



Annual financial statements

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).

Report of the independent auditors

To the members of Credit Guarantee Insurance Corporation of Africa Limited:

We have audited the accompanying balance sheet of Credit Guarantee Insurance Corporation of Africa Limited as of 31 December 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a fair view of the financial position of the company as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act in South Africa.

Deloitte + Touche

Deloitte & Touche
Chartered accountants (SA)
Registered accountants & auditors

Johannesburg

8 February 2006

Nkonki Inc.

Nkonki Inc
Chartered accountants (SA)
Registered accountants & auditors

Johannesburg

Statement of cash value added

	12 months 2005 R'000	18 months 2004 R'000
Cash value added		
From normal operations	257 386	267 121
From sale of assets and investments	197 040	37 514
	454 426	304 635
Cash value applied		
Employees	66 560	113 849
Local and central government	120 601	18 426
Providers of capital	276 638	94 183
– Dividends	260 668	88 594
– Share buyback	10 880	-
– Leased Assets	5 090	5 589
Retained in the business	-9 373	78 177
– purchases of fixed assets and investments	34 113	74 811
– (decrease)/increase in cash reserves	(43 486)	3 366
	454 426	304 635

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 2005.

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 R8 981 239 (2004 – R4 339 639) was paid during the financial year. Your directors recommend the further payment of an ordinary dividend of R10 782 785 (2004: R9 252 439).

Two special dividend payments of R105 973 320 and R145 713 315 (2004: R27 293 330 and R49 127 994) respectively were made during the period.

Share capital

The authorised share capital remained unaltered during the financial period. During the financial period the company bought back 80 000 shares.

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 5.

Since the last report the following changes have taken place:

	Date appointed	Date resigned
B Campbell	4 May 2005	
P Bezuidenhout		4 May 2005
J J Ngulube		31 December 2005

Messrs Akoob and Reyneke retired on 4 May 2005 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 the inside back cover.

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.

Statutory report of the directors

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 Companies Act requires the directors to prepare annual financial statements that fairly present the state of affairs of the company as at the end of the financial year and of the profit or loss for that period, in conformity with International Financial Reporting Standards. It is the responsibility of the external auditors to express an opinion on these annual financial statements.

To enable the directors to meet their responsibilities, management maintains a system of internal controls and procedures including an internal audit function. These controls, enhanced by clear definitions of authority and responsibility and the careful selection and training of staff, aim to ensure that adequate and reliable accounting records are maintained and to provide reasonable assurance that the company's assets are safeguarded and accounted for and that no unauthorised liabilities are incurred.

Based on the information received from management and comments from the internal and external auditors, the directors are of the opinion that there has been no breakdown in the functioning of these controls and procedures during the period under review.

In preparing the annual financial statements, the company has used appropriate accounting policies supported by reasonable and prudent judgements and estimates, and has complied with all applicable accounting standards. The directors are of the opinion that the annual financial statements fairly present the financial position of the company at 31 December 2005 and the results of its operations and cash flow information for the 12-month period then ended. The directors are confident that the company has adequate resources to continue in operational existence for the foreseeable future.

Annual financial statements

This report and the annual financial statements set out on pages 24 to 59 were approved by the board of directors on 8 February 2006 and are hereby signed on behalf of the board by:



K T M Saggars
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 2005, and that all such returns are true, correct and up to date.



W H Lategan
Company secretary

8 February 2006

Balance sheet

	Notes	31 Dec 2005 R'000	31 Dec 2004 R'000 (restated)
ASSETS			
Non-current assets		580 855	579 459
Property and equipment	7	29 741	31 212
Intangible assets	8	307	567
Investments	9 & 10	532 695	494 196
Investment in associate company	11	-	37 952
Deferred taxation	12	18 112	15 532
Technical assets			
Reinsurers' share in technical provisions	13	59 173	99 317
Unearned premiums		8 806	9 814
Outstanding claims		50 367	89 503
Current assets		282 732	311 001
Reinsurance accounts receivable		78 938	64 217
Other accounts receivable	14	74 485	73 989
Cash and cash equivalents	15	129 309	172 795
Total assets		922 760	989 777
EQUITY AND LIABILITIES			
Equity		415 601	431 052
Share capital and share premium	16	2 649	2 969
Non-distributable reserves		37 027	34 458
Contingency reserve	17	24 416	20 379
Translation reserve	17	-	1 099
Property revaluation reserve	17	12 611	12 980
Distributable reserves		375 925	393 625
General reserve	18	-	1 817
Retained income	18	375 925	391 808
Non-current liabilities		70 242	64 784
Long-term liabilities	19	2 984	8 074
Deferred taxation	12	50 558	40 010
Post-retirement medical aid	20.1	16 700	16 700
Technical provisions		323 583	380 476
Gross unearned premiums	13	67 411	66 240
Deferred income		9 117	10 567
Gross outstanding claims	13	247 055	303 669
Current liabilities		113 334	113 465
Reinsurance accounts payable		67 311	50 909
Provisions	20.2	13 034	8 051
Other accounts payable		22 421	17 242
Taxation		10 568	37 263
Total equity and liabilities		922 760	989 777

Income statement

	Notes	12 months 2005 R'000	18 months 2004 R'000 (restated)
Revenue	21	476 414	732 826
Gross premiums written	22	436 873	678 556
Less: reinsurance		192 716	368 701
Net premiums written		244 157	309 855
Provision for unearned premiums		(2 179)	(6 668)
– Change in gross provision		(1 171)	(8 274)
– Reinsurers' share		(1 008)	1 606
Net premiums earned		241 978	303 187
Less: Insurance expenditure		74 406	166 688
Claims incurred net of reinsurance	23	51 781	113 512
Net commission earned		(46 609)	(81 087)
– Commission received	24	(72 040)	(120 856)
– Brokerage paid	25	25 431	37 435
– Commission paid		-	2 334
Management expenses	26	71 746	114 980
(Profit)/loss on foreign currencies	26	(2 512)	19 283
Underwriting result		167 572	136 499
Net investment income		188 549	172 746
– Finance cost	27	(5 568)	(7 718)
– Net investment and other income	27	194 117	180 464
Income before taxation		356 121	309 245
Taxation	28	(101 877)	(86 341)
Income after taxation		254 244	222 904
Income from associate	11	2 952	4 719
Net income for the year		257 196	227 623
Earnings per share			
– Headline (cents per share)	29	9 657	8 340
– Basic (cents per share)	29	9 659	8 339
Dividend per share		9 839	3 246

Statement of changes in equity

	Share capital	Share premium	Contingency reserve	Property revaluation reserve	Translation reserve	Investment reserve	General reserve	Retained income	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 30 June 2003	2 729	240	26 025	13 526	5 165	30 000	1 817	216 587	296 089
Transfer from contingency reserve	-	-	(5 646)	-	-	-	-	5 646	-
Translation of foreign associate company	-	-	-	-	(4 066)	-	-	-	(4 066)
Amortisation	-	-	-	(546)	-	-	-	546	-
Net income for the year	-	-	-	-	-	-	-	227 623	227 623
Transfer from reserves	-	-	-	-	-	(30 000)	-	30 000	-
Dividends paid	-	-	-	-	-	-	-	(88 594)	(88 594)
Restated balance at 31 Dec 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)	-
Amortisation	-	-	-	(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 Dec 2005	2 649	-	24 416	12 611	-	-	-	375 925	415 601

Cash flow statement

	Notes	12 months 2005 R'000	18 months 2004 R'000 (restated)
Cash received from clients		476 002	710 839
Cash paid to clients, staff, suppliers and reinsurers		(310 058)	(589 782)
Cash generated by operations	30	165 944	121 057
Net additions of property and equipment		(1 257)	(2 028)
– Acquisition		(1 354)	(2 060)
– Proceeds on disposals		97	32
Taxation paid	31	(120 601)	(18 426)
Dividends paid	32	(260 668)	(88 594)
Net cash (applied to)/generated from operating activities		(216 582)	12 009
Cash employed in investing activities			
Listed share purchases	33	(32 583)	(68 208)
Proceeds on sale of associate		43 073	-
Stock purchases		-	(3 558)
Proceeds on sale of shares		138 384	37 264
Asset swap		(176)	(984)
Proceeds on sale of endowments		15 486	218
Interest received		13 475	21 168
Interest paid		(5 568)	(7 718)
Dividends received		16 975	18 764
Net cash generated from/(applied to) investing activities		189 066	(3 054)
Cash results from financing activities		(15 970)	(5 589)
Capital repayments		(5 090)	(5 589)
Share buy-back		(10 880)	-
Net (decrease)/increase in cash		(43 486)	3 366
Cash resources at the beginning of the year		172 795	169 429
Cash resources at the end of the year		129 309	172 795