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## Contacts

**Board of Directors**

T Dioti (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



## ***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 IFRS 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.

**Report of the Independent Auditor****To the member of Education SPV Limited**

We have audited the annual financial statements of Education SPV Limited set out on pages 5 to 14, which comprises the balance sheet at 31 December 2006, the income statement, the statement of changes in equity and the cash flow statement for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes. 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 2, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) 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 IFRS as adopted by the EU, of the state of the Company's affairs as at 31 December 2006 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

31 March 2008

## Directors' report

The directors of Education SPV Limited have pleasure in submitting their report on the annual financial statements for the year ended 31 December 2006

### Business activities

The principal activity of the Company is acting as an investment holding company

### Results of operations

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

There was no change in the authorised or issued ordinary share capital of the Company

### Interest-bearing borrowings

The Company financed the acquisition of its interest in derivative instruments on Old Mutual plc shares in 2005 through interest-bearing borrowings. The loan is South African Rand denominated and repayable by 31 July 2010

### Holding Trust

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

### Principal Risks and Uncertainties

The principal risks and uncertainties of the Company arise from the ability of its investments to continue to pay dividends to the Company and any impairment of the valuation of these investments

### Key Performance Indicators ("KPIs")

The Company's Directors are of the opinion that the KPIs for the Company are best represented by the results set out in the profit account on page 5

### Dividends

Dividends amounting to R4 088 710 (2005 R82 634) were paid during the year

### Directors

The directors currently holding office are

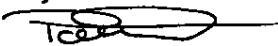
T Dloti (Chairman)  
N M O Hlophe  
B M Rapiya

### Company Secretary

P Forsythe	Appointed 13 April 2008 Resigned 30 March 2007 Appointed 11 January 2006
J Cowburn	Resigned 13 April 2008 Appointed 30 March 2007
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  
31 March 2008

**Income statement***for the year ended 31 December 2006*

<b>R' 000</b>	<b>Notes</b>	<b>2006</b>	<b>8 months 2005</b>
<b>Revenue</b>			
Investment income	3	233 361	95 810
<b>Expenses</b>			
Operating expenses	4	( 3)	( 509)
Interest expense		(3 240)	(1 680)
<b>Profit before tax</b>		<b>230 118</b>	<b>93 621</b>
Income tax expense	5	(42 581)	-
<b>Profit for the financial year</b>		<b>187 537</b>	<b>93 621</b>

The notes on pages 9 to 14 form part of these financial statements

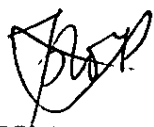
**Balance sheet**

at 31 December 2006

R' 000	Notes	2006	2005
<b>Assets</b>			
Derivative instruments	6	343 570	137 482
Cash and cash equivalents		504	-
<b>Total assets</b>		<b>344 074</b>	<b>137 482</b>
<b>Liabilities</b>			
Deferred tax liability	9	42 577	-
Financial liability at amortised cost	7	24 507	43 944
Accounts payable	8	4	-
<b>Total liabilities</b>		<b>67 088</b>	<b>43 944</b>
<b>Net assets</b>		<b>276 986</b>	<b>93 538</b>
<b>Shareholder's equity</b>			
Share capital	10	-	-
Retained earnings		276 986	93 538
<b>Total shareholder's equity</b>		<b>276 986</b>	<b>93 538</b>

The notes on pages 9 to 14 form part of these financial statements

The financial statements as set out on pages 5 to 14 were approved by the Board of Directors on 30 March 2007, and are signed on its behalf by


**T Dioti**

Chairman

31 MARCH 2008

**Statement of changes in equity***for the year ended 31 December 2006***R' 000**

<b>2006</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
Shareholder's equity at beginning of year	-	93 538	93 538
Profit for the financial year		187 537	187 537
Dividends		(4 089)	(4 089)
Shareholder's equity at end of year	-	276 986	276 986

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

**Cash flow statement**

for the year ended 31 December 2006

R' 000	2006	8 months 2005
<b>Cash flows from operating activities</b>		
Profit before tax	230 118	93 621
Non-cash movements and adjustments to profit before tax	(230 119)	(94 130)
Dividends received	27 258	8 263
Interest received	15	-
<b>Net cash from operating activities</b>	<b>27 272</b>	<b>7 754</b>
<b>Cash flows from investing activities</b>		
Acquisition of derivative instruments	-	(49 935)
<b>Net cash from investing activities</b>	<b>-</b>	<b>(49 935)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	50 445
Repayment of borrowings	(22 679)	(8 181)
Payment of dividends	(4 089)	(83)
<b>Net cash from financing activities</b>	<b>(26 768)</b>	<b>42 181</b>
<b>Net increase in cash and cash equivalents</b>	<b>504</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>	<b>504</b>	<b>-</b>



## Notes to the financial statements

for the year ended 31 December 2006

### 1 General information

The Company operates 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 IFRS 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 IFRS 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 6

#### 2.3 Revenue

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

##### *Dividends*

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

##### *Interest*

Interest income is recognised in the income statement using the effective interest method

#### 2.4 Taxation

Income tax charge for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

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

Deferred tax liability is not recognised on temporary differences that arise from

- initial recognition of an asset or liability in a transaction that is not a business combination which, at the time of transaction, affects neither the accounting nor taxable profit or loss, and
- temporary differences associated with investment in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

## Notes to the financial statements

for the year ended 31 December 2006

### 2 Accounting policies (continued)

#### 2.4 Taxation (continued)

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.

#### 2.5 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 in the income statement.

##### *Derivative instruments*

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

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, including those made to fellow Group undertakings, are carried at amortised cost.

##### *Financial liabilities*

Non-derivative financial liabilities are carried at amortised cost.

##### *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the balance sheet.

##### *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.

#### 2.6 Dividends

Dividends payable to holders of equity instruments, are recognised in the period in which they are authorised or approved.

## **Notes to the financial statements**

*for the year ended 31 December 2006*

### **2 Accounting policies (continued)**

#### **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.

#### **2.8 Impairment of financial assets**

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets, excluding financial assets at fair value through profit or loss, is impaired.

## Notes to the annual financial statements

for the year ended 31 December 2006

R' 000

	2006	8 months 2005
<b>3 Investment income</b>		
Dividend income		
Derivative instruments	27 258	8 263
Interest income		
Cash and cash equivalents	15	-
Unrealised gains		
Derivative instruments on Old Mutual plc shares	206 088	87 547
Included in income statement	<u>233 361</u>	<u>95 810</u>
<b>4 Operating expenses</b>		
Operating expenses comprise		
Bank charges	3	-
Legal fees	-	509
	<u>3</u>	<u>509</u>
<b>5 Income tax expense</b>		
South African taxation		
Normal income tax - current year	4	-
- capital gains tax (CGT) - current year	29 857	-
- capital gains tax (CGT) - prior year underprovision	12 720	-
	<u>42 581</u>	<u>-</u>

The tax charge for the year is disproportionate to profit for the year as dividend income is not taxable in terms of the Income Tax Act and capital gains are taxed at different rates

	2006	8 months 2005
<b>Reconciliation of taxation rate on profit before tax</b>		
	%	%
Standard rate of taxation	29 0	29 0
Adjusted for	-	-
Exempt income	(3 4)	(29 0)
Capital gains tax - current year rate difference	(13 0)	-
- prior year rate difference	4 5	-
Disallowed expenses	1 4	-
Effective tax rate	<u>18 5</u>	<u>-</u>

## Notes to the annual financial statements

for the year ended 31 December 2006

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 from the date of initial subscription, 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:

	2006	2005
Number of options granted (millions)	39	39
Fair value per option at measurement date (in Rands)	8.9	3.6
Share price (in Rands) at measurement date (31 December)	23.90	17.95
Exercise price (in Rands)	23.29	25.08
Expected volatility	30%	25%
Expected life (in years)	8.3	9.3
Dividend yield	3%	4%
Risk free interest rate	7.9%	7.4%
Derivative instruments		
- Derivatives on 38 560 000 OM plc shares	343 570	137 482

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 year ended 31 December 2006, this amounts to R4 088 710 (2005: R82 634). In 2007, 15% (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 7) 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	24 507	43 944
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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 year ended 31 December 2006

R' 000

8	<b>Accounts payable</b>	<b>2006</b>	<b>2005</b>
	Receiver of Revenue	<b>4</b>	-

9	<b>Deferred tax liability</b>	At beginning 2006	Income statement charge	At end 2006	2005
	Unrealised capital gain	-	42 577	42 577	-
		-	42 577	42 577	-

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

*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

11	<b>Related party disclosures</b>
	<i>Holding Trust</i>

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 R27 258 064 (2005 R8 263 408)

Dividends paid to The Old Mutual Education Trust amounted to R4 088 710 (2005 R82 634)

12	<b>Auditors' remuneration</b>
	Audit fees for the company are borne by the company's holding company

13	<b>Employees</b>
	The Company has no employees. The Company's operations are undertaken by the employees of Old Mutual Life Assurance Company (SA) Limited