ANNUAL REPORT

2002

innovative insurance products outstanding Service

MUTUAL & FEDERAL

INSURANCE COMPANY LIMITED

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VISION

Short-term Insurance Company of first choice in Southern Africa

VALUES

EXCELLENCE

LEADERSHIP

PASSION

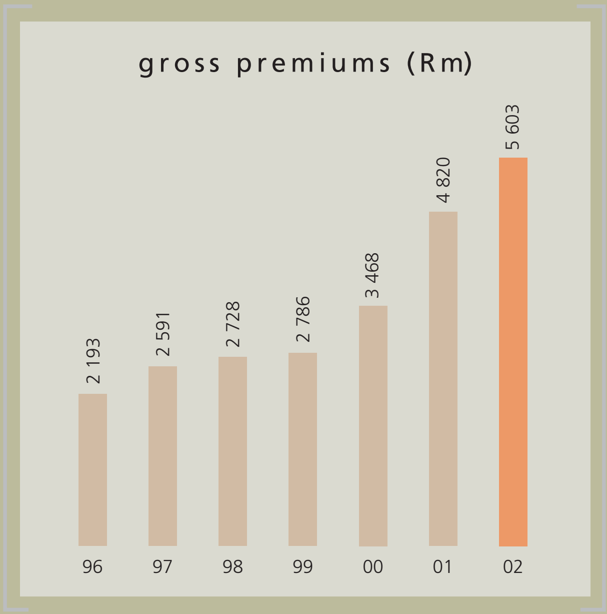
FAIRNESS

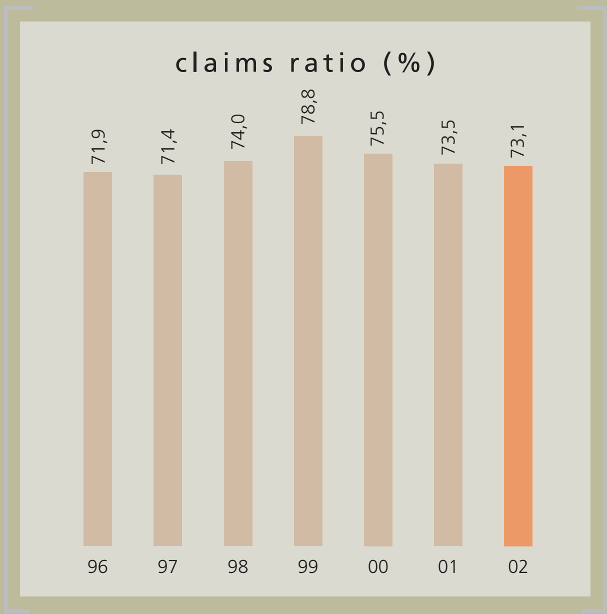
INTEGRITY

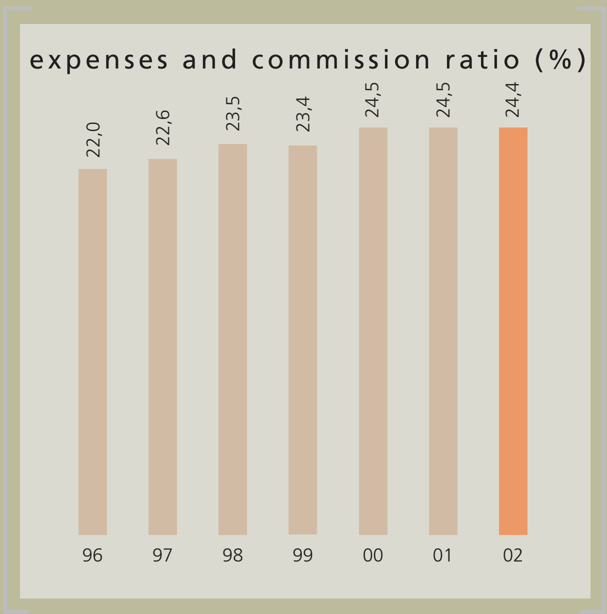
CORPORATE MISSION

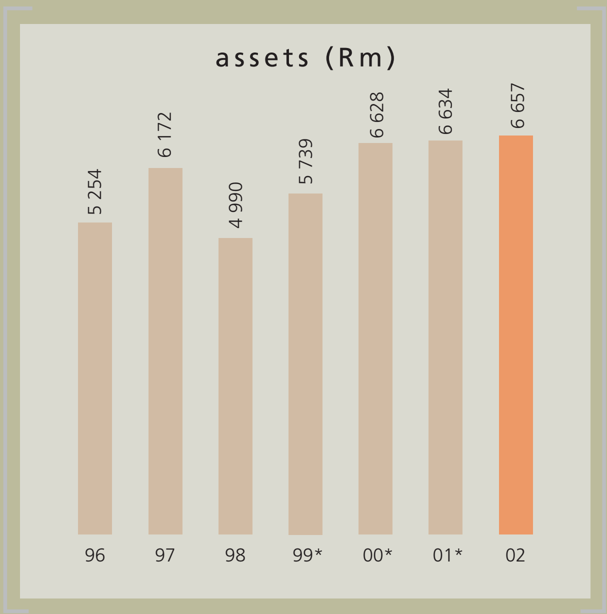
Delivery of innovative insurance products and outstanding service that result in real benefit to customers, suppliers, employees and shareholders whilst ensuring commitment to good corporate citizenship and upholding the highest values

SEVEN-YEAR REVIEW









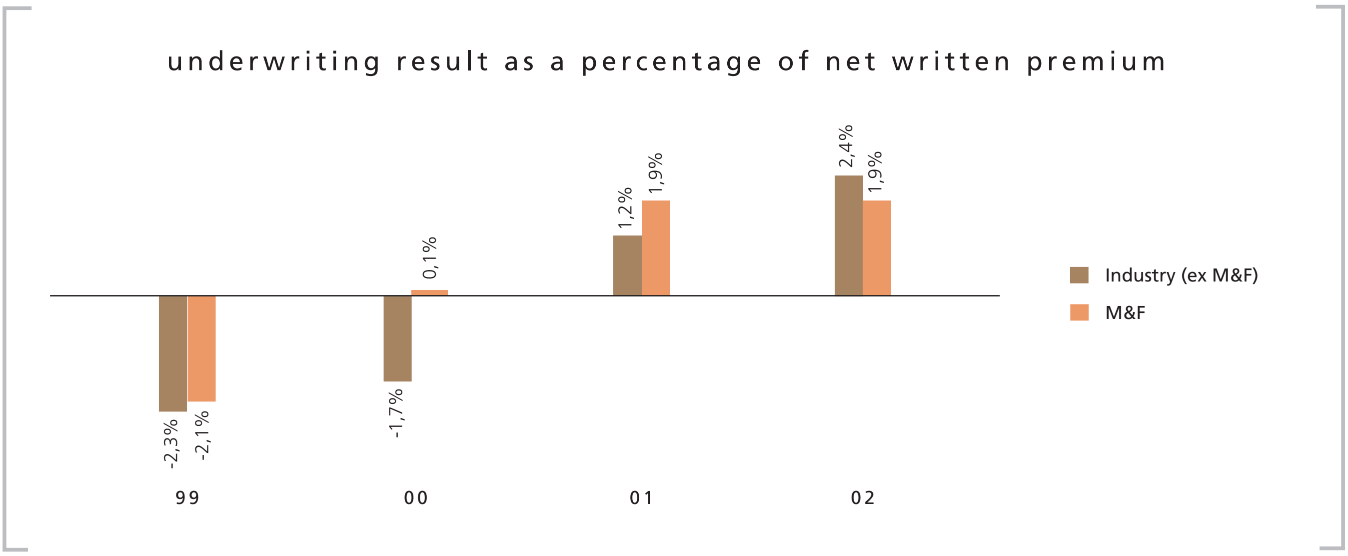
* Special dividends of R1 444 million, R723 million and R848 million were paid in 1999, 2000 and 2001 respectively.

FINANCIAL HIGHLIGHTS

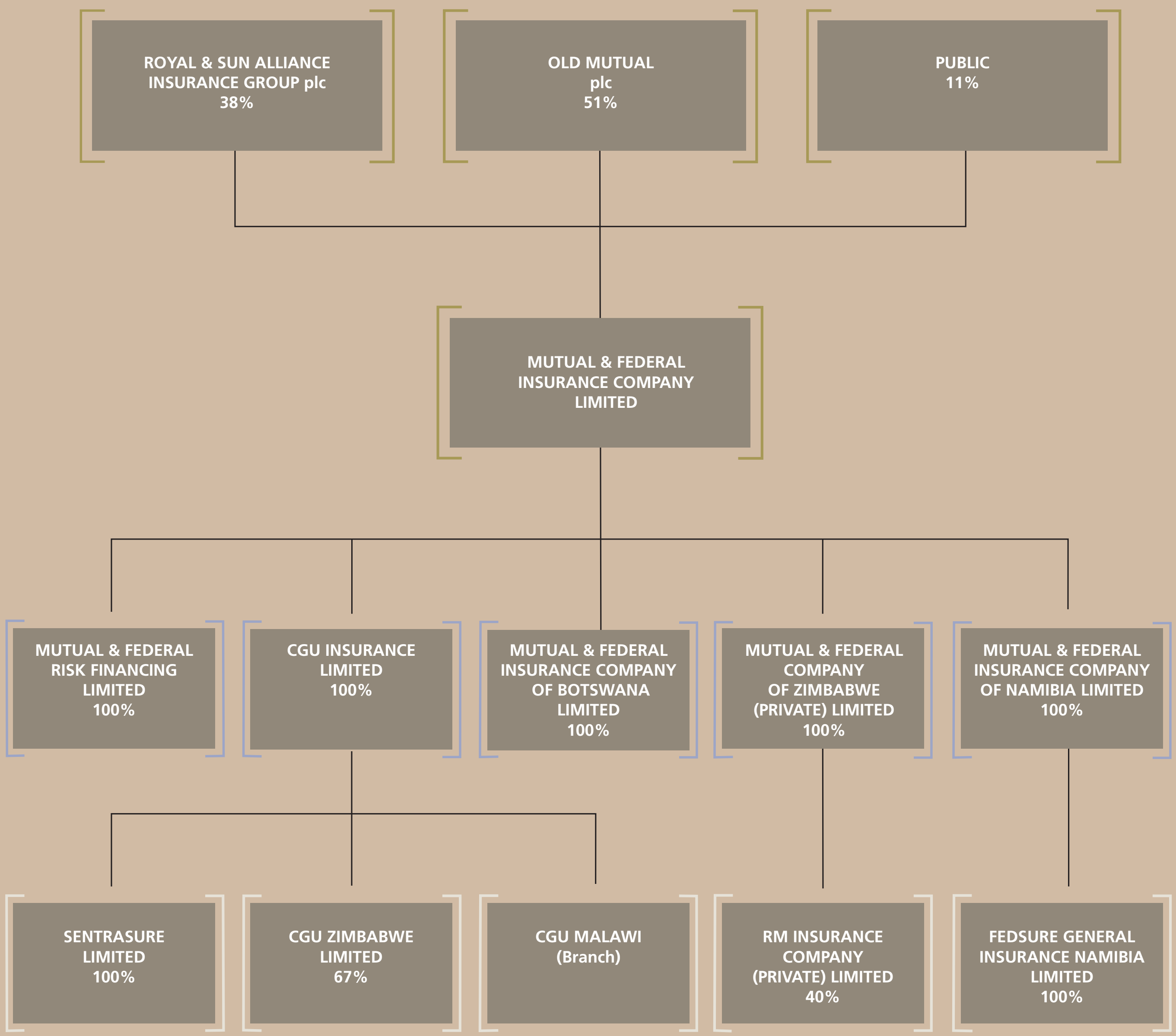
	TARGET	2002	2001	2000
FINANCIAL RESULTS (Rm)				
Net premiums		**4 886**	4 306	3 152
Underwriting surplus/(loss)		**116**	85	(2)
General insurance result		**311**	246	142
Management expense ratio (%)		**8,5**	9,1	8,8
Operating ratio (%)		**97,6**	98,0	100,0
Five-year compound return on shareholders' funds (%)*		**11,2**	10,9	10,7
PERFORMANCE PER ORDINARY SHARE (cents)				
Operating earnings per share		**219**	188	135
Headline (loss)/earnings per share		**(37)**	283	150
Basic (loss)/earnings per share		**(45)**	276	149
Dividends per share				
– Ordinary		**64**	58	58
– Special		**–**	350	300
NET ASSET VALUE PER SHARE (cents)				
Year-end		**1 207**	1 312	1 447
OTHER STATISTICS				
Number of employees at year-end		**3 038**	3 344	3 653
Gross premium per employee (R'000)#		**1 844**	1 441	949
PERFORMANCE OBJECTIVES (%)	TARGET			
Underwriting result as a percentage of earned premiums	4,0	**2,4**	2,0	0,0
General insurance result	8,0	**6,5**	5,7	4,5
Market share	25,0	**20,8**		

*Calculated on the increase in net asset value per share adjusted for dividends paid.

#Based on number of employees at year-end.



GROUP STRUCTURE



*The above represents the operating entities within the group.

GROUP ANCESTRY

MUTUAL & FEDERAL INSURANCE
founded in 1970

NOW INCLUDING

1981 Acquired
BRITISH ENGINE INSURANCE
1990 Acquired
NATIONAL EMPLOYERS' GENERAL INSURANCE
1991 Founded
MUTUAL & FEDERAL INSURANCE OF NAMIBIA
1994 Founded
MUTUAL & FEDERAL INSURANCE OF BOTSWANA
1996 Acquired
PROTEA ASSURANCE GROUP
1998 Acquired
MUTUAL & FEDERAL COMPANY OF ZIMBABWE
2000 Acquired
CGU GROUP
2001 Acquired
FEDSURE GENERAL INSURANCE
NAMIBIA

1921 Founded in South Africa
SA LIBERAL INSURANCE
1955 Renamed
SA MUTUAL FIRE &
GENERAL INSURANCE

1965 Domesticated in South
Africa
ROYAL INSURANCE
GROUP

1836 Founded
LIVERPOOL & LONDON
& GLOBE INSURANCE
1859 Active in South Africa

1899 Founded
CENTRAL INSURANCE
1903 Active in South Africa
1946 Founded in South Africa
CAPITAL ASSURANCE

1845 Founded
ROYAL INSURANCE
1859 Active in South Africa

1851 Founded
WESTERN ASSURANCE
1902 Active in South Africa
1833 Founded
BRITISH AMERICAN
INSURANCE
1902 Active in South Africa
1875 Founded
WARDEN INSURANCE
1907 Founded
LEGAL INSURANCE
1825 Founded
LANCASHIRE INSURANCE

1861 Founded
LONDON & LANCASHIRE
INSURANCE
1862 Active in South Africa

1831 Founded in South Africa
SOUTH AFRICAN FIRE &
LIFE ASSURANCE
1806 Founded
LAW UNION & ROCK
INSURANCE
1890 Founded in South Africa
1904 Founded in South Africa
FEDERAL INSURANCE

CHAIRMAN'S STATEMENT

INDUSTRY OVERVIEW

The improvement in the underwriting account of the short-term insurance industry in 2001 was maintained in 2002 despite considerably higher reinsurance costs being imposed in all classes of business. As reinsurance and other inflationary claims costs continue to escalate further rate increases will become necessary in 2003.

A number of insurance companies ceased operating in South Africa during the year. This trend is likely to continue as international groups refocus their worldwide business models and further rationalisation of the local industry is anticipated.

The environment within which the industry operates experienced regulatory changes with the introduction of a series of new statutes including the Access to Information Act and the Financial Advisory and Intermediary Services Act (FAIS). The FAIS legislation is designed to further entrench consumer protection measures into the financial services industry and in time will replace the Policyholder Protection Rules promulgated in 2001. Despite the increased administrative burden that the additional legislation imposes on business, the new measures are to be welcomed as the industry seeks to improve the quality of service and advice to customers.

Towards the end of 2002 the short-term insurance industry together with the life and banking industries combined to initiate the development of a Charter on Black Economic Empowerment (BEE). While considerable effort is still needed to facilitate BEE it is anticipated that this initiative will have a meaningful impact across the broad spectrum of the South African economy.

GROUP PERFORMANCE

The gross premium income of the group increased by 16% during the year. This includes the results of Fedsure General Insurance Namibia (FGI Namibia) for the full year which accounts for 2% of the increase in premiums.

The underwriting surplus for the year improved from R85 million in 2001 to R116 million in 2002. This result is considered to be satisfactory and was achieved despite the increased cost of reinsurance which adversely impacted all portfolios. The General Insurance Result, which incorporates investment income on policyholder funds, increased by 26% to R311 million.

The motor account continues to be under-priced. Poor driving skills are still prevalent and continue to contribute to the high incidence of claims.

Net income after tax amounted to a loss of R104 million following unrealised investment losses of R700 million. These unrealised investment losses were in line with the general decline in local equity markets during the period under review.

Management remains focused on maximising efficiencies throughout the group and substantially completed the integration of FGI Namibia and the rationalisation of Sentrasure during the year.

DIVIDENDS AND FINANCIAL POSITION

In spite of the decline in the stock market the solvency margin of the group (being the ratio of net assets to net premiums), remains high and was in excess of 60% at year-end.

Ordinary dividends declared during 2002 were 64 cents per share, an increase of 10% on the previous period.

It is anticipated that additional savings will be realised from specific management initiatives to enhance control over the claims process thus improving the underwriting performance

FUTURE PROSPECTS

The recent improvement of the Rand against major international currencies, if sustained, will lead to a reduction in the pressures on claims cost from import inflation. It is also anticipated that additional savings will be realised from specific management initiatives to enhance control over the claims process thus improving the underwriting performance.

Driven by the erosion of worldwide reinsurance capacity the hardening of premium rates in global reinsurance markets is anticipated to continue. Upward pressure on rates in the local insurance market will therefore prevail during 2003 and may also be adversely influenced by the continuation of political instability in certain regions of the world.

Market conditions in the industry are conducive to continued profitability but the prospects for investment earnings in 2003 remain uncertain.

APPRECIATION

During the year Mr RV Mendelsohn resigned from the Board.

Mr Mendelsohn joined the Board in March 1998 and the group was able to benefit from his considerable experience in the international short-term insurance industry.

I would like to extend my thanks to the Board of Directors and our major shareholders, Old Mutual plc and Royal & Sun Alliance plc, as well as our customers and intermediaries who have supported the group during the year.

A special word of thanks must go to the Managing Director and staff for their conscientious commitment to serving the stakeholders of the group.

K. Saggers.

KTM Saggers

Chairman

11 February 2003

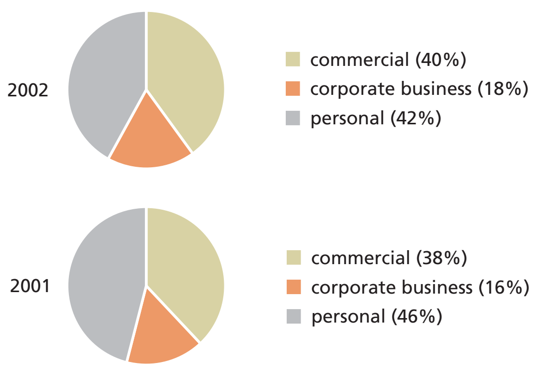
CHIEF EXECUTIVE'S REVIEW

the group achieved an
improved
general insurance
result

I am pleased to report that in 2002 the group achieved an improved General Insurance Result of R311 million from the result of R246 million recorded in the previous year. This was positively influenced by an increase in the underwriting surplus from R85 million to R116 million. The surplus represents a ratio of 2,4% to net earned premiums and is an improvement on the 2,0% achieved in 2001.

The underwriting results for the Commercial and Personal divisions were profitable for the year but Corporate Business division produced a negative outturn. The 2002 year was characterised by a sharp increase in the cost of reinsurance following the hardening of worldwide reinsurance markets in all classes of business. In the Corporate Business division the increased reinsurance terms combined with an adverse claims experience on the fire and marine accounts resulted in an underwriting loss for the period. All the divisional results were influenced by the continuing high incidence of claims in the motor account and a year on year increase of 19% in respect of motor vehicle repair costs.

divisional split of gross premiums



It is anticipated that the hardening of reinsurance rates during 2003 and the need for improved underwriting performance in certain portfolios will provide further pressure on product pricing. Strategic initiatives to extend control over the motor supply chain process and the recent improvement in the strengh of the Rand against foreign currencies are expected to result in a containment of claims costs.

A focus for the company during 2003 will be the improvement of service levels to our intermediary and policyholder base and various initiatives have commenced in this regard. Particular attention is once again being given to the improvement of operational efficiencies and the reduction of administration costs. In addition, the group is involved in the development of a number of new systems which will increase organizational effectiveness and improve staff proficiency.

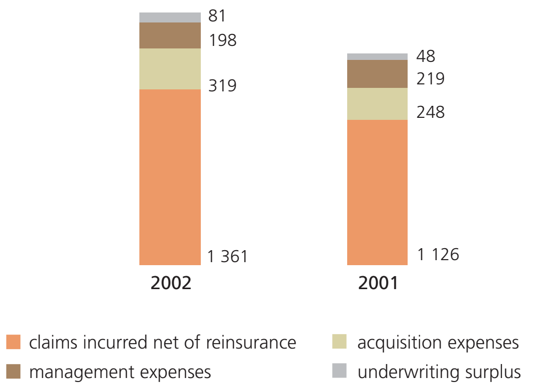
commercial division

The Commercial Division continued to show positive growth during the year. Gross premium income increased from R1,8 billion to R2,2 billion and now represents approximately 40% of the group premium income. The underwriting result improved from a surplus of R48 million in 2001 to a surplus of R81 million in 2002.

The year was characterised by rating increases to correct poorly performing blocks of business. Business which has shown little likelihood of producing a profitable outturn in 2003 has been cancelled.

The property portfolio produced an acceptable result notwithstanding the weather-related losses in the Eastern Cape during the third quarter of the year and the motor portfolio produced a positive result despite the escalating cost of motor repairs and the high incidence of motor vehicle accidents.

commercial division underwriting result



from left to right

NEIL VINCENT-LAMBERT
BRADLEY KUHN
MERRICK OESCHGER

The emergence of large-scale computer theft by crime syndicates has changed the risk profile of this component of the accident account resulting in a performance well below acceptable levels of profitability.

It is considered, however, that the corrective measures implemented in 2002 will place the division in a strong position to ensure continued profitability and growth through 2003.

the division continued to show positive growth

CHIEF EXECUTIVE'S REVIEW (continued)

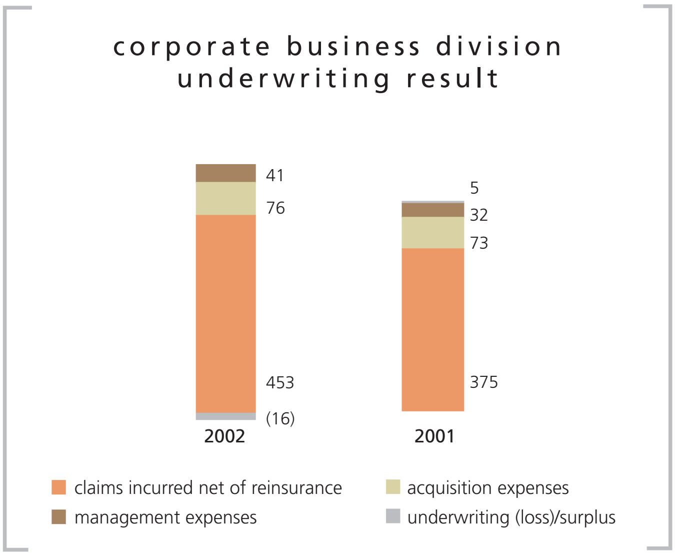
corporate business division

Gross premiums within the division grew from R781 million in 2001 to R1 043 million in 2002 and the division contributes 18% of group premium income.

The overall outturn was an underwriting loss of R16 million compared to a surplus of R5 million in 2001.

Despite significant rating and premium increases, the level of claims in the fire and marine accounts resulted in underwriting losses in both portfolios. This was exacerbated by a significant increase in the cost of quality reinsurance in 2002 following the World Trade Centre disaster in late 2001.

The South African insurance industry has experienced a reduction in the number of insurers able to offer corporate business insurance solutions to meet the needs of the market. It is anticipated that this will contribute to



business being rated on a more realistic basis in relation to the risk profile and management is accordingly optimistic that the division will deliver significantly improved results in future years.

The Risk Financing sector of the market remains highly competitive with narrow profit margins. Despite this the Risk Financing department of the company continues to meet its strategic objectives through high levels of expertise and client service and has succeeded in increasing its market share accordingly. Net premiums written in this department grew from R287 million in 2001 to R421 million.

meet strategic objectives through high levels of expertise and client service

from left to right

CHRIS GRIEVE
CHRIS KEMP

personal division

Allsure recorded an underwriting surplus of R49 million

The Personal Division provides insurance cover to individuals through a range of products which are marketed primarily through the Allsure branded product and through Group Schemes products.

Gross premium income grew to R2,3 billion from R2,2 billion in 2001. The division accounts for approximately 42% of the premiums of the group, and achieved an underwriting surplus of R51 million for the year in comparison to a surplus of R32 million in 2001.

from left to right

DAVE VAN ALPHEN-STAHL
HENRY APPLEBY
IAN JURGENSEN
JONATHAN GOLDING
JONOTHAN SOAMES

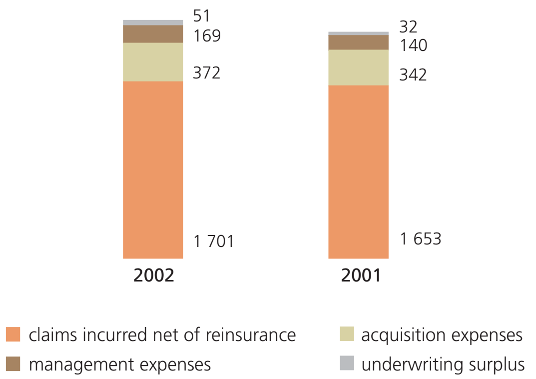
The main domestic insurance product, Allsure, performed well and recorded an underwriting surplus of R49 million which is significantly higher than the surplus of R17 million recorded in 2001.

The houseowners book of business achieved a claims ratio of 48% for the year and an underwriting surplus of R10 million.

The Group Schemes portfolio, which represents more than 49% of the business of the division, continued to experience difficult trading conditions and produced an underwriting deficit of R8 million.

Client data for Group Schemes often resides on intermediary or third party systems and is outside the direct control of the underwriter. A focus of this division has been to apply increased control over these data bases to ensure that product rating is adjusted where appropriate and underwriting standards are maintained at the expected levels. This resulted in an improved performance in the second half of the year.

personal business underwriting result



CHIEF EXECUTIVE'S REVIEW (continued)

claims division

The claims division processed 461 000 claims during 2002 totaling R3,5 billion and this compares to 432 000 claims with a value of R3,2 billion in 2001.

The strategic objective of the division is to provide the company with a competitive advantage through the provision of a cost effective, fair and fast claims service to clients. This is underpinned by strategic initiatives to:

- reduce claims spend,
- improve service, and
- reduce claims administration expenses.

A reduction in claims spend will be brought about by combating fraud and maximising the benefits of the buying power of the company. The latter is achieved through capitalising on bulk procurement opportunities and focusing on the monitoring, controlling and auditing of suppliers costs. An initiative has commenced to improve control of the motor claims process to enhance the service provided to our client base and simultaneously reduce the motor claims spend.

The quality of service to our clients will be improved by electronic procurement of goods, and "fast-tracking" smaller, less complex claims for which payment is facilitated through the use of electronic funds transfer. Over 70% of property damage for personal and commercial clients are now "fast-tracked" and the majority are settled within 48 hours of intimation.

The control of claims administration expenses has been further improved through greater efficiencies in the allocation of staff resources, the monitoring of performance standards, and the application of technology.

from left to right

HOWARD COHEN
KEITH KENNEDY
MARIETTE HENDRIKS

services division

The services division has continued to provide the levels of support required by the organisation in pursuit of core activities and the delivery of shareholder value. The division provides a variety of services to the organisation including Human Resource, Training, Financial, Accounting and Information Technology which enables the organisation to effectively deliver value to its client base.

Attention continues to be directed to exploiting and maximising synergy savings from shared services enabling the organisation to achieve its objective to become one of the lowest cost service providers in the industry whilst delivering service excellence to clients and intermediaries.

A review of the future business information requirements of the company has been undertaken and has culminated in a project to design and implement a comprehensive business intelligence system to meet the future needs of the business. The design phase of this project commenced in the last quarter of 2002 and it is anticipated that benefits will flow from the second half of 2003.

Several e-business initiatives were launched during 2002 and will come to fruition during 2003. These include provision of an improved intermediary data interrogation system as well as a number of business to business projects that will improve the business process to the advantage of client and intermediary.

CONCLUSION

The strong loyalty of our intermediaries, policyholders and other stakeholders is fundamental to the success of the company and is very much appreciated.

I would also like to thank management and staff for their support and continuing efforts to meet the needs of our clients.

B Campbell

Managing Director

11 February 2003

from left to right

BRIAN LAIRD-SMITH
GARY BENTON
IAN WILLIAMSON
KEITH WISHART
PIETER BEZUIDENHOUT

DIRECTORATE AND EXECUTIVE TEAM

DIRECTORATE

				Date of appointment to Board
	Chairman			
+	K T M Saggers	(66)		1985
	Deputy Chairman			
	M J Levett	(63)	B.Com., D.Econ.Sc. (h.c.), F.I.A., F.F.A., F.A.S.S.A.	1976
	Managing Director			
	B Campbell	(52)	B.A., M.B.L., F.C.I.I.	1998
#+**	R J Gunn	(57)	B.Sc.	2001
#+*	R O Hudson	(50)	B.Sc. (Econ.) Hons., M.B.A., F.C.I.I.	1999
	A M Hyatt	(65)	B.A., F.I.V. (S.A.)	1996
#	C F Liebenberg	(68)	C.A.I.B. (S.A.), F.I.B.S.A., AMP (Harvard)	1996
+	R P Menell	(47)	B.A. (Hons.), M.A., M.Sc.	1996
#+*	J V F Roberts	(45)	B.A., F.C.A., M.C.T.	2000
#	E P Theron	(61)	B.Com., LL.B.	1996
#+	R A Williams	(62)	B.A., LL.B.	1995

* British
** Canadian
\# Member of the Audit Committee
\+ Member of the Remuneration and Nomination Committee

EXECUTIVE

			Date of appointment to executive
Managing Director			
B Campbell	(52)	B.A., M.B.L., F.C.I.I.	1988
Executive General Managers			
H J C Appleby	(54)	F.C.I.I.	1997
P Bezuidenhout	(41)	B.Compt. (Hons.), C.A. (S.A.), CISA	1999
K N Kennedy	(51)	F.C.I.S., F.C.M.A., A.C.I.I.	2000
M W Oeschger	(37)		2000
D van Alphen-Stahl	(49)	F.C.I.I.	1997
General Managers			
G M Benton	(51)	B.Com., C.A. (S.A.), F.C.A.(U.K.)	2000
H T Cohen	(51)	B.A., LL.B.	1998
J A Golding	(52)	M.C.S.S.A.	1997
C G Grieve	(42)		2000
M Hendriks	(44)	B.A., A.C.I.I., M.B.L.	2000
I Jurgensen	(53)	F.C.I.I.	1997
C P Kemp	(50)	B.Com., C.A. (S.A.), F.S.R.M.	1998
B J Kuhn	(41)		2002
B R Laird–Smith	(49)	B.Com., C.A. (S.A.)	1995
J C Soames	(41)		2000
N Vincent-Lambert	(59)	A.C.I.I.	2000
I M Williamson	(47)	M.Comm.	2000
K Wishart	(53)		2002

CORPORATE GOVERNANCE

Mutual & Federal is committed to the objective of achieving high standards of corporate governance and internal control and to fair dealing, integrity, openness and accountability to all stakeholders. Directors and employees are expected to conduct themselves and the business in a manner which reflects this long-term commitment to ethical behaviour.

The company endorses the King Report Code of Corporate Practices and Conduct and has various mechanisms in place to monitor conduct and ensure compliance. The company complies in all material respects with the provisions of the Code. A summary of current compliance with the King code is as follows:

BOARD OF DIRECTORS AND BOARD COMMITTEES

The company has a unitary board structure which comprises one executive director, five connected non-executive directors and five independent non-executive directors. The position of Chairman and Chief Executive are separate. The Chairman of the Board is an independent non-executive director.

Non-executive directors complement the skills and experience of the executive directors contributing to the formulation of policy and decision making through their knowledge and experience.

The Board meets four times per annum plus additionally as required to deal with specific matters requiring board attention. It is responsible for the strategic direction of the company plus the monitoring of operational performance and decision making on major issues.

The Board and its committees are supplied with full and timely information by management to enable them to discharge their duties. A Company Secretary is in place to provide information, services and advice to all members of the Board. They may also seek independent professional advice on the affairs of the company, should this be considered appropriate.

All directors are subject to retirement and re-election by the shareholders every three years.

A number of standing committees of the Board have been established. These committees operate with written terms of reference and comprise of non-executive directors.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises six non-executive directors and determines the terms of employment and remuneration of company executives and approves overall remuneration levels of other grades of staff. In addition it is responsible for making recommendations to the Board on the appointment of directors and the structure of the Board. The committee is chaired by Mr Saggers and met twice in 2002.

Audit Committee

The Audit Committee, which met twice during the year, comprises six non-executive directors and is chaired by Mr Williams. The role of the Audit Committee is to assist the Board by performing an objective and independent review of the functioning of finance, risk and accounting mechanisms in the organisation. It performs its functions through close co-operation and communication with management and the internal and external auditors, who have unrestricted access to members of this committee.

The Group Risk Management committee is a sub-committee of the Audit Committee and comprises three members of executive management and is chaired by Mr Campbell. It reviews risk management and compliance procedures throughout the group to ensure that appropriate controls are in place to address those risks.

ACCOUNTABILITY AND AUDIT

Internal control environment

The Board has overall responsibility for the system of internal control of the group and for reviewing its effectiveness. The role of executive management is to implement Board policies on risk and control. The group's internal control structures are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the annual financial statements, that assets are adequately safeguarded against material loss and that transactions are properly authorised and recorded. Such controls are based on established written policies and procedures which are monitored and applied by skilled personnel with an appropriate segregation of duties through clearly defined lines of accountability and delegation of authority. Nothing has come to the attention of the directors to indicate that any material breakdown of the functions of the group's key internal controls and systems occurred during the period under review.

Internal audit

The group's internal audit department carries out regular risk focused reviews of the systems of internal control. It operates independently of executive management, reporting to the General Manager responsible for audit on a functional basis. Internal audit has unrestricted access to the Audit Committee and Board of Directors. An internal audit charter, reviewed and approved by the Audit Committee, governs internal audit activity within the company and is conducted in accordance with its annual audit plan. Progress against the audit plan is reported to the Audit Committee.

Risk management

The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed. Risk management is a Board responsibility. A comprehensive risk management profile has been developed for the group and specific responsibility for the management of these risks has been assigned to executive management. Operational and financial risks are managed through detailed systems of operating and financial controls. Disaster recovery and business continuity plans to ensure the provision of ongoing information technology services and other essential facilities in the event of a disaster are being developed on an ongoing basis.

Reinsurance plays an extremely important role in the management of risk and exposure at Mutual & Federal. We make use of a combination of proportional and non-proportional reinsurance to limit the impact of both individual and event losses on our balance sheet and to build up capacity. Our involvement in any property catastrophe loss is limited to R40 million for any one event and we have taken a strategic decision to participate with co-reinsurance lines on the first two layers of the programme for 2003. The amount of catastrophe cover bought is based on estimated maximum loss scenarios and is in keeping with accepted market norms.

Reinsurance costs continue to increase albeit at a reduced rate. Our 2003 programme has been placed in accordance with our policy of using only reinsurers with acceptable security ratings.

The worldwide trend towards more restrictive reinsurance cover continues with reinsurers requiring additional exclusions and tighter treaty terms and conditions. The storm losses that occurred in the latter half of 2002 did not affect our property catastrophe programme which has been loss free since 2000. Proportional treaty results improved in 2002 on the back of increases in underlying rates and the absence of significant market losses. An unusual increase in the size and number of marine losses during 2002 had a significant impact on the marine treaties.

Code of ethics

The group has a formal code of ethics that has been approved and adopted by the Board of Directors. Employees of the group are issued a copy of the code and are required to signify their acceptance of the code provisions. The code is consistent with the principles of integrity, honesty, ethical behavior and compliance with all laws and regulations. All employees are also required to adhere to the provisions of the group's internet, intranet and electronic mail policies.

Financial statements

Management of the company is responsible for the preparation of annual financial statements and related financial information in a manner that is accurate and fairly presents the company's performance and financial position. Financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice 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 that not only provide insight into performance over the past year, but also give an indication of company expectations for the year ahead.

Going concern

The directors have no reason to believe that the operations of the group will not continue as a going concern in the year ahead.

STAKEHOLDER INVOLVEMENT

Investor relations

The company is committed to a process of continuing communication with its stakeholders. Following results declarations and major corporate actions, the company makes appropriate contact with investors and intermediaries.

Black Economic Empowerment

The company has been party to the development of the Black Economic Empowerment charter for the Financial Services sector and has committed itself to achieving the targets laid down in this document.

Employment Equity

The strategic plan of the organisation includes interventions to support the transformation process, to develop our workforce in support of the spirit of legislation.

All the in-house training programmes, accelerated trainee schemes and staff bursary scheme take cognisance of this commitment.

The planned target levels and levels of achievement are set out in the following table:

EMPLOYMENT EQUITY STATISTICS

(SA only excluding Namibia, Malawi and Botswana)

	Current			Target: FY 2005		
	Permanent employees	Total designated	% designated	Permanent employees	Total designated	% designated
Senior management	72	9	12,5%	75	18	24%
Middle management/ supervisory/specialist	1 003	624	62,2%	1 146	778	67,9%
Skilled	1 473	1 369	92,9%	1 911	1 777	93%
Elementary occupations	132	125	94,7%	132	125	94,7%
Total	2 680	2 127	79,3%	3 264	2 698	82,7%

*The term designated employee refers to those employees designated in terms of the Employment Equity Act.

HIV/AIDS awareness programme

An awareness and prevention programme has been established for employees of the company.

CLOSED PERIOD OF TRADING

During periods of corporate action which could result in the availability of information of a price sensitive nature, the company imposes a closed period for trading in its shares on management and directors for an appropriate period in advance of the publication of its interim and final results.

build self-reliance and self-esteem

The corporate social responsibility programme of Mutual & Federal has been in place for a number of years and follows a decision to commit a certain proportion of the group resources to this initiative. The programme is long-term in nature and addresses strategic themes that reflect the priorities of the nation at large or those issues which have special ongoing significance for a major insurer with an enduring commitment to the South African market.

As a result, the group undertakes consistent investment in areas such as education, health and welfare, housing, the elderly, youth, road traffic safety, crime prevention and conservation or environmental projects. Within this broad strategic framework there is focus on specific challenges such as HIV/AIDS, the task of providing for the growing number of orphans and the effort to combat educational backlogs.

When deciding on the allocation of funds the group has a preference for efforts that build self-reliance and self-esteem at community level and Mutual & Federal prefers to offer a 'hand up' rather than a 'handout'. In accordance with the long-term objectives of the scheme, there is perceived to be limited benefit in encouraging a culture of dependency. A commitment to self-help and self-actualisation is accordingly far more appropriate within a young, developing nation. This philosophy underpins the relationship with numerous partners of our corporate social responsibility programme.

The group sincerely endeavours to improve the quality of life for a number of people in specific areas of need. The programme therefore has long-established relationships with several partners, including the Nelson Mandela Children's Fund, the AIDS Foundation, Cotlands Baby Sanctuary, the Read Educational Trust and the World Wildlife Fund. This list of partners is periodically amended as new challenges arise or needs become particularly acute.

The relevance of the strategic allocations made in terms of the programme were confirmed by events during the year under review. Studies indicate that AIDS-related illness is now the largest cause of death among adult South Africans whilst the number of road deaths continues to appal the nation and young people still contend with educational backlogs. Mutual & Federal was accordingly proud to be associated with initiatives to provide some relief in these areas of need.

It is evident that the challenges are not receding, but the group remains determined to make a difference wherever it is able.

SUPPLEMENTARY INCOME STATEMENTS

for the year ended 31 December 2002

	Group		Company	
	2002	2001	2002	2001
	Rm	Rm	Rm	Rm
TECHNICAL ACCOUNT				
Gross premiums	5 603	4 820	4 328	3 447
Less: Reinsurance premiums	717	514	563	368
Net premiums	4 886	4 306	3 765	3 079
Change in provision for unearned premiums	(80)	(13)	50	(185)
Gross amount	(213)	(25)	(27)	(221)
Reinsurers' share	133	12	77	36
Earned premiums net of reinsurance	4 806	4 293	3 815	2 894
Claims incurred net of reinsurance	3 515	3 154	2 822	2 196
Acquisition expenses	767	663	626	461
Management expenses	408	391	368	321
Underwriting surplus/(loss)	116	85	(1)	(84)
Investment return on insurance activities	195	161	146	144
General insurance result	311	246	145	60
Long-term investment return on shareholders' funds	387	393	370	381
Operating income based on long-term investment return	698	639	515	441
NON-TECHNICAL ACCOUNT				
Short-term investment fluctuations	(700)	299	(569)	285
Dividends, interest and property income	306	341	546	575
Realised surplus on investments	313	553	301	301
Unrealised deficit on investments	(737)	(41)	(900)	(66)
Allocated investment return transferred to technical account	(582)	(554)	(516)	(525)
Goodwill and retrenchment costs	(37)	(18)	(10)	–
(Loss)/income before taxation	(39)	920	(64)	726
Taxation	(65)	(280)	(25)	(70)
(Loss)/income after taxation	(104)	640	(89)	656
Share of associated companies' retained income	(6)	25	(6)	24
Attributable to minority shareholders	–	1	–	–
Net (loss)/income	(110)	666	(95)	680
Operating earnings per share	219	188		

Explanation:

The above Supplementary Income Statement is presented to provide a clear understanding of the results of underwriting and investment activities of the group. In addition a smoothed investment return is shown to provide an indication of the long-term sustainable investment result.

The Supplementary Income Statement is separated into:

(a) A technical account

The technical account includes a long-term investment return of 14% on both:

(i) funds generated by the insurance activities;

(ii) shareholders' funds.

(b) A non-technical account

The non-technical account includes all non-insurance related activities including investments, and above mentioned allocated investment returns transferred to the technical account.

The investment return on investments supporting insurance activities is allocated to the technical account in determining the General Insurance Result. In addition, the long-term return on investments supporting shareholders' funds is allocated from the non-technical account to the technical account in determining an operating income based on the long-term investment return.

The long-term investment return on shareholders' funds is an estimate of the long-term trend investment return for the relevant category of investments having regard to past performance, current trends and future expectations.

for the year ended 31 December 2002

OPERATING EARNINGS PER SHARE

Operating earnings per share are calculated on net income adjusted for goodwill, retrenchment costs and short-term investment fluctuations net of taxation of R531 million (2001: R453 million). The calculation is based on a weighted average of 242 781 580 (2001: 241 557 936) shares in issue during the period.

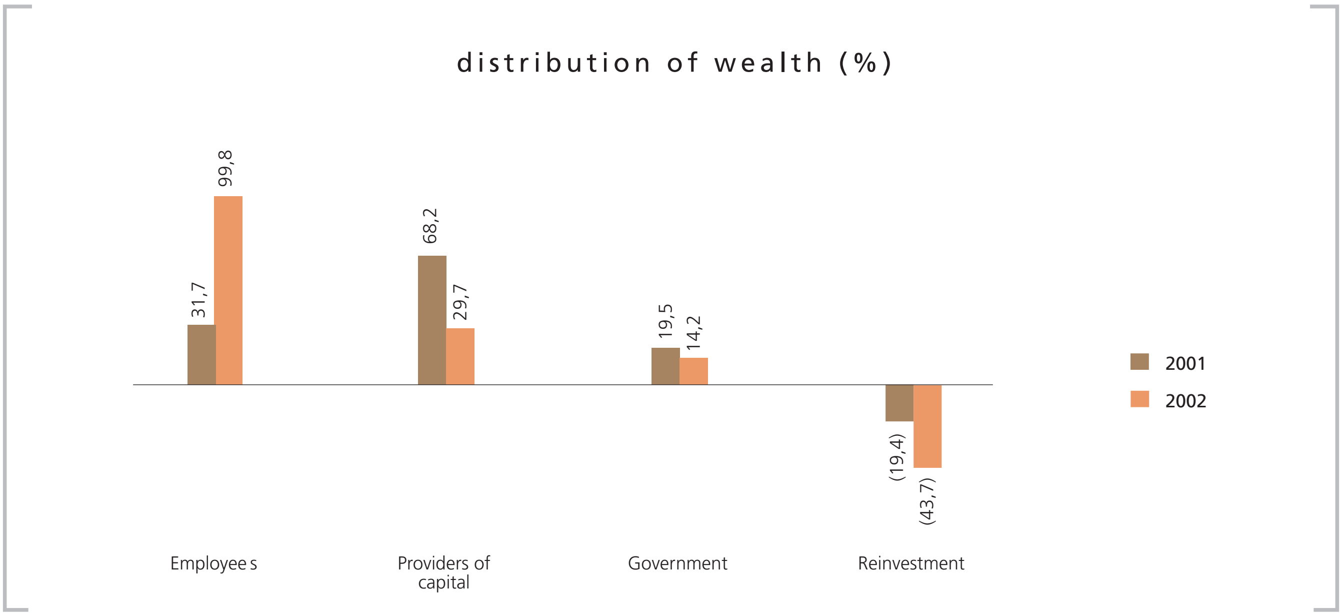
	Group	
	2002	2001
Reconciliation of operating earnings per share	**Rm**	Rm
Net (loss)/income	**(110)**	666
Goodwill	**21**	18
Retrenchment costs	**16**	–
Short-term investment fluctuations	**700**	(299)
Taxation effect of short-term investment fluctuations	**(96)**	68
	531	453

COMPARISON OF THE GROUP AGGREGATE ACTUAL RETURN TO CALCULATED LONG-TERM RETURN

	2002	2001	2000	1999
	Rm	Rm	Rm	Rm
Actual returns	**(118)**	853	527	2 346
Long-term returns	582	554	525	632
Excess aggregate short-term fluctuations	**(700)**	299	2	1 714

CASH VALUE ADDED STATEMENTS

	Group 2002 Rm	Group 2001 Rm
Value added is a measure of the wealth the group has been able to create. The following statement shows how this wealth has been distributed.		
VALUE ADDED		
Gross premiums	5 603	4 820
Reinsurance premiums	(717)	(514)
Claims paid and cost of other services	(4 291)	(3 737)
	595	569
Investment (deficit)/income	(124)	878
Total wealth created	471	1 447
VALUE DISTRIBUTED		
Employee benefits	470	459
Government	67	282
Direct and deferred taxation on income	55	205
Secondary tax on companies	10	75
Regional Service Council levies	2	2
Shareholders	140	987
	677	1 728
Retained for investment and future support of business	(206)	(281)
Depreciation	45	41
Retained deficit before transfer to reserves	(342)	(374)
Compulsory reserves for future support of business	91	52
	471	1 447



GROSS AND REINSURANCE UNDERWRITING RESULTS

for the year ended 31 December 2002

	Group		Company	
	2002	2001	2002	2001
	Rm	Rm	Rm	Rm
GROSS ACCOUNT				
Gross premiums	5 603	4 820	4 328	3 447
Change in provision for unearned premiums	(213)	(25)	(27)	(221)
Earned premiums	5 390	4 795	4 301	3 226
Claims incurred	3 878	3 571	3 140	2 484
Acquisition expenses	878	740	711	510
Management expenses	408	391	368	321
Gross underwriting surplus/(loss)	226	93	82	(89)
REINSURANCE (LOSS)/SURPLUS	(110)	(8)	(83)	5
Premiums paid	(717)	(514)	(563)	(368)
Change in provision for unearned premiums	133	12	77	36
Earned premiums	(584)	(502)	(486)	(332)
Claims recovered	363	417	318	288
Commissions received	111	77	85	49
NET UNDERWRITING SURPLUS/(LOSS)	116	85	(1)	(84)

CONVENIENCE STATEMENTS

Group 2002 £m	Group 2001 £m		Group 2002 Rm	Group 2001 Rm
		BALANCE SHEETS AS AT 31 DECEMBER 2002		
		ASSETS		
218	238	Non-current assets	3 016	4 151
11	8	Fixed assets	157	143
188	214	Investments at market value	2 595	3 728
7	6	Investment in associated companies	96	101
12	10	Goodwill	163	179
–	–	Deferred taxation	5	–
53	29	Reinsurers' share of technical provisions	733	500
11	7	Deferred acquisition costs	151	127
200	106	Current assets	2 757	1 856
482	380		6 657	6 634
		LIABILITIES		
213	182	Capital and reserves	2 937	3 178
–	–	Interest of outside shareholders in subsidiaries	2	3
17	24	Non-current liabilities	240	415
210	147	Gross technical liabilities	2 898	2 557
42	27	Current liabilities and provisions	580	481
482	380		6 657	6 634
		INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002		
355	389	Gross premiums	5 603	4 820
309	347	Net premiums	4 886	4 306
7	7	Net underwriting surplus	116	85
12	13	Investment return on insurance activities	195	161
19	20	General insurance result	311	246
25	32	Long-term investment return on shareholders' funds	387	393
44	52	Operating income based on long-term investment return	698	639
(44)	24	Short-term investment fluctuations	(700)	299
(2)	(1)	Goodwill and retrenchment costs	(37)	(18)
(2)	75	(Loss)/income before taxation	(39)	920
(4)	(23)	Taxation	(65)	(280)
(6)	52	(Loss)/income after taxation	(104)	640
–	2	Minority shareholders/share of associates	(6)	26
(6)	54	Net (loss)/income	(110)	666
0,06334	0,08070	Average rate	1,00000	1,00000
0,07239	0,05738	Closing rate	1,00000	1,00000

REPORT OF THE INDEPENDENT AUDITORS

To the members of Mutual & Federal Insurance Company Limited.

We have audited the annual financial statements and group annual financial statements of Mutual & Federal Insurance Company Limited as set out on pages 29 to 49 for the year ended 31 December 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and of the group at 31 December 2002 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

M Bosman

KPMG Inc.
Per M Bosman
Partner
Chartered Accountants (S.A.)
Registered Accountants and Auditors

11 February 2003

CERTIFICATE BY COMPANY SECRETARY

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2002, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

G M Benton

G M Benton
Company Secretary

11 February 2003

DIRECTORS' REPORT

The directors have approved the accompanying financial statements and take pleasure in presenting their report.

NATURE OF BUSINESS

Mutual & Federal Insurance Company Limited transacts all classes of short-term insurance business.

SHARE CAPITAL

The authorised share capital remained unchanged at 350 000 000 shares of 10 cents each. During the year 1 104 400 shares were issued at a premium of R8 252 542.

GROUP RATIONALISATION SCHEME

In terms of a scheme of rationalisation approved by the directors, shareholders and South African Revenue Services, all the assets and liabilities of the subsidiaries as listed on pages 50 and 51, have been transferred to Mutual & Federal Insurance Company Limited with effect from 1 January 2002.

PREMIUM INCOME

Gross premiums for the year totalled R5 603 million (2001: R4 820 million). After deduction of reinsurance premiums of R717 million (2001: R514 million), net premiums amounted to R4 886 million (2001: R4 306 million).

UNDERWRITING RESULTS

There was an underwriting profit of R116 million for the year compared to R85 million for the previous year.

CONTINGENCY RESERVE

The current year's financial statements include a transfer of R91 million (2001: R52 million) to the contingency reserve as provided by the Short-term Insurance Act. The group's contingency reserve now stands at R423 million (2001: R331 million) which fully meets the requirements of the Act.

INVESTMENT INCOME

Dividends, interest and property income net of expenses amounted to R306 million for the year (2001: R341 million), whilst the realised and unrealised deficit on investments amounted to R424 million (2001: surplus R512 million).

ORDINARY DIVIDENDS

An interim dividend of 22 cents per share was declared payable in September 2002 (2001: 22 cents). A final dividend of 42 cents per share (2001: 36 cents) has been declared payable on or about 20 March 2003. The total ordinary dividend for the year is therefore 64 cents (2001: 58 cents).

	Year-ended 2002 Rm	2001 Rm
PROFITS AND DIVIDENDS		
(Loss)/income before taxation	(39)	920
Taxation	65	280
Current	177	92
Deferred	(122)	113
Secondary tax on companies	10	75
	(104)	640
Share of associated companies/minority shareholders	(6)	26
Net (loss)/income	(110)	666
Retained income from previous year	2 732	3 106
	2 622	3 772
Appropriations		
Transfer to contingency reserve	92	52
Dividends paid	140	988
Retained income at end of period	2 390	2 732
	2 622	3 772

DIRECTORS

Mr R V Mendelsohn resigned on 11 September 2002. The names of the directors appear on page 18 and that of the secretary of the company, together with his business and postal addresses, appears on page 60.

In terms of the company's articles of association, the following directors retire by rotation at the thirty-second annual general meeting but, being eligible, offer themselves for re-election:

R O Hudson, C F Liebenberg, R P Menell, E P Theron.

DIRECTORS' SHAREHOLDINGS

Details of shareholdings of directors are shown below. No material change in these holdings has taken place since 31 December 2002.

	Non-beneficial		Beneficial	
Director	2002	2001	2002	2001
B Campbell	500	500	34 000	4 000
R J Gunn	500	500	–	–
R O Hudson	500	500	–	–
A M Hyatt	500	500	–	–
M J Levett	500	500	863 600	863 600
C F Liebenberg	500	500	40 000	40 000
R V Mendelsohn	–	500	–	–
R P Menell	500	500	–	–
J V F Roberts	500	500	–	–
K T M Saggers	500	500	259 100	259 100
E P Theron	500	500	–	–
R A Williams	500	500	–	–
	5 500	6 000	1 196 700	1 166 700

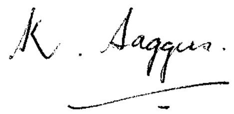
BOARD MEETINGS

The Board meets at least four times per annum. Attendance of directors at Board meetings for the year was as follows:

	12 February 2002	7 May 2002	26 July 2002	12 November 2002
Executive Directors				
B Campbell	✓	✓	✓	✓
Non-executive Directors				
R J Gunn	✗	✗	✗	✗
R O Hudson	✗	✓	✓	✓
A M Hyatt	✗	✓	✓	✗
M J Levett	✓	✓	✓	✓
C F Liebenberg	✗	✓	✓	✓
R V Mendelsohn	✓	✗	✗	–
R P Menell	✓	✓	✓	✓
J V F Roberts	✓	✓	✓	✓
K T M Saggers	✓	✓	✓	✓
E P Theron	✓	✓	✓	✓
R A Williams	✓	✓	✓	✓

HOLDING COMPANIES

The immediate holding company is Mutual & Federal Investments Limited and the ultimate controlling shareholder is Old Mutual plc.



K T M Saggers
Chairman

B Campbell
Managing Director

11 February 2003

BALANCE SHEETS

at 31 December 2002

	Notes	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
ASSETS					
Non-current assets		3 016	4 151	2 794	4 066
Property and equipment	1	157	143	155	138
Investments at market value	2	2 595	3 728	1 576	2 044
Interest in subsidiary companies	3	–	–	970	1 793
Interest in associated companies	4	96	101	88	91
Goodwill	5	163	179	–	–
Deferred taxation	9	5	–	5	–
Technical assets		884	627	705	536
Reinsurers' share of provision for unearned premiums		286	154	208	131
Reinsurers' share of outstanding claims		447	346	388	301
Deferred acquisition costs		151	127	109	104
Current assets		2 757	1 856	1 854	966
Agents' and reinsurers' balances		599	558	396	355
Debtors		369	363	132	237
Deposits with reinsurers		2	4	2	4
Taxation paid in advance		2	19	–	19
Cash and cash equivalents		1 785	912	1 324	351
Total assets		6 657	6 634	5 353	5 568
EQUITY AND LIABILITIES					
Capital and reserves		2 937	3 178	2 823	3 049
Share capital and share premium	6	124	115	124	115
Non-distributable reserve					
Contingency reserve		423	331	381	314
Distributable reserve					
Retained income		2 390	2 732	2 318	2 620
Interest of outside shareholders in subsidiaries		2	3	–	–
Non-current liabilities		240	415	63	127
Interest bearing	7	100	150	–	–
Non-current provisions	8	93	101	63	55
Deferred taxation	9	47	164	–	72
Technical provisions		2 898	2 557	2 154	2 027
Gross provision for unearned premiums		1 093	878	658	631
Gross outstanding claims		1 751	1 647	1 455	1 366
Deferred reinsurance commission revenue		54	32	41	30
Current liabilities		580	481	313	365
Agents' and reinsurers' balances		264	189	154	161
Deposits by reinsurers		79	38	49	38
Creditors		127	194	59	134
Current provisions	8	41	56	40	32
Taxation payable		69	4	11	–
Total equity and liabilities		6 657	6 634	5 353	5 568

INCOME STATEMENTS

for the year ended 31 December 2002

	Notes	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
Gross premiums		5 603	4 820	4 328	3 447
Less: Reinsurance premiums		717	514	563	368
Net premiums		4 886	4 306	3 765	3 079
Change in provision for unearned premiums		(80)	(13)	50	(185)
Gross amount		(213)	(25)	(27)	(221)
Reinsurers' share		133	12	77	36
Earned premiums net of reinsurance		4 806	4 293	3 815	2 894
Claims incurred net of reinsurance	10	3 515	3 154	2 822	2 196
Acquisition expenses	11	767	663	626	461
Management expenses	12	408	391	368	321
Underwriting surplus/(loss)		116	85	(1)	(84)
Investment (deficit)/income		(118)	853	(53)	810
Dividends, interest and property income	13	306	341	546	575
Realised surplus on investments		313	553	301	301
Unrealised deficit on investments	13	(737)	(41)	(900)	(66)
Goodwill and retrenchment costs	14	(37)	(18)	(10)	–
(Loss)/income before taxation		(39)	920	(64)	726
Taxation	15	(65)	(280)	(25)	(70)
(Loss)/income after taxation		(104)	640	(89)	656
Share of associated companies' retained (loss)/income		(6)	25	(6)	24
Attributable to minority shareholders		–	1	–	–
Net (loss)/income		(110)	666	(95)	680
Headline (loss)/earnings per share (cents)	16	(37)	283		
Basic (loss)/earnings per share (cents)	16	(45)	276		
Dividend per share (cents)		64	58		
Special dividend per share (cents)		–	350		

CASH FLOW STATEMENTS

for the year ended 31 December 2002

		Group		Company	
		2002	2001	2002	2001
	Notes	Rm	Rm	Rm	Rm
Cash generated by operations	17	157	209	41	317
Investment income		306	341	546	575
Cash generated by operating activities		463	550	587	892
Taxation paid		(95)	(108)	(67)	(69)
Cash available from operating activities		368	442	520	823
Dividends paid		(140)	(988)	(140)	(988)
Secondary tax on companies		(10)	(179)	(10)	(1)
Cash retained from/(utilised by) operating activities		218	(725)	370	(166)
Cash generated by investing activities		646	883	594	273
Net purchases of property and equipment		(56)	(51)	(57)	(53)
Net sales/(purchases) of investments		702	934	651	326
Acquisition of subsidiary companies		(5)	(222)	–	–
Pre-acquisition dividends received		–	–	109	261
Ordinary shares		538	809	(64)	534
Preference shares		41	130	(1)	10
Government securities		141	43	113	(7)
Investment in associated companies		(1)	4	(2)	–
Money market and other		(18)	107	7	16
Fixed property		6	63	6	–
Repayments/(advances) to subsidiary companies		–	–	483	(488)
Decrease in funding requirements		864	158	964	107
Cash effects of financing activities					
Proceeds from issue of shares		9	12	9	12
Increase in cash and cash equivalents		873	170	973	119
Cash and cash equivalents at beginning of year		912	742	351	232
Cash and cash equivalents at end of year		1 785	912	1 324	351

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2002

	Notes	Share capital and share premium Rm	Contingency reserve Rm	Retained income Rm	Total Rm
GROUP					
Balance at 31 December 2000		103	279	3 116	3 498
Change in accounting policy	18			(10)	(10)
Restated balance at 31 December 2000		103	279	3 106	3 488
Net income for the year				666	666
Transfer to contingency reserve			52	(52)	–
Dividends paid				(988)	(988)
Issue of share capital		12			12
Balance at 31 December 2001		115	331	2 732	3 178
Net loss for the year				(110)	(110)
Transfer to contingency reserve			91	(91)	–
Difference arising on translation of foreign subsidiaries			1	(1)	–
Dividends paid				(140)	(140)
Issue of share capital		9			9
Balance at 31 December 2002		**124**	**423**	**2 390**	**2 937**
COMPANY					
Balance at 31 December 2000		103	263	2 989	3 355
Change in accounting policy	18			(10)	(10)
Restated balance at 31 December 2000		103	263	2 979	3 345
Net income for the year				680	680
Transfer to contingency reserve			51	(51)	–
Dividends paid				(988)	(988)
Issue of share capital		12			12
Balance at 31 December 2001		115	314	2 620	3 049
Net loss for the year				(95)	(95)
Transfer to contingency reserve			67	(67)	–
Dividends paid				(140)	(140)
Issue of share capital		9			9
Balance at 31 December 2002		**124**	**381**	**2 318**	**2 823**

STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies are set out below and are in all material respects consistent with those of the previous financial year except as set out in Note 18.

I STATEMENT OF COMPLIANCE

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

II CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the assets and liabilities of the company, special purpose entities and all of its subsidiary companies, except for those in Zimbabwe, at the balance sheet date and the results of their operations for the period then ended. The company's subsidiaries in Zimbabwe are not consolidated due to the economic and political uncertainty in that country, therefore income is accounted for on a dividends received basis. The results of subsidiaries acquired during a financial year are included from the effective dates of acquisition.

III TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the enterprises.

IV CONTINGENCY RESERVE

Provision is made for the full amounts of the contingency reserve in terms of the Short-term Insurance Act. Transfers to and from this reserve are treated as appropriations of net income.

V PROVISIONS

Provisions are recognised when the group 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.

VI DEFERRED TAXATION

Deferred taxation is calculated on the comprehensive method at current tax rates in respect of all temporary differences taking into account differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

VII PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less depreciation. Assets are depreciated on a straight-line basis over their expected useful lives.

VIII INVESTMENTS

Investments are shown at market value. Surpluses or deficits on the realisation of investments and the surplus or deficit on the revaluation of investments to market value are credited or debited to the income statement.

IX SUBSIDIARY COMPANIES

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

Investments in subsidiary companies are shown at their net asset value based on the market values of the underlying investments.

X ASSOCIATED COMPANIES

An associated company is an enterprise in which the group has significant influence and which is neither a subsidiary nor a joint venture of the group. Significant influence is based on percentage shareholding. The post acquisition results of associated companies are incorporated in the financial statements, using the equity method. Goodwill arising on the acquisition of the associates is included in the carrying value of the associate and amortised on a straight-line basis over its useful life.

XI GOODWILL

Goodwill is any excess of the cost of an acquisition over the group's interest in the fair value of the identifiable assets and liabilities acquired.

Goodwill is carried at cost, less accumulated amortisation and accumulated impairment losses. Goodwill arising on acquisitions is amortised on a straight-line basis over 10 years, which is the expected useful life.

The calculation of the gain or loss on disposal of an entity includes the unamortised balance of the goodwill relating to the entity disposed of.

XII EXCHANGE RATES

Assets and liabilities in foreign currencies are translated into South African Rand at the rates of exchange ruling at the end of the financial period. Income statement items are translated at the rates ruling at the time of the transactions and exchange profits and losses are included in the underwriting results.

Foreign subsidiaries are regarded as foreign entities. Assets and liabilities are translated at rates of exchange ruling at the financial year-end. Income statement items are translated at the appropriate weighted average rates for the period. Translation gains and losses are taken to income for the period.

XIII UNDERWRITING RESULTS

The underwriting results are determined in accordance with generally accepted practice for insurance companies. The basic principles are as follows:

(a) A provision for unearned premiums is carried forward. This provision constitutes the estimated proportion of the current year's net premiums which relates to the period of risk in the following years. An additional provision for unexpired risk is created when it is anticipated that operational losses will occur during the unexpired period of the risk.

(b) Full provision is made for the estimated costs of:

   (i) Claims net of anticipated recoveries under reinsurances, notified but not settled at the end of the year;

   (ii) Claims net of anticipated recoveries under reinsurances, incurred during the financial year but only reported thereafter.

(c) General expenses are reduced by fees received from other insurers.

XIV INVESTMENT INCOME

Dividends are brought to account as accruing on the last day for registration except in the case of dividends proposed or recommended by subsidiary companies which are brought to account immediately. Dividends include capitalisation awards in lieu of dividends where a cash option is given.

Realised surpluses and deficits on the sale of investments represent the difference between net sale proceeds and purchase price. Unrealised surpluses and deficits on revaluation of investments represent the difference between the valuation of investments at the balance sheet date and their original cost. Movements in unrealised surpluses and deficits are recorded in the income statement.

XV RETIREMENT BENEFITS

The company and its subsidiaries contribute to defined benefit and defined contribution retirement plans. Current contributions and the cost of securing increased benefits paid to the group pension funds operated for employees are charged against income as incurred. The defined benefit pension funds are actuarially valued at intervals of up to three years and the cost of providing for any deficit is charged against income when determined.

The group provides post-retirement medical benefits to qualifying employees by way of medical aid funds. The expected costs of these benefits are assessed in accordance with advice of qualified actuaries, using the projected unit credit method, and contributions made to the funds are charged to the income statement over the expected working lives of eligible employees.

XVI HEADLINE EARNINGS PER SHARE AND BASIC EARNINGS PER SHARE

Headline earnings per share are calculated on net income adjusted for goodwill. Basic earning per share are based on net income after goodwill and retrenchment costs.

XVII REPORTING BY SEGMENT

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis, whether from external transactions or from transactions with other group segments.

XVIII 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 group unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

		Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
1. PROPERTY AND EQUIPMENT					
1.1 Book value	Rate of depreciation				
At cost		361	294	353	284
Furniture and equipment		225	165	219	158
Land and buildings		85	85	85	85
Motor vehicles		51	44	49	41
Accumulated depreciation		204	151	198	146
Furniture and equipment	16% – 50%	164	120	159	116
Land and buildings	5%	18	14	18	14
Motor vehicles	20%	22	17	21	16
Net book value		157	143	155	138
Furntire and equipment		61	45	60	42
Land and buildings		67	71	67	71
Motor vehicles		29	27	28	25
1.2 Movement in property and equipment					
Net book value at beginning of year		143	128	138	111
Subsidiary acquired		–	3	–	–
Net additions		59	53	60	55
Depreciation		(45)	(41)	(43)	(28)
Net book value at end of year		157	143	155	138

The group has no commitments for acquisition of property and equipment.

A register of fixed property at 31 December 2002 is available for inspection at the company's registered office.

	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
2. INVESTMENTS				
2.1 At cost				
Investment properties	7	13	5	11
Fixed and foreign deposits	178	149	–	2
Government securities	69	210	–	113
Preference shares	1	42	1	–
Listed	1	2	1	–
Unlisted	–	40	–	–
Ordinary shares	1 306	1 992	845	867
Listed	1 302	1 989	844	867
Unlisted	4	3	1	–
Mortgages	53	57	51	56
Public body and other	75	82	–	–
	1 689	2 545	902	1 049

	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
2. INVESTMENTS (continued)				
2.2 At market value				
Investment properties	8	15	5	11
Fixed and foreign deposits	178	203	–	2
Government securities	77	221	–	115
Preference shares	2	42	2	–
Listed	2	2	2	–
Unlisted	–	40	–	–
Ordinary shares	2 199	3 100	1 518	1 860
Listed	2 180	3 095	1 514	1 858
Unlisted	19	5	4	2
Mortgages	53	57	51	56
Public body and other	78	90	–	–
	2 595	3 728	1 576	2 044
Maturity dates of Government securities	77	221	–	115
– maturing within one year	–	138	–	115
– maturing between one and five years	77	83	–	–
Included in the above figures are investments, at market value, in fellow subsidiary companies in respect of:				
Listed ordinary shares	189	197	158	160
Deposits	–	3	–	2
Included in the above figures are investments, at market value, in the ultimate holding company arising from the acquisition of CGU.	19	24	–	–

The market value of investments comprises the stock exchange value of listed investments, the directors' valuation of unlisted investments and the open market value of fixed properties. Directors' valuation occurs annually and is based on fair value.

Fixed property is valued every three years by both external and internal valuers. The last valuation, at 1 October 2001, was done using the capitalisation of income approach.

A register of fixed property at 31 December 2002 is available for inspection at the company's registered office.

2.3 Major equity investments

The group's most significant listed equity investments at 31 December 2002 are set out below and comprise in aggregate 24,3% of total assets and 73,6% of the equity portfolio. The analysis shown reflects the percentage of the total market value at 31 December 2002 of the equity investments.

Name of company	Market value Rm	% of equity portfolio
Anglo American plc	334	15,2
Nedcor Limited	189	8,6
Sasol Limited	150	6,8
Sanlam Limited	148	6,7
Richemont Securities AG	126	5,7
South African Eagle Insurance Company Limited	124	5,6
BHP Billiton plc	87	4,0
Anglo American Platinum Corporation Limited	83	3,8
Gencor Limited	82	3,7
Standard Bank Investment Corporation Limited	65	3,0
Rembrandt Group Limited	52	2,4
Barlow Limited	49	2,2
Tiger Brands Limited	45	2,0
Impala Platinum Mines Limited	45	2,0
SABMiller plc	40	1,9

A register of investments at 31 December 2002 is available for inspection at the company's registered office.

	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
3. INTEREST IN SUBSIDIARY COMPANIES				
Shares at cost less amounts written off			1 079	1 601
Adjustment to net asset value			(10)	(192)
			1 069	1 409
Amounts owing by subsidiaries			181	470
Amounts owing to subsidiaries			(280)	(86)
			970	1 793
The position and results of the unconsolidated Zimbabwe subsidiary companies are as follows:				
Assets and liabilities				
Investments	7	30		
Net technical provisions	(6)	(17)		
Net current assets	4	18		
Outside shareholders interest	–	(4)		
Deferred taxation	–	(2)		
Net asset value	5	25		
Results for the year				
Gross premiums	11	30		
Underwriting loss	(2)	(2)		
Net profit after taxation	–	19		
4. INTEREST IN ASSOCIATED COMPANIES				
Investment at cost	40	40	37	37
Share of post acquisition income	35	41	35	40
Revaluation	21	20	16	14
Carrying value/directors' valuation	96	101	88	91

Details of associated companies	Nature of business	Percentage held	Year-end
Credit Guarantee Insurance Corporation of Africa Limited (CGIC)	Short-term insurance	28,8	June*
IGI House Investments (Proprietary) Limited (incorporated in Namibia) (IGI House)	Property	33,3	December

*Management accounts for the period to 31 December 2002 are used for equity accounting.

	CGIC Limited		IGI House Limited	
	2002	2001	2002	2001
	Rm	Rm	Rm	Rm
4. INTEREST IN ASSOCIATED COMPANIES (continued)				
Post acquisition retained earnings of associates				
Share of opening retained earnings	41	16	–	–
Current year: Share of associates' income after tax	(6)	25	–	–
Share of closing retained earnings	35	41	–	–
Summarised financial statements of associates				
Property and equipment	17	19	35	32
Investments	413	488	–	–
Current assets	301	269	–	1
Total assets	731	776	35	33
Share capital	3	3	–	–
Reserves	302	324	23	21
Non-current liabilities	15	19	12	12
Deferred tax	8	37	–	–
Technical provisions	274	265	–	–
Current liabilities	129	128	–	–
Total equity and liabilities	731	776	35	33
Gross premiums written/turnover	547	553	3	2
Profit before tax	(40)	121	–	–
Taxation	(17)	34	–	–
(Loss)/profit after tax	(23)	87	–	–

	Group	
	2002	2001
	Rm	Rm
5. GOODWILL		
Cost	205	200
Opening balance	200	146
Arising on acquisition of subsidiaries	–	54
Additional amount paid on acquisition of Fedsure General Insurance Namibia Limited	5	–
Amortisation	(42)	(21)
Opening balance	(21)	(3)
Current year amortisation	(21)	(18)
Balance at end of year	163	179

		Group		Company	
		2002	2001	2002	2001
		Rm	Rm	Rm	Rm
6.	**SHARE CAPITAL AND SHARE PREMIUM**				
(a)	*Authorised*				
	350 000 000 (2001: 350 000 000) shares of 10 cents each	35	35	35	35
(b)	*Issued*				
	243 340 524 (2001: 242 236 124) shares of 10 cents each	24	24	24	24
	Share premium	100	91	100	91
		124	115	124	115

(c) During the year 1 259 600 share options were issued to employees of the group in terms of the share options scheme to acquire new shares in the company at an exercise price per share between R15,20 and R17,80 (2001: 1 354 400 shares at an exercise price per share between R12,00 and R15,00).

During the year 1 104 400 share options were exercised at an exercise price per share between R0,10 and R15,00 (2001: 1 195 200 shares at an exercise price per share between R3,00 and R16,00).

At 31 December 2002, employees of the group held options to acquire 7 212 400 (2001: 7 141 600) new shares in the company in terms of the share options scheme. In addition a further 4 553 300 (2001: 5 728 500) shares had been designated for issue in terms of future options to be granted to employees.

(d) The remaining 94 893 776 (2001: 94 893 776) unissued shares were placed under the control of the directors at the annual general meeting held on 7 May 2002 until the commencement of the next annual general meeting.

		Group		Company	
		2002	2001	2002	2001
		Rm	Rm	Rm	Rm
7.	**INTEREST BEARING LOAN**				
	Secured interest bearing loan, with interest payable monthly, at 2,4% below prime. There are no fixed repayment terms.	100	150	–	–
	This loan relates to a consolidated special purpose entity, Jesop Finance Company (Proprietary) Limited, operating as a finance company.				
8.	**PROVISIONS**				
8.1	**Non-current provisions**				
	Post-retirement medical aid benefits				
	Balance at the beginning of the year	101	117	55	55
	Provisions (released)/raised during the year	(8)	(16)	8	–
	Balance at end of year	93	101	63	55
	(Refer to Note 21.2 for more details on the group's medical aid fund.)				
8.2	**Current provisions**				
	Leave, bonus and merger provision				
	Balance at the beginning of the year	56	36	32	14
	Provisions (released)/raised during the year	(15)	20	8	18
	Balance at end of year	41	56	40	32
9.	**DEFERRED TAXATION**				
	Net balance at beginning of year	164	46	72	53
	Rationalisation of subsidiary companies	–	–	8	–
	Subsidiary companies acquired	–	5	–	–
	Charge to income statement	(122)	113	(85)	19
	Net balance at end of year	42	164	(5)	72
	Analysis by major temporary differences				
	Provisions	(38)	(33)	(38)	(33)
	Prepaid pension fund contributions	11	11	–	–
	Contingency reserve	10	67	–	40
	Capital gains tax	44	97	33	65
	Unrealised gains on investments	18	24	–	–
	Accumulated losses	(3)	(2)	–	–
		42	164	(5)	72

	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
10. CLAIMS				
10.1 Claims incurred net of reinsurance				
Claims paid	3 412	3 166	2 805	2 128
Gross amount	3 689	3 579	3 052	2 359
Reinsurers' share	(277)	(413)	(247)	(231)
Change in the provision for outstanding claims	103	(12)	17	68
Gross amount	189	(8)	88	125
Reinsurers' share	(86)	(4)	(71)	(57)
	3 515	3 154	2 822	2 196
10.2 Claims include:				
Claims incurred	3 312	2 959	2 639	2 036
Claims administration expenses	203	195	183	160
	3 515	3 154	2 822	2 196
11. ACQUISITION EXPENSES				
Acquisition expenses paid	768	684	619	494
Gross amount	899	774	716	557
Reinsurers' share	(131)	(90)	(97)	(63)
Change in provision for deferred acquisition costs	(1)	(21)	7	(33)
Gross amount	(21)	(34)	(5)	(47)
Reinsurers' share	20	13	12	14
	767	663	626	461
12. MANAGEMENT EXPENSES				
12.1 Management expenses include:				
Audit fees	4	2	4	2
– for audit services	3	2	3	2
– other services	1	–	1	–
Depreciation	45	41	43	28
Profit on sale of property and equipment	(3)	(2)	(3)	(2)
Rentals under operating leases	29	21	29	21
Directors' emoluments				
Executive directors				
– for managerial remuneration			2	2
Non-executive directors				
– for services as directors			1	1

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

2002 R'000	Salary and fees	Bonus	Pension contribution	Total

12. MANAGEMENT EXPENSES (continued)

12.2 Directors' emoluments

	Salary and fees	Bonus	Pension contribution	Total
K T M Saggers	540			540
M J Levett#	111			111
B Campbell*	1 331	312	151	1 794
R J Gunn#	50			50
R O Hudson#	50			50
A M Hyatt	50			50
C F Liebenberg	64			64
R V Mendelsohn#	35			35
R P Menell	61			61
J V F Roberts#	64			64
E P Theron	64			64
R A Williams	88			88
	2 508	312	151	2 971
2001				
R'000				
K T M Saggers	443			443
M J Levett#	100			100
B Campbell*	1 158	182	132	1 472
R J Gunn#	6			6
T A Hayes#	27			27
B E Hersov	27			27
R O Hudson#	45			45
A M Hyatt	45			45
C F Liebenberg	57			57
R V Mendelsohn#	45			45
R P Menell	55			55
J V F Roberts#	57			57
E P Theron	57			57
R A Williams	79			79
	2 201	182	132	2 515

Outstanding share options at 31 December 2002	Number	Strike price (R)	Exercisable before
B Campbell*			
	76 100	1,88	1/07/2003
	207 600	8,06	30/06/2004
	207 600	7,02	16/11/2004
	74 600	7,83	15/11/2005
	61 700	12,50	31/12/2006
	61 700	15,00	11/11/2007
	61 700	15,20	10/11/2008

*Executive director

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

	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
13. INVESTMENT INCOME				
13.1 Dividends, interest and property income				
Dividends – listed	111	133	80	75
– subsidiaries	–	1	356	380
total	–	1	465	641
pre-acquisition dividends	–	–	(109)	(261)
– associated companies	3	32	3	32
Total dividends	114	166	439	487
Interest and rentals received	230	192	145	88
Interest paid	(38)	(17)	(38)	–
	306	341	546	575
13.2 Unrealised deficit on investments				
Relating to current year disposals	322	(730)	311	(462)
Current year revaluation due to changes in market values	(1 113)	666	(1 265)	396
Unrealised foreign exchange gains	54	23	54	–
	(737)	(41)	(900)	(66)
14. GOODWILL AND RETRENCHMENT COSTS				
Amortisation of goodwill	21	18	–	–
Retrenchment costs	16	–	10	–
	37	18	10	–
15. TAXATION				
15.1 South African and foreign				
Current	177	92	100	50
– current year	173	92	96	50
– prior year	4	–	4	–
Deferred	(122)	113	(85)	19
Secondary tax on companies	10	75	10	1
	65	280	25	70
15.2 Reconciliaton of tax rate	%	%	%	%
Standard rate	30,0	30,0	30,0	30,0
Capital gains taxation	80,6	10,5	35,4	9,0
Dividend income	88,9	(5,4)	207,8	(20,0)
Realised surplus on investments	244,1	(17,9)	129,8	(12,4)
Unrealised deficit on investments	(558,3)	3,4	(425,5)	2,7
Taxable unrealised surplus on investments	(9,0)	0,9	–	–
Secondary tax on companies	(25,6)	8,1	(15,6)	0,1
Goodwill	(16,6)	0,6	–	–
Differing tax rates	0,7	–	–	–
Disallowed expenses	(1,4)	0,2	(0,9)	0,2
Effective rate	(166,6)	30,4	(39,0)	9,6

16. EARNINGS PER SHARE

Headline earnings per share are calculated on the net loss, adjusted for goodwill, of R89 million (2001: R684 million surplus). Earnings per share are calculated on the net loss of R110 million (2001: net income of R666 million). All calculations are based on a weighted average of 242 781 580 (2001: 241 557 936) shares in issue during the period.

Reconciliation of headline earnings	Group 2002 Rm	Group 2001 Rm
Net (loss)/income	(110)	666
Goodwill	21	18
Headline earnings	(89)	684

17. CASH GENERATED BY OPERATIONS

	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
Underwriting surplus/(loss)	116	85	(1)	(84)
Retrenchment costs	(16)	–	(10)	–
Increase/(decrease) in technical provisions	84	(16)	(42)	409
Depreciation of property and equipment	45	41	43	28
Profit on sale of property and equipment	(3)	(2)	(3)	(2)
Changes in working capital	4	(46)	38	(52)
(Decrease)/increase in interest bearing loans	(50)	150	–	–
(Decrease)/increase in non-current provisions	(8)	(16)	8	–
(Decrease)/increase in current provisions	(15)	13	8	18
Net assets transferred from subsidiary companies as part of rationalisation scheme:				
Decrease in working capital	–	–	(465)	–
Increase in non-current provisions	–	–	8	–
Increase in cash and cash equivalents	–	–	5	–
Increase in investments	–	–	455	–
Decrease in amounts owing to Receiver of Revenue	–	–	(3)	–
	157	209	41	317

	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm

18. CHANGES IN ACCOUNTING POLICY

18.1 Owner occupied buildings

During the year the company changed its accounting policy with regard to buildings owned and occupied by the company. This change was effected to bring the accounting policy in line with the new accounting statement on investment properties.

Owner occupied buildings which were previously treated as investments are now classified as property and equipment and depreciated over their expected useful lives.

18.2 Secondary tax on companies

During the year the company changed its accounting policy with regard to the classification of secondary tax on companies.

Secondary tax on companies was previously included with dividends paid as an appropriation of reserves. It is now included with taxation paid in the income statement.

The new accounting policies have been applied retrospectively by adjusting opening retained income for 2001. Comparative figures have been restated.

The net effect of the changes in accounting policy is as follows:

	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
Retained income as previously reported		2 746		2 634
Adjustments relating to periods before 31 December 2000				
Depreciation on owner occupied building		(10)		(10)
Adjustments relating to the year ended 31 December 2001				
Depreciation on owner occupied building		(4)		(4)
Retained income as currently reported		2 732		2 620

19. SEGMENTAL ANALYSIS

19.1 Divisional segments

	Commercial Rm	Corporate Rm	Personal Rm	Total Rm
2002				
Gross premiums	**2 215**	**1 043**	**2 345**	**5 603**
Net premiums	**1 960**	**640**	**2 286**	**4 886**
Change in provision for unearned premiums	**(1)**	**(86)**	**7**	**(80)**
Earned premiums net of reinsurance	**1 959**	**554**	**2 293**	**4 806**
Claims incurred net of rensurance	**1 361**	**453**	**1 701**	**3 515**
Acquisition expenses	**319**	**76**	**372**	**767**
Management expenses	**198**	**41**	**169**	**408**
Underwriting surplus/(loss)	**81**	**(16)**	**51**	**116**
2001				
Gross premiums	1 815	781	2 224	4 820
Net premiums	1 626	523	2 157	4 306
Change in provision for unearned premiums	15	(38)	10	(13)
Earned premiums net of reinsurance	1 641	485	2 167	4 293
Claims incurred net of reinsurance	1 126	375	1 653	3 154
Acquisition expenses	248	73	342	663
Management expenses	219	32	140	391
Underwriting surplus	48	5	32	85

	South Africa Rm	Namibia Rm	Botswana Rm	Malawi Rm	Total Rm
19. SEGMENTAL ANALYSIS (continued)					
19.2 Geographical segments					
2002					
Gross premiums	5 161	309	99	34	5 603
Net premiums	4 491	286	91	18	4 886
Change in provision for unearned premiums	(52)	(17)	(9)	(2)	(80)
Earned premiums net of reinsurance	4 439	269	82	16	4 806
Claims incurred net of reinsurance	3 264	184	56	11	3 515
Acquisition expenses	717	37	14	(1)	767
Management expenses	374	24	6	4	408
Underwriting surplus	84	24	6	2	116
2001					
Gross premiums	4 558	170	64	28	4 820
Net premiums	4 083	151	58	14	4 306
Change in provision for unearned premiums	(8)	–	(4)	(1)	(13)
Earned premiums net of reinsurance	4 075	151	54	13	4 293
Claims incurred net of reinsurance	3 001	105	41	7	3 154
Acquisition expenses	629	24	10	–	663
Management expenses	372	11	4	4	391
Underwriting surplus/(loss)	73	11	(1)	2	85

Segment assets and liabilities can not be allocated to a segment on a reasonable basis and are therefore not presented.

	Group 2002 Rm	Group 2001 Rm	Company 2002 Rm	Company 2001 Rm
20. RELATED PARTY TRANSACTIONS				
During the year the company and its subsidiaries, in the ordinary course of business, entered into various transactions with a fellow subsidiary and the holding company. These transactions occurred under terms that are no less favourable than those arranged with third parties.				
The following transactions were entered into:				
With the ultimate holding company				
Premium received for insurance cover	42	60		
Interest and dividends received	63	26		
Rent paid	(12)	(12)		
Fees paid	–	(2)		
With fellow subsidiary				
Interest and dividends received	–	27		
Interest paid	–	(17)		
Commission paid	(49)	(33)		
Claims paid	(56)	–		
Bank charges and administration fees paid	(2)	(2)		

21. RETIREMENT BENEFIT INFORMATION

21.1 Retirement funds

The group operates pension funds for all permanent staff and there are currently two separate funds in operation. Both of these funds are governed by the Pension Fund Act, 1956 and each is comprised mainly of a defined contribution section and a small defined benefit section.

No contributions were made to these funds during the year due to a contribution holiday being in operation.

Valuations were conducted in respect of both funds during 2001, using the attained age valuation method, and the aggregate of the assets exceed the total actuarial liabilities by approximately R100 million.

In view of the considerable uncertainty which currently surrounds the ownership of pension fund surpluses, it is not possible to quantify the extent to which the surplus is attributable to the group.

21.2 Medical aid funds

The group contributes to a defined benefit medical aid scheme for the benefit of permanent employees and their dependants. In 2002 a reduction in the provision of R8 million was credited to the income statement (2001: a reduction of R16 million). On the basis of current practice, which is reviewed annually, actuarially determined present value of future medical aid obligations, using the projected unit credit method, for early retirees is R93 million at 31 December 2002 (2001: R101 million) for which provision is made in full. The group has no further post-retirement medical aid obligations for current or retired employees.

22. FINANCIAL INSTRUMENTS

22.1 Currency risk

The group does not have any significant currency risk.

22.2 Interest rate risk

Interest rate risk exposure is limited to the variable interest rate loan disclosed in note 7.

22.3 Credit risk

The major concentration of credit risk arises from the group's receivables and investment securities in relation to the location of customers and issuers. No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Reputable financial institutions are used for investing and cash handling purposes.

At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

22.4 Fair values

The fair values of all financial instruments are substantially identical to carrying values reflected in the balance sheet.

	Group		Company	
	2002	2001	**2002**	2001
	Rm	Rm	**Rm**	Rm
23. COMMITMENTS (OPERATING LEASES)				
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 no escalation clauses or restrictions imposed by the leases.				
Total future minimum lease payments under non-cancellable operating leases	**137**	165	**137**	165
– not later than one year	**33**	29	**33**	29
– not later than five years	**104**	136	**104**	136

24. POST-BALANCE SHEET EVENTS

No events occurred after balance sheet date affecting results for the year ended 31 December 2002.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified.

INTEREST IN SUBSIDIARY COMPANIES

ANNEXURE 1			Issued share capital Rm	Net asset value of shares in subsidiaries Rm	Indebtedness by/(to) subsidiaries Rm
DIRECTLY HELD					
British Engine Insurance Company of South Africa Limited	§ ❍	**2002**	**1**	**1**	**(1)**
		2001	1	2	–
Cougar Investment Holding Company Limited	⌘	**2002**	**5**	**586**	**121**
		2001	5	604	370
Mutual & Federal Company of Zimbabwe (Private) Limited	# ⌘	**2002**	**–**	**–**	**–**
		2001	–	–	–
Mutual & Federal Insurance Company of Botswana Limited	* ✶	**2002**	**13**	**56**	**6**
		2001	13	59	1
Mutual & Federal Insurance Company of Namibia Limited	+ ✶	**2002**	**10**	**118**	**42**
		2001	10	102	(30)
Mutual & Federal Risk Financing Limited	✶	**2002**	**5**	**188**	**(28)**
		2001	5	200	(23)
Mutual & Federal Risk Financing Limited (redeemable preference shares) (85%)		**2002**	**–**	**–**	**–**
		2001	–	–	–
National Employers' General Insurance Company Limited	§ ❍	**2002**	**2**	**2**	**(2)**
		2001	2	13	(4)
Portion 1 of Stand 210 Rosebank (Proprietary) Limited (75%)	✦	**2002**	**–**	**6**	**(8)**
		2001	–	6	(2)
Protea Assurance Management Services (Proprietary) Limited	§ ❍	**2002**	**3**	**3**	**(2)**
		2001	3	4	(4)
Protea Assurance Properties (Proprietary) Limited	§ ❍	**2002**	**–**	**–**	**–**
		2001	–	1	–
Protea Assurance Company Limited	§ ❍	**2002**	**11**	**47**	**(11)**
		2001	11	627	(20)
Protea GMS (Proprietary) Limited	§ ❍	**2002**	**–**	**–**	**–**
		2001	–	4	(1)
Protea Insurance Company Limited	§ ❍	**2002**	**60**	**60**	**(60)**
		2001	60	350	55
Royal Fire and General Company Limited	❍	**2002**	**2**	**2**	**(2)**
		2001	2	2	(2)
South African Mutual Fire and General Company Limited	❍	**2002**	**–**	**–**	**–**
		2001	–	–	–

INTEREST IN SUBSIDIARY COMPANIES (continued)

ANNEXURE 1			Issued share capital Rm	Net asset value of shares in subsidiaries Rm	Indebtedness by/(to) subsidiaries Rm
INDIRECTLY HELD					
Agricor Risk Acceptances (Proprietary) Limited	§ ❍	**2002**	**–**	**–**	**–**
		2001	–	–	–
Agricor Risk Management Services (Proprietary) Limited	❍	**2002**	**–**	**–**	**–**
		2001	–	–	–
CGU Insurance Limited	✶	**2002**	**10**	**695**	**(93)**
		2001	10	673	44
CGU Zimbabwe Limited (67%)	# ✶	**2002**	**4**	**–**	**–**
		2001	4	(4)	–
Cougar Risk Finance Limited	§ ❍	**2002**	**–**	**21**	**(21)**
		2001	–	24	–
Erf 56 Olympia (Proprietary) Limited	+ ✥	**2002**	**–**	**–**	**–**
		2001	–	–	–
Erf 755 Olympia (Proprietary) Limited	+ ✥	**2002**	**–**	**–**	**–**
		2001	–	–	–
Erf 1263 Otjiwarongo (Proprietary) Limited	+ ❍	**2002**	**–**	**–**	**–**
		2001	–	–	–
Erf 249 Pionierspark (Proprietary) Limited	+ ✥	**2002**	**–**	**–**	**–**
		2001	–	–	–
Equestrian Risk Services (Proprietary) Limited	§ ❍	**2002**	**–**	**–**	**–**
		2001	–	–	–
Fedsure General Insurance Namibia Limited	+ ✶	**2002**	**13**	**77**	**12**
		2001	13	49	–
Huis-en-Haard Beskermingskoöperasie	❍	**2002**	**–**	**–**	**–**
		2001	–	–	–
Jesop Finance Company (Proprietary) Limited (50%)	^	**2002**	**–**	**–**	**(31)**
		2001	–	–	–
MFCU Asset Managers (Proprietary) Limited	§ ❍	**2002**	**–**	**–**	**–**
		2001	–	–	–
MFCU Group Services of South Africa (Proprietary) Limited	§ ❍	**2002**	**–**	**–**	**–**
		2001	–	7	–
MFCU Investments South Africa Limited	§ ❍	**2002**	**–**	**–**	**–**
		2001	–	54	–
Nelsa Beleggings (Proprietary) Limited	§ ❍	**2002**	**–**	**–**	**–**
		2001	–	–	–
Sentrasure Limited	✶	**2002**	**169**	**247**	**(21)**
		2001	169	215	-
Steynings Investments (Proprietary) Limited	§ ❍	**2002**	**–**	**–**	**–**
		2001	–	–	–

* Incorporated in Botswana
\# Incorporated in Zimbabwe
\+ Incorporated in Namibia
§ Companies forming part of group rationalisation scheme, will be deregistered in 2003.

⌘ Investment holding company
✶ Short-term insurance
✥ Property company
❍ Dormant company
^ Finance company

All holdings are 100% unless otherwise indicated.

The group's share of the after-tax results of subsidiaries for the year ended 31 December 2002 was as follows:
Profits: R47 million for the year (2001: R312 million).

LIST OF MAIN SHAREHOLDERS

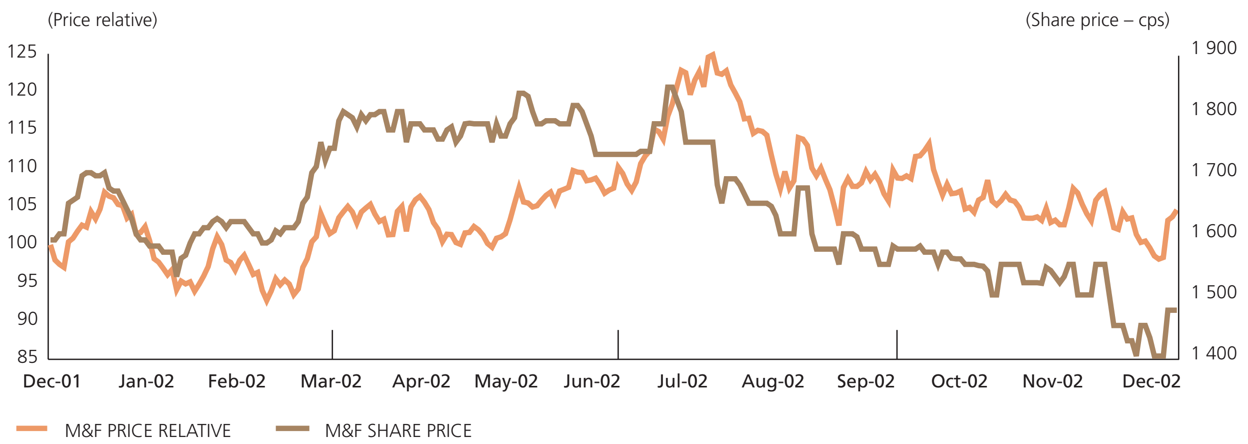
Name of shareholder	Number of shares held	% of issued share capital
Mutual & Federal Investments Limited	122 966 207	50,5
Royal & Sun Alliance Insurance Group plc	90 961 150	37,4
Public Investment Commissioners Portfolio	3 443 640	1,4
Electric Liberty Proprietary Limited	2 024 640	0,8
First National Trust Investec unit trusts	1 832 429	0,8
Capital Alliance Absolute Return	1 653 813	0,7
Santam Investec Portfolio	1 464 396	0,6
First National Trust Investec Opportunity Fund	1 179 900	0,5
	225 526 175	92,7
6 shareholders each holding between 500 000 and 999 999 shares	4 307 700	1,7
31 shareholders each holding between 100 000 and 499 999 shares	6 238 819	2,6
	236 072 694	97,0
1 179 shareholders each holding less than 100 000 shares	7 267 830	3,0
TOTAL SHARES IN ISSUE	243 340 524	100,0

TOTAL NUMBER OF SHAREHOLDERS	1 213	(Excludes 11 directors with non-beneficial holdings)

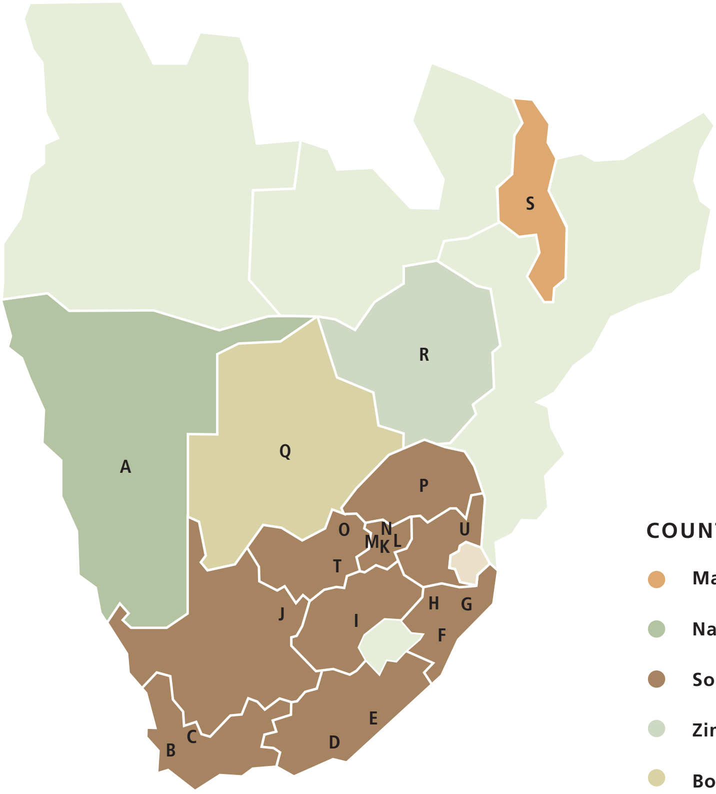
SHARE STATISTICS	**2002**	2001
Number of ordinary shares traded (000)	**9 075**	13 988
Total value of shares traded (R'000)	**151 876**	266 219
Market price per ordinary share (cents)		
– Closing	**1 475**	1 590
– Highest	**1 840**	2 200
– Lowest	**1 400**	1 575

mutual & federal share price performance relative to jse alsi

for the year ended 31/12/2002



MANAGERS AND BRANCH ORGANISATION



COUNTRIES

- Malawi
- Namibia
- South Africa
- Zimbabwe
- Botswana

CITIES

A	Windhoek
B	Cape Town
C	Paarl
D	Port Elizabeth
E	East London
F	Durban
G	Pinetown
H	Pietermaritzburg
I	Bloemfontein
J	Kimberley
K	Johannesburg
	Randburg
L	Benoni
M	Roodepoort
N	Pretoria
O	Rustenburg
P	Polokwane
Q	Gaborone
R	Harare
S	Blantyre
T	Klerksdorp
U	Nelspruit

MANAGERS

Accounting Services	J S Smit
Administration	C Julius
Advertising and Communications	L G M Comyn, B.A.
Allsure & Product Development	M P McCann, A.C.I.I.
Agriculture	J H du Plessis
Business Development	P Morris, F.C.I.I.
Claims Development	J J Nel, Dip. PM
Commercial Schemes	D A Hopcroft
Commercial Technical	W V Richards, F.I.I.S.A.
Corporate Accounting	J R Heunes, Dip. Bus. Man.
Crop	S Calvin
E-Business	J H van der Vlugt, P.E.C., F.I.I.S.
Financial Services	K H Kietzman, B.Compt.(Hons.), C.A. (S.A.)
Forensic Audit	M P Arnold, B.Com., B.Acc.
Group Procurement	N J Ressell, F.C.I.S.

Human Resources	M Low, B.Admin.
Information Services	L Gennari
	L Wolmarans, EDP Dip.
Internal Audit	P M J Hancock, B.Compt.(Hons.), C.A. (S.A.)
Investments	A J Uren, B.Com.
Legal	A T Bouwer, B.Iur., LL.B., Dip.LL.
Old Mutual Liaison	A W G Vögel, A.I.I.S.A.
Personal Business	L Friend, A.I.I.S.A.
	R E Jatho A.C.I.I., A.I.I.S.A.
	L A Robertson, A.I.I.S.A.
Personal Business Technical	L Beckbessinger, F.C.I.I.
Reinsurance	G D Montagnani, B.A., A.I.I.S.A.
Specialist Investigation	P J K Viljoen, B.A. Police Science, B.A.(Hons.)
Training	C A E van den Berg, B.A.(Hons.)

MANAGERS AND BRANCH ORGANISATION (continued)

BRANCH	MANAGER *Assistant	BRANCH	MANAGER *Assistant
JOHANNESBURG			
Claims Commercial P O Box 1120 Telephone (011) 374 2162 Fax (011) 374 2100	**P R Pepperell**, F.C.I.I. *P Christofides, B.Iuris *S Close, B.Sc. *E Coetzee, F.I.I.S.A. *D Y Koelman, B.A., A.I.I.S.A. *A H Lakie *A Louw, B.Iuris, LL.B. *I T McKinley, I.Eng., M.I.I.E., F.I.I.S.A. *A Strauss, F.I.I.S.A.	Corporate Business P O Box 1120 Telephone (011) 374 2350 Fax (011) 374 2371	**S Miller**, A.C.I.I. *S Isaacs *P Lowrie, A.C.I.I.
Claims Motor P O Box 1120 Telephone (011) 374 2170 Fax (011) 374 2428	**C J Hayhurst**, A.I.I.S.A *G R Davis, Nat. Dip. Police Admin. *A du Toit *P Panday, A.C.I.I. *R G Pettit *D R Russell	Engineering Business P O Box 1120 Telephone (011) 374 9111 Fax (011) 374 2676	**T I Kerst,** Pr.Eng., B.Sc.(Eng), F.I.I.S.A., MBL *S de Wet *D Gouws, B.Eng., A.I.I.S.A.
Claims Motor Liability P O Box 1120 Telephone (011) 374 2596 Fax (011) 838 6502	**P D Pau,** B.A., LL.B., I.L.P.A. *E B Meintjes, A.C.I.I.	Marine P O Box 1120 Telephone (011) 374 2833 Fax (011) 833 1274	**M G Caietta** *T Holding *R Cundill
Claims Personal P O Box 1120 Telephone (011) 374 2733 Fax (011) 374 2240	**C J Grosch** *R Bold *T Hohls *L Rooney	Risk Financing P O Box 1120 Telephone (011) 374 2177 Fax (011) 374 2461	**B A Ancient** *I Becker, B.Com., MBA *R K Bezuidenhout, A.C.I.I. *P Ramdin

OTHER BRANCHES

BRANCH	MANAGER *Assistant	LOCAL OFFICE	LOCAL MANAGER
BENONI P O Box 201 Telephone (011) 747 1747 Fax (011) 422 1357	**B D Johnson**, F.I.I.S.A. *C Kidd *I G Manchest, F.I.I.S.A. *E K Sweet	Vereeniging P O Box 672 Telephone (016) 455 1040 Fax (016) 421 3729	*C Ahrends
BENONI CLAIMS P O Box 201 Telephone (011) 747 1747 Fax (011) 420 1910	**K M Lawrence**, B.L., LL.B., A.I.I.S.A. *E Morris, H.C.I.I. *H C Thessner		
BLOEMFONTEIN P O Box 1085 Telephone (051) 403 7700 Fax (051) 448 9866	**G E Martin** *M J Smith *M van der Westhuizen *J A Vlok *S G von Berg, Nat.Dip.Mgt.	Bethlehem P O Box 259 Telephone (058) 303 4557 Fax (058) 303 3751	A Wiese
		Kroonstad P O Box 353 Telephone (056) 212 7131 Fax (056) 213 1718	J du Toit
		Welkom P O Box 614 Telephone (057) 352 6256 Fax (057) 352 7369	*J P Moelich

MANAGERS AND BRANCH ORGANISATION (continued)

BRANCH	MANAGER *Assistant	LOCAL OFFICE	LOCAL MANAGER
CAPE TOWN P O Box 16 Telephone (021) 401 6911 Fax (021) 401 6605/6/7	**M G D van Leeuwen**, F.C.I.I. *G V Gore, F.I.A.C., C.F.A.(S.A.) *C M Grove *R O Schultz, F.C.I.I. *K E Vels, A.I.I.S.A.	**Belville** P O Box 1830 Telephone (021) 910 2011 Fax (021) 910 2016	S van der Merwe, F.C.I.I.
		Mutual Park P O Box 66 Cape Town Telephone (021) 509 3262 Fax (021) 531 1243	F B Quinton
CAPE TOWN CLAIMS P O Box 16 Telephone (021) 401 6911 Fax (021) 401 6601/2/3	**A C W Hill**, F.C.I.I. *G L La Foy, F.C.I.I. *S A Ward *A Weddell, B.Sc.QS., F.I.I.S.A.		
DURBAN P O Box 66 Telephone (031) 362 6200 Fax (031) 362 6275	**R C Meer** *L J Brown, A.C.I.I. *H A E Fountain *D F Kerrin, F.I.I.S.A. *J M Trybus	**Empangeni** P O Box 84 Telephone (035) 772 4811 Fax (035) 792 2519	G Panserqaru
DURBAN CLAIMS P O Box 66 Telephone (031) 362 6111 Fax (031) 362 6119	**P J Foley**, F.C.I.I. *O S Dixon *R W Wilson, A.I.I.S.A.		
EAST LONDON P O Box 608 Telephone (043) 705 4800 Fax (043) 721 0350	**C Dallas**, F.I.I.S.A. *M V Gower *M S Holmes	**Queenstown** P O Box 428 Telephone (045) 839 3106/7 Fax (045) 838 1194	A C Roodt
KIMBERLEY Private Bag X6063 Telephone (053) 832 3266 Fax (053) 831 2741	**J Squires** *D K Delport *R G Talbot	**Hopetown** P O Box 313 Telephone (053) 203 0534 Fax (053) 203 0292	*P J Vermeulen
		Upington P O Box 820 Telephone (054) 332 6025/6 Fax (054) 332 4684	H D van Wyk
KLERKSDORP P O Box 565 Telephone (018) 462 9666 Fax (018) 462 8248	**G Booysen,** B.Comm.(Hons.), A.C.I.I. *J Blignaut *J J Goosen	**Lichtenburg** P O Box 1643 Telephone (018) 632 1204 Fax (018) 632 5211	E Walker
		Vryburg P O Box 427 Telephone (053) 927 2227/8 Fax (053) 927 3081	F S van Deventer
NELSPRUIT P O Box 307 Telephone (013) 753 2221/2/3 Fax (013) 752 5912	**G P Kloppers**, F.I.I.S.A. *H Breedt	**Ermelo** P O Box 1602 Telephone (017) 819 1117 Fax (017) 811 4814	*G Stapelberg, B.A.

MANAGERS AND BRANCH ORGANISATION (continued)

BRANCH	MANAGER *Assistant	LOCAL OFFICE	LOCAL MANAGER
PAARL P O Box 289 Telephone (021) 860 8500 Fax (021) 872 9264	**M L Glasby**, F.I.I.S.A. *R Poci *C van der Merwe *J H Welthagen	**Stellenbosch** P O Box 175 Telephone (021) 808 5500 Fax (021) 808 5570	*A G Fiebiger, A.I.I.S.A.
		Vredendal P O Box 328 Telephone (027) 213 3263 Fax (027) 213 2304	J Theron
		Worcester P O Box 206 Telephone (023) 342 2454/5 Fax (023) 342 8769	D N Visser
PIETERMARITZBURG P O Box 420 Telephone (033) 345 2415 Fax (033) 342 1176	**A S Errington**, A.C.I.I. *F C C Hugo, B.A., F.I.I.S.A. *D G Manning *N R Taylor, A.I.I.S.A.	**Dundee** P O Box 997 Telephone (03421) 81 875 Fax (03421) 81 865	A Lombaard
		Ladysmith P O Box 372 Telephone (036) 637 7031 Fax (036) 637 2606	C B Lee
		Newcastle P O Box 2388 Telephone (034) 312 7094 Fax (034) 315 2880	*C L Stretch, F.C.I.I.
PINETOWN P O Box 2178 Telephone (031) 701 4781 Fax (031) 702 9985	**D S Pascal**, F.I.I.S.A. *N A McFerran, F.I.I.S.A. *R W Stolsie, A.I.I.S.A.	**Port Shepstone** P O Box 263 Telephone (039) 682 5625 Fax (039) 682 0097	*J A Naylor, A.I.I.S.A.
POLOKWANE P O Box 675 Telephone (015) 297 5800 Fax (015) 297 5493/4	**E C Albrecht** *G L Fijma, F.I.I.S.A. *P A Nel, A.C.I.I.	**Modimolle** P O Box 2136 Telephone (014) 717 1712 Fax (014) 717 1719	*C J C Jansen van Vuuren, A.C.I.I.
		Tzaneen P O Box 3215 Telephone (015) 307 2001 Fax (015) 307 2046	*C S Donaldson
PORT ELIZABETH P O Box 342 Telephone (041) 508 3111 Fax (041) 508 3062 Fax claims (041) 585 1994	**A R P Shaddock**, Dip.Bus.Man. *T Daniels, A.C.I.I. *M R Delponte *H Platt *L Westerman, B.Com.	**George** P O Box 300 Telephone (044) 802 5200 Fax (044) 873 3864	*A Dunn
PRETORIA P O Box 29357 Sunnyside Telephone (012) 400 8100 Fax (012) 400 8130	**N H Loubser**, A.C.I.I. *A M Dias *A Fourie *G P Lucas, A.I.I.S.A. *N Smith, A.C.I.I.	**Witbank** P O Box 2118 Telephone (013) 690 2850 Fax (013) 656 5591	*C van Niekerk

MANAGERS AND BRANCH ORGANISATION (continued)

BRANCH	MANAGER *Assistant	LOCAL OFFICE	LOCAL MANAGER
PRETORIA CLAIMS P O Box 29357 Sunnyside Telephone (012) 400 8100 Fax (012) 400 8308	**D J J Bisschoff**, F.C.I.I. *A Berge *S Papadopoulos, H.C.I.I.		
RANDBURG **Commercial Business** P O Box 3909 Telephone (011) 777 8400 Fax (011) 886 1901	 **S Legge**, F.C.I.I. *J B Goodchild *L L Greer *C A Kotze, F.I.I.S.A.		
Personal Business P O Box 1060 Telephone (011) 777 8400 Fax (011) 789 6829	**G Horn,** A.C.I.I. *M Brown *J Chapman, A.C.I.I. *A Cronje		
ROODEPOORT P O Box 5802 Telephone (011) 671 7800 Fax (011) 475 7651	**J F du Rand**, A.C.I.I. *W Badenhorst, B.Proc. *L van Heerden	**Carletonville** P O Box 82 Telephone (018) 786 1147 Fax (018) 788 5758	P Robbertse
RUSTENBURG P O Box 518 Telephone (014) 592 1191 Fax (014) 597 1006	**W J J Botha** *L de Koker		
Production Managers	J J Badenhorst, A.C.I.I.	Pietermaritzburg	
	D J R Blair, A.C.I.I., A.I.I.S.A.	Durban	
	R R Boggenpoel	Port Elizabeth	
	J A de Waal	Pretoria	
	I D Dreyer	Johannesburg	
	H A Duvenhage	Kimberley	
	W F Immelman	Bloemfontein	
	A E Küyler	Paarl	
	O La Grange	Cape Town	
	F Sepuru, F.I.I.S.A.	Johannesburg	
	L H Swanepoel	Benoni	
MUTUAL & FEDERAL INSURANCE COMPANY OF BOTSWANA LIMITED			
Private Bag 00347 Gaborone Telephone (+267) 390 3333 Fax (+267) 390 3400	General Manager **J M Walkin**, A.C.I.I. *C F Coleman, A.I.I.S.A., B.A.		

MANAGERS AND BRANCH ORGANISATION (continued)

BRANCH	MANAGER *Assistant	LOCAL OFFICE	LOCAL MANAGER
MUTUAL & FEDERAL INSURANCE COMPANY OF NAMIBIA LIMITED			
P O Box 151 Windhoek Telephone (+264 61) 207 7111 Fax (+264 61) 207 7205	Managing Director **G R Katjimune**, B.A.(Hons.), M.A.	**Mariental** P O Box 900 Telephone (+264 63) 240 999 Fax (+264 63) 24 2300	* P T von Wielligh
		Oshakati P O Box 15372 Telephone (+264 65) 22 2841 Fax (+264 65) 22 2700	*R A Viviers
		Otjiwarongo P O Box 1396 Telephone (+264 67) 30 3630 Fax (+264 67) 30 3246	*J V van der Westhuizen
		Walvis Bay P O Box 656 Telephone (+264 64) 20 2236 Fax (+264 64) 20 3183	*J W B le Roux
R M INSURANCE COMPANY (PRIVATE) LIMITED			
P O Box 3599 Harare Telephone (+2634) 75 7971 Fax (+2634) 75 9700	General Manager **M A Gibson**, F.C.I.M., A.C.I.I.		
CGU ZIMBABWE LIMITED			
P O Box 1065 Harare Telephone (+2634) 730 041/4 Fax (+2634) 726 399	General Manager **D M Muthe**, M.B.A., A.C.I.I.		
CGU MALAWI P O Box 661 Blantyre Telephone (+2651) 622 799 Fax (+2651) 622 862	 General Manager **E Chapola**, A.C.I.I.		

WEBSITE: www.mf.co.za
E-mail: investor@mf.co.za

NOTICE TO SHAREHOLDERS

Notice is hereby given that the thirty-second annual general meeting of shareholders of Mutual & Federal Insurance Company Limited will be held on the 4th floor, Mutual & Federal Centre, 75 President Street, Johannesburg, at 10:00 on Tuesday, 6 May 2003 for the following purposes:

1. To receive and adopt the annual financial statements and reports for the year ended 31 December 2002.

2. To elect directors of the company.

   The following directors retire in accordance with the company's articles of association and being eligible, offer themselves for re-election:

   (a) R O Hudson
   (b) C F Liebenberg
   (c) R P Menell
   (d) E P Theron

3. To place under the control of the directors of the company by way of a general authority all of the authorised but unissued shares in the share capital of the company in terms of clause 4 of the articles of association and section 221(2) of the Companies Act, 1973 (Act 61 of 1973) as amended ("the Act") with the power to allot and issue them at their discretion subject to section 221(3) of the Act and the Listings Requirements of the JSE Securities Exchange South Africa ("JSE").

4. To authorise the directors of the company by way of general authority to issue all or any of the shares of a class already in issue in the share capital of the company for cash as they, in their discretion, deem fit, subject to the following limitations:

   - The authority shall be valid until the date of the next annual general meeting of the company, provided it shall not extend beyond 15 months from the date of this general meeting;
   - A paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;
   - Issues in terms of this authority will not exceed 15% in the aggregate of the number of ordinary shares in the company's issued share capital in any one financial year;
   - In determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over a 30-day period prior to the date that the price of the issue is determined or agreed by the directors; and
   - Any such issue will only be made to public shareholders as defined in paragraphs 4.26 and 4.27 of the Listings Requirements of the JSE and will not be made to a related party as defined in the Listings Requirements of the JSE.

5. To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

   That, in accordance with the provisions of article 69 of the company's articles of association, the remuneration of the directors, other than executive directors, shall until such time as it be further amended by the company in general meeting, and with effect from 1 January 2003, be fixed at R60 000 per annum for each director, and the Deputy Chairman's remuneration be at the rate of R120 000 per annum. The remuneration of the Chairman shall be confirmed at R150 000 per annum.

   Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his stead. The proxy so appointed need not be a member of the company. A form of proxy is attached for the convenience of any certificated shareholder and own name registered dematerialised shareholders who cannot attend the meeting, but who wished to be represented thereat. In order to be valid, duly completed proxy forms should be forwarded to reach the Company Secretary not less than forty-eight hours before the time of holding the meeting.

   Shareholders who have dematerialised their shares through a Central Securities Depositary Participant ("CSDP") or broker, other than own name registered dematerialised shareholders, and who wish to attend the annual general meeting must request their CSDP or broker to issue them with the necessary authority to attend. Should shareholders who have dematerialised their shares wish to vote by proxy, they must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

By order of the Board

G M Benton

G M Benton
Company Secretary

Mutual & Federal Insurance Company Limited
Reg. No. 1970/006619/06

Company Secretary:	G M Benton, B.Com., C.A. (S.A.), F.C.A. (U.K.)
Address and registered office:	19th floor, Mutual & Federal Centre 75 President Street, Johannesburg, 2001, South Africa PO Box 1120, Johannesburg, 2000
Auditors:	KPMG Inc.
Bankers:	First National Bank of Southern Africa Limited Nedbank Limited The Standard Bank of South Africa Limited
Transfer secretaries:	Computershare Investor Services Limited, 70 Marshall Street, Johannesburg, 2001

Johannesburg
11 February 2003

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FORM OF PROXY

For use by certificated and own name registered dematerialised shareholders who wish to vote on the resolutions set out in the Notice to annual general meeting to which this form is attached.

Shareholders who have dematerialised their shares through a Central Securities Depositary Participant ("CSDP") or broker, other than own name registered dematerialised shareholders, and who wish to attend the annual general meeting must request their CSDP or broker to issue them with the necessary authority to attend. Should shareholders who have dematerialised their shares wish to vote by proxy, they must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

I/We

of

being a member(s) of Mutual & Federal Insurance Company Limited,

hereby appoint

of

or failing him

of

or failing him, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on 6 May 2003 and at every adjournment thereof.

Please indicate how you wish your proxy to vote by placing a cross in the box which applies:

Resolution in respect of item of business number.

	1	2(a)	2(b)	2(c)	2(d)	3	4	5
For								
Against								
Abstain								

If no voting instructions are given, the proxy will be entitled to vote or to abstain at his discretion.

Signature Date

Assisted by me, her husband

(If applicable)

Notes

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and speak and vote thereat in his stead and a proxy need not be a member of the company.

2. This appointment of a proxy is to be delivered to the head office of the company not less than 48 hours before the meeting (Article 64).

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MUTUAL & FEDERAL

INSURANCE COMPANY LIMITED