Securities (other than residents of Jersey) are not subject to any tax in Jersey in respect of the holding, exchange, sale or other disposal of the Preferred Securities. Distribution payments may be made by the Issuer without withholding or deduction for, or on account of, and without, any payment of Jersey income tax.

No stamp duties are payable in Jersey on the acquisition, ownership, exchange, sale or other disposal of Preferred Securities. Probate or Letters of Administration may be required to be obtained in Jersey on the death of a holder of a Preferred Security with an estate in Jersey, including Preferred Securities. Stamp duty is payable in Jersey on the registration of such Probate or such Letters of Administration on the value of the deceased's estate in Jersey.

### United Kingdom taxation

#### *(a) Distributions on the Preferred Securities*

Payments of Distributions on the Preferred Securities may be made without withholding or deduction for or on account of UK income tax provided that the Subordinated Notes and the Preferred Securities remain listed on a "recognised stock exchange", within the meaning of Section 841 of the Income and Corporation Taxes Act 1988. The Luxembourg Stock Exchange and London Stock Exchange plc (the "London Stock Exchange") are such recognised exchanges. Under an Inland Revenue published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the official list by the Financial Services Authority as competent authority under the Financial Services and Markets Act 2000 and admitted to trading by the London Stock Exchange. Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange and to list the Subordinated Notes on the London Stock Exchange.

#### *(b) Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

Although a liability to UK stamp duty would arise on an agreement to transfer or a transfer of Preferred Securities which is executed in the UK or which relates, wherever executed, to any property situate in, or to any matter or thing done or to be done in, the UK, it is not likely that any such duty will need to be paid in practice.

No liability to SDRT will arise in respect of agreements to transfer the Preferred Securities.

### Proposed EU Directive on the taxation of savings income

The European Council of Economics and Finance Ministers ("ECOFIN") announced on 21 January 2003 that it had reached political agreement on the taxation of savings and would commit itself to the formal adoption of a directive under which 12 of the Member States of the European Union ("EU") will be required to provide to the tax authorities of any other Member State details of payments of interest (or similar income) by a person within the jurisdiction of the first Member State to an individual resident in that other Member State. For a transitional period, Austria, Belgium and Luxembourg will, unless and until the EU enters into agreements for the exchange of information with certain non-EU states (including Switzerland and the US), instead be required to apply a withholding tax on such income. Additionally, it was agreed by ECOFIN that the adoption of the proposals by the European Council would depend on certain non-EU states agreeing to adopt a similar withholding system in relation to such payments.

## SUBSCRIPTION AND SALE

Pursuant to a Subscription Agreement (the “Subscription Agreement”) dated 19 May 2003, BNP Paribas, HSBC Bank plc, Merrill Lynch International, Citigroup Global Markets Limited, J.P. Morgan Securities Ltd. and UBS Limited (together, the “Managers”) have jointly and severally agreed to subscribe for the Preferred Securities at a price of US\$1,000 per Preferred Security. The Managers will receive a combined selling, management and underwriting commission of US\$27.50 per Preferred Security. In addition, the Managers shall be reimbursed for certain of their expenses in connection with the issue of the Preferred Securities. The Managers are entitled to terminate the Subscription Agreement in certain circumstances before the issue of the Preferred Securities.

### United Kingdom

Each Manager has represented, warranted and agreed that:

- (a) it has not offered or sold and, prior to the expiry of six months from the Closing Date, will not offer or sell, any Preferred Securities to persons in the UK except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the UK within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”) with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the UK;
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of such Preferred Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company;
- (d) it has only offered or sold and will only offer or sell Preferred Securities to (i) investment professionals falling within Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the “Promotion of CIS Order”) and Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the “Financial Promotion Order”), who have professional experience of participating in unregulated schemes and of matters relating to investments, or (ii) persons falling within Article 22(2) of the Promotion of CIS Order and Article 49(2) of the Financial Promotion Order; and
- (e) it has in place and will have in place proper systems and procedures to prevent any person other than those persons described in (d) above from participating in the Preferred Securities.

### United States

The Preferred Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Preferred Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells any Preferred Security during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Preferred Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has severally represented and agreed that it will not

offer or sell the Preferred Securities, nor will it make the Preferred Securities the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Preferred Securities, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “Singapore Securities and Futures Act”), (b) to a sophisticated investor, and in accordance with the conditions specified in Section 275 of the Singapore Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the Singapore Securities and Futures Act.

### **Hong Kong**

Each Manager has represented and agreed that it has not issued and will not issue any advertisement, invitation or document relating to the Preferred Securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Preferred Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

### **General**

No action has been or will be taken by the Issuer, the Company or any of the Managers that would permit a public offering of the Preferred Securities, or the possession or distribution of this Offering Circular, or any amendment or supplement thereto, or any other offering material relating to the Preferred Securities, in any country or jurisdiction where action for that purpose is required. Accordingly, the Preferred Securities may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each Manager has agreed that it will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required for the offer, purchase or sale by it of Preferred Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will, to the best of its knowledge and belief, comply with all such laws and regulations.

## **GENERAL INFORMATION**

### **1. Listing**

Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange. The quotation on the Luxembourg Stock Exchange of the Preferred Securities will be expressed as a percentage of the liquidation preference of US\$1,000 per Preferred Security. The Preferred Securities will be considered as debt securities for the purpose of the Luxembourg Stock Exchange Rules and Regulations. At the date hereof, it is not intended to list the Preferred Securities on any other stock exchange.

In connection with the application to list the Preferred Securities on the Luxembourg Stock Exchange, a legal notice relating to their issue will be filed, together with copies of the Limited Partnership Agreement, with the Régistre de Commerce et des Sociétés à Luxembourg prior to the listing of the Preferred Securities, and copies thereof may be obtained on request, against payment of the customary charges.

### **2. Authorisations**

The execution of the Limited Partnership Agreement to establish the Issuer has been duly authorised by a resolution of the Board of Directors of the General Partner passed on 15 May 2003.

The entering into of the Limited Partnership Agreement and the Guarantee and the issue of the Subordinated Notes by the Company was authorised by a resolution of the duly empowered Executive Committee of the Board of Directors of the Company passed on 16 May 2003.

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer and/or the Company under the laws of Jersey and the United Kingdom have been given for the issue of the Preferred Securities and for the Issuer, the General Partner and the Company, as the case may be, to undertake and perform their respective obligations as appropriate under the Limited Partnership Agreement, the Subscription Agreement, the Agency Agreement, the Preferred Securities, the Guarantee and the Subordinated Notes.

### **3. Clearing**

The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg, with a common code of 016868710. The International Securities Identification Number for the Preferred Securities is XS0168687100.

### **4. No Material Change**

Save as described or incorporated by reference herein, there has been no significant change in the financial or trading position of the Company or the Group since 31 December 2002, or of the Issuer since the date of its establishment, and no material adverse change in the financial position or prospects of the Company or the Group since 31 December 2002, or of the Issuer since the date of its establishment.

### **5. Documents for Inspection**

Copies of the following documents will be available for inspection at (and, in the case of (c) and (d) for collection (free of charge) from) the offices of the Paying and Transfer Agents and at the registered offices of the Issuer and the Company during normal business hours for so long as the Preferred Securities are outstanding:

- (a) the Limited Partnership Agreement;
- (b) the memorandum and articles of association of the Company;
- (c) the documents incorporated herein by reference (see “Documents Incorporated by Reference”);
- (d) the consents and authorisations referred to in paragraph 2 above;
- (e) the Guarantee;
- (f) the Agency Agreement; and
- (g) the Subscription Agreement.



For so long as the Preferred Securities are listed on the Luxembourg Stock Exchange, the General Partner, on behalf of the Issuer, will maintain a Paying and Transfer Agent in Luxembourg and the most recently published consolidated audited annual financial statements and the most recent consolidated unaudited semi-annual interim financial statements of the Company, and the most recently published non-consolidated audited annual accounts of the Issuer, will be available at the offices of the Paying and Transfer Agents. The first accounts of the Issuer are expected to be prepared for the period ending on 31 December 2003 and thereafter the Issuer intends to prepare annual accounts. The Issuer does not intend to publish interim accounts.

## **6. Litigation**

Neither the Issuer nor the Company nor any member of the Group is involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of the issue of the Preferred Securities nor, so far as the Issuer or the Company is aware, is any such litigation or arbitration pending or threatened which may have a significant effect on the financial position of the Issuer, the Company or the Group.

## **7. Auditors**

The auditors of the Company are KPMG Audit Plc of 8 Salisbury Square, London EC4Y 8BB. The financial information set out in this Offering Circular in relation to the Company does not constitute statutory accounts within the meaning of section 240(5) of the Companies Act 1985 (as amended) (the “Companies Act”).

KPMG Audit Plc has made reports under Section 235 of the Companies Act 1985 on the consolidated accounts of the Company for the years ended 31 December 2001 and 31 December 2002, which were unqualified and did not contain any statement as is described in Sections 237(2) or (3) of the Companies Act. Statutory accounts of the Company have been delivered to the Registrar of Companies for the years ended 31 December 2001 and 31 December 2002.

The report of KPMG Audit Plc dated 24 February 2003 in respect of the consolidated accounts of the Company for the year ended 31 December 2002 states that it is made solely to the members of the Company as a body in accordance with Section 235 of the Companies Act and for no other purpose and that, to the fullest extent permitted by law, KPMG Audit Plc does not accept or assume responsibility to anyone other than the Company and the Company’s members as a body for the audit work of KPMG Audit Plc, for that report or for the opinions formed by KPMG Audit Plc.

No accounts of the Issuer have yet been audited. KPMG have been appointed as auditors of the Issuer in Jersey.

## SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT OF OLD MUTUAL PLC

The following table sets out the summary consolidated profit and loss account of the Company for the period ending 31 December 2002. This information should be read in conjunction with the Company's consolidated accounts for the years ended 31 December 2001 and 31 December 2002, which are incorporated by reference in this Offering Circular.

	Year to 31 December 2002  £m	Year to 31 December 2001 (Restated) £m
South Africa		
Technical result	208	249
Long term investment return	135	148
	<hr/>	<hr/>
Life assurance	343	397
Asset management	28	37
Banking		
Acquired	32	–
Continuing	133	290
General insurance	35	46
	<hr/>	<hr/>
United States		
Life assurance	83	13
Asset management	95	116
	<hr/>	<hr/>
	178	129
United Kingdom and Rest of World		
Life assurance	(3)	(2)
Asset management	2	(3)
Banking	56	79
	<hr/>	<hr/>
	55	74
	<hr/>	<hr/>
	804	973
Other shareholders' income/(expenses)	(22)	(29)
Debt service costs	(58)	(67)
Write-down of strategic investments	–	(21)
	<hr/>	<hr/>
<b>Operating profit based on a long term investment return before goodwill amortisation and impairment, write-down of investment in Dimension Data Holdings plc and Nedcor restructuring and integration costs</b>	724	856
Goodwill amortisation and impairment	(120)	(632)
Write-down of investment in Dimension Data Holdings plc	(68)	(269)
Nedcor restructuring and integration costs	(14)	–
Short term fluctuations in investment return	(91)	126
	<hr/>	<hr/>
<b>Operating profit on ordinary activities before tax</b>	431	81
Non-operating items	(6)	–
	<hr/>	<hr/>
<b>Profit on ordinary activities before tax</b>	425	81
Tax on profit on ordinary activities	(224)	(319)
	<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities after tax</b>	201	(238)
Minority interests	(44)	(26)
	<hr/>	<hr/>
<b>Profit/(loss) for the financial year</b>	157	(264)
Dividends paid and proposed	(176)	(172)
	<hr/>	<hr/>
<b>Retained loss for the financial year</b>	(19)	(436)
	<hr/> <hr/>	<hr/> <hr/>

## SUMMARY CONSOLIDATED BALANCE SHEET OF OLD MUTUAL PLC

The following table sets out the consolidated balance sheet of the Company as at 31 December 2002. This information should be read in conjunction with the Company's consolidated accounts for the years ended 31 December 2001 and 31 December 2002, which are incorporated by reference in this Offering Circular.

	At 31 December 2002 £m	At 31 December 2001 £m
<b>Assets</b>		
Intangible assets (Goodwill)	1,598	1,580
Insurance and other assets	26,593	31,915
Banking assets	21,377	11,309
	<u>49,568</u>	<u>44,804</u>
<b>Liabilities</b>		
Shareholders' funds	2,786	2,470
Minority interests	927	565
Subordinated liabilities	18	22
Insurance and other liabilities	25,602	31,292
Banking liabilities	20,235	10,455
	<u>49,568</u>	<u>44,804</u>

**REGISTERED OFFICE OF THE ISSUER**

**Old Mutual Capital Funding L.P.**

3rd Floor  
28 New Street  
St. Helier  
Jersey JE2 3TE

**REGISTERED OFFICE OF THE COMPANY**

**Old Mutual plc**

3rd Floor  
Lansdowne House  
57 Berkeley Square  
London W1J 6ER

**PRINCIPAL PAYING AND TRANSFER AGENT**

**HSBC Bank plc**

Mariner House  
Pepys Street  
London EC3N 4DA

**REGISTRAR**

**HSBC Trustee (C.I.) Limited**

1 Grenville Street  
St. Helier  
Jersey JE4 9PF

**LEGAL ADVISERS**

*To the General Partner  
and the Company as to English law*

**Slaughter and May**

One Bunhill Row  
London EC1Y 8YY

*To the General Partner  
and the Company as to Jersey law*

**Mourant du Feu & Jeune**

22 Grenville Street  
St Helier  
Jersey JE4 8PX

*To the Managers as to English law*

**Linklaters**

One Silk Street  
London EC2Y 8HQ

**AUDITORS**

*To the Issuer*

**KPMG**

45 Esplanade  
St. Helier  
Jersey JE4 8WQ

*To the Company*

**KPMG Audit Plc**

8 Salisbury Square  
London EC4Y 8BB

**LUXEMBOURG LISTING AGENT AND PAYING AND TRANSFER AGENT**

**Dexia Banque Internationale à Luxembourg, société anonyme**

69 route d'Esch  
L-2953 Luxembourg

