



ANNUAL
REPORT

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Corporate profile

Credit Guarantee Insurance Corporation of Africa Limited is a South African underwriting company operating in the field of domestic and export credit insurance. Registered in 1956, it commenced operations in 1958. Today, Credit Guarantee is the leading credit insurer on the African continent. It carries an AA+ rating for its claims paying ability and is ISO 9001:2000 accredited.

Credit Guarantee's largest shareholder is Mutual & Federal Insurance Company Ltd, the second biggest short-term insurer in South Africa, itself a subsidiary of the Old Mutual Group. The balance of the shares is held by Santam Ltd, Munich Re and the Industrial Development Corporation.

Vision

We will provide the market with the best credit insurance solutions available.

Mission

- To our clients:**
- Unrivalled, expert credit insurance solutions.
- To our employees:**
- A performance culture with job satisfaction based on equitable remuneration through learning, development, enthusiasm and respect of the individual.
- To our shareholders:**
- Sustainable return on investment and growth.
 - Professional standards of underwriting.
 - An excellent reputation.
- To society:**
- The highest moral and ethical standards.
 - Commitment to and the practice of good corporate governance.
 - Commitment to the provisions of the Financial Sector Charter.

Ten-year review

| | 12 months to Dec 2006 R'000 | 12 months to Dec 2005 R'000 | 18 months to Dec 2004 R'000 | 12 months to Jun 2003 R'000 | 12 months to Jun 2002 R'000 |
|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Insured turnover | 157 292 415 | 109 274 239 | 140 208 679 | 89 082 300 | 75 815 131 |
| Gross premiums written | 458 119 | 436 873 | 678 556 | 519 342 | 556 435 |
| Gross claims paid ⁽¹⁾ | 211 867 | 253 406 | 404 590 | 398 942 | 418 592 |
| Gross salvages received | 84 205 | 59 821 | 94 467 | 113 003 | 80 839 |
| Management expenses ⁽²⁾ | 88 580 | 77 901 | 114 980 | 78 101 | 92 114 |
| As % of gross premiums written | 19,3 | 17,8 | 16,9 | 15,0 | 16,6 |
| Underwriting profit/(loss) | 176 575 | 167 572 | 136 499 | 38 972 | 7 116 |
| Investment income (net) | 30 939 | 25 672 | 32 303 | 26 338 | 31 823 |
| Income/(loss) after taxation | 237 237 | 254 244 | 222 904 | (44 273) | 71 325 |
| Dividend per share (cents) | 9 907 | 9 839 | 3 246 | 407 | 372 |
| Shareholders' funds | 395 148 | 415 601 | 431 052 | 282 559 | 350 911 |
| Net insurance provisions | 283 428 | 264 410 | 281 159 | 293 563 | 271 154 |
| Statutory surplus asset ratio (%) | 122,9 | 161,8 | 150,7 | 100,3 | 134,2 |
| Solvency margin (%) | 133,6 | 170,2 | 205,3 | 108,6 | 141,2 |
| Staff | 275 | 279 | 296 | 329 | 384 |

NOTE: The company adopted International Financial Reporting Standards (IFRS) for the first time for the period ending 31 December 2005. The date of transition to IFRS is 1 July 2003.

⁽¹⁾ Claims administration expenses have been included in 2006 and 2005.

⁽²⁾ Management expenses exclude claims administration expenses and other operating income for 2006 and 2005.

1956: First credit insurer on the African continent launched, owned by leading banks and short-term insurers. Credit Guarantee admitted as a member of the two international insurers' associations.

1962: Export finance scheme for capital goods introduced, enabling exporters to offer medium to long-term credit. Domestic credit insurance introduced to cover local credit sales.

1981: Cover against exchange rate risk introduced.

1984: Company moves to new head offices in Randburg.

1991: Credit Guarantee obtains "AA" claims payment rating from Republic Ratings. Notably the first SA insurance company to be rated by internationally accepted methods employed by Standard & Poors and Moody's.



1959



1961



1981

| 12 months to Jun 2001 R'000 | 12 months to Jun 2000 R'000 | 12 months to Jun 1999 R'000 | 12 months to Jun 1998 R'000 | 12 months to Jun 1997 R'000 |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| 68 563 902 | 71 364 918 | 63 168 374 | 52 427 745 | 48 291 258 |
| 514 288 | 546 627 | 432 444 | 338 988 | 300 655 |
| 409 722 | 535 836 | 292 641 | 221 001 | 150 167 |
| 65 123 | 102 375 | 47 275 | 34 488 | 40 447 |
| 88 362 | 75 082 | 62 824 | 57 091 | 51 086 |
| 17,2 | 13,7 | 14,5 | 16,8 | 17,0 |
| 13 632 | (15 278) | (17 647) | 7 388 | 15 484 |
| 30 298 | 23 010 | 21 909 | 19 550 | 19 676 |
| 93 834 | 3 592 | 15 899 | 24 437 | 25 024 |
| 3 984 | 253 | 230 | 216 | 188 |
| 265 000 | 278 955 | 222 199 | 197 381 | 220 785 |
| 231 581 | 225 006 | 213 958 | 181 193 | 154 950 |
| 110,3 | 123,7 | 98,3 | 81,7 | 104,6 |
| 120,1 | 134,1 | 117,4 | 110,2 | 137,1 |
| 416 | 426 | 392 | 394 | 379 |

1992: CregaLink launched – South Africa's first online, interactive credit insurance service.

1998: A Total Quality Management system introduced to comply with SABS ISO 9002:1994 code of practice.

2001: First SA financial institution to achieve ISO 9001:2000 certification across the entire company.

2006: With an insured turnover of R157 billion, statutory surplus asset ratio of 123% and solvency margin of 133%, Credit Guarantee is eminently geared for the future.



1991



The future

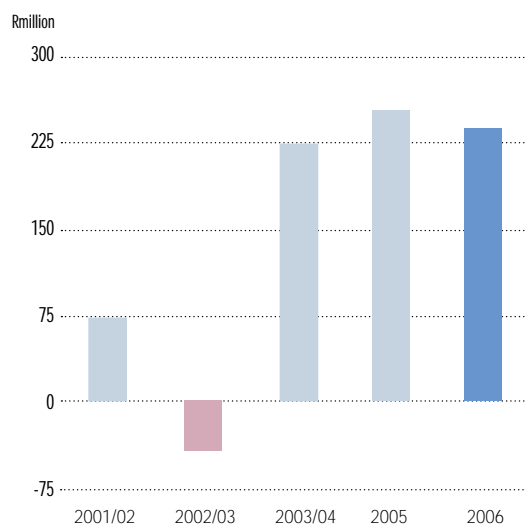
2006
1956

| | 31 Dec 2006 R'000 | 31 Dec 2005 R'000 |
|---|----------------------|----------------------|
| Insured turnover | 157 292 415 | 109 274 239 |
| Premiums written – Gross | 458 119 | 436 873 |
| – Net | 295 867 | 244 157 |
| Claims paid – Gross | 211 867 | 253 406 |
| – Net | 123 019 | 125 023 |
| Management expenses | 88 580 | 77 901 |
| Underwriting result | 176 575 | 167 572 |
| Investment and other income | 162 711 | 188 549 |
| Income after taxation | 237 237 | 254 244 |
| Headline earnings per share (cents/share) | 8 953 | 9 657 |
| Dividend per share – Ordinary (cents/share) | 9 907 | 9 839 |
| Total assets | 963 945 | 958 208 |
| Shareholders' funds | 395 148 | 415 601 |
| Statutory surplus asset ratio (%)* | 122,9 | 161,8 |
| Solvency margin (%) | 133,6 | 170,2 |

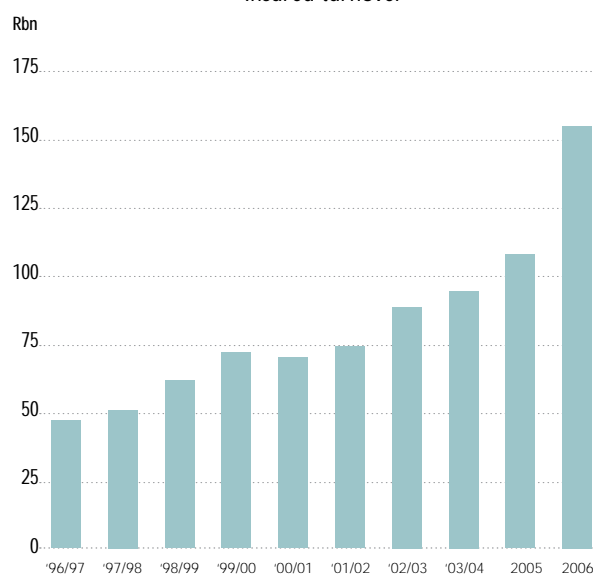
*The minimum percentage prescribed by the Insurance Act is 15%.

Income after tax

(Note: 2003/4 represents 18-month period)



Insured turnover



The favourable climate for credit risks prevailing during 2005 in South Africa and internationally continued into 2006 resulting in another year of low business defaults and liquidations which translated into ongoing positive underwriting results for the company.



The stock market maintained its strong performance, producing excellent returns on our investment portfolio.

The outcome was an underwriting surplus of R176,6 million compared to R167,6 million in the previous year, and investment income of R30,9 million compared to R25,7 million in 2005. Net investment gains and other income during the reporting period totalled R131,8 million compared to R162,9 million in 2005 – all of which meant an after-tax result for the year of R237,2 million compared to R254,2 million in 2005.

An ordinary dividend of 407 cents per share was paid, distributing R10,8 million to shareholders. In addition, two special dividends of 5 700 and 3 800 cents per share were paid in July and December 2006, distributing a further R251,7 million to shareholders. This notwithstanding, the company's solvency margin remains very strong at 122,9% (161,8% in December 2005).

During the year, Credit Guarantee attained a significant milestone in its history, celebrating its 50th anniversary as the leading credit insurer in South Africa. The company has been the credit insurer of first choice in the country ever since opening its doors in Commissioner Street in 1956. Today it insures more than R100 billion worth of merchandise sales annually for more than 2 500 of South Africa's most prominent businesses.

In April 2006 Ken Siggers took leave of the company having attained the company's mandatory retirement age. Mr. Siggers served on the board for 20 years in a number of capacities – the past five as chairman of the board of directors. He has left an indelible mark on the company which will stand it in good stead for many years to come.

I am pleased to report that the international rating agency, Global Credit Rating (GCR) re-affirmed Credit Guarantee's claims paying ability rating of AA+ (double A Plus) during the year. The rating signifies "a very high claims paying ability with strong protection factors".

Prospects for 2007

A number of divergent factors are likely to influence the underwriting climate for credit risks in the coming year.

On the negative side, the extremely worrying levels of debt in the South African economy (see graph), coupled with steadily

increasing inflation figures and interest rates are likely to lead to higher numbers of business defaults and liquidations in South Africa, resulting in higher claims under our domestic portfolio. The situation could be aggravated if the value of the rand continues to display volatility.

On the positive side, however, a number of stimulatory factors are expected to have a positive impact on prospects for the coming year. Firstly, considerable expenditure for the 2010 World Cup and the Gautrain project will get underway during 2007 and should gain momentum going into 2008. These, together with the positive effects of other infrastructure projects already underway in the country, should significantly stimulate a number of sectors of the economy.

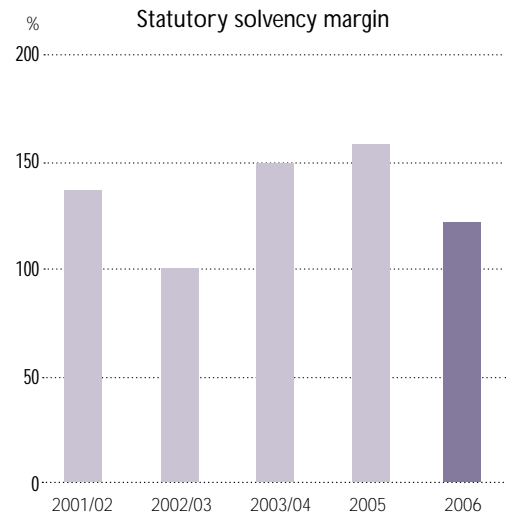
All things considered, we therefore expect an increasing number of over-extended businesses to default on their commitments or to go bankrupt. At the same time, however, a number of sectors – particularly those related to steel, building and engineering – are expected to do exceptionally well in the next few years. We are therefore anticipating a worsening claims environment coupled with satisfactory growth from selected industries.

Acknowledgements

Firstly, I would like to thank the members of the board for their dedication and support over the past year. Their exceptional guidance has had a material effect on the results of the company.

A particular word of gratitude goes to Mr Saggars who, as I said earlier, retired during the year and to Mr Mahomed Akoob who tendered his resignation with effect from the beginning of 2007 to take up an overseas post with his employer.

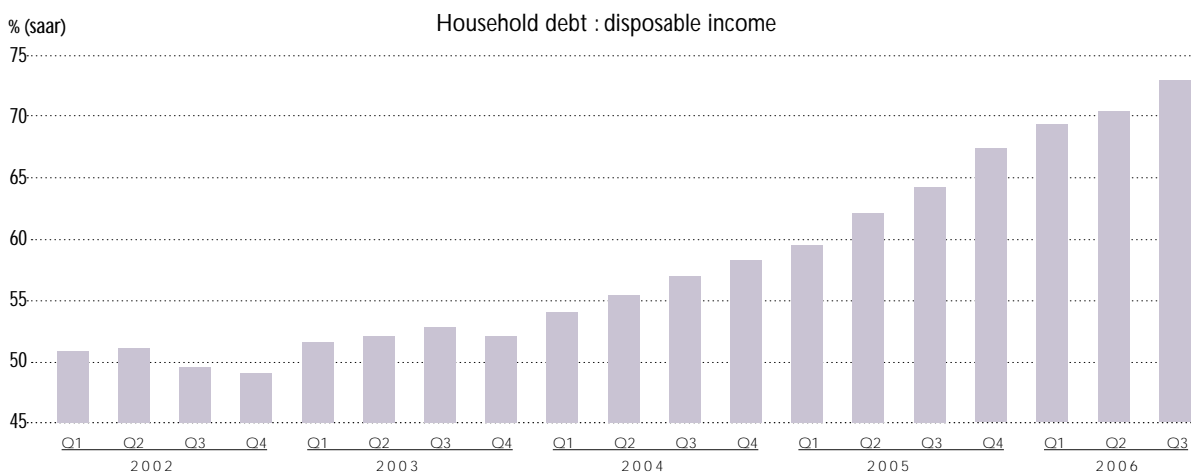
We are grateful to our reinsurers for their support and technical advice during the year.



As has always been the case, our goal is to provide the market with a first-class professional service and the best credit insurance facilities available. We would like to thank our clients and the insurance broking fraternity for the trust they continue to show in us and for their support over the past year.

Finally, I would like to thank Mike Truter, his dedicated management team and the staff of Credit Guarantee for their unwavering commitment to the company over the past year.

B Campbell



Source: SA Reserve Bank

The dedication, support and exceptional guidance of the members of the board of directors has had a material effect on the favourable results of the company.

Bruce Campbell (56)
Chairman, Credit
Guarantee
Managing director,
Mutual & Federal
Joined board: 2005



Mike Truter (58)
Managing director and
chief executive officer,
Credit Guarantee
Joined board: 1997



Alwyn Martin (68) *
Director of companies
Joined board: 2000



Wilhelm Lategan (50)
Executive director and
chief financial officer,
Credit Guarantee
Joined board: 1998



Mahomed Akoob (52)
Group chief financial officer,
Hannover Reinsurance
Africa Ltd
Joined board: 1997



Chris Leisewitz (69) °
Director of companies
Joined board: 1986



Merrick Oeschger (41) *°
Executive general manager:
Personnel Schemes,
Mutual & Federal
Joined board: 2004



Machiel Reyneke (49) *°
Executive director,
Santam Ltd
Joined board: 2003



* Member of the Risk, Audit and Compliance Committee ° Member of the Remuneration and Nominations Committee

Executive management

Mike Truter (58)

*BCom (Hons) (Econ), AMP
(Oxford)*

Managing director and
chief executive officer



Wilhelm Lategan (50)

BCompt (Hons), CA (SA), MBL

Executive director:
Finance



Cliff Simons (61)

General manager:
Domestic



Gernot Krüger (53)

*BCom, LLB, SEP (Harvard), MAP Dipl
(Wits Business School)*

General manager: Support Services



Sandro Vita (53)

BCom (IS)

General manager:
Information Systems



Ismail Dadabhay (34)

BCom

General manager:
Export



Gloria Mokoena (36)

BCom (Hons), MBL, ND W&S

General manager:
Human Resources



Roger Munitich (48)

General manager:
Marketing and
Research & Development



The South African economy is likely to remain resilient over the medium term, but there are a number of factors such as rising inflation and interest rates as well as the volatility of the rand which could lead to a worsening claims situation.



Backdrop

South Africa

The South African economy has performed strongly over the past two years fueled to a large extent by low interest rates and vigorous consumer demand. Recovery in the manufacturing sector gained momentum, robust growth in the construction and financial services sectors picked up pace and the tertiary sector grew robustly. Notable exceptions to this scenario were, of course, those sectors which were exposed to the volatility of the rand and cheap imports. But even these managed, to a large extent, to come to terms with the situation against the backdrop of a robust economy.

During 2006 however, creeping inflation and ballooning levels of household debt and corporate borrowings combined with a current account deficit which increased to worrying levels prompted the Reserve Bank to introduce a number of interest rate hikes to cool the situation. While there is some evidence that these measures are beginning to have their desired effect in certain areas, consumer demand continued almost unabated throughout the year, producing good corporate results and low numbers of business defaults and bankruptcies in virtually all sectors of the economy.

The outcome for Credit Guarantee was another year of exceptionally low domestic claims.

Internationally

The largest economies of the world continued to display muted, but positive growth during 2006 with the USA, Europe and Japan experiencing generally benign inflationary environments. Far-Eastern, and particularly Chinese, economic growth continued to surprise and served to fuel global demand for commodities. Business failures in these territories during 2006 were therefore at a low ebb and most international credit insurers experienced good underwriting results in these areas.

As has been the case in the past, periodic civil conflicts and shortages of foreign exchange in parts of Africa made the task of underwriting credit risks in this continent challenging, but produced no significant political or commercial claims during the year.

Review of results

Insurance operations

Credit Guarantee is active in three strategic classes of business: domestic commercial risks, export commercial risks and export political risks. We no longer write reinsurance inwards business, having put this portfolio into run-off in 2001 because of continued unsatisfactory results.

Accounting for more than two thirds of our total portfolio, domestic credit insurance is our largest and most significant business group. I am pleased to report that this portfolio grew satisfactorily and produced excellent underwriting results during the past year.

Although growth prospects in our export commercial risk and export political risk portfolios were affected by prolonged periods of a strong rand and depressed South African exports, both these sectors of business produced positive underwriting results.

I am pleased to report that increased competition has not had a negative effect on Credit Guarantee's market share and that gross premium income from the two operations mentioned above grew satisfactorily over the past year in spite of softening premium rates and depressed South African exports. Income in respect of discontinued operations continued to run-off and now accounts for less than six percent of total premiums. Despite this, our discontinued operations produced a small underwriting profit for the year, adding to the overall positive results of the company.

During the year we started writing selective surety business, but this still represents an insignificant percentage of our total operations and made a negligible contribution to results.

Underwriting results for the year therefore totalled R176,6 million compared to R167,6 million in 2005.

Investment and sundry income

Thanks to the sustained strong cash flow from underwriting activities and the ongoing robust conditions on the equity market, investment performance was once again very satisfactory.

Dividend and interest income was R30,9 million (R25,7 million in 2005) while realised and unrealised surplus on investments amounted to R131,8 million compared to R162,9 million in the previous reporting period.

During the year, management embarked on an exercise to re-balance the company's investment portfolio so as to lessen exposure to certain over-weight sectors. The portfolio of shares remains of an exceptionally high quality as can be seen from the schedule on page 56 of this report.

Net income

After-tax income for the 12 months totalled R237,2 million compared to R254,2 million for the December 2005 reporting period.

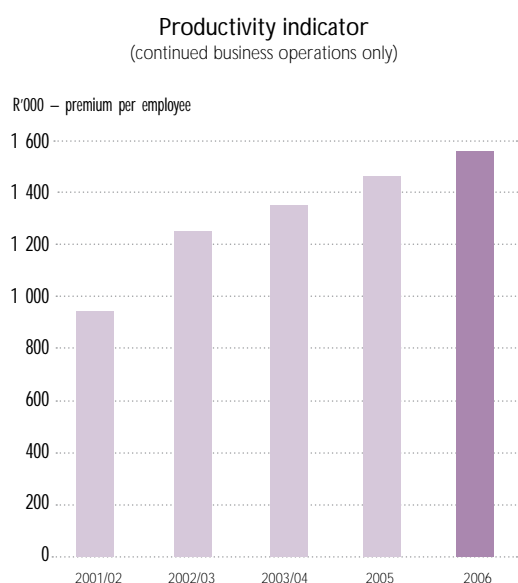
After paying dividends totalling R262,5 million (R260,7 million), retained income stood at R346,4 million at the end of the reporting period (R375,9 million in December 2005).

Support services

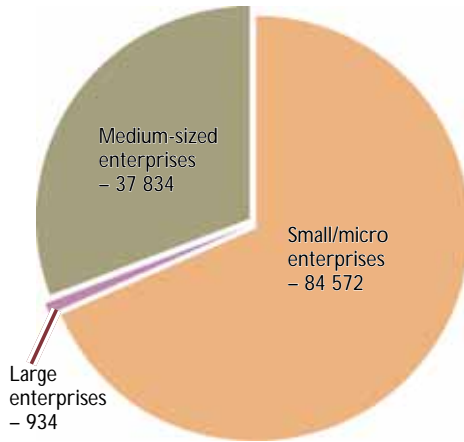
Support divisions continued to provide an excellent service to our front-line operations, putting them in the position to provide fast and professional turnaround times to client requests and queries.

The first of these, our Credit Investigation division, has built up an enormous database of up-to-date local and international credit information which serves as the backbone of the underwriting decisions we make on behalf of our clients. We believe that the quality of this information is an important factor differentiating us from the rest of the market.

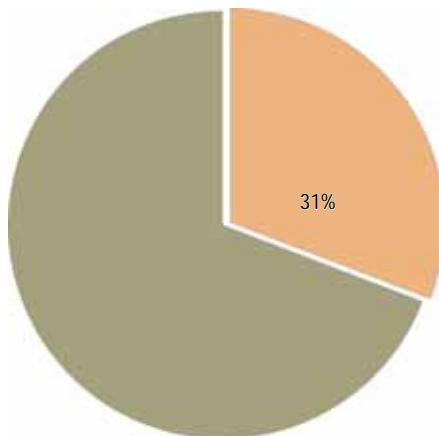
During the year we converted from a computer platform which had served us very well for the past ten years to a new, much more powerful processor. It is pleasing to report that the transition went smoothly without any negative impact on service levels, and that we are now in a position to further enhance many of our systems.



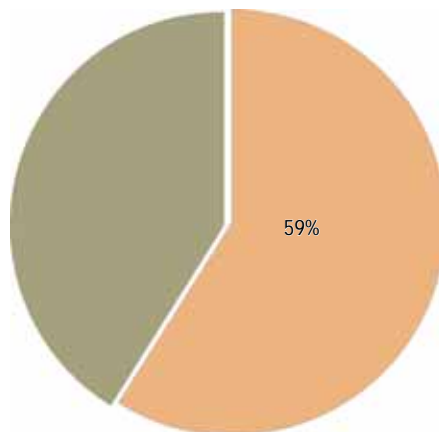
Support for small business



Percentage black supervisory and managerial staff



Percentage black staff



A number of important improvements were made to our on-line link to clients and brokers during 2006, further refining the level of these services. Nearly two-thirds of all client transactions are now conducted electronically, giving clients instant responses to their enquiries.

The new claims system we rolled out in 2005 was developed further during 2006 putting us in a position to track the status of each and every claim within the system so as to ensure faster and more accurate claims processing for our clients.

Other issues

We continued to take our commitment to the provisions of the Financial Sector Charter very seriously and are making steady progress in each of the sections of the code. These are reported on separately elsewhere in this report.

All employees providing advice to the market are FAIS compliant and our specialist insurance brokers are all either already, or on their way to becoming, fully compliant with this act.

During the year, the South African Bureau of Standards again re-affirmed our ISO 9001:2000 compliance, making Credit Guarantee still the only credit insurer in South Africa which is ISO rated.

I am pleased to report that an independent client service survey conducted by a respected research house during June 2006 indicated that our clients and brokers continue to rate our service levels very highly. I would again like to take the opportunity to thank those clients who gave up of their valuable time to participate in these surveys. They are extremely important tools to help us further enhance our levels of service to the market.

Prospects for 2007

While we believe that the South African economy is likely to remain resilient over the medium term, there are a number of factors such as rising inflation and interest rates as well as the volatility of the rand which could lead to a worsening claims situation for the company. We are therefore anticipating a period of satisfactory growth under our domestic portfolio, coupled with a deteriorating claims environment.

Internationally, the USA, European and Japanese economies are feeling the strain of a noticeable slowdown in economic activity and some large businesses are producing poor results. This is also likely to produce higher claims during 2007.

Acknowledgements

Our people:

I have always believed that Credit Guarantee's most important competitive edge is its talented team of devoted men and women who dedicate themselves to providing our clients with the highest levels of service. This has again proved to be the case during 2006. I would like to thank each and every one of them for their hard work and commitment during the past year.

Our board:

I would like to thank our chairman, Bruce Campbell, and all the members of the board for their guidance and support during the past year. The keen interest they have always taken in the business has had a material effect on the results of the company. It is also appropriate that I add a special word of gratitude to our previous chairman, Ken Saggars, who retired in April 2006 after serving on the board for 20 years.

Our brokers:

My thanks are due to our specialist and semi-specialist insurance brokers for their support and the professional manner in which they conduct their business with us. It is our chief priority to provide you and our mutual clients with the highest standards of professional service available.

Our reinsurers:

My sincere thanks are also due to our reinsurers for the highly professional advice and underwriting capacity they make available to us. Without this strong backing we would not be able to provide the market with the quality cover we do.

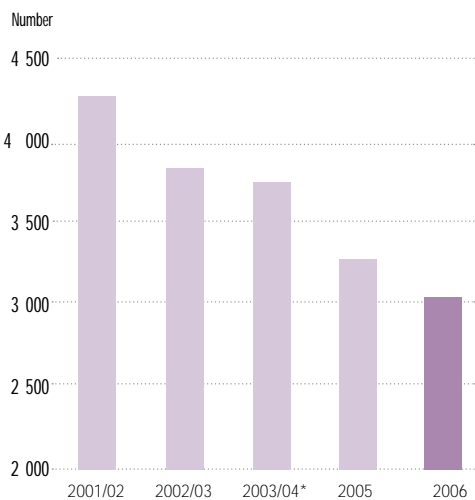
Our clients:

Finally I would like to thank our clients for their support and for the trust they have placed in us. You remain our uppermost priority!



Mike Truter

Business failures



Source: Statistics South Africa

*2003/04 figure was converted from an 18-month period to an annual average.

The board of directors, executive management and staff of Credit Guarantee fully support the King II Code of Professional Conduct, which has been adhered to in all material respects.

Board of directors

The board of directors consists of two executive directors and six non-executive directors, three of whom represent the shareholders of the company and three of whom are independent. All directors have been selected for their experience and business acumen.

The roles of the chairman of the board and the managing director do not vest in the same person. The chairman is non-executive and this position is put up for election at least every three years.

In terms of the Articles of Association, one third of the non-executive directors retire by rotation and are subject to re-election each year at the company's annual general meeting. The executive directors have service contracts with the company containing normal notice periods.

The board meets formally a minimum of four times a year to discuss quarterly results, and annually to approve the strategic plan, key policies and budgets for the coming year. Additional meetings are held if and when the need arises.

A number of sub-committees have been appointed by the board to assist in discharging its duties, details of which are provided below.

Board members have direct access to the company secretary and are entitled to obtain independent professional advice at the company's expense.

An executive committee chaired by the managing director and comprising of the heads of the various strategic units, meets weekly to deal with the day-to-day running of the company.

Risk, Audit & Compliance Committee

A Risk, Audit & Compliance Committee functions within written terms of reference approved by the board of directors. The objective of the committee is to support the board in ensuring that appropriate internal and external controls are in place to identify and manage the risks to which the company is exposed.

The committee comprises three members, all of whom (including the chairman) are non-executive directors.

The committee meets at least four times a year. The internal and external auditors of the company attend these meetings and have unrestricted access to the chairman of the committee. The managing director and financial director attend meetings as representatives of management.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee consists of three non-executive directors.

This committee considers nominations for appointment to the board of directors and makes recommendations to the board on remuneration and benefits to be paid to directors and the company's employees. The committee sets the remuneration of the managing director and those of the general managers of the company. The managing director and financial director attend meetings as representatives of management.

Internal audit

The purpose of the internal audit function, which reports to the managing director and the chairman of the Risk, Audit & Compliance Committee, is to assist management and the board in the examination and evaluation of business risks facing the company.

This function operates within written terms of reference and adheres to the standards and code of conduct outlined by the Institute of Internal Auditors of South Africa. Any material control weaknesses which it identifies are brought to the attention of the chairman of the Risk, Audit & Compliance Committee and, if necessary, the board of directors for consideration and appropriate action.

During the reporting period this function was performed by the internal audit department of Mutual & Federal Insurance Co Ltd.

Investment Committee

The Investment Committee reports to the board of directors and operates within a written mandate setting out its terms of reference.

This committee is comprised of the managing director, the financial director and the senior manager: investments & economic services, and meets monthly with the company's professional investment advisors to review the company's share portfolio.

The committee submits quarterly reports to the board on the performance of the investment portfolio.

Internal control

The board acknowledges its accountability for the company's internal control systems. Responsibility for the implementation of these systems is delegated to management who have clear levels of responsibility and accountability through the company's mandate system. The board performs a monitoring function over these activities.

The company has implemented ISO 9001:2000 as an additional system to complement its internal controls. In November 2006, the company again sailed through the SABS surveillance audit.

The company also subscribes to Tip-Offs Anonymous, a Deloitte initiative that enables employees, clients and the marketplace to alert this independent entity, in confidence, about wrongdoings that need to be exposed.

The company has implemented procedures and controls to comply with the provisions of the Financial Advisory and Intermediary Services Act (FAIS) and is an accredited Financial Services Provider (FSP #17691).

Risk management

The Risk Management Committee is under the chairmanship of the financial director and comprises the divisional heads of key departments. It meets regularly to assess risks and to satisfy itself that adequate controls are in place to manage said risks.

Ethics

The company has adopted a formalised code of ethics which commits management and employees to a high standard of principles. This code is encapsulated in the staff manual and forms part of the company's induction and training programmes.

The company also subscribes to the Industry Code of Conduct and Ethics as has been published by The South African Insurance Association (SAIA).

Human capital

Human capital is our single most important asset.

With this in mind, Credit Guarantee believes in creating a stimulating working environment, within the framework of the Employment Equity Act and the provisions of the Financial Sector Charter, in which every person who works for the company enjoys equal rights. To this end we have adopted an employment equity policy which contains agreed targets and numeric goals which are regularly monitored by management.

The board of directors has approved the company's Employment Equity Plan. Annual reports are sent to the Department of Labour as required by the Employment Equity Act.

All requirements prescribed by the Skills Development Act have been met.

The process is driven by an Employment Equity Committee, working hand-in-hand with executive management.

Financial statements

Management is responsible for the preparation of annual financial statements and related information in a manner that is accurate and fairly represents the company's financial position.

These financial statements are now prepared in accordance with International Financial Reporting Standards (IFRS) based on appropriate accounting policies and any changes to these policies are fully disclosed. The statements are supported by reasonable and prudent judgements and estimates and also give an indication of company expectations for the coming year.

The directors have no reason to doubt that the company's operations will continue as a going concern in the year ahead.

Management reporting

Management reporting disciplines are diligently observed. Budgets are submitted for board approval and results are reviewed quarterly against budgets.

Management maintains internal controls and systems to ensure the integrity of financial statements. These controls are based on established policies and procedures and are under the supervision of qualified personnel.

Kevin Dymond
Electronics, Timbers,
Furniture, Paper &
Packaging



Raymond Lellyett
Steel



Wendy Wilson
Clothing,
Textiles &
Footwear



Liz Botha
Freight, Advertising, Finance,
Automotive & Food



Gideon Bochedi
Salvages



Veronica Chisanga
Business Builder



Eric Loubser
Human
Resources



Madeleine Louw
Special Exports



Vaughn Hutton
Building &
Electrical



Abdul Vally
Risk evaluation



Willie Lottering
System Operations



Steve Smith
Compliance



Anne Drynan
Sales & Servicing



Credit Guarantee's most important competitive edge is its talented team of devoted men and women who dedicate themselves to providing our clients with the highest levels of service.

Luke Doig
Investments &
Economic Services



Michael Gee
Risk Evaluation
& Salvages



Johan Schnetler
Financial Services



Theo Reddi
Exports



Vivienne Naudé
System Development



Mel Strydom
Admin & Foreign
Information Services



Malcolm Auton
Computers,
Pharmaceuticals
& Chemicals



Johann Bezuidenhout
Information and
Administration



John Thornton
Research &
Development



George Bracey
Domestic Information
Services



Adriaan du Preez
Business Builder & E-business



The objective of our CSI programme is to make as little cash donations as possible, but rather to ensure that the fate of the beneficiaries is actually enhanced.



Credit Guarantee's Corporate Responsibility Programme is multi-faceted and managed by a committee made up of senior executives and staff. The objective is to make as few cash donations as possible but rather to identify projects which are visited by committee members to ensure that the fate of the beneficiaries is actually enhanced.

In terms of the Financial Sector Charter, 0,5% of the previous year's profits was committed to CSI spend in 2006 – an amount of R1 271 000.

Corporate social investment

Donations

During 2006 we donated R100 000 to the South African Conservation Education Trust (SACET), under the auspices of the WWF for education and training of underprivileged students in nature conservation management at the Southern African Wildlife College.



R57 000 was donated to the Roodepoort SPCA which operates a unique 'mobile clinic' in the informal settlements around the Randburg / Honeydew / Roodepoort areas. Besides animal care, they extend a programme of rather educating the general populace about the care, treatment and well-being of animals and assisting them with practical, workable solutions.

Projects

Indoni Junior Secondary School: Credit Guarantee paved a dusty courtyard area in front of the school's computer centre, and renovated and upgraded the boys' and girls' ablution block. Investment: R48 283.

Fidelitas High School: Many students resorted to sitting on broken plastic chairs or on the cold bare floor taking notes on their laps. We supplied the school with 80 double desks and 400 chairs and supported its own feeding scheme, at a cost of R42 500.

Hitekani Primary School: A similar situation existed at this school in Tshiawelo Location, Soweto: 400 chairs and 80 double desks were provided for the students at an investment of R39 500.



Little Angel Nursery School: Situated in Zandspruit, this small nursery school looks after 90 children daily, many of whose parents are jobless or who are cared for by extended family members. The existing ablution facilities were upgraded to accommodate the smaller children and the kitchen facilities were refurbished, costing R44 000.

Ebenezer Care Centre: We continued support for this organisation which is a sanctuary for about 130 babies, children and elderly residents. In 2006, we provided a huge lapa incorporating a braai area and seating, funded repairs to the kitchen and dining area, refurbished the 'school bus', and installed educational / fun playground equipment. School fees are also provided for. Our investment in Ebenezer during 2006 amounted to R217 761.

Eco Access: Aims to 'enable' physically and mentally disabled children to experience the natural environment. Credit Guarantee undertook to provide a photocopier, water tank, gardening equipment, binoculars, headlamps and items for the blind, including Braille writers. Investment: R47 468.



Health

Soweto Hospice: The hospice provides specialised care to the terminally ill. During 2006 we provided deliveries of food and as they will be relocating to better premises early in 2007, Credit Guarantee has already purchased a gas stove and eight new hospital beds which will be delivered when the move occurs, at a cost of R71 979.



Footprint Centre: Another 'hospice' in Orlando East which, like the Soweto Hospice, will be moving into new and better premises in early 2007. We continued delivering regular supplies of food and also purchased eight new hospital beds for delivery to the centre as soon as they take occupancy of the new premises. The cost of this investment was R71 979.

Food parcels: Many benevolent organisations do not have the money to provide meals for the people they take care of. Credit Guarantee has embarked on a programme of delivering food parcels totaling R29 433 to the following on a regular basis:

- Sparrow Ministries Rainbow Village – caring for adults and children with HIV / AIDS.
- Zenzele – caring for HIV / AIDS victims and the poor in Fine Town informal settlement.
- Little Angel Nursery School, Zandspruit
- Indoni Junior Secondary School
- Fidelitas High School
- Soweto Hospice
- Footprint Centre
- Ebenezer Care Centre





Arts & Culture

Rena Le Lona: This after-care centre for about 60 primary and high school children from Diepkloof exposes children to various forms of the arts. Credit Guarantee sourced and provided guitars, drums and a piano for the musically inclined as well as cameras, film and photo albums for the visual arts. Repairs to the hot water system were also sponsored by Credit Guarantee. The total investment amounted to R44 505.

Many other organizations, such as The Hope Factory, Beeld Children's Fund, Marang House and Johannesburg Society for the Blind received our ad hoc support to the value of R15 588.

Education & skills training

Bursaries

Credit Guarantee provided bursaries totaling R423 412 to both internal as well as external candidates, with R324 312 or 76,59% being allocated to black students.

Skills training

A total of R1 642 818 was spent on Skills Development in 2006 with R1 181 700 or 71,93% going to black employees. This represents 2,32% of payroll against a Financial Sector Charter target of 1,5%.

Learnerships

In 2006, Credit Guarantee's learnership programme took in eight unemployed learners and six new graduates. Nine of these individuals have been permanently employed in the company and two more have been retained on our FSC Internship programme.

One staff member successfully completed the Women in Insurance (WIP) programme through the GIBS Institute.



Governance standards dictate that risk should be considered reasonably, consistently and explicitly across every facet of the organisation.



This set of financial statements covers the results of the company for the 12 months ended 31 December 2006 with comparative figures being for the 12 months ended 31 December 2005.

Credit Guarantee's very nature of business is the management of risk. It follows then that this would form an integral part of the way in which we conduct our day-to-day operations. Governance standards dictate that risk should be considered reasonably, consistently and explicitly across every facet of the organisation. Risk management identifies, assesses, manages and monitors all risks to which the organisation is exposed, both externally and internally.

Our Risk Management Committee is tasked with this responsibility and is headed up by the financial director with representatives from the major divisions in the company. A comprehensive risk management profile for Credit Guarantee has been developed, with the profile being reassessed annually.

More detail is provided in the notes to the financial statements (notes 4, 5 and 6).

| Statement of cash value added | % | 2006 R'000 | 2005 R'000 | % |
|---|------------|----------------|----------------|------------|
| Cash value added: | | | | |
| From normal operations | 66,6 | 315 868 | 257 386 | 56,6 |
| From sale of assets and investments | 33,4 | 158 182 | 197 040 | 43,4 |
| | <u>100</u> | <u>474 050</u> | <u>454 426</u> | <u>100</u> |
| Cash value applied: | | | | |
| Employees | 17,2 | 81 721 | 66 560 | 14,6 |
| Local and central government | 21,2 | 100 570 | 120 601 | 26,5 |
| Providers of capital | 56,0 | 265 453 | 276 638 | 61,0 |
| – Dividends | | 262 469 | 260 668 | |
| – Share buyback | | 0 | 10 880 | |
| – Leased assets | | 2 984 | 5 090 | |
| Retained in the business | 5,6 | 26 306 | (9 373) | (2,1) |
| – purchases of fixed assets and investments | | 26 479 | 34 113 | |
| – decrease in cash reserves | | (173) | (43 486) | |
| | <u>100</u> | <u>474 050</u> | <u>454 426</u> | <u>100</u> |

Independent auditors' report to the members of Credit Guarantee Insurance Corporation of Africa Limited

Report on the financial statements

We have audited the annual financial statements of Credit Guarantee Insurance Corporation of Africa Limited, which comprise the balance sheet at 31 December 2006, and the income statement, the statement of changes in equity and 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, and the directors' report, as set out on pages 20 to 55.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Credit Guarantee Insurance Corporation of Africa Limited at 31 December 2006, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor



Per M Buson
Chartered Accountant (SA)
Registered Auditor
Director

31 January 2007

Statutory report of the directors

Your directors submit their report and the audited annual financial statements of the company for the year ended 31 December 2006.

Nature of business

The main business of the company is that of credit insurance (which is within the meaning of insurance for the purposes of the Short-term Insurance Act, Act 53 of 1998).

Review of operations

The operating results of the company are dealt with in the accompanying annual financial statements.

Dividend

An ordinary dividend amounting to R10 782 785 (2005 – R8 981 239) was paid during the financial year.

Two special dividend payments of R151 011 981 and R100 674 654 (2005: R105 973 320 and R145 713 315) respectively were made during the period.

Share capital

The authorised share capital remained unaltered during the financial period. Old Mutual plc, which is the ultimate parent company, is incorporated in the United Kingdom and listed on the London Stock Exchange.

Directors

The names of the directors of the company as at the date of this report appear on page 4. Since the last report the following changes have taken place:

| | Date resigned |
|---------------|----------------------|
| K T M Siggers | 26 April 2006 |
| M Akoob | 31 Dec 2006 |

Messrs Oeschger and Leisewitz retired on 26 April 2006 in terms of the articles of association, and were re-elected.

Secretary

Mr W H Lategan is the company secretary. His business and postal addresses appear on page 57.

Going concern

The directors have satisfied themselves that the company is in a sound financial position and has adequate resources to continue its operations for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt a going-concern basis in preparing the annual financial statements.

The Risk, Audit & Compliance Committee has reviewed this going-concern statement and has endorsed the directors' decision that it be disclosed in the annual report.

Corporate governance

Credit Guarantee is fully committed to the principles advocated in the King Committee's Code of Corporate Practices and Conduct. The directors recognise the need to conduct the affairs of the company with integrity and in accordance with generally accepted corporate practices and thereby to retain the confidence of shareholders, employees and other stakeholders.

Directors' responsibilities in relation to the annual financial statements

The company's directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 31 December 2006, and the income statement, the statement of changes in equity and 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, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual financial statements

This report and the annual financial statements set out on pages 20 to 55 were approved by the board of directors on 31 January 2007 and are hereby signed on behalf of the board by:



B Campbell
Chairman



M C Truter
Managing director

Certification by company secretary

I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies all returns required of a public company in terms of the Companies Act, in respect of the period ended 31 December 2006, and that all such returns are true, correct and up to date.



W H Lategan
Company secretary

31 January 2007

| Balance sheet | Notes | 2006 R'000 | 2005 R'000 |
|--|-------|----------------|----------------|
| Assets | | | |
| Property and equipment | 7 | 36 376 | 29 741 |
| Intangible assets | 8 | 1 023 | 307 |
| Investments | 9 | 528 163 | 532 695 |
| Salvages receivable | 10 | 26 589 | 25 882 |
| Reinsurers' share of insurance contract provisions | 10 | 60 832 | 80 047 |
| Deferred taxation | 11 | 21 427 | 18 112 |
| Deposits with cedants | | 58 904 | 56 587 |
| Other receivables | 12 | 91 749 | 74 485 |
| Reinsurer's balances | | 9 746 | 22 351 |
| Cash and cash equivalents | 13 | 129 136 | 129 309 |
| Total assets | | 963 945 | 969 516 |
| Liabilities | | | |
| Post-retirement medical benefit provision | 14.1 | 22 472 | 16 700 |
| Deferred taxation | 11 | 57 597 | 50 558 |
| Interest bearing loan | 15 | - | 2 984 |
| Reinsurers' share of salvages | 10 | 7 342 | 9 566 |
| Insurance contract provisions | 10 | 363 507 | 360 773 |
| Deposits owing to reinsurers | | 24 066 | 27 401 |
| Other payables | | 19 039 | 22 421 |
| Reinsurers' balances | | 48 361 | 39 910 |
| Current provisions | 14.2 | 17 077 | 13 034 |
| Taxation payable | | 9 336 | 10 568 |
| Total liabilities | | 568 797 | 553 915 |
| Equity | | | |
| Share capital | 16 | 2 649 | 2 649 |
| Other reserves: | | | |
| Contingency reserve | 17 | 29 587 | 24 416 |
| Property revaluation reserve | 17 | 16 544 | 12 611 |
| Retained income | 18 | 346 368 | 375 925 |
| Total shareholders' equity | | 395 148 | 415 601 |
| Total liabilities and equity | | 963 945 | 969 516 |

| Income statement | Notes | 2006 R'000 | 2005 R'000 |
|--|-------|----------------|----------------|
| Gross premiums | 19 | 458 119 | 436 873 |
| Less: reinsurance premiums | | 162 252 | 192 716 |
| Net premiums | | 295 867 | 244 157 |
| Change in provision for performance & no-claim bonus | | (7 703) | (6 117) |
| - Gross amount | | (6 991) | (5 841) |
| - Reinsurers' share | | (712) | (276) |
| Change in provision for unearned premiums | | 5 512 | 3 938 |
| - Gross amount | | 4 605 | 4 670 |
| - Reinsurers' share | | 907 | (732) |
| Earned premiums net of reinsurance | | 293 676 | 241 978 |
| Salvage income | 22 | 27 016 | 15 414 |
| - Gross amount | | 84 912 | 45 512 |
| - Reinsurers' share | | (57 896) | (30 098) |
| Commission income | 20 | 60 805 | 72 040 |
| Investment income | | | |
| - Dividends and interest | 21.1 | 36 442 | 31 240 |
| - Realised surplus on investments | 21.2 | 105 777 | 111 289 |
| - Unrealised surplus on investments | 21.2 | 25 285 | 50 940 |
| - Unrealised foreign exchange gains | 21.2 | 710 | 648 |
| Other operating income | | 41 947 | 39 541 |
| Net income | | 591 658 | 563 090 |
| Claims incurred | 22 | (135 310) | (100 581) |
| - Gross amount | | (204 748) | (183 681) |
| - Reinsurers' share | | 69 438 | 83 100 |
| Acquisition costs | 23 | (27 588) | (25 431) |
| Management expenses | 24 | (88 580) | (77 901) |
| Profit on foreign currencies | 24.3 | 4 609 | 2 512 |
| Interest paid | 21.1 | (5 503) | (5 568) |
| Profit before taxation | | 339 286 | 356 121 |
| Taxation | 25 | (102 049) | (101 877) |
| Profit for the year | | 237 237 | 254 244 |
| Income from associate | | - | 2 952 |
| Net income for the year | | 237 237 | 257 196 |
| Earnings per share (cents) - basic | 26.1 | 8 954 | 9 659 |
| Headline earnings per share (cents) | 26.2 | 8 953 | 9 657 |
| Dividend per share paid in the year (cents) | | 407 | 339 |
| Dividend per share declared in respect of the year (cents) | | - | 407 |
| Special dividend per share (cents) | | 9 500 | 9 500 |

Statement of changes in equity

| | Share capital | Share premium | Contingency reserve | Property revaluation reserve | Translation reserve | General reserve | Retained Income | Total |
|---------------------------------------|---------------|---------------|---------------------|------------------------------|---------------------|-----------------|-----------------|-----------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Restated balance at 31 December 2004 | 2 729 | 240 | 20 379 | 12 980 | 1 099 | 1 817 | 391 808 | 431 052 |
| Movement in share capital and premium | (80) | (240) | - | - | - | - | (10 560) | (10 880) |
| Transfer to contingency reserve | - | - | 4 037 | - | - | - | (4 037) | - |
| Current period movements | - | - | - | (369) | - | - | 369 | - |
| Sale of associate | - | - | - | - | (1 099) | - | - | (1 099) |
| Transfer from reserves | - | - | - | - | - | (1 817) | 1 817 | - |
| Net income for the year | - | - | - | - | - | - | 257 196 | 257 196 |
| Dividends paid | - | - | - | - | - | - | (260 668) | (260 668) |
| Balance at 31 December 2005 | 2 649 | - | 24 416 | 12 611 | - | - | 375 925 | 415 601 |
| Transfer to contingency reserve | - | - | 5 171 | - | - | - | (5 171) | - |
| Current period movements | - | - | - | 3 933 | - | - | 846 | 4 779 |
| Net income for the year | - | - | - | - | - | - | 237 237 | 237 237 |
| Dividends paid | - | - | - | - | - | - | (262 469) | (262 469) |
| Balance at 31 December 2006 | 2 649 | - | 29 587 | 16 544 | - | - | 346 368 | 395 148 |

| Cash flow statement | Notes | 2006 R'000 | 2005 R'000 |
|--|-------|---------------|---------------|
| Cash received from clients | | 482 039 | 476 002 |
| Cash paid to clients, staff, suppliers and reinsurers | | (286 168) | (312 390) |
| Cash generated by operations | 27 | 195 871 | 163 612 |
| Taxation paid | 28 | (100 570) | (120 601) |
| Net cash flow from operating activities | | 95 301 | 43 011 |
| Cash flow from investing activities | | | |
| Net additions of property and equipment | | (4 600) | (1 257) |
| – Acquisition | | (4 844) | (1 354) |
| – Proceeds on disposals | | 244 | 97 |
| Listed share purchases | 30 | (21 282) | (32 583) |
| Proceeds on sale of associate | | - | 43 073 |
| Proceeds on sale of shares | | 157 938 | 138 384 |
| Asset swap settlements | | (352) | (176) |
| Proceeds on sale of endowments | | - | 15 486 |
| Interest received | | 18 059 | 13 475 |
| Interest paid | | (5 503) | (5 568) |
| Dividends received | | 18 809 | 16 975 |
| Net cash flow from investing activities | | 163 069 | 187 809 |
| Capital repayments on interest-bearing loans | | (2 984) | (5 090) |
| Share buy-back | | - | (10 880) |
| Dividends paid | 29 | (262 469) | (260 668) |
| Net cash flow from financing activities | | (265 453) | (276 638) |
| Net decrease in cash and cash equivalents | | (7 083) | (45 818) |
| Effect of foreign exchange rate movements on cash & cash equivalents | | 6 910 | 2 332 |
| Cash resources at the beginning of the year | | 129 309 | 172 795 |
| Cash resources at the end of the year | | 129 136 | 129 309 |

Credit Guarantee Insurance Corporation of Africa Limited is domiciled in South Africa. These financial statements were authorised for issue by the directors on 31 January 2007.

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB).

1.2 Basis of preparation

The financial statements are presented in rand, rounded to the nearest thousand. The financial statements are prepared on the historical-cost basis, modified by the revaluation of certain properties and financial instruments to fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 2.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

1.3 Classification of insurance contracts

Contracts under which the company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Contracts under which the transfer of insurance risk to the company from the policyholder is not significant, are classified as investment contracts. Credit guarantee business is classified as insurance contracts.

1.4 Recognition and measurement of insurance contracts

Premiums

Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in subsequent financial years, computed separately for each insurance contract using the time apportionment basis.

Claims incurred

Claims incurred consist of claims paid during the financial year together with movements in the provision for outstanding claims.

Claims outstanding comprise provisions for the company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and an appropriate sufficiency margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Anticipated reinsurance recoveries are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding.

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

Performance and no-claim bonus

A performance or no-claim bonus is paid to policyholders based on a fixed calculation as per endorsements that form part of the insurance contract. The bonuses are paid upon the policyholder meeting certain criteria in terms of their policy for a specific underwriting year. The performance bonus is determined over a 12-month period and is calculated as a percentage of premium, less net claims paid during the bonus period. The no-claim bonus becomes payable after the 12-month period of the policy, provided that no indemnity had been paid and that a written confirmation had been received from the insured that no claim will be payable in respect of insurable transactions concluded during the period.

Salvage reimbursements

After the occurrence of a cause of loss or payment of an indemnity the insured, at the request of the company, remains obligated to take all reasonable steps, including legal proceedings, in order to obtain recoveries from whatever source. Any salvage collected by the insured or the company shall be shared in proportion to their respective interests. Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims.

Unexpired risk provision

Provision is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premium provision in relation to such policies after the deduction of any deferred acquisition costs.

Reinsurance

Premiums ceded and benefits reimbursed are presented in the income statement and balance sheet on a gross basis.

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the company will receive from the reinsurer.

The company ceded reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the company from its direct obligations to its policyholders.

Only reinsurance arrangements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts

recoverable under such contracts are recognised in the same year as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance), are accounted for as investment contracts.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue and accounted as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business. Amounts recoverable from reinsurers' are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy.

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the unearned premium provision. Where deferred acquisition costs are insignificant, they are set off against unearned premiums.

Liabilities and related assets under liability adequacy test

The net liability recognised for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made and the company recognises the deficiency in income for the year.

Contingency reserve

A reserve in equity is made for the full amount of the contingency reserve in terms of the Short-term Insurance Act, 1998. Transfers to and from this reserve are treated as appropriations of retained income.

1.5 Recognition and measurement of investment contracts

Receipts and payments under investment contracts are not classified as insurance transactions in the income statement but are deposit accounted in the balance sheet. The deposit liability recognised in the balance sheet represents the expected amounts payable to the holders of the investment contracts inclusive of allocated investment income.

1.6 Foreign currency translation

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to rand at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to rand at foreign exchange rates ruling at the dates the fair value was determined.

1.7 Property and equipment

Land and buildings held for use for administrative purposes are stated at revalued amounts, determined from market-based evidence by appraisals undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Land is not depreciated. Depreciation on revalued buildings to residual value is charged to income. Buildings are depreciated over a period of 20 years. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained income.

Furniture and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|-------------------------------|-----------|
| Furniture and equipment | 16% - 50% |
| Buildings | 5% |
| Motor vehicles | 25% |
| Computer equipment | 33,3% |

Both the useful lives and the residual value (if not insignificant) are reassessed annually.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are included in administration expenses. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits will flow to the company.

1.8 Intangible assets

Expenditure associated with research activities, regarding developing computer software programmes, are recognised as an expense when incurred. Purchased computer software costs recognised as assets are amortised using the straight-line method over a two-year period.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

1.9 Impairment of assets

Financial assets carried at amortised cost

The company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that such loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the company about the following events:

- Significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or a delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease may not yet be identified with the individual financial assets in the company. This may include adverse changes in the payment status of issuers or debtors in the company, or national or local economic conditions that correlate with defaults on the assets of the company.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment account and the amount of the loss is recognised in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the impairment account. The amount of the reversal is recognised in the income statement.

Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to

amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1.10 Financial instruments

Recognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the company commits to purchase or sell the asset.

Investments

Listed investments, classified as at fair value through profit and loss, are carried at fair value, which is calculated by reference to stock exchange quoted bid prices at the close of business on the balance sheet date. Unlisted investments are shown at fair value which are calculated on bases that best present the estimated proceeds to be realised from a sale to an informed purchaser under normal market conditions.

Trade and other receivables

Trade and other receivables are stated at cost less impairment losses.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Trade and other payables

Trade and other payables are stated at cost.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are included in net profit or loss in the period in which the change arises.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.11 Income taxes

Income tax on the profit or loss 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 in equity, in which case the related income tax is also recognised in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax 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 tax 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 tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination. The effect on deferred tax 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 profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary tax on companies (STC) is charged to the income statement when the related dividend is declared. Unused STC credits are recognised as a deferred tax asset, when it is probable that it will be realised.

1.12 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provision for employee entitlements to salaries and annual leave represent the amount which the company has a present obligation to pay, as a result of employees' services provided up to the balance sheet date. The provision has been calculated at undiscounted amounts based on current salary rates.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in current provisions when there is no realistic alternative but to settle the liability, and at least one of the following conditions is met:

- There is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or
- past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Post-employment benefits

Defined contribution pension plan

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. The defined contribution pension plan is a plan under which the group pays fixed contributions into a separate fund and will have no constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit pension plan

The company's obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior years. The benefit is discounted to determine the present value of the obligation, and the fair value of any plan assets are deducted. The calculation is performed by a qualified actuary using the projected unit credit method as it is more appropriate for a fund closed to new entrants and with less than 5% of the company members participating in the fund. The fund is valued at least once in three years. Any actuarial gains or losses are recognised as incurred.

Defined benefit medical plan

The company provides post-retirement medical benefits to current and future pensioners, except in the case of employees who joined the company after 30 September 1999 from which date these employees are no longer entitled to this benefit. The entitlement to the post-retirement medical benefits is conditional on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment using the projected unit credit method. Actuarial gains and losses are recognised in the income statement over the expected average remaining working lives of the related employees. Independent qualified actuaries value these obligations biennially.

1.13 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

1.14 Revenue recognition

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Dividend income

Dividends are recognised when the right to receive payment is established.

Fee income

Fee income arising from credit limit fees, rapid response fees and administration fees on fixed and risk financing business is recognised in the income statement as earned.

1.15 Dividends payable

Dividends payable and the related taxation thereon are recorded in the company's financial statements in the period in which the shareholders' rights to receive payment have been established.

1.16 Leases

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

Finance leases

Leases of fixed property and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased equipment or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the finance of the liability outstanding.

The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the income statement over the lease period according to the effective interest method. The equipment acquired under the finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

1.17 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and bank balances, all of which are available for use by the company unless otherwise stated.

1.18 Contingencies and commitments

Transactions are classified as contingencies where the company's obligations depend on uncertain future events. Items are classified as commitments where the company commits itself to future transactions with external parties.

1.19 Discontinued operations

The board of directors announced that the company had discontinued the reinsurance inwards operation and the medium-term export division with effect from 1 January 2003 and 1 July 2001 respectively. The operations are effectively in run-off as from the said dates, and where possible, future liabilities under these contracts will be commuted. The results of the discontinued operations have been disclosed separately in note 31.

1.20 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to issue of the equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

2 Accounting estimates and judgements

Certain critical accounting judgements in applying the company's accounting policies are described below:

Policyholder claims and benefits

The company's estimates of reported and unreported losses, adjusted by estimated salvages and resulting provisions, and related reinsurance recoverables are continually reviewed and updated. Adjustments resulting from this review are reflected in income. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. The company's process for determining significant reserving assumptions is outlined in note 10.

Defined medical benefits

The estimations used to calculate the company's future liability to employees eligible for post-retirement benefits can be summarised as follows: Future liabilities have been discounted at 8% per annum compound. This rate is based on the market yield obtainable on government bonds at the valuation date as contemplated in IAS19.

Future medical scheme contribution rates have been assumed to increase by 6% per annum compound. Although rates may fluctuate widely in the short term, a net discount rate (i.e. the discount rate net of medical scheme contribution inflation) of 2% per annum is deemed to be a realistically sustainable level.

3 New accounting standards and International Financial Reporting Interpretations (IFRICs):

The following standards and amendments to standards, effective in future accounting periods, which are relevant to the company, have not been early adopted in these financial statements:

- **IFRS 7 Financial Instruments: Disclosures** (effective 1 January 2007).

IFRS 7 supersedes IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and the disclosure requirements in IAS 32, *Financial Instruments: Disclosure and Presentation*. IFRS 7 requires additional disclosure over and above that required by IAS 32 in respect of the following:

- The significance of financial instruments for an entity's financial position and performance;
- the nature and extent of risks arising from financial instruments; and
- capital objectives and policies.

The adoption of IFRS 7 will lead to extended disclosure in the financial statements, but will have no impact on the accounting policies for financial instruments.

- **IAS 1 Additional Disclosures About an Entity's Capital** (effective 1 January 2007)
A consequential amendment on capital disclosures has been made to IAS 1 as a result of the introduction of IFRS 7. The additional disclosures will be included in the financial statements as part of the implementation of IFRS 7.
- **IFRS 4 Insurance Contracts** (effective 1 January 2007)
A consequential amendment has been made to disclosures as a result of the introduction of IFRS 7. The additional disclosures will be included in the financial statements as part of the implementation of IFRS 7.

4 Insurance risk management

Risk management objectives and policies for mitigating risk

The primary insurance activity carried out by the company assumes the risk of loss from small business to large corporates that are directly subject to the risk. Such risks may relate to credit, alternative risk transfer or other perils that may arise from an insurable event. As such the company is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The company also has exposure to market risk through its insurance and investment activities.

The company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed mandate limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The company uses several methods to assess and monitor insurance risk exposures for individual types of risks insured. These methods include internal risk measurement models, sensitivity analysis and scenario analyses.

The principal risk is that the frequency and severity of claims is greater than expected. Insurance claims are, by their nature, random, and the actual number and size during any one year may vary from those estimated.

Experience shows that the larger the portfolio of similar contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in the portfolio. The company has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficient large population of risks to reduce the variability of the expected outcome.

The internal audit function is outsourced, and conducts regular reviews to assess the degree of compliance with company procedures.

Underwriting strategy

The company's underwriting strategy strives to ensure a balanced portfolio and is based on a large number of similar risks both in the domestic and international markets. It is believed that this diversity reduces the variability of the outcome. The underwriting strategy is set out by the executive credit committee which gives guidelines to management and underwriters to what levels the company should be exposed.

Adherence to the underwriting authorities is measured through a series of exception reports that are produced on a daily basis covering unusual movements in any particular risk. There are several underwriting committees which meet on a weekly basis to review management information including any specific as well as industry and country concerns.

Reinsurance strategy

The company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The company buys a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure to the company. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances.

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after deductions for known insolvencies and uncollectible items. The company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. Reinsurance requirements are placed with the world's leading reinsurers who offer the best security, as they are highly rated by international agencies.

Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts, are set out below.

Nature of risk covered

The company's main business is that of credit insurance. Credit insurance is a highly specialised industry and, in many jurisdictions, only specialised companies are authorised to write credit and surety business. Underwriting is complex and requires specialised staff, and the same applies to the claims assessors, where staff is not only required to process complex claims, but are also intensely involved in recovering losses from collateral securities and litigation. The nature of claims and the longer tail of business make the calculation of reserves a critical element in the credit insurer's accounting records.

The company underwrites small business to large corporates. An extended understanding of the nature of the business can be obtained from the managing director's operational report on pages 6 to 9.

The return to shareholders under this product arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the company. There is also certain limited scope for the company to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim usually occurs with the insolvency, liquidation and protracted default of a buyer, or a political event in a foreign country that gives rise to default payment. The claim will be notified to the company in terms of the specific policy conditions. The company's business can be classified as short to medium-term business, because the company could only be notified of a claim six months or longer after the company has accepted the risk.

Management of risks

The key risks are underwriting risk, competitive risk and claims experience. The company will also be exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the company does not charge premiums appropriate for the different credit risks it insures.

This risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The company therefore monitors and reacts to changes in the general economic and business environment in which it operates.

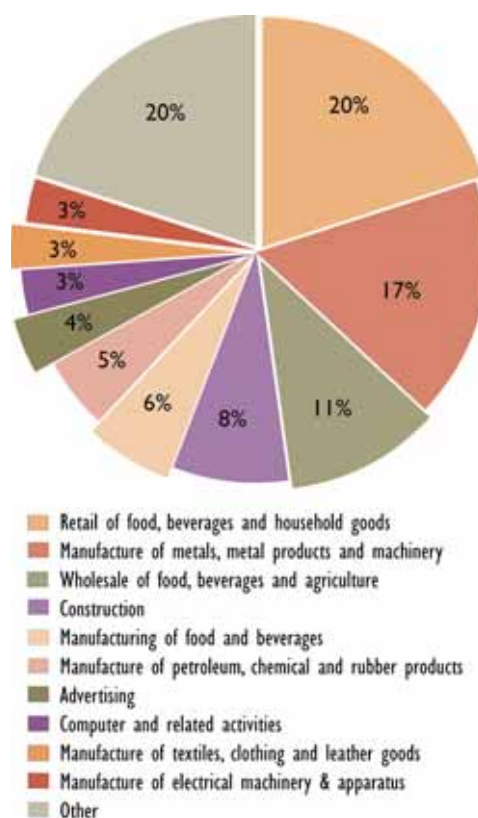
Insurance companies are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. Sophisticated software and fraud detection measures are also in place to improve the company's ability to proactively detect fraudulent claims.

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Concentrations of insurance risk

The recognition of losses due to such events will accurately reflect the events taking place. However, it is important to understand the wider relevant cash flows relating to, for example, a high severity risk such as liquidations of major players in a specific industry.

The company sets out the total aggregate exposure that it is prepared to accept in certain industries. The aggregate position is reviewed on an ongoing basis and procedures are in place to make sure that the reinsurance programmes are properly structured to cover the company against its exposures. The accompanying chart details the major industries to which the company is exposed.



Exposure relating to catastrophe events

The company sets out the total aggregate exposure that it is prepared to accept within the parameters of its reinsurance arrangements with its lead reinsurers. The exposures are evaluated at least once a year by trained financial analysts and approved by the executive credit committee who stress-tests the financial information of the single/cumulative risk. Regular updated information is collected during the 12-month period.

Exposure to single incidents

The company would consider that its most significant exposure would arise in the event of substantial bank interest rate increases. Highly geared companies are identified, managed and monitored throughout financial periods.

Exposure to stop-loss non-linearities

The company's policies for mitigating risk exposure include the use of both proportional and excess-of-loss features against certain insurance risks.

Claims development

The company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for claims not yet paid, a provision for claims incurred but not yet reported ("IBNR") and a provision for unexpired risks at the balance sheet date.

The cost of claims reported and not yet paid is easily determined. The calculation of the IBNR is complex, and the company makes use of statistical models like the basic chain-ladder model and Bornhuetter-Ferguson model to calculate the IBNR.

In terms of IFRS4, an insurer need only to disclose claims run-off information where uncertainty exists about the amount and timing of claims payments not resolved within one year. The claims from long-tail business comprise mainly from the reinsurance inwards division, which is currently in run-off since December 2002. The development of the reserves and the accompanying cumulative claims payments for the last five underwriting years are illustrated below.

| | 2002 R'000 | 2003 R'000 | 2004 R'000 | 2005 R'000 | 2006 R'000 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Reserves | 113 273 | 108 356 | 86 298 | 87 532 | 92 025 |
| Cummulative claim payments run-off: | | | | | |
| 1998 | 40 732 | 42 617 | 43 494 | 44 047 | 44 609 |
| 1999 | 33 006 | 35 148 | 36 615 | 37 830 | 39 312 |
| 2000 | 40 819 | 45 036 | 47 404 | 49 137 | 51 170 |
| 2001 | 34 693 | 46 412 | 50 351 | 53 559 | 55 712 |
| 2002 | 2 762 | 13 323 | 18 885 | 21 649 | 23 520 |
| Total | 152 012 | 182 536 | 196 749 | 206 222 | 214 323 |

5 Financial risk

Transactions in financial instruments result in the company assuming financial risks. These include market risk, foreign currency risk, credit risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the company manages these risks.

Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates.

Asset/liability matching

A distinction is drawn between insurance and shareholder funds and the following strategies are adopted for each:

Insurance funds: The overall philosophy governing the investment of policyholder funds will be driven by liquidity considerations and a strong emphasis on capital preservation. The maturity profile of investments will approximate the average term of operational liabilities. To this end funds will be invested predominately in cash and fixed interest bearing investments.

Shareholder funds: Shareholder funds will be invested in a broader spread of investments (including equities), reflecting the more stable nature of the fund pool and the need for strong real returns over the long term. The spread of investments will however need to be constructed in such a manner as to guarantee operational capacity (solvency margin) at all times. The extent of investment in equities will be expressed as a ratio of shareholders' funds as determined by the Board from time to time, taking into consideration solvency issues and shareholder expectations.

Interest rate risk

Fluctuations in interest rates impact on the value of short-term cash investments, giving rise to price risk. Other than ensuring optimum money market rates for deposits, the company does not make use of financial instruments to manage this risk. Formal policies, procedures and limits have been put in place for derivative instruments.

The company's fixed interest borrowings are insignificant and therefore do not give rise to interest rate risk.

At 31 December 2006 it was estimated that a 1% rise in interest rates would increase the company's income before tax by R1,3 million.

Equity price risk

The company's portfolio of marketable equity securities, which it carries on its balance sheet at fair value, has exposure to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices. The company's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling techniques. The company's holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by senior management, as well as by statutory requirements. The company's largest investment in any one company comprises 7% of its total assets.

At 31 December 2006, marketable equity securities were recorded at their fair value of R517 million. A hypothetical 10% decline in each stock's price would have decreased income before tax by R52 million.

Foreign exchange risk

The company discontinued its reinsurance inwards division with effect from 1 January 2003. This portfolio is currently in run-off and revenue income is mainly in the form of salvages received in respect of claims paid. Claims are still being paid on an ongoing basis. Revenue and claim payments are received and paid in two main currencies (United States dollar (US\$) and euro) and assets are held in a similar proportion to the outstanding liabilities.

The company maintains onshore euro and US\$ accounts, as well as offshore premium and claim reserves in terms of regulatory requirements. Experience has shown that this matches the currency requirements of the claims profile. In addition, the company's operations are subject to local regulatory requirements in many jurisdictions which prescribe the type, quality and concentration of assets, as well as the level of assets that should be maintained in local currency in order to meet local insurance liabilities.

At 31 December 2006 and 2005, respectively, approximately 14,7% and 12% of our invested assets were denominated in foreign currencies. Invested assets denominated in euro comprised approximately 8,8% of our total invested assets at 31 December 2006. We have determined that a hypothetical 10% reduction in the value of the euro would have resulted in an estimated R8 million reduction in the value of our assets, although there would be a similar offsetting change in the value of the related insurance provisions. No other individual foreign currency accounts for more than 6% of our invested assets.

Concentrations of assets and liabilities (Rand equivalent) – 2006 (Rm)

| Assets | ZAR | Euro | US\$ | Other | Total |
|---|----------------|-----------------|---------------|----------------|----------------|
| Property, equipment and intangible assets | 37 399 | | | | 37 399 |
| Investments | 520 255 | | 7 908 | | 528 163 |
| Deferred taxation | 21 427 | | | | 21 427 |
| Technical assets | 87 421 | | | | 87 421 |
| Trade and other receivables | 101 088 | 58 610 | 66 | 635 | 160 399 |
| Cash and cash equivalents | 61 114 | 21 837 | 46 185 | | 129 136 |
| Total assets | 828 704 | 80 447 | 54 159 | 635 | 963 945 |
| Liabilities | | | | | |
| Post retirement medical aid provision | 22 472 | | | | 22 472 |
| Deferred taxation | 57 597 | | | | 57 597 |
| Insurance contract provisions | 278 824 | 85 696 | 3 512 | 2 817 | 370 849 |
| Accounts payable and provisions | 105 852 | 11 201 | 765 | 61 | 117 879 |
| Total liabilities | 464 745 | 96 897 | 4 277 | 2 878 | 568 797 |
| Net assets/(liabilities) | 363 959 | (16 450) | 49 882 | (2 243) | 395 148 |

Concentrations of assets and liabilities (Rand equivalent) – 2005 (Rm)

| Assets | ZAR | Euro | US\$ | Other | Total |
|---|----------------|-----------------|---------------|----------------|----------------|
| Property, equipment and intangible assets | 30 048 | - | - | - | 30 048 |
| Investments | 525 848 | - | 6 847 | - | 532 695 |
| Deferred taxation | 18 112 | - | - | - | 18 112 |
| Technical assets | 105 929 | - | - | - | 105 929 |
| Trade and other receivables | 96 521 | 56 275 | 105 | 522 | 153 423 |
| Cash and cash equivalents | 82 867 | 13 947 | 32 495 | - | 129 309 |
| Total assets | 859 325 | 70 222 | 39 447 | 522 | 969 516 |
| Liabilities | | | | | |
| Post retirement medical aid provision | 16 700 | - | - | - | 16 700 |
| Interest bearing loan | 2 984 | - | - | - | 2 984 |
| Deferred taxation | 50 558 | - | - | - | 50 558 |
| Technical provisions | 283 090 | 82 515 | 2 001 | 2 733 | 370 339 |
| Accounts payable and provisions | 105 428 | 7 057 | 745 | 104 | 113 334 |
| Total liabilities | 458 760 | 89 572 | 2 746 | 2 837 | 553 915 |
| Net assets/(liabilities) | 400 565 | (19 350) | 36 701 | (2 315) | 415 601 |

Credit risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- reinsurers' share of insurance liabilities,
- amounts due from reinsurers in respect of claims already paid, and
- amounts due from insurance policyholders.

The company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. No collateral is required in respect of financial assets.

Mechanisms are in place to monitor the risk of default by individual policyholders. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the company's risk department.

Liquidity risk

The company is exposed to daily calls on its available cash resources mainly from claims arising. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The company sets limits on the minimum proportions of maturing funds available to meet such calls and unexpected levels of demand.

6 Reinsurance risk

Under the terms of its reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event a claim is paid. However the company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered regularly by reviewing their financial strength prior to the finalisation of any contract.

When selecting a reinsurer, the company considers their relative security. The security of the reinsurer is assessed from public rating information and from internal investigations.

Credit ratings of reinsurance as per Standard & Poor's and AM Best latest credit rating

Reinsurers' share of insurance contract provisions and reinsurers' balances

| | 2006 | 2005 |
|-----|------------|------------|
| | Exposure % | Exposure % |
| AA | - | 27 |
| AA- | 76 | 18 |
| A+ | - | 38 |
| A | 14 | 14 |
| A- | 10 | 3 |
| | 100 | 100 |

7 Property and equipment

| | Land | Buildings | Furniture & equipment | Motor vehicles | Computer equipment | Total |
|------------------------------------|--------------|----------------|-----------------------|----------------|--------------------|-----------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Cost | | | | | | |
| Balance at 31 Dec 2004 | 8 030 | 20 271 | 11 373 | 2 525 | 12 050 | 54 249 |
| Additions | - | - | 366 | 155 | 567 | 1 088 |
| Disposals | - | - | (35) | (159) | (88) | (282) |
| Balance at 31 Dec 2005 | 8 030 | 20 271 | 11 704 | 2 521 | 12 529 | 55 055 |
| Revaluation | - | 6 917 | - | - | - | 6 917 |
| Additions | - | - | 246 | 948 | 2 292 | 3 486 |
| Disposals | - | - | (112) | (522) | (100) | (734) |
| Balance at 31 Dec 2006 | 8 030 | 27 188 | 11 838 | 2 947 | 14 721 | 64 724 |
| Accumulated depreciation | | | | | | |
| Balance at 31 Dec 2004 | - | (1 520) | (9 458) | (1 474) | (10 585) | (23 037) |
| Depreciation | - | (1 014) | (489) | (82) | (943) | (2 528) |
| Disposals | - | - | 33 | 159 | 59 | 251 |
| Balance at 31 Dec 2005 | - | (2 534) | (9 914) | (1 397) | (11 469) | (25 314) |
| Depreciation | - | (939) | (438) | (126) | (933) | (2 436) |
| Revaluation adjustment | - | (1 124) | - | - | - | (1 124) |
| Disposals | - | - | 112 | 314 | 100 | 526 |
| Balance at 31 Dec 2006 | - | (4 597) | (10 240) | (1 209) | (12 302) | (28 348) |
| Net book value | | | | | | |
| Balance at 31 Dec 2004 | 8 030 | 18 751 | 1 915 | 1 051 | 1 465 | 31 212 |
| Net additions | - | - | 364 | 155 | 538 | 1 057 |
| Depreciation | - | (1 014) | (489) | (82) | (943) | (2 528) |
| Balance at 31 December 2005 | 8 030 | 17 737 | 1 790 | 1 124 | 1 060 | 29 741 |
| Revaluation | - | 6 917 | - | - | - | 6 917 |
| Net additions | - | - | 246 | 740 | 2 292 | 3 278 |
| Depreciation | - | (2 063) | (438) | (126) | (933) | (3 560) |
| Balance at 31 December 2006 | 8 030 | 22 591 | 1 598 | 1 738 | 2 419 | 36 376 |

The land and buildings consist of an office block situated on Erf 690 and 1769, 31 Dover Street, Randburg, Gauteng. The land and buildings were purchased in 1983 and last revalued at 1 October 2006 by JHI Real Estate Ltd, a registered professional valuer. Valuations were made on the basis of open market value. The land and buildings were revalued to an amount of R30,8 million with residual value of R10,8 million. The revaluation surplus net of applicable deferred income taxes was credited to a property revaluation reserve in shareholders' equity. Land and buildings are leased in terms of a financial lease (note 15). Had the cost model been applied, the carrying amount of land and buildings would have been R654 000 and R9 905 000 respectively.

8 Intangible assets

| | 2006 R'000 | 2005 R'000 |
|--------------------------------------|---------------|---------------|
| Computer software purchased | | |
| Cost | 11 408 | 10 050 |
| – Balance at beginning of the period | 10 050 | 9 783 |
| – Current year purchased | 1 358 | 267 |
| Amortisation | 10 385 | 9 743 |
| – Balance at beginning of the period | 9 743 | 9 216 |
| – Current year amortisation | 642 | 527 |
| Balance at end of year | <u>1 023</u> | <u>307</u> |

9 Investments

Financial assets as at fair value through profit and loss:

9.1 At cost

| | 2006 R'000 | 2005 R'000 |
|----------------------------|----------------|----------------|
| Preference shares - listed | 47 827 | 25 220 |
| Ordinary shares - listed | 115 631 | 169 117 |
| Asset swap | 10 191 | 10 191 |
| Government securities | 3 558 | 3 558 |
| | <u>177 207</u> | <u>208 086</u> |

9.2 At fair value

| | | |
|---------------------------------------|----------------|----------------|
| Preference shares - listed | 46 910 | 29 175 |
| Ordinary shares - listed | 469 894 | 493 010 |
| Listed ordinary and preference shares | <u>516 804</u> | <u>522 185</u> |
| Asset swap | 7 908 | 6 847 |
| Government securities | 3 451 | 3 663 |
| | <u>528 163</u> | <u>532 695</u> |

Non-current government securities represent R153 (RSA 13%) stocks.
Interest rates on this government security is 13% (2005: 13%), maturing August 2009.

9.3 Listed ordinary and preference shares by sector

| | | |
|------------|----------------|----------------|
| Resources | 158 628 | 147 794 |
| Financial | 157 973 | 176 346 |
| Industrial | 200 203 | 198 045 |
| | <u>516 804</u> | <u>522 185</u> |

9.4 Major equity investments

The company's most significant listed equity investments at 31 December 2006 are set out in Appendix A on page 56.

10 Insurance contract provisions

10.1 Insurance liabilities and reinsurance assets

| | | |
|------------------------------------|---------|---------|
| Gross: | 363 507 | 360 773 |
| – Claims reported | 146 626 | 133 585 |
| – Claims incurred but not reported | 142 357 | 150 660 |
| – Unearned premiums | 35 322 | 39 927 |
| – Performance and no-claim bonus | 34 475 | 27 484 |
| – Deferred income | 4 727 | 9 117 |
| Recoverable from reinsurers | 60 832 | 80 047 |
| – Claims reported | 21 361 | 26 708 |
| – Claims incurred but not reported | 30 470 | 44 533 |
| – Unearned premiums | 3 268 | 2 361 |
| – Performance and no-claim bonus | 5 733 | 6 445 |

| | 2006 R'000 | 2005 R'000 |
|--|---------------|---------------|
| 10.2 Salvages receivable and reinsurance liabilities | 19 247 | 16 316 |
| – Gross salvages receivable | 26 589 | 25 882 |
| – Reinsurers' share of salvages | (7 342) | (9 566) |
| 10.3 Net insurance liabilities | 283 428 | 264 410 |
| – Claims reported and incurred but not reported, net of salvages | 217 905 | 196 688 |
| – Claims reported | 125 265 | 106 877 |
| – Claims incurred but not reported | 111 887 | 106 127 |
| – Salvages | (19 247) | (16 316) |
| – Unearned premium reserve | 32 054 | 37 566 |
| – Performance bonus | 28 742 | 21 039 |
| – Deferred income | 4 727 | 9 117 |

Analysis of movements in outstanding claims

| | 2006 (R'000) | | | 2005 (R'000) | | |
|--|----------------|-----------------|----------------|----------------|-----------------|----------------|
| | Gross | Reinsured | Net | Gross | Reinsured | Net |
| Balance at beginning of period | | | | | | |
| Claims reported | 133 585 | (26 708) | 106 877 | 118 646 | (26 465) | 92 181 |
| Incurred but not reported | 124 778 | (34 967) | 89 811 | 185 023 | (63 038) | 121 985 |
| | 258 363 | (61 675) | 196 688 | 303 669 | (89 503) | 214 166 |
| Current year claims paid net of salvages | (127 662) | 28 728 | (98 934) | (193 585) | 90 523 | (103 062) |
| Increase in outstanding claims reserves | 119 835 | (11 542) | 108 293 | 147 860 | (62 695) | 85 165 |
| Foreign currency translations | 11 858 | - | 11 858 | 419 | - | 419 |
| Balance as at 31 December | 262 394 | (44 489) | 217 905 | 258 363 | (61 675) | 196 688 |

Estimated maturity profile:

| | |
|------------------------------------|---------|
| Net claims payable within one year | 146 000 |
| Thereafter | 116 394 |

Assumptions and sensitivities for general insurance

Process used to determine the assumptions

The company makes use of the following statistical methods, which remained unchanged from last year, to calculate the IBNR reserves:

- Basic chain ladder model and
- Bornhuetter-Ferguson model.

These methods assume that there has been a stable pattern of claims in the past and that the pattern will continue into the future.

The past development for a given underwriting year does not necessarily provide a better clue to future claims than the more general loss ratio.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- Changes in processes that affect the development / recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business; and
- random fluctuations including the impact of large claims.

It is therefore essential to determine an estimated loss ratio, which merely estimates an ultimate loss ratio per underwriting year. The underlying rationale for this method is that the reserving committee approves the expected loss ratio based on current conditions. This

is done during a monthly formal meeting attended by senior management of the different operating and finance divisions. This estimate is done independently of the result of any other projection methods.

Credit insurance has a very close relationship with the economic conditions. It is therefore essential that the economic indicators form the base when a final decision on the loss ratio is made. Important economic indicators considered are:

- Interest rate
- Liquidations
- Insolvencies
- Inflation index
- Commodity prices (eg. steel, oil etc)
- Exchange rate.

Once the loss ratio has been approved, the results of the models are considered, and the reserving committee will then approve the final result.

Assumptions

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the expected loss ratios for the most recent underwriting years. These are used for assessing the IBNR and unexpired risk provisions for the 2005 and 2006 underwriting years.

Changes in assumptions and sensitivities to changes in key variables

The decrease in the current underwriting year's loss ratio on the domestic portfolio can mainly be attributed to:

- Continuous stable economic conditions, with record profits published by most sectors in the economy.
- Liquidations and insolvencies remained at low levels.
- Inflation rate is still within the fiscal targets of 3% to 6%.
- Relative stable exchange rate.

Indications are however that the strong economic cycle has come to an end. Statistics confirming this are:

- An increase in reported liquidations;
- an increase in the number and value of reported claims; and
- a 200 basis point increase in the prime interest rate in 2006.

For these reasons the reserving committee has decided that caution be exercised in determining the ultimate loss ratios to allow for any defaults that may be incurred because of the abovementioned factors.

Other factors that also need to be considered are:

- The impact of a continuous high oil price.
- Unstable governments (political volatility).

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the company's estimation process. Management believes that the liability for claims reported in the balance sheet is adequate. The liability has further been reviewed by an independent actuary, and was found to be adequate at a best estimate (50th percentile).

The review included an estimation of reserves at the 75th percentile (the 75th percentile indicates a reserve which will be sufficient 75% of the time). This estimation is required in terms of the Financial Services Board (FSB) draft regulations on Financial Condition Reporting (FCR). The FSB also includes prescribed margins in terms of their prescribed model, and the company's liability was found to be adequate should the prescribed margins be applied. It must however be recognised that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

The table presented below demonstrate the sensitivity of the insured liability estimates to particular movements in assumptions used in the estimation process.

Impact on reported profits of changes in key variables (with other assumptions remaining constant)

| Change in loss ratio | Change in insurance contract provisions liability |
|----------------------|---|
| 10% | R32,8 million |

| | 2006 R'000 | 2005 R'000 |
|--|----------------|----------------|
| 11 Deferred taxation | | |
| Balance at beginning of the period | 32 446 | 24 478 |
| Deferred tax liabilities | 50 558 | 40 010 |
| Deferred tax assets | (18 112) | (15 532) |
| Charged to income statement | 3 724 | 7 968 |
| Temporary differences | 2 710 | 8 786 |
| Charged against equity | 1 014 | - |
| Rate adjustment | - | (818) |
| Balance at end of the period | 36 170 | 32 446 |
| Deferred tax liabilities | 57 597 | 50 558 |
| Deferred tax assets | (21 427) | (18 112) |
| Analysis of major temporary differences | | |
| Provisions | (13 287) | (9 881) |
| Medical aid liability | (6 517) | (4 843) |
| Deferred income | (1 371) | (2 644) |
| Capital gains tax | 32 844 | 26 321 |
| Unrealised gains on investments | 18 825 | 19 526 |
| Property revaluation | 5 251 | 3 700 |
| Other | 425 | 267 |
| | <u>36 170</u> | <u>32 446</u> |
| 12 Other receivables | | |
| Premium debtors | 83 235 | 64 724 |
| Value added tax | 1 918 | 429 |
| Staff loans | 168 | 3 308 |
| Other | 6 428 | 6 024 |
| | <u>91 749</u> | <u>74 485</u> |
| 13 Cash and cash equivalents | | |
| Cash at bank and in hand | 66 435 | 47 652 |
| Call and fixed deposits | 62 701 | 81 657 |
| | <u>129 136</u> | <u>129 309</u> |
| 14 Provisions | | |
| 14.1 Post-retirement medical benefits | | |
| Balance at beginning of the period | 16 700 | 16 700 |
| Provisions raised during the period | 5 772 | - |
| Balance at end of the period | <u>22 472</u> | <u>16 700</u> |

| | 2006 R'000 | 2005 R'000 |
|-------------------------------------|---------------|---------------|
| 14.2 Current provisions | | |
| Leave and bonus provision: | | |
| Balance at beginning of the period | 13 034 | 8 051 |
| Utilisation of provision | (10 459) | (4 393) |
| Provisions raised during the period | 14 502 | 9 376 |
| Balance at end of the period | <u>17 077</u> | <u>13 034</u> |

15 Interest-bearing loan

| | | |
|-------------------------|----------|--------------|
| Finance lease liability | - | 8 074 |
| | <u>-</u> | <u>8 074</u> |

The lease liability is in respect of the sale and leaseback of land and buildings (refer note 7). The lease is payable over a 10-year period in bi-annual payments at an effective interest rate of 18,9%. The last instalment will be paid on 15 June 2007.

Finance lease liabilities - minimum lease payments

| | | |
|--|--------------|--------------|
| Not later than 1 year | 3 223 | 6 205 |
| Later than 1 year and not later than 5 years | - | 3 223 |
| | <u>3 223</u> | <u>9 428</u> |
| Minimum lease payments | <u>3 223</u> | <u>9 428</u> |

The present value of finance lease liabilities is as follows:

| | | |
|--|--------------|--------------|
| Not later than 1 year | 2 984 | 5 090 |
| Later than 1 year and not later than 5 years | - | 2 984 |
| | <u>2 984</u> | <u>8 074</u> |

The current portion is included with "other payables".

16 Share capital

16.1 Authorised

| | | |
|--------------------------------------|--------------|--------------|
| 3 000 000 ordinary shares of R1 each | <u>3 000</u> | <u>3 000</u> |
|--------------------------------------|--------------|--------------|

16.2 Issued

| | | |
|-----------------------------|--------------|--------------|
| 2 649 333 shares of R1 each | <u>2 649</u> | <u>2 649</u> |
|-----------------------------|--------------|--------------|

17 Non-distributable reserves

Contingency reserve:

| | | |
|----------------------------------|---------------|---------------|
| Balance at beginning of the year | 24 416 | 20 379 |
| Reserve created | 5 171 | 4 037 |
| Balance at end of the year | <u>29 587</u> | <u>24 416</u> |

Property revaluation reserve:

| | | |
|----------------------------------|---------------|---------------|
| Balance at beginning of the year | 12 611 | 12 980 |
| Revaluation | 6 917 | - |
| Amortisation | (1 970) | (518) |
| Deferred taxation | (1 014) | 149 |
| Balance at end of the year | <u>16 544</u> | <u>12 611</u> |

| | 2006 R'000 | 2005 R'000 |
|---|---------------|---------------|
| 18 Distributable reserves | | |
| Retained income: | | |
| The retained income balance represents the amount available for dividend distribution to the shareholders of the company prior to any withholding tax liabilities | 346 348 | 375 925 |
| 19 Gross premiums written | | |
| Gross premiums | 458 119 | 436 873 |
| – Premiums written | 508 347 | 478 512 |
| – Less performance bonus payments | (50 228) | (41 639) |
| Premiums received from foreign sources amounted to R1 586 000 (2005: R1 649 000) | | |
| 20 Commission income | | |
| Reinsurance commission | 56 415 | 70 590 |
| Movement in deferred income | 4 390 | 1 450 |
| | 60 805 | 72 040 |
| 21 Investment income | | |
| 21.1 Dividends and interest | | |
| Dividends - listed investments | 18 350 | 17 667 |
| Interest received | 18 092 | 13 573 |
| Interest paid | (5 503) | (5 568) |
| | 30 939 | 25 672 |
| 21.2 Realised and unrealised surplus on investments | | |
| Realised surplus on investments | 105 777 | 111 289 |
| Unrealised surplus on investments | 25 285 | 50 940 |
| – relating to current year disposals | (84 109) | (82 282) |
| – current year fair value changes | 109 394 | 133 222 |
| Unrealised foreign exchange gains | 710 | 648 |
| | 131 772 | 162 877 |
| Net investment income | 162 711 | 188 549 |
| 22 Claims incurred net of reinsurance and salvages | | |
| Claims paid | 204 748 | 183 681 |
| Gross claims paid | 211 867 | 253 406 |
| Change in provision for outstanding claims | (7 119) | (69 725) |
| Reinsurers' share | (69 438) | (83 100) |
| Claims paid | (88 848) | (128 383) |
| Change in provision for outstanding claims | 19 410 | 45 283 |
| | 135 310 | 100 581 |

| | 2006 R'000 | 2005 R'000 |
|--|----------------|----------------|
| Salvages received | (84 912) | (45 512) |
| Gross salvages received | (84 205) | (59 821) |
| Change in provision for outstanding salvages | (707) | 14 309 |
| Reinsurers' share | 57 896 | 30 098 |
| Salvages received | 60 120 | 37 860 |
| Change in provision for outstanding salvages | (2 224) | (7 762) |
| | (27 016) | (15 414) |
| Net claims incurred | <u>108 294</u> | <u>85 167</u> |
| Claims paid include: | | |
| Payments to insured parties | 173 907 | 220 020 |
| Claims administration expenses | 37 960 | 33 386 |
| | <u>211 867</u> | <u>253 406</u> |

23 Acquisition costs

| | | |
|----------------|---------------|---------------|
| Brokerage paid | <u>27 588</u> | <u>25 431</u> |
|----------------|---------------|---------------|

24 Management expenses

24.1 Management and claims administration expenses include:

| | | |
|---|--------|--------|
| Staff costs | 80 884 | 69 604 |
| Salaries | 61 952 | 57 816 |
| Employer contribution to retirement fund | 5 973 | 5 742 |
| Post-retirement medial aid | 5 772 | - |
| Other | 7 187 | 6 046 |
| Audit fees | 1 148 | 1 075 |
| – Current year | 975 | 1 075 |
| – Previous year underprovision | 173 | - |
| Depreciation and amortisation | 3 078 | 3 055 |
| – Land and buildings | 939 | 1 014 |
| – Furniture and equipment | 438 | 489 |
| – Motor vehicles | 126 | 82 |
| – Computer equipment | 933 | 943 |
| – Computer software amortisation | 642 | 527 |
| Profit on sale of equipment | (36) | (66) |
| Repairs and maintenance of property and equipment | 1 289 | 1 189 |
| Rentals under operating leases | 535 | 647 |
| – Office equipment | 153 | 184 |
| – Property | 382 | 463 |
| Executive directors - for managerial remuneration | 4 027 | 3 435 |
| Non-executive directors - for services rendered | 655 | 649 |

Notice periods in respect of the executive directors do not exceed one year. Non-executive directors are not bound by service contracts.

| | 2006 R'000 | | 2005 R'000 | | | |
|----------------|---------------|--------------|---------------|-------|------------------|-------|
| | Fees | Basic salary | Other | Bonus | Pension contrib. | Total |
| M C Truter * | | 1 265 | | 949 | 149 | 2 363 |
| W H Lategan* | | 929 | 22 | 604 | 109 | 1 664 |
| KT M Saggars | 45 | | | | | 45 |
| B Campbell # | 118 | | | | | 118 |
| M Akoob | 74 | | | | | 74 |
| CT L Leisewitz | 69 | | | | | 69 |
| A R Martin | 145 | | | | | 145 |
| M J Reyneke # | 99 | | | | | 99 |
| M W Oeschger # | 105 | | | | | 105 |
| | 655 | 2 194 | 22 | 1 553 | 258 | 4 682 |

24.2 Directors' emoluments: 2005 – R'000

| | | | | | | |
|------------------|-----|-------|-----|-------|-----|-------|
| M C Truter * | - | 1 188 | 68 | 594 | 139 | 1 989 |
| W H Lategan* | - | 873 | 34 | 436 | 103 | 1 446 |
| KT M Saggars | 126 | - | - | - | - | 126 |
| M Akoob | 66 | - | - | - | - | 66 |
| CT L Leisewitz | 55 | - | - | - | - | 55 |
| A R Martin | 104 | - | - | - | - | 104 |
| M J Reyneke # | 88 | - | - | - | - | 88 |
| P Bezuidenhout # | 34 | - | - | - | - | 34 |
| M W Oeschger # | 77 | - | - | - | - | 77 |
| J J Ngulube # | 55 | - | - | - | - | 55 |
| B Campbell # | 44 | - | - | - | - | 44 |
| | 649 | 2 061 | 102 | 1 030 | 242 | 4 084 |

Remuneration payable to the company by whom the director is employed, and not to the individual.

* Executive director.

24.3 Foreign exchange

| | | |
|-------------------------|---------|---------|
| Foreign exchange profit | (4 609) | (2 512) |
| – Realised | 2 921 | 1 599 |
| – Unrealised | (7 530) | (4 111) |

25 Taxation

25.1 South African and foreign

| | | |
|------------------------|--------|--------|
| Current | 68 490 | 62 748 |
| Income taxation | 63 183 | 58 992 |
| Prior year adjustment | (348) | (320) |
| Capital gains taxation | 5 655 | 4 076 |

| | 2006 R'000 | 2005 R'000 |
|----------------------------|----------------|----------------|
| Deferred | 2 710 | 7 968 |
| Current year | 3 484 | 8 786 |
| Prior year adjustment | (774) | - |
| Change in tax rate | - | (818) |
| Secondary tax on companies | 30 849 | 31 161 |
| Paid | 30 849 | 31 161 |
| | <u>102 049</u> | <u>101 877</u> |

25.2 Reconciliation of tax rate

| | | |
|--|--------------|--------------|
| Effective rate | 30,1% | 28,6% |
| Non-taxable income | 8,2% | 9,0% |
| Disallowed expenditure | (0,3%) | 0,0% |
| Secondary tax on companies and withholding tax | (9,0%) | (8,8%) |
| Tax rate adjustment | - | 0,2% |
| Standard rate | <u>29,0%</u> | <u>29,0%</u> |

26 Earnings per share

26.1 Basic earnings per share (cents)

| | |
|-------|-------|
| 8 954 | 9 659 |
|-------|-------|

Basic earnings per share are calculated on the net income of R237 237 000 (2005: R257 196 000). The weighted average number of shares in issue during the period was 2 649 333 (2005: 2 662 666).

26.2 Headline earnings per share (cents)

| | |
|-------|-------|
| 8 953 | 9 657 |
|-------|-------|

Headline earnings per share are calculated on the net income of R237 201 000 (2005: R257 130 000). The weighted average number of shares in issue during the period was 2 649 333 (2005: 2 662 666).

Reconciliation of headline earnings

| | | |
|-----------------------------|----------------|----------------|
| Net income | 237 237 | 257 196 |
| Profit on sale of equipment | (36) | (66) |
| Headline earnings | <u>237 201</u> | <u>257 130</u> |

Earnings per share: Discontinued operations

Basic earnings per share are calculated on the net profit of R12 553 000 (2005: Loss R163 000): Basic cents per share

| | |
|------------|------------|
| <u>474</u> | <u>(6)</u> |
|------------|------------|

27 Cash generated by operations

| | | |
|--|-----------|-----------|
| Reconciliation of profit before taxation to cash generated by operations | 339 286 | 356 121 |
| Adjusted for: | | |
| Depreciation and amortisation of property and equipment | 3 078 | 3 055 |
| Provision for bad debts | 148 | (1 219) |
| Accrued dividends | (427) | 790 |
| Unrealised exchange gains | (20 098) | (4 527) |
| Unrealised surplus on investments | (25 285) | (53 508) |
| Profit on sale of investments, property and equipment | (105 812) | (109 435) |

| | 2006 R'000 | 2005 R'000 |
|---|----------------|----------------|
| Other | - | (5) |
| Insurance provisions | 19 018 | (16 749) |
| Investment income | (30 939) | (25 672) |
| Operating profit before working capital changes | <u>178 969</u> | <u>148 851</u> |
| Changes in working capital: | 16 902 | 14 761 |
| Increase/(decrease) in net agents' and reinsurers' balances | 22 737 | (12 389) |
| (Decrease)/increase in other receivables | (17 384) | 586 |
| Net increase in deposits with reinsurers | 5 116 | 16 402 |
| Decrease in other payables and provisions | 6 433 | 10 162 |
| | <u>195 871</u> | <u>163 612</u> |

28 Taxation paid

| | | |
|---|------------------|------------------|
| Amounts unpaid at the beginning of the year | (10 568) | (37 263) |
| Amounts per income statement | (102 049) | (101 877) |
| Deferred tax movement | 2 711 | 7 971 |
| Amount unpaid at end of period | 9 336 | 10 568 |
| Total taxation paid | <u>(100 570)</u> | <u>(120 601)</u> |

29 Dividends paid

| | | |
|----------------------|-----------|-----------|
| Dividends declared | (262 469) | (260 668) |
| Total dividends paid | (262 469) | (260 668) |

30 Total listed share purchases

| | | |
|---------------------------------------|---------------|---------------|
| Net decrease in cost in listed shares | (30 879) | (3 838) |
| Cost of listed shares sold | 52 161 | 36 421 |
| Total acquisitions | <u>21 282</u> | <u>32 583</u> |

31 Discontinued operations

The board of directors decided to discontinue the reinsurance inwards operation with effect from 1 January 2003. The decision was made because of excessive losses experienced due to ongoing high claims and the volatility of the rand exchange rate against major currencies. It was felt that the company could not afford to be exposed to this volatility, and that no treaties be renewed with foreign cedants. The effect would be that the business would be placed into run-off.

The South African Government terminated its reinsurance agreement with the company with effect from 1 July 2001. The company still administers all policies issued before that date. The underwriting result relating to policies, the risks of which were reinsured by the SA Government before 1 July 2001, is regarded as discontinued business. The results of both divisions are as follows:

| | | |
|-------------------------------|--------------|--------------|
| Gross premiums | 27 482 | 26 994 |
| Less: Reinsurance | 25 896 | 25 320 |
| | <u>1 586</u> | <u>1 674</u> |
| Provision for unearned income | 29 | 567 |
| Net premiums earned | <u>1 615</u> | <u>2 241</u> |

| | 2006 R'000 | 2005 R'000 |
|--|---------------|---------------|
| Less insurance expenditure: | (6 890) | 4 208 |
| – Net claims incurred | 8 406 | 8 656 |
| – Net reserve movement | (7 337) | 934 |
| – Commission received | (7 656) | (6 176) |
| – Management expenses | 4 306 | 3 375 |
| – Profit on foreign currencies | (4 609) | (2 581) |
| Underwriting result | 8 505 | (1 967) |
| Interest received | 1 219 | 1 592 |
| Income/(loss) before taxation | 9 724 | (375) |
| Taxation | 2 820 | (22) |
| Income/(loss) after taxation | 12 544 | (397) |
| Transfer from contingency reserve | 9 | 234 |
| Net income/(loss) for the year | 12 553 | (163) |
| Cashflows | | |
| Cashflows from operating activities | 12 553 | (163) |
| Adjusted for – | | |
| Unrealised exchange profit | (6 318) | (4 128) |
| Insurance provisions | (7 366) | (367) |
| Net cashflows from operating activities | (1 131) | (4 658) |
| The carrying amounts of the assets and liabilities of Reinsurance Inward division were as follows: | | |
| Assets | 126 926 | 70 533 |
| Deposits with cedants | 58 904 | 56 586 |
| Cash and cash equivalents | 68 022 | 13 947 |
| Equity and liabilities | | |
| Equity: Contingency reserve | (159) | (167) |
| Liabilities | 127 633 | 104 190 |
| Insurance contract provisions | 92 260 | 96 678 |
| Reinsurance balances | 35 373 | 7 512 |

32 Related party transactions

During the year, the company, in the ordinary course of business, entered into various transactions with the holding company and associated companies. These transactions occurred under terms that are no less favourable than those arranged with third parties. The ultimate holding company of Credit Guarantee is Old Mutual plc.

32.1 Transactions with related parties

| | | |
|---|-----------|-----------|
| Mutual & Federal (parent) | (138 758) | (137 554) |
| Premium paid for insurance cover and internal audit | (899) | (642) |
| Dividends paid | (137 859) | (136 912) |

| | 2006 R'000 | 2005 R'000 |
|--|---------------|---------------|
| Nedbank (fellow subsidiary) | 18 150 | 1 130 |
| Interest received | 4 226 | 725 |
| Dividends received | 721 | 728 |
| Profit on sale of shares | 13 479 | - |
| Bank charges paid | (276) | (323) |
| Old Mutual plc (ultimate parent) | 4 657 | 358 |
| Dividends received | 228 | 358 |
| Profit on sale of shares | 4 429 | - |
| Santam (associate) | (86 806) | (86 636) |
| Dividend paid | (88 073) | (87 469) |
| Underwriting agreement | 1 267 | 833 |
| 32.2 Year-end balances with related parties | | |
| Payable to related parties | | |
| Mutual & Federal | 671 | 266 |
| Nedcor | 12 | 9 |
| | <u>683</u> | <u>275</u> |
| Receivable from related parties | | |
| Nedcor | <u>86 988</u> | <u>55 761</u> |

32.3 Doubtful debts

There was neither a provision for doubtful debts, nor any bad debt written off during the year, that relates to related parties.

32.4 Remuneration of key management personnel

| | | |
|--------------------------------|-------|-------|
| Directors (refer to note 24.2) | 4 027 | 3 435 |
| Other key management | 7 073 | 6 946 |

33 Employee benefits

33.1 Retirement plans

The company operates pension funds for all permanent staff. These comprise defined contribution pension plans and defined benefit pension plans governed by the Pension Fund Act, 1956. Under the pension plans the employees are entitled to retirement benefits on attainment of a retirement age of between 55 and 65.

33.1.1 Defined benefit pension plans

The most recent actuarial valuations of the present value of the defined benefit obligation was carried out at 31 December 2006. The present value of the defined benefit obligation, the related current service cost and the past service cost, were measured using the projected unit credit method. There are no other informal practices which have given rise to specific constructive obligations which have been included in the measurement of the defined benefit obligation.

| Key assumptions | Valuation at 2006 (%) |
|--------------------------------|-----------------------|
| Discount rate | 8,6 |
| Consumer price inflation | 5,8 |
| Expected return on plan assets | 8,6 |
| Rate of compensation increase | 6,2 |
| Pension increase | 4,7 |

2006
R'0002005
R'000

The overall expected rate of return on assets is 8,6%. The rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The expected return on assets was calculated by applying the expected return of 8,2% for 2006 to the market value of assets as at 1 January 2006.

Amounts recognised in the income statement:

| | |
|----------------------|-----|
| Current service cost | 0,2 |
|----------------------|-----|

The charge for the year of R0,2 million has been included in staff costs.

Actuarial gains and losses are recognised in the income statement as identified and no portion is deferred.

The actual return on plan assets was R5,9 million.

The present value of the obligation and the fair value of the plan assets are:

| | |
|--|--------|
| Present value of defined benefit obligations | 19 856 |
| – Past service liabilities | 11 259 |
| – Contingency reserves | 8 597 |
| Fair value of plan assets | 25 147 |
| Surplus in plan assets | 5 291 |

Movement in present value of defined benefit obligation in current period:

| | |
|--------------------------------|--------|
| At beginning of the year | 11 024 |
| Current service costs | 408 |
| Interest costs | 914 |
| Contribution from plan members | (218) |
| Actuarial loss | (869) |
| At end of year | 11 259 |

Movement in plan assets in current period:

| | |
|----------------------------------|--------|
| At beginning of year | 19 397 |
| Contributions paid into the plan | 387 |
| Benefits paid by the plan | (218) |
| Expenses paid by the plan | (347) |
| Actual return on plan assets | 5 928 |
| At end of year | 25 147 |

Comparative information for the make-up of the amounts recognised in the income statement and the movements for the balance sheet items is not presented as the information is not available in the required format.

33.1.2 Distribution of the surplus relating to a defined benefits plan

In order to comply with the provisions of the Pension Funds Second Amendment Act the trustees of the Credit Guarantee Pension Fund performed a distribution of surplus exercise. The surplus exercise relates to the defined benefit members of the fund only. The surplus apportionment scheme was submitted to the Financial Services Board for approval by 31 December 2006. No surplus will be apportioned to the company. Consequently no asset or liability has been raised in the annual financial statements in respect of the surplus apportionment scheme.

33.2 Post-retirement medical benefit

The company has an obligation to provide post-retirement medical aid benefits to eligible employees. Employees are eligible if they joined the company on or before 30 September 1999 and are still in the service of the company or have retired on pension. The obligation is calculated using the projected unit credit method. There are no other informal practices which have given rise to specific constructive obligations which have been included in the measurement of the defined benefit obligation.

| | 2006 R'000 | 2005 R'000 |
|------------------------------------|---------------|---------------|
| Key assumptions: | | |
| Discount rate | 8% | 9% |
| Increase in employer contributions | 6% | 7% |

Changes in medical cost inflation have a significant effect on the defined benefit obligation recognised in the balance sheet. A one percentage point change in medical cost inflation would have the following effect on defined benefit obligation:

One percentage point increase: +17,1%

One percentage point decrease: -13,7%

Amounts recognised in the income statement:

| | | |
|----------------------------------|---------|---|
| Current service cost | 2 211 | - |
| Interest cost | 4 748 | - |
| Actuarial loss and contributions | (1 187) | - |
| | 5 772 | |

Actuarial gains and losses are recognised in the income statement as identified and no portion is deferred.

Present value of unfunded defined benefit obligation included in the balance sheet:

| | | |
|--------------------------------------|---------|--------|
| Balance in the beginning of the year | 16 700 | 16 700 |
| Current service cost | 2 211 | - |
| Interest cost | 4 748 | - |
| Actuarial loss | 374 | - |
| Contributions by employer | (1 561) | - |
| Balance at the end of the year | 22 472 | 16 700 |

34 Operating lease commitments

The company leases certain of its office buildings and office equipment in terms of operating leases. The company does not have an option to acquire the assets at termination of the lease. There are escalation clauses imposed on the property leases, but none on the office equipment.

| | | |
|--|-----|-----|
| Total future minimum lease payments under non-cancellable operating leases | 494 | 600 |
| Not later than one year | 368 | 248 |
| Between one and five years | 126 | 352 |

35 Contingent liabilities

| | | |
|---|-----|-----|
| Collateral security provided to employees in terms of the company's Housing Assistance Scheme | 143 | 146 |
| Letters of guarantees issued in favour of: | | |
| – Department of Home Affairs | - | 7 |
| – Calypso Ridge Properties | - | 35 |
| – SA Post Office | 30 | 30 |
| | 173 | 218 |

36 Solvency ratios

The solvency ratios have been calculated on two bases:

| | | |
|---|--------|--------|
| 36.1 The statutory surplus asset ratio representing net insurance assets as a percentage of net premium income (gross premium income less reinsurances as defined by the Short-term Insurance Act, 53 of 1998) | 122,9% | 161,8% |
| 36.2 The solvency margin in terms of international reporting guidelines representing shareholders' funds as a percentage of net premium income (gross premium income less total reinsurances) | 133,6% | 170,2% |

37 Reconciliation of income as reflected in the income statement to underwriting result

| | 2006 R'000 | 2005 R'000 |
|--|---------------|---------------|
| Gross premiums written | 458 119 | 436 873 |
| Less: Reinsurance | 162 252 | 192 716 |
| Net premiums written | 295 867 | 244 157 |
| Provision for unearned premiums, performance and no-claims bonus | (2 191) | (2 179) |
| Net premiums earned | 293 676 | 241 978 |
| Less: | 117 101 | 74 406 |
| Claims net of reinsurance and salvages | 108 294 | 85 167 |
| Net commission | (33 217) | (46 609) |
| Expenses | 88 580 | 77 901 |
| Other operating income | (41 947) | (39 541) |
| Foreign currency profits | (4 609) | (2 512) |
| Underwriting result | 176 575 | 167 572 |
| Investment income | 30 939 | 25 672 |
| - Dividends | 18 350 | 17 667 |
| - Net interest received | 12 589 | 8 005 |
| Sundry income | 131 772 | 162 877 |
| - Profit on sale of investments | 105 777 | 109 369 |
| - Unrealised surplus on investments | 25 285 | 50 941 |
| - Foreign currency differences on investments | 710 | 2 567 |
| Income before taxation | 339 286 | 356 121 |
| Taxation | 102 049 | 101 877 |
| - Income tax | 71 200 | 70 716 |
| - STC | 30 849 | 31 161 |
| Income after taxation | 237 237 | 254 244 |

Appendix A – Share portfolio

| Ordinary and preference shares | Shares held | | Total cost | | Market value | |
|--|-------------|-----------|----------------|----------------|----------------|----------------|
| | 2006 | 2005 | 2006 R'000 | 2005 R'000 | 2006 R'000 | 2005 R'000 |
| Anglo American plc | 200 000 | 290 000 | 10 166 | 15 753 | 68 030 | 61 915 |
| AVI Ltd | 0 | 500 000 | 0 | 5 997 | 0 | 7 575 |
| Barloworld Ltd | 100 000 | 100 000 | 6 528 | 6 528 | 16 400 | 11 053 |
| BHP Billiton plc | 417 500 | 455 000 | 8 144 | 8 654 | 53 774 | 47 093 |
| FirstRand B1 preference shares | 100 000 | 100 000 | 10 200 | 10 200 | 9 900 | 11 400 |
| Imperial Holdings Ltd | 170 050 | 204 050 | 7 244 | 8 706 | 27 803 | 28 689 |
| Investec Ltd | 105 450 | 21 090 | 4 203 | 4 203 | 9 206 | 5 821 |
| Investec plc | 179 550 | 35 910 | 7 157 | 7 157 | 16 093 | 9 917 |
| Liberty Group Ltd | 163 212 | 163 212 | 4 870 | 5 458 | 13 220 | 12 159 |
| Massmart Holdings Ltd | 0 | 165 000 | 0 | 5 484 | 0 | 8 506 |
| Nedbank Group Ltd | 0 | 189 125 | 0 | 11 116 | 0 | 18 780 |
| Nedbank Group preference shares | 470 000 | 470 000 | 5 020 | 5 020 | 5 311 | 5 993 |
| Old Mutual plc | 0 | 570 256 | 0 | 8 152 | 0 | 10 208 |
| Pick 'n Pay Stores Ltd | 900 000 | 900 000 | 6 666 | 6 666 | 29 790 | 25 650 |
| Remgro Ltd | 200 000 | 330 000 | 3 477 | 3 501 | 35 500 | 40 260 |
| Richemont Securities AG | 910 000 | 1 150 000 | 1 206 | 1 206 | 37 219 | 31 568 |
| SABMiller plc | 238 000 | 315 000 | 9 766 | 9 822 | 38 140 | 36 855 |
| Sanlam Ltd | 0 | 990 000 | 0 | 8 059 | 0 | 14 999 |
| Sasol Ltd | 143 000 | 172 000 | 6 517 | 7 883 | 36 823 | 38 786 |
| Spar Group Ltd | 248 000 | 248 000 | 5 447 | 5 447 | 10 714 | 7 601 |
| Standard Bank Group Ltd | 392 000 | 462 071 | 10 755 | 12 104 | 37 044 | 35 030 |
| Standard Bank Group preference shares | 165 000 | 50 000 | 17 607 | 5 000 | 17 094 | 6 088 |
| Telkom SA Ltd | 110 000 | 110 000 | 9 992 | 9 992 | 15 511 | 14 823 |
| Tiger Brands Ltd | 100 800 | 100 800 | 9 193 | 9 123 | 17 186 | 14 666 |
| Other shares individually comprising less than 1% of the total market value of the portfolio | | | 19 300 | 8 106 | 22 046 | 11 055 |
| TOTAL | | | 163 458 | 194 337 | 516 804 | 522 185 |

