

NOTES TO FINANCIAL STATEMENTS

for the 18 months ended 31 December 2004

1. ACCOUNTING POLICIES

1.1 Statement of compliance

The financial statements comply with the South African Statements of Generally Accepted Accounting Practice and with the requirements of the South African Companies Act, 1973.

1.2 Basis of preparation

The financial statements are prepared on the historical-cost basis, modified by the revaluation of investments and certain financial instruments to fair value and the application of the equity method of accounting for investments in associate companies.

1.3 Underwriting results

Underwriting results are determined in terms of the accounting basis in accordance with South African Statements of Generally Accepted Accounting Practice for short-term insurance companies.

1.3.1 Unearned premiums

The provision for unearned premiums represents the estimated portion of net premiums written relating to unexpired risks at the end of the financial period, generally calculated on a time proportion basis (365th basis).

1.3.2 Outstanding claims

Provision is made for the estimated value of future claims and related costs arising from premiums earned, using the best information available at the time. The provision includes reported claims not yet paid as well as estimated claims incurred but not yet reported, net of reinsurance and anticipated salvage recoveries.

1.3.3 Deferred income

Represents a portion of commission income received relating to medium and long-term risks, which is deferred to provide for future costs of administering such policies. This deferred commission income is transferred to underwriting results in equal annual instalments over the period of the insured risks.

1.4 Investment income

Interest income is accounted for on the accrual basis. Dividends are recognised on the last day for registration in respect of listed shares and as received in respect of unlisted shares.

1.5 Property and equipment

1.5.1 Financial lease assets

Where assets are acquired under finance lease agreements that transfer to the company substantially all the risks and rewards of ownership, their cash cost equivalent is capitalised. The capital element of the leasing commitment is disclosed under long-term liabilities. Lease rentals are apportioned between capital and interest elements, using the effective interest rate method. These assets are depreciated over the economic useful life of these assets other than property which is not depreciated.

1.5.2 Other assets

Other assets are stated at cost less accumulated depreciation calculated on a straight-line basis over the estimated economic lives of these assets.

Depreciation rates:

Computer equipment	33,3%
Computer software	50%
Motor vehicles	25%
Other	10–20%

1.6 Foreign currency translation

Foreign currency transactions are accounted for at rates of exchange ruling at transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any foreign exchange differences are recognised in the income statement in the year to which the difference relates.

1.7 Contingency reserve

The statutory contingency reserve is regarded as a non-distributable reserve. The reserve is maintained at 10% of net premium income in terms of the provisions of the Short-term Insurance Act, 1998. Transfers to and from this reserve are treated as appropriations of income.

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1.8 Financial instruments

Financial instruments are initially measured at cost. Subsequent to initial recognition, these instruments are measured as set out below:

Investments: Listed investments classified as available-for-sale financial assets are carried at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date.

Unlisted investments are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses.

Investments that meet the criteria for classification as held-to-maturity financial assets are carried at amortised cost.

Trade and other receivables: Trade and other receivables are stated at cost net of write-downs for any amounts expected to be irrecoverable.

Cash and cash equivalents: Cash and cash equivalents comprise cash balances, cash deposits and cash on call. These are recorded at cost and generally equate to fair value.

Trade and other payables: Trade and other payables are stated at amortised cost, comprising original debt less principle payments and amortisations.

Gains and losses on subsequent measurement: Gains and losses arising from a change in 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.

1.9 Associate companies

Associate companies are those companies in which the company holds between 20% and 50% of the equity capital and over which we have the ability to exercise significant influence. Associate companies are accounted for on the equity method from the date they become investees. Equity-accounted income, which is included in the respective carrying values of the investments, represents the company's proportional share of the associate companies' retained income, after accounting for dividends payable by the associates.

The post-acquisition share of retained income of associates is included in the income statement. Retained income and movements on reserves are generally determined from the most recent audited annual financial statements. The carrying amount of such investments is reduced to recognise any decline, other than temporary decline, in the value of individual investments.

1.10 Income tax

Income tax on the profit or loss for the period comprises current, deferred and other tax. Income tax is recognised in the income statement. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to the tax payable in respect of previous periods.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Secondary tax on companies (STC) is charged to the income statement when the related dividend is declared.

1.11 Retirement benefits

Post employment benefits: It is the policy of the company to provide retirement benefits for all eligible employees. There are two funds: A defined contribution fund and a defined benefit fund, subject to the Pension Funds Act, 1956. Current contributions to these funds are charged against income as incurred. Contributions are adjusted periodically to take account of salary increases and any related circumstances. The defined benefit fund is actuarially valued at intervals of three years and the cost of providing for any deficits should be recognised in full for the portion relating to retired employees, but proportionally for existing employees over their remaining working lives.

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Post-retirement medical aid benefits: The company has an obligation to provide post-retirement medical aid benefits to eligible employees and pensioners. Employees who joined the company before 1 September 1998 are entitled to these benefits. The company recognises the estimated liability in accordance with the advice of qualified actuaries who value the liability every two years.

Termination benefits: The company recognised termination benefits as a liability in the balance sheet and as an expense in the income statement when it has a present obligation relating to termination.

Short term employee benefits: Remuneration to the employees in respect of services rendered during a reporting period is recognised as an expense in that period. Provision is made for accumulated leave and bonuses.

1.12 Provisions

A provision is created when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will occur 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 a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1.13 Revenue

Premium and other income is brought to account at the earlier of the date of notification of the amount. Provision is made for unearned premium in accordance with note 1.3.1.

1.14 Impairment

The carrying amounts of all assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

1.15 Discontinued operations

The board of directors announced that the company had discontinued the reinsurance inwards operation with effect from 1 January 2003. The operation will effectively be in run-off as from the said date and where possible, future liabilities under these contracts will be commuted. The results of the discontinued operations have been disclosed separately in note 6.

1.16 Restatement of prior year numbers

The South African Government terminated its reinsurance agreement with Credit Guarantee with effect from 1 July 2001. Credit Guarantee still administers all policies issued before that date. The underwriting result relating to these policies is regarded as discontinued business. The following disclosure has been restated to conform with the presentation in the period under review. The restatements affect classifications only.

Discontinued operations:	As previously reported	As restated
	R million	R million
Assets	89 550	89 551
Liabilities	110 383	129 310
Net profit/(loss)	17 064	(3 242)

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1.17 Contingent liabilities

The company discloses a contingent liability where:

- It has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or
- It is not probable that an outflow of resources will be required to settle an obligation; or
- The amount of the obligation cannot be measured with sufficient reliability.

	2004 (18 months)	2003 (12 months)
	R'000	R'000

2. REVENUE

Comprises gross premiums written, credit limit and rapid response fees, information sales and excludes value-added tax

732 826	549 892
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3. GROSS PREMIUMS WRITTEN

	2004			2003		
	RSA	Foreign	Total	RSA	Foreign	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Gross premiums written	669 797	8 759	678 556	474 859	44 483	519 342
- Credit risk business	651 164	8 759	659 923	447 187	44 483	491 670
- Alternative risk transfer business	18 633	-	18 633	27 672	-	27 672

4. CLAIMS INCURRED NET OF REINSURANCE

Claims net of reinsurance	113 512	120 069
Net claims paid	124 419	123 103
- Gross claims paid less salvages received	310 123	285 939
- Reinsurers' share	(185 704)	(162 836)
Change in provision for outstanding claims	(10 907)	(3 034)
- Gross amount	(17 080)	21 048
- Reinsurers' share	6 173	(24 082)

5. EXPENSES

5.1 Management expenses include:

Audit fees:	874	679
- Fees	874	679
- Other services rendered	-	276
Total fees paid to auditors	874	955
Staff cost	103 846	62 722
Consulting fees	159	516
Depreciation of property and equipment	4 277	4 403
Current pension fund contribution	8 338	5 620
Post-retirement medical aid	7 800	-
Bad debt provision	(2 506)	(2 947)
Information recoveries	(54 270)	(30 550)
Other expenses	45 647	37 382
	<u>114 165</u>	<u>78 101</u>

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Directors' emoluments (paid by the company):

	Salary	Directors' fees	Performance bonus	Other benefits	Total 2004 (18 months)	Total 2003 (12 months)
	R'000	R'000	R'000	R'000	R'000	R'000
<i>Executive directors:</i>						
M C Truter	1 635	-	817	192	2 644	1 591
W H Lategan	1 201	-	601	141	1 943	1 170
<i>Non-executive directors:</i>						
J A Wilken*		-			-	46
K T M Saggars		173			173	80
M Akoob		90			90	42
J Coetzee*		96			96	56
P R Gent*		20			20	35
U Khumalo*		33			33	23
C T L Leisewitz		75			75	31
A R Martin		143			143	56
M J Reyneke*		105			105	-
P Bezuidenhout*		24			24	-
M W Oeschger*		12			12	-
J J Ngulube*		12			12	-
Total	2 836	783	1 418	333	5 370	3 130

Notes: *These fees were paid to the employers of the directors.

Executive directors are eligible to be paid an annual performance bonus dependent on underwriting results.

5.2 Foreign exchange

	2004 (18 months) R'000	2003 (12 months) R'000
Foreign exchange loss/(profit)	19 283	21 628
– Realised	6 567	871
– Unrealised	12 716	20 757

6. 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 Credit Guarantee with effect from 1 July 2001. Credit Guarantee 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 previous year's figures have been adjusted accordingly.

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	2004 (18 months) R'000	2003 (12 months) R'000
The results for both divisions for the 18 months ended on 31 December 2004 are as follows:		
Gross premiums written	79 881	109 075
Less: Reinsurance	71 122	64 467
Net premiums written	8 759	44 608
Provision for unearned premiums	1 626	1 229
Net premiums earned	10 385	45 837
Less insurance expenditure	4 216	38 793
- Net claims paid	1 094	12 842
- Commission (received)/paid	(17 070)	6 522
- Management expenses	8 594	7 071
- Loss on foreign exchange differences	11 598	12 358
Underwriting profit	6 169	7 044
Interest income	1 721	1 137
Profit before taxation	7 890	8 181
Taxation	(2 367)	(2 454)
Profit after taxation	5 523	5 727
Transfer from contingency reserve	4 047	2 485
Net profit for the year	9 570	8 212
Cashflows		
Cashflows from operating activities	9 570	8 212
Adjust for –		
Unrealised exchange loss	5 148	11 759
Insurance provisions	23 384	35 090
Net cashflow from operating activities	38 102	55 061
The carrying amounts of the assets and liabilities of the Reinsurance Inward division were as follows:		
ASSETS		
Current assets	66 859	89 551
Reinsurance inwards accounts receivable	55 031	81 996
Cash resources	11 828	7 555
EQUITY AND LIABILITIES		
Equity: Contingency reserve	(401)	(4 448)
Technical provisions	(97 762)	(129 310)
Gross unearned premium	(596)	(2 222)
Gross outstanding claims	(86 598)	(108 356)
Deferred income	(10 568)	(18 732)
Current liabilities	(969)	-
Reinsurance inwards accounts payable	(969)	-
Net liabilities	(32 273)	(44 207)

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	2004 (18 months) R'000	2003 (12 months) R'000
7. NET INVESTMENT AND OTHER INCOME		
Investment income: Dividends	18 853	14 129
– Cash	18 764	13 820
– Accrued	89	309
Interest received	21 168	19 378
Interest paid	(7 718)	(7 169)
Total net investment income	32 303	26 338
Unrealised profit/(loss) on investments	112 980	(106 178)
Profit/(loss) on disposal of investments	27 463	(16 401)
Profit on disposal of equipment	21	189
Total investment and other income/(loss)	<u>172 767</u>	<u>(96 052)</u>

8. TAXATION

South African normal tax:		
Current taxation	43 297	18 745
- Income taxation	42 412	18 745
- Capital gains taxation	885	-
Deferred taxation	33 550	(32 543)
Secondary tax on companies	8 136	-
	<u>84 983</u>	<u>(13 798)</u>
Other taxes	1 433	991
- RSC levies	501	366
- Foreign withholding taxes	2	93
- Value added tax and skills levy	930	532
Taxation per income statement	<u>86 416</u>	<u>(12 807)</u>
Reconciliation of income tax rate:		
Effective income tax rate	27,4%	24,2%
Normal and deferred tax	84 983	(13 798)
Tax effects of permanent differences	8 041	(3 326)
- Exempt income	15 808	(4 287)
- Standard tax on companies	(8 136)	-
- Disallowed expenses	(61)	-
- Tax saving on other taxes	430	(629)
- Prior year adjustment	-	1 829
Income tax at standard tax rate	<u>93 024</u>	<u>(17 124)</u>
Standard income tax rate	<u>30%</u>	<u>30%</u>

An unutilised STC credit of R6 178 000 is available for set-off against any future dividends that may be declared.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the company's net income/(loss) for the year of R228 384 000 (2003: (R48 694 000)) and a weighted number of shares in issue of 2 729 333.

No potential dilution of earnings exists.

The calculation of headline earnings/(loss) per share is based on the company's headline earnings/(loss) for the year of R228 363 000 (2003: (R48 882 000)) and a weighted number of shares in issue of 2 729 333.

No potential dilution of headline earnings exists.

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Reconciliation between basic and headline earnings:

	2004 (18 months) R'000	2003 (12 months) R'000
Net income/(loss) for the year	228 384	(48 694)
Profit on sale of property & equipment	(21)	(188)
Headline earnings/(loss)	<u>228 363</u>	<u>(48 882)</u>

10. SHARE CAPITAL AND PREMIUM

Authorised 3 000 000 ordinary shares of R1 each	3 000	3 000
Issued: 2 729 333 ordinary shares of R1 each	2 729	2 729
Share premium account	240	240
Share capital and premium	<u>2 969</u>	<u>2 969</u>

The 270 667 unissued ordinary shares are under the control of the directors in terms of a general authority given by the shareholders at the previous annual general meeting.

11. LONG-TERM LIABILITIES

Capitalised lease liabilities:

Total liability owing to African Merchant Bank Ltd in respect of a financial lease agreement	12 014	16 214
Less: Due within 12 months included in accounts payable	3 940	2 551
	<u>8 074</u>	<u>13 663</u>

The lease liability is in respect of the sale and leaseback of land and buildings (refer note 12). 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 on 15 June 2007. Future commitments on the financial lease agreement are as follows (R'000):

	Within one year	Two to five years	Total
Minimum lease payment	5 737	9 428	15 165
Finance charge	1 797	1 354	3 151
Present value of lease liability	3 940	8 074	12 014

12. PROPERTY AND EQUIPMENT

	Computer equipment & software	Furniture, equipment & motor vehicles	Land and buildings	Total
Book value at 30 June 2002	4 187	3 784	10 559	18 530
- Cost	24 561	13 495	10 559	48 615
- Accumulated depreciation	(20 374)	(9 711)	-	(30 085)
Additions at cost	2 229	768	-	2 997
Disposals at book value	(30)	(50)	-	(80)
Depreciation	(3 045)	(1 358)	-	(4 403)
Book value at 30 June 2003	3 341	3 144	10 559	17 044
- Cost	20 967	13 424	10 559	44 950
- Accumulated depreciation	(17 626)	(10 280)	-	(27 906)
Additions at cost	1 529	531	-	2 060
Disposals at book value	(1)	(11)	-	(12)
Depreciation	(2 836)	(1 441)	-	(4 277)
Book value at 31 December 2004	2 033	2 223	10 559	14 815
- Cost	21 969	13 763	10 559	46 291
- Accumulated depreciation	(19 936)	(11 540)	-	(31 476)

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	2004 (18 months) R'000	2003 (12 months) R'000
13. INVESTMENTS		
Available-for-sale:		
Listed investments at market value	452 520	299 822
Endowment policy at market value	14 871	11 788
Asset swap	6 022	6 873
Stocks	3 743	-
Preference shares	17 040	-
Unlisted investment at cost: 125 784 shares in Credit Insurance Zimbabwe Limited (11,4% of issued capital)	-	-
	494 196	318 483
Directors' valuation of unlisted investments	-	-
Directors' valuation of endowment policies	14 871	11 788

For an analysis of listed investments refer to Appendix A on page 39.

Financial instruments: The directors consider that the carrying value of the financial assets and liabilities reported in the balance sheet approximate their fair value at year-end.

14. INVESTMENT IN ASSOCIATE COMPANY

Investment at cost	33 462	33 462
Share in retained income before impairment	10 090	5 887
Dividends received	-	(515)
Provision for impairment	(6 699)	(6 699)
Translation reserve	1 099	5 165
	<u>37 952</u>	<u>37 300</u>

The company holds a 25% share in Mapfre America Caucción y Crédito SA, incorporated in Spain. The nature of the associate is credit insurance and their results have been included up to their latest financial year-end which was 31 December 2004.

Associated company financial position:

- Assets	287 889	228 519
- Liabilities	141 991	72 739
Results of operations:		
- Revenue	118 468	73 657
- Profit before tax	15 086	15 080
- Income tax expense	5 081	2 498
- Net profit for the year	9 443	9 114

14.1 Related party transactions

Reinsurance inwards transactions entered into with the associated company, Mapfre Garantías y Crédito SA (a subsidiary of Mapfre America Caucción y Crédito SA):

14.1.1 Income statements effects:

- Reinsurance inwards premium received	728	755
- Commission paid	(257)	(266)
- Claims paid	(965)	(772)
- Salvages received	55	8
	<u>(439)</u>	<u>(275)</u>

14.1.2 Balance sheet effects:

- Reinsurance accounts receivable	-	108
- Gross outstanding claims	(389)	(482)
	<u>(389)</u>	<u>(374)</u>

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	2004 (18 months) R'000	2003 (12 months) R'000
15. DEFERRED TAXATION		
15.1 Deferred taxation movement		
Balance at the beginning of the period	(13 214)	19 329
- Deferred tax liabilities	4 372	32 013
- Deferred tax assets	(17 586)	(12 684)
Charged/(credited) to income statement	33 550	(32 543)
- Temporary differences	33 550	(27 640)
- Prior year adjustment	-	(4 903)
Balance at the end of the period	20 336	(13 214)
- Deferred tax liabilities	35 868	4 372
- Deferred tax assets	(15 532)	(17 586)
15.2 Deferred taxation balances		
Unrealised surplus on revaluation of investments	35 457	3 915
- Normal taxation	34 572	891
- Capital gains taxation	885	3 024
Other	411	457
Deferred tax liabilities	35 868	4 372
Deferred income	(3 170)	(5 619)
Medical aid liability	(5 010)	(2 670)
Performance bonus	(4 477)	(3 718)
Leave pay and bonus provision	(2 415)	(3 763)
Sundry	(460)	(1 816)
Deferred tax assets	(15 532)	(17 586)
Net balance at end of period	<u>20 336</u>	<u>(13 214)</u>
16. OTHER ACCOUNTS RECEIVABLE		
Premium debtors	64 984	61 750
Value added tax	2 565	1 323
Staff loans	2 018	1 900
Other	4 422	3 491
	<u>73 989</u>	<u>68 464</u>
17. OTHER ACCOUNTS PAYABLE		
Provisions	8 051	12 637
- Provision for leave pay	3 648	4 045
- Provision for bonuses	4 403	8 592
Current portion of lease liability	3 940	2 551
Other	13 245	34 149
Other accounts payable	<u>25 236</u>	<u>49 337</u>
Provision reconciliation:		
Balance at the beginning of the period	12 637	13 244
Provisions raised during the period	4 253	11 999
Provisions utilised during the period	(8 839)	(12 606)
Balance at the end of the period	<u>8 051</u>	<u>12 637</u>

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	2004 (18 months) R'000	2003 (12 months) R'000
18. CASH GENERATED FROM OPERATING ACTIVITIES		
Reconciliation of income/(loss) before taxation to cash generated by operations:		
Income/(loss) before taxation	310 081	(57 080)
Adjustment for:		
- Depreciation	4 277	4 403
- Provision for bad debts	(2 506)	(2 947)
- Accrued dividends	89	309
- Unrealised exchange loss	5 197	10 492
- Unrealised (profits)/loss on investments	(112 980)	106 178
- (Profit)/loss on sale of investments and fixed assets	(27 484)	16 212
- Insurance provisions	(12 404)	22 409
- Investment income	(32 303)	(26 338)
Operating profit before working capital changes	<u>131 967</u>	<u>73 638</u>
Working capital changes	(10 910)	(40 438)
Reinsurance accounts receivable	15 480	(52 249)
Other accounts receivable	(2 674)	3 788
Reinsurance accounts payable	(7 414)	606
Other accounts payable	(16 302)	7 417
Cash generated by operations	<u><u>121 057</u></u>	<u><u>33 200</u></u>
19. TAXATION PAID		
Amounts unpaid at the beginning of the year	(2 823)	(1 439)
Amounts per income statement	(86 416)	12 807
Deferred tax movement	33 550	(32 543)
Amount unpaid at end of year	37 263	2 823
Total taxation paid	<u><u>(18 426)</u></u>	<u><u>(18 352)</u></u>
20. DIVIDENDS PAID		
Dividends declared	(88 594)	(11 108)
Total dividends paid	(88 594)	(11 108)
21. TOTAL LISTED SHARE PURCHASES		
Net increase of cost in listed shares	58 388	(17 211)
Cost of listed shares sold	9 820	18 266
Total acquisitions	<u><u>68 208</u></u>	<u><u>1 055</u></u>
22. UNCOVERED FOREIGN CURRENCY BALANCES		
The following amounts included in current assets and liabilities represent a net uncovered foreign currency exposure in respect of operational activities:		
Net foreign currency assets	88 172	121 724
Insurance provisions on foreign reinsurance inwards business	87 161	110 383
Net assets	<u><u>1 011</u></u>	<u><u>11 341</u></u>

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	2004 (18 months) R'000	2003 (12 months) R'000
23. CONTINGENT LIABILITIES		
Collateral security provided to employees in terms of the company's Housing Assistance Scheme	158	191
Letters of guarantees issued in favour of:		
Department of Home Affairs	7	7
Calypso Ridge Properties	35	35
SA Post Office	30	30
Fashaf (Pty) Ltd and Jones Retailing (Pty) Ltd	-	4 500
Provisional liquidators, Retail Apparel Group	7 362	7 362
	<u>7 592</u>	<u>12 125</u>

24. RETIREMENT BENEFITS

All the retirement benefit plans are governed by the Pension Funds Act, 1956 (Act no 24 of 1956).

The majority of permanent staff are members of the defined contribution fund, whilst a very small portion are defined benefit members.

At the last actuarial valuation as at 1 July 2003 the actuarial present value of promised retirement benefits amounted to R7,9 million.

The fair value of assets to be used to settle promised retirement benefits at the same time amounted to R11,3 million, leaving a surplus of R3,4 million.

25. POST-RETIREMENT MEDICAL AID

An actuarial valuation as at 1 January 2004 indicated a liability of R16 700 000 (2003: R8 900 000).

The next valuation will be performed during the 2006 financial year.

26. SOLVENCY RATIOS

The solvency ratios have been calculated on two bases:

26.1. 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, Act 53 of 1998)	150,7%	100,3%
26.2. 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)	205,3%	108,6%

APPENDIX A: SHARE PORTFOLIO

	Shares held		Total cost		Market value	
	2004	2003	2004	2003	2004	2003
			(R'000)	(R'000)	(R'000)	(R'000)
Ordinary Shares						
Absa Group Ltd	115 000	-	5 910	-	8 739	-
Anglo American plc	563 512	593 912	27 152	27 502	75 229	68 828
Anglo American Platinum Corp Ltd	145 000	155 000	10 610	11 303	30 015	36 658
AVI Ltd	330 000	-	6 528	-	7 590	-
Barloworld Ltd	100 000	-	6 528	-	10 630	-
BHP Billiton plc	553 409	553 409	9 888	9 888	36 525	22 020
Imperial Holdings Ltd	220 000	170 000	10 018	7 508	22 880	9 112
Investec Ltd	21 090	21 090	4 203	4 203	3 817	2 077
Investec plc	35 910	35 910	7 157	7 157	6 513	3 537
Liberty Group Ltd	163 212	180 000	5 458	5 458	10 870	9 108
Massmart Holdings Ltd	120 000	-	3 594	-	5 435	-
Nedcor Ltd	189 125	133 500	11 116	8 613	14 714	11 948
Old Mutual plc	570 256	570 000	8 152	8 152	8 155	6 299
Pick 'n Pay Stores Ltd	900 000	754 573	6 666	4 273	20 880	10 262
Remgro Ltd	330 000	330 000	3 501	3 501	31 139	21 120
Richemont Securities AG	1 600 000	2 200 000	1 206	1 206	30 080	27 324
SABMiller plc	315 000	266 589	9 822	6 604	30 067	13 556
Sanlam Ltd	1 100 000	955 000	8 606	7 329	14 300	6 685
Sasol Ltd	338 000	418 000	13 247	14 076	40 898	34 924
Standard Bank Group Ltd	462 071	380 000	12 104	8 157	30 404	12 464
Telkom Group Ltd	70 000	-	5 695	-	6 860	-
Tiger Brands Ltd	50 000	-	4 193	-	4 845	-
Other shares individually comprising less than 1% of the total market value of the portfolio			1 799	4 875	1 935	3 900
TOTAL			183 153	139 805	452 520	299 822

CREDIT GUARANTEE INSURANCE CORPORATION OF AFRICA LTD

Reg No 1956/000368/06

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ADMINISTRATION
