

## Contents

	2
Directors' report	
	3
Statement of Directors' responsibilities	
	4
Report of the Independent Auditors	
	5
Income statement	
	6
Balance sheet	
	7
Statement of changes in equity	
	8
Cash flow statement	
	9 - 13
Notes to the annual financial statements	

## Contacts

### **Board of Directors:**

T Dloti (Chairman)  
N M O Hlophe  
B M Rapiya

### **Company Secretary:**

P Forsythe

### **Registered office:**

Old Mutual Place,  
2 Lambeth Hill  
London  
EC4V4GG

### **Registered no.:**

England and Wales 5457445

### **Public Officer:**

K.J. Gleeson

### **Auditors:**

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



## Directors' report

The Directors of Education SPV Limited have pleasure in submitting their report on the annual financial statements for the period ended 31 December 2005.

### Business activities

This is an investment holding company.

### Results of operations

The Company commenced operation on 19 May 2005.

The operating results and financial position of the Company are set out in the income statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

### Share capital

The Company was incorporated on 19 May 2005 and issued R2 of ordinary shares to Messrs T Dloti and B M Rapiya who hold these shares in Trust on behalf of The Old Mutual Education Trust.

### Interest-bearing borrowings

The Company financed the acquisition of its interest in derivative instruments on Old Mutual plc shares through interest-bearing borrowings. The loan is South African Rand denominated and repayable by 31 July 2010.

### Holding Entity

The entire ordinary share capital is held by two of the Company's directors, however, The Old Mutual Education Trust is the ultimate beneficial owner.

### Directors

On 19 May 2005, Messrs T Dloti and B M Rapiya were appointed as Directors. On 26 January 2006, Ms N M O Hlophe was appointed as a Director.

The directors currently holding office :

T Dloti (Chairman)  
N M O Hlophe  
B M Rapiya

There were no interests in shares or remuneration payable to the directors during the year.

### Dividends

Dividends amounting to R82 634 were paid during the period.

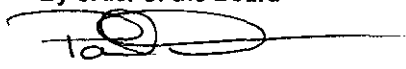
### Company Secretary

P Forsythe: Appointed 11 January 2006

M Warr: Resigned 11 January 2006  
Appointed 19 May 2005

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### By order of the Board



Paul Forsythe  
Company Secretary  
15 March 2006

## **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

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

**Independent Auditors' report to the member of Education SPV Limited**

We have audited the financial statements of Education SPV Limited for the period ended 31 December 2005 which comprises the income statement, the balance sheet, the statement of changes in equity and the cash flow statement and the related notes as set out on pages 5 to 13. These financial statements have been prepared under the accounting policies set out therein.

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

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' responsibilities on page 3, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatement within it.

**Basis of audit opinion**

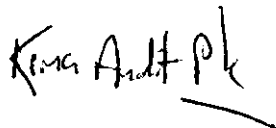
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



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

15 March 2006

**Income statement***for the period ended 31 December 2005*

R' 000

	<i>Notes</i>	<i>8 months 2005</i>
<b>Revenue</b>		
Investment income	3	95 810
<b>Expenses</b>		
Other operating and administration expenses	4	(2 189)
<b>Profit before tax</b>		93 621
Income tax	5	-
<b>Profit for the financial period</b>		93 621

The notes on pages 9 to 13 form part of these financial statements.

**Balance sheet**

at 31 December 2005

R' 000

	Notes	2005
<b>Assets</b>		
Derivative instruments	6	137 482
<b>Total assets</b>		<b>137 482</b>
<b>Liabilities</b>		
Financial liability at amortised cost	7	43 944
<b>Total liabilities</b>		<b>43 944</b>
<b>Net assets</b>		<b>93 538</b>
<b>Shareholder's equity</b>		
Share capital	8	-
Distributable reserves		93 538
<b>Total shareholder's equity</b>		<b>93 538</b>

The notes on pages 9 to 13 form part of these financial statements.

The financial statements as set out on pages 5 to 13 were approved by the Board of Directors on 15 March 2006, and are signed on its behalf by :


**T Dloti**

Chairman

15 March 2006

**Statement of changes in equity***for the period ended 31 December 2005***R' 000**

<b>8 months 2005</b>	<b>Share capital</b>	<b>Distributable reserve</b>	<b>Total</b>
Share capital issued at incorporation	-		-
Profit for the financial period		93 621	93 621
Dividends		( 83)	( 83)
Shareholder's equity at end of period	-	93 538	93 538

**Cash flow statement**

for the period ended 31 December 2005

<b>R' 000</b>	<b>8 months 2005</b>
<b>Cash flows from operating activities</b>	
Profit before tax	93 621
Non-cash movements in profit before tax and adjustments	( 94 130)
Dividends received	8 263
<b>Net cash inflow from operating activities</b>	<b>7 754</b>
<b>Cash flows from investing activities</b>	
Acquisition of derivative instruments	(49 935)
<b>Net cash outflow from investing activities</b>	<b>(49 935)</b>
<b>Cash flows from financing activities</b>	
Issue of share capital	-
Proceeds from borrowings	50 445
Payment of borrowings	(8 181)
Payment of dividends	( 83)
<b>Net cash inflow from financing activities</b>	<b>42 181</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>-</b>



## Notes to the annual financial statements

for the period ended 31 December 2005

### 1 General information

The Company was incorporated on 19 May 2005 and acts as an investment holding company.

### 2 Accounting policies

#### 2.1 Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and in accordance with the requirements of the Companies Act 1985.

#### 2.2 Basis of preparation

The financial statements have been prepared based on and in compliance with IFRS and are presented in South African Rand, the Company's functional currency.

The financial statements provide information about the financial position, results of operations and changes in financial position of the Company. They have been prepared under historical cost convention, as modified by the financial assets and financial liabilities at fair value.

The preparation of financial statements in conformity with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from their estimates.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

#### 2.3 Revenue

Revenue comprises investment income, which includes dividend income and unrealised gains and losses on derivative instruments.

##### *Dividends*

Dividends receivable are recognised as income on the ex-dividend date.

#### 2.4 Financial instruments

##### *Recognition and de-recognition of financial instruments*

Financial instruments are recognised when, and only when, the Company becomes a party to the contractual provisions of the particular instrument.

The Company de-recognises a financial asset when and only when:

- The contractual rights to the cash flows arising from the financial asset have expired or been forfeited by the Company; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is de-recognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised

All financial instruments are recognised and derecognised using trade date accounting.

## Notes to the annual financial statements

for the period ended 31 December 2005

### 2 Accounting policies (continued)

#### 2.4 Financial instruments (continued)

##### *Derivative instruments*

Investments in derivative instruments are classified as financial assets carried at fair value through profit and loss. Unrealised gains and losses are recognised in profit or loss for the period.

Derivative investments are valued using the Black-Scholes option valuation technique.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as at fair value through profit or loss or available for sale. Loans and receivables are carried at amortised cost.

##### *Financial liabilities*

Non-derivative financial liabilities are carried at amortised cost.

##### *Offsetting*

Where a legally enforceable right of off-set exists for recognised financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

##### *Cash and cash equivalents*

Cash and cash equivalents are measured at fair value. For the purposes of the cash flow statement, cash and cash equivalents comprise balances with banks.

#### 2.5 Taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred taxation is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity. The effect on deferred taxation of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available, against which the unutilised tax losses and deductible temporary differences can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

#### 2.6 Dividends

Dividends payable to holders of equity instruments are recognised in the period in which they are declared.

#### 2.7 Forthcoming requirements

There are a number of forthcoming new standards and interpretations, which have been issued by the IASB prior to the publication of these financial statements, but which are only effective in future accounting periods, unless early adoption is chosen. None of these forthcoming requirements will have a material impact on the Company's financial statements.

**Notes to the annual financial statements**

for the period ended 31 December 2005

R' 000

	<u>8 months</u> <u>2005</u>
<b>3    <u>Investment income</u></b>	
Dividend income	
Derivative instruments	8 263
Unrealised gains	
Derivative instruments on Old Mutual plc shares	87 547
Included in income statement	<u>95 810</u>
 <b>4    <u>Other operating and administration expenses</u></b>	
Operating expenses include :	
Interest paid	1 680
Legal fees	<u>509</u>
 <b>5    <u>Income tax</u></b>	
Provision has not been made for normal income taxation as the Company did not earn any taxable income during the period.	

## Notes to the annual financial statements

for the period ended 31 December 2005

R' 000

### 6 **Derivative instruments**

On 1 August 2005 the Company subscribed for 38.56 million new ordinary shares in Old Mutual plc (OM plc) for an initial payment of R1.14 per share (10 pence per share), being the par value of each new share, plus an undertaking to make interim payments together with a final cash payment to the issuer, OM plc, the amount of which will be determined according to a set formula. These amounts will together form the subscription price for the new shares.

In terms of IFRS, during the period up until final payment is made, the Company has restricted rights to the shares akin to investment in a share option of an equity instrument. Since the value of the investment in the restricted rights equity instrument of OM plc changes in response to a change in the OM plc share price, required an initial net investment that is smaller than would be required to invest directly in an OM plc share and the final payment is made at the end of nine years, the restricted rights equity instrument of OM plc meets the definition of a derivative.

The derivatives take the form of share options on OM plc shares and are carried at fair value. Fair value has been measured using the Black Scholes option pricing model and is reestimated at each reporting date.

Significant inputs and assumptions in the valuation of these instruments are as follows:

	<b>2005</b>
Number of options granted (millions)	39
Fair value per option at measurement date (in Rands)	3.57
Share price (in Rands) at measurement date (31 December 2005)	17.95
Exercise price (in Rands)	25.08
Expected volatility	25%
Expected life (in years)	9.3
Dividend yield	4%
Risk free interest rate	7.4%
Derivative instruments	
- Derivatives on 38 560 000 OM plc shares	<b>137 482</b>

The Trust Deed of the immediate Holding Trust stipulates that a set percentage of the dividends received on the restricted rights instruments are required to be on-paid to the Trust to allow the Trust to further the activities for which it was set-up. For the period ended 31 December 2005, this amounts to R82 634. In 2006, 15% of dividends received are required to be on-paid to the Trust.

The balance of dividends received by the Company on the restricted rights instruments are utilised to repay the loan from Citibank N.A., London (refer note 6) and once that loan is repaid, to repay the final cash payment payable to OM plc, as referred to above. Amounts received that are used to reduce the final cash payment are not recorded as dividend income by the Company and are accounted for as a pass-through transaction.

### 7 **Financial liability at amortised cost**

Loan from Citibank Limited N.A., London	<b>43 944</b>
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The loan is an interest-bearing South African Rand account with Citibank N.A., London and is secured by the Company's holding in OM plc shares.

In accordance with the loan agreement accrued interest must be paid twice a year. The rate of interest is 1.25% plus the Johannesburg Interbank Agreed Rate for the period to which interest on the outstanding amount is calculated.

The maturity date of the loan is 31 July 2010.

In accordance with the Trust Deed of the immediate Holding Trust of the Company, The Old Mutual Education Trust, a portion of the dividend income received by the Company is utilised to repay the loan from Citibank N.A., London.

## Notes to the annual financial statements

for the period ended 31 December 2005

R' 000

8	<b>Share capital</b>	<b>2005</b>
	<b>Authorised share capital</b>	
	1 000 ordinary shares at R1 each	1
	<b>Issued share capital</b>	
	2 ordinary shares at R1 each	-
		<u>1</u>

### *Issued shares*

2 ordinary shares were issued at incorporation on 19 May 2005.

### *Unissued shares*

Subject to the restrictions imposed by the Companies Act 1985, the unissued shares are under the control of the directors.

## 9 **Related party transactions**

### *Holding Trust*

The Company's Holding Trust is The Old Mutual Education Trust, ultimately controlled by OM plc.

### *Directors*

The directors are listed in the Directors' report.

### *Transactions*

There were no material transactions with directors or their families during the current financial period.

The investment in the group company is disclosed in note 6.

Dividends received on OM plc restricted rights instruments amounted to R8 263 408.

Dividends paid to The Old Mutual Education Trust amounted to R82 634.

## 10 **Auditors' remuneration**

There is no expense to the Company for auditors' remuneration.

## 11 **Employees**

The Company has no employees. The Company's operations are undertaken by the employees of Old Mutual Life Assurance Company (SA) Limited.