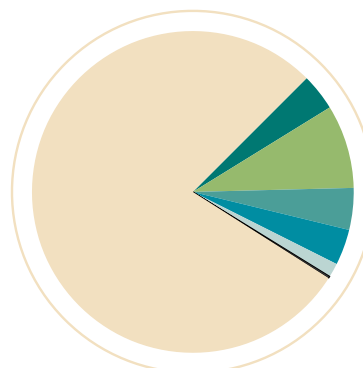


GROSS PREMIUM BY CLASS

Contact/Engineering	3,8%	●
Property	45,6%	●
Motor	44,5%	●
Transportation	2,9%	●
Accident/Health	1,8%	●
Liability	1,4%	●



INVESTMENTS BY CLASS

Fixed deposits	3,7%	●
Government stock	8,4%	●
Preference shares	4,2%	●
Fixed properties	3,6%	●
Mortgages	1,4%	●
Public bodies and other	0,3%	●
Ordinary shares	78,4%	●

G R O U P S U M M A R Y

	2000	1999	% increase
FINANCIAL RESULTS (Rm)			
Net premiums	3 152	2 482	27,0
Underwriting surplus/(loss)	2	(56)	
Dividends, interest and property income	361	301	19,9
PERFORMANCE PER ORDINARY SHARE (CENTS)			
Headline earnings per share	203	222	
Dividends per share			
– Ordinary	58	58	
– Special	300	600	
Net asset value per share	1 450	1 653	

As a leading insurance company Mutual & Federal has always striven for responsible corporate citizenship.

For many years the company has operated a social responsibility programme to assist worthwhile initiatives within Southern Africa, and the company has committed a portion of its earnings towards this end. Our mission is to be actively involved in community based projects which contribute towards the creation of a stable and prosperous society.

A wide range of activities are supported to address socio-economic needs and imbalances as well as programmes to address crime prevention, traffic safety and environmental issues. The programme recognises the altering needs in society and changing national priorities.

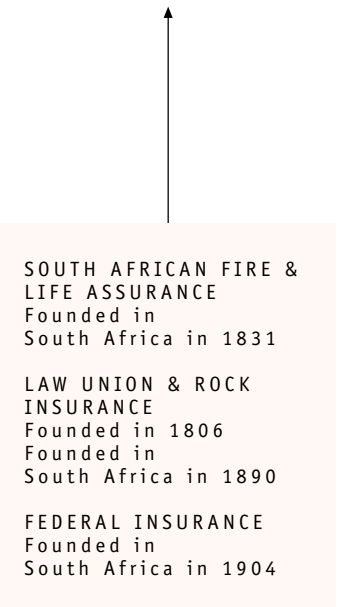
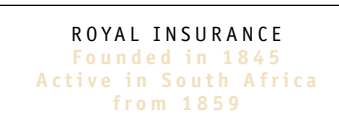
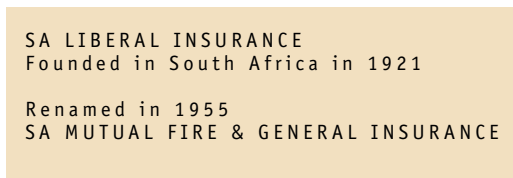
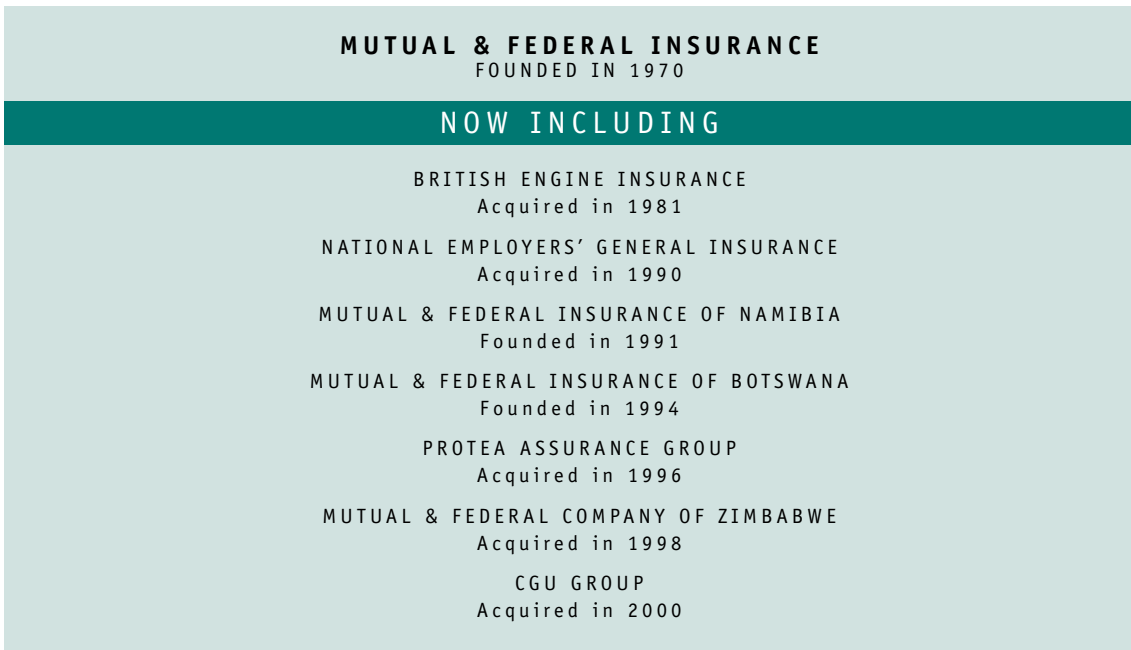
In recent years we have moved from making numerous small donations to making more meaningful contributions to fewer selected projects. Furthermore, the company's approach has recently developed towards greater social investment rather than outright donations. This investment helps beneficiaries to become more self reliant, thereby reducing the recipients' dependence on future aid.

Our enduring goal is to run a successful, innovative and respected insurance business that consistently delivers competitive returns to shareholders.

We aim to build and maintain outstanding relationships with intermediaries and clients and deliver service excellence and unquestionable security.

We will provide interesting, challenging and rewarding careers for our staff and develop professional personnel to ensure that we maintain our position as the leading insurance group in South Africa.

We will continue to be actively involved in community based projects which contribute towards the creation of a stable and prosperous society.





Chairman's

STATEMENT

The acquisition of CGU will increase the group's gross premium income by some 50% and lead to significant economies of scale within the enlarged organisation.

ECONOMIC ENVIRONMENT

Modest economic growth was achieved in South Africa in the year 2000. The continued high level of fraud and crime undermined business confidence which was further exacerbated by a decline in the value of the rand and an increase in the price of crude oil.

The short-term insurance industry experienced difficult trading conditions as the lack of growth and abnormal weather patterns placed severe pressures on the industry. Motor claims remained at high levels and most insurers incurred significant losses during the first half of 2000. Market conditions improved during the second half of the year but further action will be required to return the industry to a satisfactory operating position.

ACQUISITION OF CGU HOLDINGS

The feature of the financial year was the acquisition of CGU Holdings with effect from 1 June 2000 at a cost of R1,2 billion. Regulatory approvals were received in October 2000 and the group financial results include those of CGU for the three-month period.

The acquisition will increase the group's gross premium income by some 50% and lead to significant economies of scale within the enlarged organisation.

(Claims Division, General Management)
Left to right: Eddie Miles, Howard Cohen,
Mariette Hendriks.

PRESENTATION

To provide investors with a better understanding of the results achieved from the insurance activities, and to comply with United Kingdom accounting practice, the income statement has been divided into a technical account and a non-technical account.

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

- funds generated by the insurance activities, and
- shareholders' funds.

The non-technical account includes all non-insurance related activities including investments, investment returns transferred to the technical account and goodwill written off.

Surpluses and deficits on the revaluation of investments were previously credited directly to non-distributable reserves but are now included in the income statement and are distributable.



DIVIDENDS AND FINANCIAL POSITION

The strong capital position of the group enabled the Board to declare a special dividend of 300 cents per share in November 2000 following a special dividend of 600 cents per share in September 1999. These special dividends had the effect of returning R2,2 billion to shareholders. Ordinary dividends for the year under review have been maintained at 58 cents per share.

The financial position of the group remains strong and shareholders' funds amounted to R3,5 billion at 31 December 2000. The solvency margin (being the ratio of net assets to net premiums) was in excess of 80% at 31 December 2000.

The rating agency Duff & Phelps confirmed the sound financial position by reaffirming the group's AAA credit rating.

FINANCIAL RESULTS

There has been a steady improvement in the underwriting account following the severe weather losses in the early part of the year. The underwriting loss of R31 million at June 2000 improved to a break-even position at the year end with an underwriting surplus of R2 million being recorded. This is considered to be satisfactory following the R56 million loss during 1999.

The General Insurance Result amounted to R146 million, which was nearly double the amount earned in 1999.

The headline earnings for the group declined to R488 million from R534 million in 1999 following the declaration of the special dividend.

FUTURE PROSPECTS

Pressure on underwriting margins is expected to continue in 2001 as the high incidence of crime losses and motor vehicle accidents continues unabated.

There are, however, indications of an improvement in rating levels and the group is well positioned to deliver improving insurance results through responsible underwriting standards.

APPRECIATION

I would like to extend my thanks to the Board of Directors for their continued support during the past financial year. Mr E E Anstee resigned from the Board in November 2000 and we thank him for his contribution to the group.

Mr J V F Roberts joined the Board in November 2000 and is welcomed in this position.



(Personal Division, General Management)

Left to right: Dave van Alphen-Stahl, Chris Grieve, Jonathan Soames, Henry Appleby, Ian Jurgensen.

I am also indebted to our major shareholders, Old Mutual Plc and the Royal & Sun Alliance Insurance Group Plc, as well as the Group's intermediaries and clients who have provided ongoing support.

In conclusion I would like to welcome our new colleagues who have joined us from the CGU group and express my appreciation to all staff for their commitment in providing professional service to our customers.

A handwritten signature in black ink that reads "K T M Saggars". The signature is written in a cursive style and is positioned above a horizontal line.

K T M Saggars
Chairman

20 February 2001



There was evidence of some hardening of short-term rates in the course of the year and, with firmer reinsurance terms being driven internationally, an improved outturn for the industry is anticipated.



INDUSTRY OVERVIEW

The year 2000 saw continuation of the difficult trading environment for the short-term insurance industry. A lack of real growth in premiums during the year was accompanied by escalating claims costs. In the months of February and March, South Africa experienced its worst period of flooding in many years and this contributed to the poor underwriting returns in the first half of the year.

There was, however, evidence of some hardening of short-term rates in the course of the year and, with firmer reinsurance terms being driven internationally, an improved outturn for the industry is anticipated.

The market witnessed further consolidation during the year and as competitive forces drive towards lower cost structures and improved efficiencies, it is anticipated that consolidation will continue.

GROUP PERFORMANCE

Mutual & Federal was pleased to acquire CGU Holdings Limited during the year. The benefits which are likely to be delivered from this acquisition will lead to reduced delivery costs, better efficiencies and to improved profitability.

Gross premium income increased by 24% from R2 786 million to R3 468 million, largely influenced by the inclusion of the CGU results for the three months from 1 October 2000.

The group recorded a modest underwriting surplus of R2 million for the year (1999: deficit of R56 million), an improvement on the loss of R31 million for the first half of the year.

A number of portfolios still require correction. The motor account in particular remains underpriced and further corrective action is being taken.

Expenses remain well controlled and synergies arising from the CGU acquisition and e-business initiatives will result in an improvement in the group expense ratio.



*(Commercial Division, General Management)
Left to right: Neil Vincent-Lambert, Merrick Oeschger,
Lesley Beckbessinger, Keith Kennedy.*

COMMERCIAL DIVISION

An underwriting profit was produced by the division despite the severe impact of weather related claims experienced during the first quarter of the year. The division was rewarded for the high level of service provided to intermediaries when Mutual & Federal won the South African Financial Services Intermediary Association (SAFSIA) award for best commercial insurer for the second year running.

Good broker relationships coupled with an aggressive marketing strategy provided satisfactory growth in a relatively stagnant market.

The acquisition of CGU was particularly positive for this division as the two operations complement one another in terms of geographical spread of business and distribution channel support.

CORPORATE BUSINESS DIVISION

This division continues to face intense competition both locally and from abroad. In recent years this competition has caused rates to decline to uneconomical levels.

A number of clients have moved their insurances offshore and this has inevitably resulted in a contraction of the premium base.

It is pleasing to note, however, that there has been recent evidence of increasing terms and it is to be hoped that this reflects a return to responsible underwriting standards.

Alternative Risk Financing activities progressed well mainly due to a greater market presence and strong regional capabilities. The team has been strengthened with the resources obtained from the CGU and improved growth and profitability is expected.

PERSONAL LINES DIVISION

The inclusion of CGU business will unquestionably lead to enhanced critical mass and greater economies of scale.

Due to difficulties with group schemes activities and the underrating of motor risks, the division underperformed. Significant remedial action is taking place in these areas.

The Mutual & Federal branded personal insurance product, Allsure, produced a positive underwriting result.



(Corporate Business Division, General Management)

Left to right: Robin Lane, Chris Kemp.

CLAIMS DIVISION

The capability of Mutual & Federal in claims handling remains a key competence which distinguishes the company from its competitors. In excess of 2 000 new claims are handled efficiently and economically every working day. This competency will be critical in deriving significant economic value from the CGU portfolios acquired.

SERVICES DIVISION

The Services Division provides a reliable and solid backbone to the functioning of the group operations. The IT infrastructure and processing systems contribute to making Mutual & Federal one of the lowest cost service providers in the industry.

As the short-term insurance industry is well suited to processing transactions electronically, significant progress has been made in developing e-business initiatives. One of the focus areas is claims processing which is being transformed appropriately to exploit internet technology. A key initiative has been the provision of internet-based enquiry facilities to intermediaries.

CONCLUSION

The loyalty of our intermediaries and policyholders is appreciated and is recognised as being fundamental to our continued success.

In conclusion I thank management and staff for their support to the company and the concerted effort in meeting the needs of our clients.

A handwritten signature in black ink, appearing to read 'Bruce Campbell'.

Bruce Campbell
Managing Director

20 February 2001

(Services Division, General Management)

Left to right: Gary Benton, Brian Laird-Smith, Pieter Bezuidenhout, Jonathan Golding, Ian Williamson.



DIRECTORS

#+ K T M Sagers (64) (*Chairman*)
§ 1985

+ M J Levett (61) (*Deputy Chairman*)
B.Com., D.Econ.Sc(h.c.), F.I.A., F.F.A., A.S.A.
§ 1976

B Campbell (50) (*Managing Director*)
B.A., M.B.L., F.C.I.I.
§ 1998

#* T A Hayes (57)
F.C.I.I., A.C.I.S.
§ 1998

B E Hersov (74)
D.M.S., M.A., Hon. LL.D.
§ 1970

#* R O Hudson (48)
B.Sc. (Econ.) Hons., M.B.A., F.C.I.I.
§ 1999

A M Hyatt (63)
B.A., F.I.V. (S.A.)
§ 1996

C F Liebenberg (66)
C.A.I.B. (S.A.) F.I.B.S.A., AMP (Harvard)
§ 1996

R V Mendelsohn** (54)
AB., JD.
§ 1998

+ R P Menell (45)
B.A. (Hons.), M.A., M.Sc.
§ 1996

#* J V F Roberts (43)
B.A., F.C.A., M.C.T.
§ 2000

E P Theron (59)
B.Com., LL.B.
§ 1996

#+ R A Williams (60)
B.A., LL.B., F.I.B.S.A.
§ 1995

* British

** American

Member of the Audit Committee

+ Member of the Remuneration Committee

§ Date of appointment to the Board

EXECUTIVE

Managing Director

B Campbell (50)
B.A., M.B.L., F.C.I.I.
§ 1988

Executive General Managers

H J C Appleby (52)
F.C.I.I.
§ 1997

P Bezuidenhout (41)
B.Compt. (Hons.), C.A. (S.A.), CISA
§ 1999

K N Kennedy (49)
F.C.I.S., F.C.M.A., A.C.I.I.
§ 2000

General Managers

L Beckbessinger (48)
F.C.I.I.
§ 2000

M Benton (48)
B.Com., C.A. (S.A.), F.C.A.(UK)
§ 2000

H T Cohen (49)
B.A., LL.B.
§ 1998

J A Golding (50)
M.C.S.S.A.
§ 1997

C G Grieve (40)
§ 2000

M Hendriks (42)
B.A., A.C.I.I., M.B.L.
§ 2000

I Jurgensen (51)
F.C.I.I.
§ 1997

R E Lane (56)
A.C.I.I.
§ 1994

E S Miles (60)
F.C.I.I.
§ 1994

D van Alphen-Stahl (47)
F.C.I.I.
§ 1997

C P Kemp (48)
B.Com., C.A. (S.A.), F.S.R.M.
§ 1998

B R Laird-Smith (47)
B.Com., C.A. (S.A.)
§ 1995

M W Oeschger (35)
§ 2000

J C Soames (39)
§ 2000

N Vincent-Lambert (57)
A.C.I.I.
§ 2000

I Williamson (45)
M.Comm
§ 2000

§ Date of appointment to the executive

Mutual & Federal is committed 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 corporate theory is matched by corporate practice.

DIRECTORS

The Board of Directors comprises mainly non-executive directors who are selected for their business acumen and skills. This Board monitors management performance and the overall application of company policy. It meets each quarter to formally assess progress. 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.

EQUAL OPPORTUNITY

The company provides equal opportunities to all employees, regardless of race and gender in line with the demands of basic fairness. In addition, Affirmative Action programmes are in place to ensure that the staff composition more accurately reflects the demographics of the nation and the communities served by the company.

REMUNERATION

A Remuneration Committee comprising non-executive directors determines the terms of employment and remuneration of company executives and approves overall remuneration levels of other grades of staff.

AUDIT COMMITTEE

An Audit Committee, also comprising non-executive directors, operates in terms of a formally approved charter. The external and internal auditors have unrestricted access to members of this committee.

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 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 judgments 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. The directors have no reason to believe that the Group's operations will not continue as a going concern in the year ahead.

MANAGEMENT REPORTING

Management reporting disciplines are diligently observed. Budgets for all operations are prepared and submitted for Board approval and monthly results are then reviewed against approved budgets. In addition, management maintains internal controls and systems to provide reasonable assurance of the integrity and reliability of financial statements. These controls, based on established policies and procedures, are operated by trained personnel whose duties are clearly defined and segregated, thereby creating a system of internal checks and balances. 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 system occurred during the period under review.

R E P O R T O F T H E I N D E P E N D E N T A U D I T O R S

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 12 to 31 for the year ended 31 December 2000. 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 2000 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.

KPMG Inc.

KPMG Inc.

Chartered Accountants (SA)

Registered Accountants and Auditors

20 February 2001

C E R T I F I C A T E B Y C O M P A N Y S E C R E T A R Y

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act, 1973, that for the year ended 31 December 2000, 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

20 February 2001

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.

SUBSIDIARY ACQUIRED

During the year the company acquired the entire share capital of CGU Holdings Limited. The results of the CGU group are included in the group financial statements from 1 October 2000, the effective date of acquisition.

SHARE CAPITAL

In terms of the special resolution dated 14 December 2000, the authorised share capital of the company was increased from 250 000 000 shares of 10 cents each to 350 000 000 shares of 10 cents each. During the year 331 600 shares were issued at a premium of R2 841 343.

PREMIUM INCOME

Gross premiums for the year totalled R3 468 million (1999: R2 786 million). After deduction of reinsurance premiums of R316 million (1999: R304 million), net premiums amounted to R3 152 million (1999: R2 482 million).

UNDERWRITING RESULTS

There was an underwriting profit of R2 million for the year compared with last year's loss of R56 million.

INVESTMENT INCOME

Dividends, interest and property income net of expenses amounted to R361 million for the year (1999: R301 million).

Realised surpluses on investments amounted to R411 million (1999: R1 381 million).

There was an unrealised deficit on investments of R245 million for the year (1999: a surplus of R664 million).

CONTINGENCY RESERVE

The current year's financial statements include a transfer of R36 million (1999: R9 million) to the contingency reserve as provided by the Short-term Insurance Act. The Group's contingency reserve now stands at R279 million (1999: R243 million) which fully meets the requirements of the Act.

DIVIDENDS

A first interim dividend of 22 cents per share was declared payable in September 2000 (1999: 22 cents). A special dividend of 300 cents per share was declared payable in 2000 (1999: 600 cents). A final dividend of 36 cents per share (1999: 36 cents) has been declared payable on or about 30 March 2001. The total ordinary dividend for the year is therefore 58 cents (1999: 58 cents).

PROFITS AND DIVIDENDS

	Year ended	
	2000 Rm	1999 Rm
Income before taxation	519	2 290
Taxation	49	45
Current	42	48
Deferred	7	(3)
	470	2 245
Share of associated companies/minority shareholders	10	3
Net income	480	2 248
Retained income from previous year	3 635	3 149
	4 115	5 397
Appropriations		
Transfer to contingency reserve	36	9
Interim and special dividends	776	1 497
Final dividend	87	87
Secondary tax on companies	104	169
Retained income at end of year	3 112	3 635
	4 115	5 397

DIRECTORS

Mr E E Anstee resigned on 14 November 2000.

Mr J V F Roberts was appointed on 14 November 2000.

The names of the directors appear on page 8 and that of the Secretary of the company, together with his business and postal addresses, appear on page 41.

Mr B R Laird-Smith resigned as Company Secretary on 1 December 2000 and Mr G M Benton was appointed as Company Secretary with effect from 1 December 2000.

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

Mr M J Levett, Mr B E Hersov, Mr A M Hyatt,

Mr J V F Roberts, Mr K T M Saggars.

DIRECTORS' SHAREHOLDINGS

At 31 December 2000, the directors beneficially held a total of 1 066 700 shares (1999: 1 062 700 shares) of the company and their non-beneficial interest amounted to 6 500 shares (1999: 6 500 shares). No material change in these holdings has taken place since 31 December 2000.

HOLDING COMPANIES

The immediate holding company is Mutual & Federal Investments Limited, the shareholders of which are Royal & Sun Alliance Insurance Group Plc and Old Mutual Plc which is the ultimate controlling shareholder.



K T M Saggars
Chairman
20 February 2001



B Campbell
Managing Director

at 31 December 2000

	Notes	Group		Company	
		2000 Rm	1999 Rm	2000 Rm	1999 Rm
ASSETS					
Non-current assets		4 671	3 758	4 186	3 788
Fixed assets	1	63	38	44	38
Investments at market value	2	4 288	3 591	2 258	2 434
Interest in subsidiary companies	3			1 753	1 207
Interest in associated companies	4	125	97	105	83
Goodwill	5	103	-	-	-
Deferred taxation	6	92	32	26	26
Technical assets		445	278	257	274
Reinsurers' share of provision for unearned premiums		121	69	79	65
Reinsurers' share of outstanding claims		324	209	178	209
Current assets		1 400	1 735	615	1 474
Agents' and reinsurers' balances		294	155	150	114
Debtors		373	261	231	189
Deposits with reinsurers		2	2	2	2
Cash and cash equivalents		731	1 317	232	1 169
Total assets		6 516	5 771	5 058	5 536
EQUITY AND LIABILITIES					
Capital and reserves		3 494	3 978	3 391	3 978
Share capital and share premium	7	103	100	103	100
Non-distributable reserves					
Contingency reserve		279	243	263	228
Distributable reserve					
Retained income		3 112	3 635	3 025	3 650
Interest of outside shareholders in subsidiaries		128	4	-	-
Non-current provisions	8	117	54	55	54
Deferred taxation	6	15	13		
Technical provisions		2 344	1 470	1 339	1 295
Gross provision for unearned premiums		742	411	353	311
Gross outstanding claims		1 602	1 059	986	984
Current liabilities		418	252	273	209
Agents' and reinsurers' balances		64	65	44	61
Deposits by reinsurers		34	36	34	36
Creditors		97	60	95	35
Current provisions	8	36	15	14	15
Taxation payable/(paid in advance)		100	(11)	(1)	(25)
Dividend declared		87	87	87	87
Total equity and liabilities		6 516	5 771	5 058	5 536

I N C O M E S T A T E M E N T S

f o r t h e y e a r e n d e d 3 1 D e c e m b e r 2 0 0 0

	Notes	Group		Company	
		2000 Rm	1999 Rm	2000 Rm	1999 Rm
TECHNICAL ACCOUNT					
Gross premiums		3 468	2 786	2 870	2 551
Less: Reinsurance premiums		316	304	267	278
Net premiums		3 152	2 482	2 603	2 273
Change in provision for unearned premiums		(19)	18	(29)	17
Gross amount		(31)	29	(42)	28
Reinsurers' share		12	(11)	13	(11)
Earned premiums net of reinsurance		3 133	2 500	2 574	2 290
Claims incurred net of reinsurance	9	2 359	1 970	1 938	1 792
Claims paid		2 312	1 966	1 906	1 811
Gross amount		2 517	2 043	2 108	1 885
Reinsurers' share		(205)	(77)	(202)	(74)
Change in the provision for claims		47	4	32	(19)
Gross amount		58	92	1	69
Reinsurers' share		(11)	(88)	31	(88)
Acquisition expenses		500	372	412	341
Commission paid		548	427	452	395
Reinsurance commission received		(48)	(55)	(40)	(54)
Management expenses	10	272	214	221	205
Underwriting surplus/(loss)		2	(56)	3	(48)
Investment return on technical provisions		144	140	113	112
General insurance result		146	84	116	64
Long-term investment return on shareholders' funds		381	492	380	410
Operating income based on long-term investment return		527	576	496	474
NON-TECHNICAL ACCOUNT					
Dividends, interest and property income	11	361	301	854	287
Realised surplus on investments		411	1 381	143	1 352
Unrealised (deficit)/surplus on investments	11	(245)	664	(700)	684
Allocated investment return transferred to technical account		(525)	(632)	(493)	(522)
Abnormal items	12	(10)	-	(7)	-
Income before taxation		519	2 290	293	2 275
Taxation	13	(49)	(45)	(34)	(27)
		470	2 245	259	2 248
Share of associated companies' retained income		11	3	11	-
Attributable to minority shareholders		(1)	-	-	-
Net income		480	2 248	270	2 248
Headline earnings per share (cents)	14	203	222		
Basic earnings per share (cents)	14	199	935		
Ordinary dividends per share (cents)		58	58		
Special dividend per share (cents)		300	600		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2000

	Notes	Share capital and share premium	Investment fluctuation reserve Unrealised	Realised	Contingency reserve	Retained income	Total
GROUP							
Balance at 31 December 1998		97	700	1 081	234	1 403	3 515
Changes in accounting policy	15		(700)	(1 081)		1 746	(35)
Restated balance at 31 December 1998		97	-	-	234	3 149	3 480
Net income for the year						2 248	2 248
Transfer to contingency reserve					9	(9)	
Dividends						(1 584)	(1 584)
Issue of share capital		3					3
Secondary tax on companies	13					(169)	(169)
Balance at 31 December 1999		100	-	-	243	3 635	3 978
Net income for the year						480	480
Transfer to contingency reserve					36	(36)	
Dividends						(863)	(863)
Issue of share capital		3					3
Secondary tax on companies	13					(104)	(104)
Balance at 31 December 2000		103	-	-	279	3 112	3 494
COMPANY							
Balance at 31 December 1998		97	943	1 091	221	1 163	3 515
Changes in accounting policy	15		(943)	(1 091)		1 999	(35)
Restated balance at 31 December 1998		97	-	-	221	3 162	3 480
Net income for the year						2 248	2 248
Transfer to contingency reserve					7	(7)	
Dividends						(1 584)	(1 584)
Issue of share capital		3					3
Secondary tax on companies	13					(169)	(169)
Balance at 31 December 1999		100	-	-	228	3 650	3 978
Net income for the year						270	270
Transfer to contingency reserve					35	(35)	
Dividends						(863)	(863)
Issue of share capital		3					3
Secondary tax on companies	13					3	3
Balance at 31 December 2000		103	-	-	263	3 025	3 391

C A S H F L O W S T A T E M E N T S

f o r t h e y e a r e n d e d 3 1 D e c e m b e r 2 0 0 0

	Notes	Group		Company	
		2000 Rm	1999 Rm	2000 Rm	1999 Rm
Cash generated by/(utilised in) operations	16	219	(26)	39	(46)
Investment income		361	296	1 242	282
Cash generated by operating activities		580	270	1 281	236
Taxation paid		74	(64)	(10)	(7)
Cash available from operating activities		654	206	1 271	229
Dividends paid		(863)	(1 583)	(863)	(1 583)
Secondary tax on companies		(104)	(169)	3	(169)
Cash (utilised by)/retained from operating activities		(313)	(1 546)	411	(1 523)
Cash (utilised in)/generated by investing activities		(768)	2 620	(1 351)	2 584
Net purchases of fixed assets		(26)	(16)	(26)	(16)
Net (purchases)/sales of investments		(742)	2 636	(1 325)	2 600
Acquisition of subsidiary	17	(1 211)		(1 211)	-
Ordinary shares		425	2 432	190	2 380
Preference shares		76	30	50	30
Government securities		10	-	(5)	-
Investment in associated companies		(4)	(34)	(16)	(34)
Money market and other		(49)	208	7	36
Fixed properties		11	-	-	-
Advances to subsidiary companies				(340)	188
(Increase)/decrease in funding requirements		(1 081)	1 074	(940)	1 061
Cash effects of financing activities					
Proceeds from issue of shares		3	3	3	3
(Decrease)/increase in cash and cash equivalents		(1 078)	1 077	(937)	1 064

STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies are set out below and are in all material respects consistent with those of the previous year except as set out in Note 15.

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 and all of its subsidiary companies at the date of the balance sheet and the results of their operations for the period then ended. The results of subsidiaries acquired during a financial year are included from the effective dates of acquisition.

iii. Presentation

The results for the year are shown in the income statement. To present these in a meaningful way, the income statement is separated into:

(a) A technical account

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

- funds generated by the insurance activities; and
- shareholders' funds

(b) A non-technical account

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

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. Provision for deferred taxation is not made in respect of the contingency reserve nor the unrealised appreciation in the value of the investments at the end of the year.

vii. Fixed assets

Fixed assets 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

Interest in subsidiary companies are shown at their net asset value based on the market values of the underlying investments, and include amounts owing to and from subsidiaries.

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 arising on the acquisition of subsidiaries is amortised on a straight-line basis over its useful life.

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.

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 original cost. 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 realised and unrealised surpluses and deficits are recorded in the income statement.

The actual investment return on investments supporting insurance technical provisions is allocated to the technical account in determining the general insurance result. In addition the long-term investment 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.

xv. Retirement benefits

The company and its subsidiaries contribute to defined benefit and defined contribution pension 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. Earnings per share and headline earnings per share

Basic earnings per share are based on net income divided by the average number of shares in issue for the year. Headline earnings per share are based on operating income based on the long-term investment return, after taxation and share of associated companies' retained income.


xvii. 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

31 December 2000

	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
1. FIXED ASSETS				
1.1 Book value				
At cost	179	91	113	90
Motor vehicles	26	24	25	24
Furniture and equipment	153	67	88	66
Accumulated depreciation	116	53	69	52
Motor vehicles	14	11	13	11
Furniture and equipment	102	42	56	41
Net book value	63	38	44	38
Motor vehicles	12	13	12	13
Furniture and equipment	51	25	32	25
1.2 Movement in fixed assets				
Net book value at beginning of year	38	40	38	40
Subsidiary acquired	22	-		
Net additions	27	17	26	17
Depreciation	(24)	(19)	(20)	(19)
Net book value at end of year	63	38	44	38
The group has no commitments for acquisition of fixed assets.				
2. INVESTMENTS				
2.1 At cost				
Fixed properties	142	123	88	88
Fixed and foreign deposits	111	40	11	11
Government securities	332	114	106	101
Preference shares	178	62	10	60
Listed	2	2	-	-
Unlisted	176	60	10	60
Ordinary shares	2 250	1 839	1 101	1 136
Listed	1 776	1 838	1 101	1 136
Unlisted	474	1	-	-
Mortgages	60	56	60	56
Public bodies and other	12	47	2	13
	3 085	2 281	1 378	1 465



	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
2. INVESTMENTS (continued)				
2.2 At market value				
Fixed properties	155	123	88	88
Fixed and foreign deposits	158	64	11	11
Government securities	362	129	117	116
Preference shares	178	61	10	59
Listed	2	2	–	–
Unlisted	176	59	10	59
Ordinary shares	3 362	3 103	1 969	2 085
Listed	2 885	3 102	1 967	2 084
Unlisted	477	1	2	1
Mortgages	60	56	60	56
Public bodies and other	13	55	3	19
	4 288	3 591	2 258	2 434
Included in the above figures are investments, at cost, in fellow subsidiary companies in respect of				
Listed ordinary shares	96	96	71	91
Unlisted preference shares	10	60	10	60
Deposit	139	12	107	11
Included in the above figures are investments, at cost, in the ultimate holding company arising from the acquisition of CGU Holdings Limited	22	–	–	–
Included in fixed and foreign deposits are the following uncovered foreign deposits				
US Dollar 2 277 679 on call	17	13		
Deutsche Marks 2 344 658 on call	9	7		
Swiss Francs 1 470 606 on call	7	6		
Japanese Yen 103 651 731 on call	7	6		
Dutch Guilders 1 387 357 on call	5	4		
	45	36		

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 August 1999 was done using the capitalisation of income approach.

A register of fixed property at 31 December 2000 is available for inspection at the company's registered office.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

2. INVESTMENTS (continued)

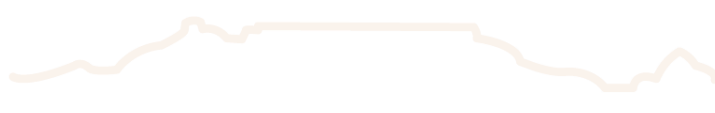
2.3 Major equity investments

The group's most significant listed equity investments at 31 December 2000 are set out below and comprise in aggregate 35,0% of total assets and 68,0% of the equity portfolio. The analysis shown reflects the percentage of the total market value at 31 December 2000 of the equity investments.

Name of company	Market value	% of equity
	Rm	portfolio
Nedcor Limited	422	12,6
Richemont Securities AG.	278	8,3
Anglo American Plc	219	6,5
Sanlam Limited	187	5,5
Standard Bank Investment Corporation Limited	178	5,3
De Beers Consolidated Mines Limited	151	4,5
Rembrandt Group Limited	111	3,3
S A Eagle Insurance Company Limited	110	3,3
South African Breweries Plc	97	2,9
Dimension Data Holdings Limited	97	2,9
Anglo American Platinum Corporation Limited	92	2,7
Anglovaal Industries Limited	87	2,6
Barloworld Limited	86	2,6
Sasol Limited	84	2,5
R M B Holdings Limited	84	2,5

A register of investments at 31 December 2000 is available for inspection at the company's registered office.

	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
3. INTEREST IN SUBSIDIARY COMPANIES				
Shares at cost less amounts written off			1 862	1 039
Adjustment to net asset value			(5)	612
			1 857	1 651
Amounts owing by subsidiaries			12	8
Amounts owing to subsidiaries			(116)	(452)
			1 753	1 207



	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
4. INTEREST IN ASSOCIATED COMPANIES				
Investments at cost	54	40	53	37
Share of post acquisition income – current year	11	3	11	–
Revaluation	60	54	41	46
Carrying value/Directors' valuation	125	97	105	83

Details of associated companies	Nature of business	Percentage held	Year end
RM Insurance (Pvt) Limited (incorporated in Zimbabwe)	Short-term insurance	40,0	December
Credit Guarantee Insurance Corporation of Africa Limited	Short-term insurance	27,4	June *
Associated Marine Underwriting (Pty) Limited	Marine underwriting agency	50,0	December
Credit Underwriting Agency (Pty) Limited	Credit insurance underwriting agency	29,0	December
Insurance Company of Namibia Limited	Short-term insurance	33,3	December
Jessop Finance Company (Pty) Limited	Finance	50,0	December

* Management accounts for the period to 31 December 2000 are used for equity accounting.

	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
5. GOODWILL				
Balance at beginning of year	–	–		
Arising on acquisition of subsidiary	106	–		
Current year amortisation	(3)	–		
Balance at end of year	103	–		
6. DEFERRED TAXATION				
Balance at beginning of year	19	–	26	10
Change in accounting policy	–	16	–	16
Subsidiary acquired	65	–	–	–
Charge to income statement	(7)	3	–	–
Balance at end of year	77	19	26	26
Analysis by major temporary differences				
Fixed assets	1	1	1	1
Provisions	25	25	25	25
Prepaid pension fund contributions	(12)	(13)	–	–
Accumulated losses	63	6	–	–
	77	19	26	26

The unrecognised deferred tax liability relating to the contingency reserve amounts to R86 million (1999: R73 million).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
7. SHARE CAPITAL AND SHARE PREMIUM				
(a) Authorised 350 000 000 (1999: 250 000 000) shares of 10 cents each	35	25	35	25
(b) Issued 241 040 924 (1999: 240 709 324) shares of 10 cents each	24	24	24	24
Share premium	79	76	79	76
	103	100	103	100
(c) During the year 2 363 290 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 R4 and R18 (1999: 2 002 510 shares at an exercise price per share between R2 and R14). During the year 331 600 share options were exercised at an exercise price per share between R3 and R16 (1999: 352 100 shares at an exercise price per share between R2 and R14). At 31 December 2000, employees of the group held options to acquire 6 982 400 (1999: 4 950 710) new shares in the company in terms of the share options scheme. In addition a further 7 082 900 (1999: 1 196 190) shares had been designated for issue in terms of future options to be granted to employees.				
(d) The remaining 94 893 776 (1999: 3 143 776) unissued shares were placed under the control of the directors at the general meeting held on 14 December 2000 until the commencement of the next annual general meeting.				
	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
8. PROVISIONS				
8.1 Non-current				
Post-retirement medical aid benefits				
Balance at beginning of year	54	51	54	51
Provisions made during the year	1	3	1	3
Provisions existing in subsidiary at acquisition date	62	-	-	-
Balance at end of year	117	54	55	54
8.2 Current				
Current provisions include provision for merger costs relating to the integration of the CGU group	7	-	-	-
9. CLAIMS				
Claims incurred net of reinsurers' share	2 223	1 864	1 828	1 691
Claims administration expenses	136	106	110	101
	2 359	1 970	1 938	1 792



	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
10. MANAGEMENT EXPENSES				
10.1 Management expenses include:				
Audit fees	2	1	1	1
Depreciation	24	19	20	19
Profit on sale of fixed assets	(1)	(1)	(1)	(1)
Directors' emoluments				
Executive directors				
– for managerial remuneration			1	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.

10.2 Remuneration paid to directors

2000

R'000	In capacity as directors Fees	Other capacity			Total
		Salary	Bonus	Pension contri- bution	
K T M Sagers	128	247			375
M J Levett	89				89
B Campbell*	–	1 030	219	116	1 365
E E Anstee	43				43
T A Hayes	40				40
B E Hersov	40				40
R O Hudson	40				40
A M Hyatt	40				40
C F Liebenberg	50				50
R V Mendelsohn	40				40
R P Menell	49				49
R V F Roberts	7				7
E P Theron	50				50
R A Williams	69				69
	685	1 277	219	116	2 297

1999

R'000	In capacity as directors Fees	Other capacity				Total
		Salary	Bonus	Pension contri- bution	Share options	
K T M Sagers	79	248	138	19	341	825
M J Levett	214					214
B Campbell*	–	885	275	101		1 261
E E Anstee	22					22
T A Hayes	28					28
B E Hersov	28					28
R O Hudson	10					10
A M Hyatt	28					28
C F Liebenberg	37					37
R V Mendelsohn	28					28
R P Menell	36					36
R V F Roberts	–					–
E P Theron	37					37
R A Williams	54					54
	601	1 133	413	120	341	2 608

*Executive director

NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

10. MANAGEMENT EXPENSES (continued)

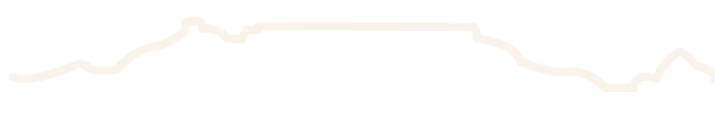
10.2 Remuneration paid to directors (continued)

Outstanding share options 2000	Number	Strike price (R)	Exercisable before
B Campbell*	64 800	3,59	31/08/2002
	76 100	5,38	30/06/2003
	86 500	12,83	30/06/2002
	207 600	11,56	30/06/2004
	207 600	10,52	16/11/2004
	74 600	11,33	15/11/2005
	61 700	16,00	31/12/2006

*Executive director

	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
11. INVESTMENT INCOME				
11.1 Dividends, interest and property income				
Dividends – listed – cash	194	136	167	114
– unlisted	5	7	4	7
– subsidiaries	–	–	547	31
– associated companies	2	2	1	–
Total dividends	201	145	719	152
Interest and rentals	160	156	135	135
	361	301	854	287
11.2 Unrealised (deficit)/surplus on investments				
Attributable to current year disposals	(431)	(600)	(143)	(571)
Current year revaluation due to changes in market value	177	1 263	(557)	1 255
Unrealised foreign exchange gains	9	1	–	–
	(245)	664	(700)	684
12. ABNORMAL ITEMS				
Abnormal items consist of the following:				
Amortisation of goodwill	3	–	–	–
Merger costs	7	–	7	–
	10	–	7	–
13. TAXATION				
South African and foreign				
Current	42	48	34	27
– current year	40	35	32	14
– prior year	2	13	2	13
Deferred	7	(3)	–	–
– current year	7	6	–	8
– prior year	–	(11)	–	(11)
– rate change	–	2	–	3
	49	45	34	27

Including secondary tax on companies (which has been treated as an appropriation of reserves) the tax charge for 2000 is R153 million (1999: R214 million) for the group and R31 million (1999: R196 million) for the company.



	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
13. TAXATION (continued)				
Reconciliation of tax rate				
	%	%	%	%
Standard rate	30,0	30,0	30,0	30,0
Contingency reserve	(2,1)	(0,1)	(3,6)	(0,1)
Dividend income	(11,6)	(1,9)	(73,6)	(2,0)
Realised surplus on investments	(23,8)	(18,1)	(14,0)	(17,8)
Unrealised deficit/surplus on investments	14,1	(8,6)	71,7	(9,0)
Disallowed expenses/(non taxable income)	2,4	0,5	0,4	(0,1)
Prior year adjustment	0,4	0,1	0,7	0,1
Rate change	–	0,1	–	0,1
Effective rate	9,4	2,0	11,6	1,2

14. EARNINGS PER SHARE

Basic earnings per share are calculated on earnings of R480 million (1999: R2 248 million) and headline earnings per share are calculated on adjusted operating income of R488 million (1999: R534 million) and a weighted average of 240 823 124 (1999: 240 542 826) shares in issue during the period.

Reconciliation of headline earnings per share

	Group	
	2000 Rm	1999 Rm
Operating income based on long-term investment return	527	576
Taxation	(49)	(45)
Share of associated companies' retained income	11	3
Attributable to minority shareholders	(1)	–
Headline earnings	488	534

15. CHANGES IN ACCOUNTING POLICIES

During the year the group changed its accounting policies with regard to

15.1 Post-retirement medical benefits

Provision for post-retirement medical benefits was not raised in previous years. With effect from the beginning of the current year the group has changed its policy to make full provision for this obligation over the expected working lives of eligible employees.

15.2 Surpluses and deficits on investments

Surpluses and deficits on the realisation and revaluation of investments were previously credited directly to non-distributable reserves. These amounts are now included in the income statement and are distributable.

The new accounting policies have been applied retrospectively by adjusting opening retained income for 1999. Comparative figures have been restated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2000

	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
15. CHANGES IN ACCOUNTING POLICIES (continued)				
The net effect of these changes in accounting policy are as follows:				
Retained income as previously reported		443		214
Adjustments relating to periods before 31 December 1998				
Post-retirement medical benefit		(51)		(51)
Deferred tax on post-retirement medical benefit		16		16
Realised surplus on investments		1 081		1 091
Unrealised surplus on investments		700		943
Adjustments relating to the year ended 31 December 1999				
Post-retirement medical benefits		(3)		(3)
Deferred tax on post-retirement medical benefits		1		1
Realised surplus on investments		1 381		1 352
Tax on realised surplus on investments		3		3
Unrealised surplus on investments		664		684
Transfer from non-distributable reserve reversed		(600)		(600)
Retained income as currently reported		3 635		3 650
16. CASH GENERATED BY/(UTILISED IN) OPERATIONS				
Underwriting surplus/(loss)	2	(56)	3	(48)
Abnormal item	(7)	-	(7)	-
Increase/(decrease) in technical provisions	66	(14)	61	(36)
Depreciation of fixed assets	24	19	20	19
Profit on sale of fixed assets	(1)	(1)	(1)	(1)
Changes in working capital	128	23	(37)	17
Increase in non current provisions	1	3	1	3
Increase in current provisions	6	-	(1)	-
	219	(26)	39	(46)

17. ACQUISITION OF SUBSIDIARY

The company acquired the entire share capital of CGU Holdings Limited. The effective date of the acquisition for accounting purposes was 1 October 2000. The total purchase consideration of R1 211 million was paid in cash. Goodwill arising on acquisition is being written off over ten years. The acquired business contributed gross premiums of R300 million, underwriting loss of R5 million and net profit of R4 million to the group for the three month period.

Assets and liabilities acquired	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
Fixed assets	22			
Investments	1 023			
Net current assets	268			
Net technical provisions	(641)			
Taxation payable	5			
Interest of outside shareholders	(129)			
Deferred taxation	65			
Cash and cash equivalents	492			
Net assets	1 105			
Goodwill	106			
Total purchase consideration, paid in cash	1 211		1 211	



	Group		Company	
	2000 Rm	1999 Rm	2000 Rm	1999 Rm
18. 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	61	58		
Interest and dividends received	11	6		
Rent paid	(8)	(7)		
Fees paid	(2)	(3)		
With fellow subsidiary				
Interest and dividends received	35	40		
Commission paid	(40)	(25)		
Bank charges and administration fees paid	(3)	(2)		

19. RETIREMENT BENEFIT INFORMATION

19.1 Retirement funds

The company operates a pension fund for all permanent staff. The fund is a combined defined contribution and defined benefit fund and is governed by the Pension Funds Act of 1956. The majority of permanent staff are members of the defined contribution section, whilst a very small proportion are defined benefit members.

No current year contributions were made due to a contribution holiday. According to the latest actuarial valuation of the fund at 30 June 1998, using the attained age valuation method (for defined benefit members), the pension fund is in a sound financial position. At the last valuation date the fair value of the combined assets of the fund was R371 million and the actuarial present value of the benefits that had accrued to members, allowing for expected future increases in pensionable pay (for remaining defined benefit members), amounted to R287 million.

CGU operates a defined benefit staff pension fund which is governed by the Pension Fund Act, 1956. Assets of the fund primarily consist of units in a managed investment fund. These funds are actuarially valued every three years using the projected unit credit method. The fund was last actuarially valued on 1 January 1999, at which time it was declared to be in a sound financial position by the reporting actuary, subject to the continuation of their current contribution rates. The main actuarial assumptions used in the valuations were as follows: liability discount rate and long-term investment return 15% and the average salary increase 13,5%.

At the last valuation date the fair value of the combined assets of the scheme was R476,5 million and the actuarial present value of the benefits that had accrued to members, allowing for expected future increase in pensionable pay, amounted to R408,4 million. Since date of valuation, members have been given the option of converting to a defined contribution fund. The majority of members have opted to convert to the new fund.

N O T E S T O T H E F I N A N C I A L S T A T E M E N T S

3 1 D e c e m b e r 2 0 0 0

19. RETIREMENT BENEFIT INFORMATION (continued)**19.2 Medical aid funds**

The group contributes to a defined benefit medical aid scheme for the benefit of permanent and retired employees and their dependants. The contribution charged against income amounted to R1 million (1999: R3 million). On the basis of current practice, which is reviewed annually, actuarially determined present value of future medical aid obligations for early retirees is R117 million at 31 December 2000 (1999: R54 million), for which provision is made in full. The group has no further post-retirement medical aid obligations for current or retired employees.

20. FINANCIAL INSTRUMENTS**20.1 Currency risk**

The group does not have any significant currency risks.

20.2 Interest rate risk

The group does not have any borrowings. Interest rate risk exposure is therefore limited to the group's investment in floating-rate instruments such as preference shares.

20.3 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.

20.4 Fair values

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

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified.

I N T E R E S T I N S U B S I D I A R Y C O M P A N I E S

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 ❖	1999	1 1	2 30	3 24
Mutual & Federal Insurance Company of Botswana Limited * *	1999	13 13	52 48	(7) (7)
Mutual & Federal Insurance Company of Namibia Limited + *	1999	10 10	87 79	10 (1)
National Employers' General Insurance Company Limited ❖	1999	2 2	13 227	24 90
Protea Assurance Company Limited ❖	1999	11 11	817 1 253	40 314
Royal Fire and General Company Limited ○	1999	2 2	2 2	2 2
Mutual & Federal Company of Zimbabwe (Private) Limited # ❖	1999	– –	12 12	– –
South African Mutual Fire and General Company Limited ○	1999	– –	– –	– –
Cougar Investment Holding Company Limited ❖ (formerly CGU Holdings Limited)		5	872	–
INDIRECTLY HELD				
Mutual & Federal Risk Financing Limited *	1999	5 5	151 140	14 6
Mutual & Federal Risk Financing Limited (redeemable preference shares) (85%)	1999	– –	– –	– –
Portion 1 of Stand 210 Rosebank (Proprietary) Limited ◆ (75%)	1999	– –	2 1	2 1
Protea Assurance Management Services (Proprietary) Limited ○	1999	3 3	4 4	4 4
Protea Assurance Properties (Proprietary) Limited ◆	1999	– –	– –	– –
Protea GMS (Proprietary) Limited ◆	1999	– –	1 1	1 –
Protea Insurance Company Limited *	1999	60 60	529 624	16 11
CGU Insurance Limited *		10	558	(5)
Cougar Risk Finance Limited * (formerly CGU Risk Finance Limited)		–	22	–
MFCU Group Services of South Africa (Proprietary) Limited ○ (formerly Commercial Union Group Services of South Africa (Proprietary) Limited)		–	7	–
MFCU Asset Managers (Proprietary) Limited ○ (formerly Commercial Union Asset Managers (Proprietary) Limited)		–	1	–
MFCU Investments South Africa Limited ❖ (formerly Commercial Union Investments South Africa (Proprietary) Limited)		–	53	–
Sentrasure Limited * (63%)		169	104	–
CGU Zimbabwe Limited # * (67%)		4	(4)	–

* Incorporated in Botswana

❖ Investment holding company

○ Dormant company

Incorporated in Zimbabwe

* Short-term insurance

+ Incorporated in Namibia

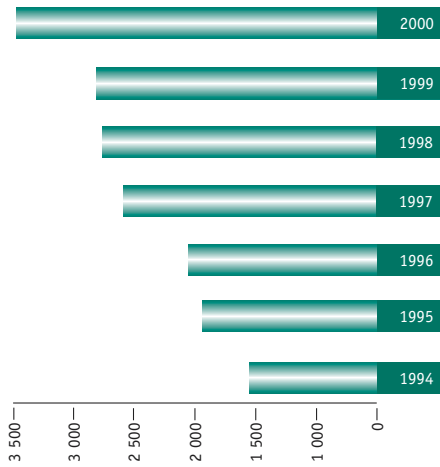
◆ Property company

All holdings are 100% unless otherwise indicated.

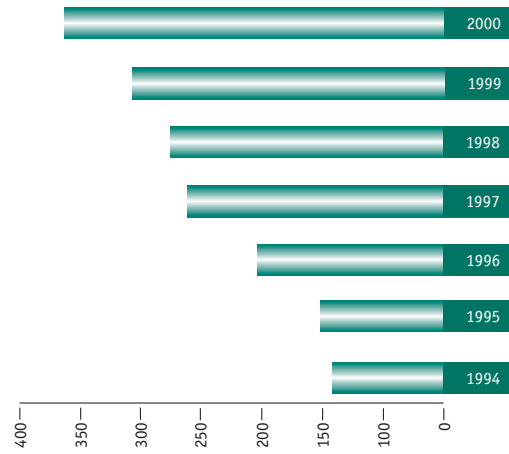
The group's share of the after-tax results of subsidiaries for the year ended 31 December 2000 was as follows:

Profits: R833 million for the year (1999: R31 million).

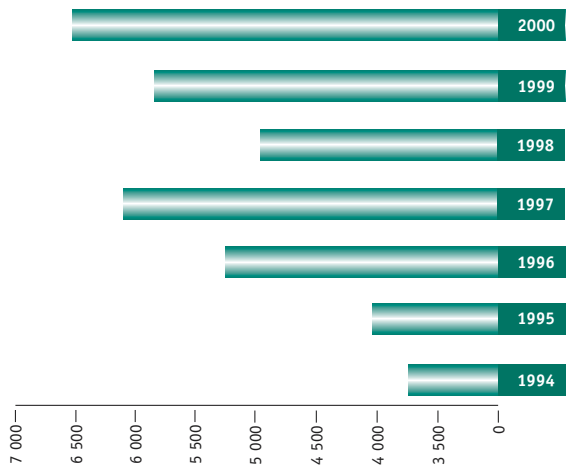
Gross premiums (R million)



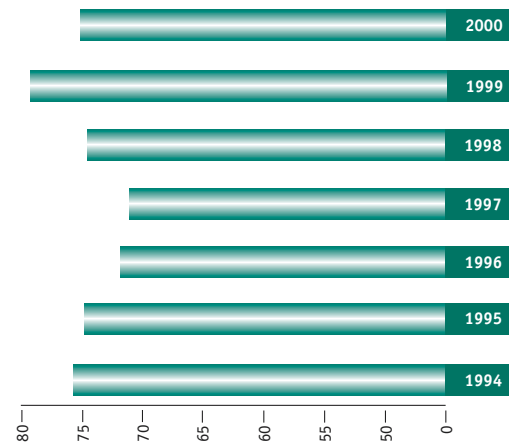
Dividends, interest and property income (R million)



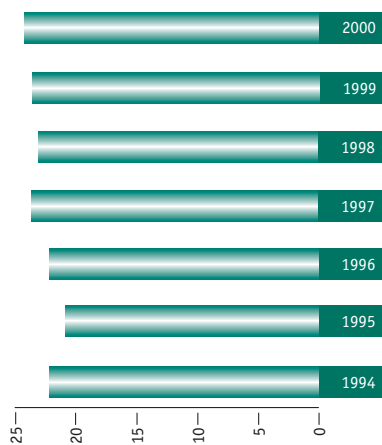
Assets (R million)



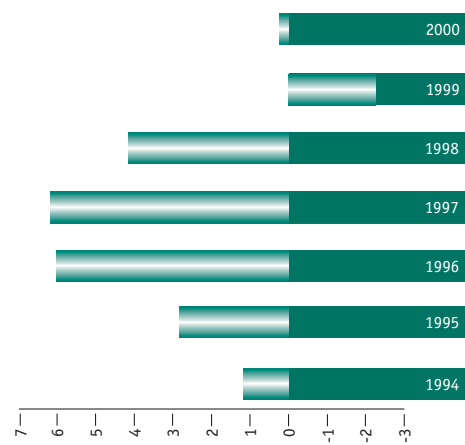
Claims ratio (%)



Expenses and commission ratio (%)



Underwriting ratio (%)



	18 months						
	31 Dec	31 Dec	31 Dec	30 June	30 June	30 June	30 June
	2000	1999	1998	1997	1996	1995	1994
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Net premiums	3 152	2 482	3 490	2 164	1 877	1 650	1 379
Management expenses	272	214	310	191	145	117	106
Percentage of net premiums	8,6%	8,6%	8,9%	8,8%	7,7%	7,1%	7,7%
Management expenses and commission	772	586	819	511	417	353	306
Underwriting surplus/(loss)	2	(56)	145	131	112	48	17
Earnings							
Basic earnings	480	2 248	(1 060)	631	1 110	293	852
Basic earnings per share (cents)	199	935	(441)	265	469	124	361
Ordinary dividends per share (cents)	58	58	69	38	31	25	21
Assets							
Net asset value per share (cents) *	1 450	1 653	1 449	1 973	1 737	1 293	1 196
Shares							
Number of shares in issue (millions)	241,0	240,7	240,4	239,9	236,9	236,4	236,0

* A special dividend of 300 cents per share was paid in 2000 (1999: 600 cents).

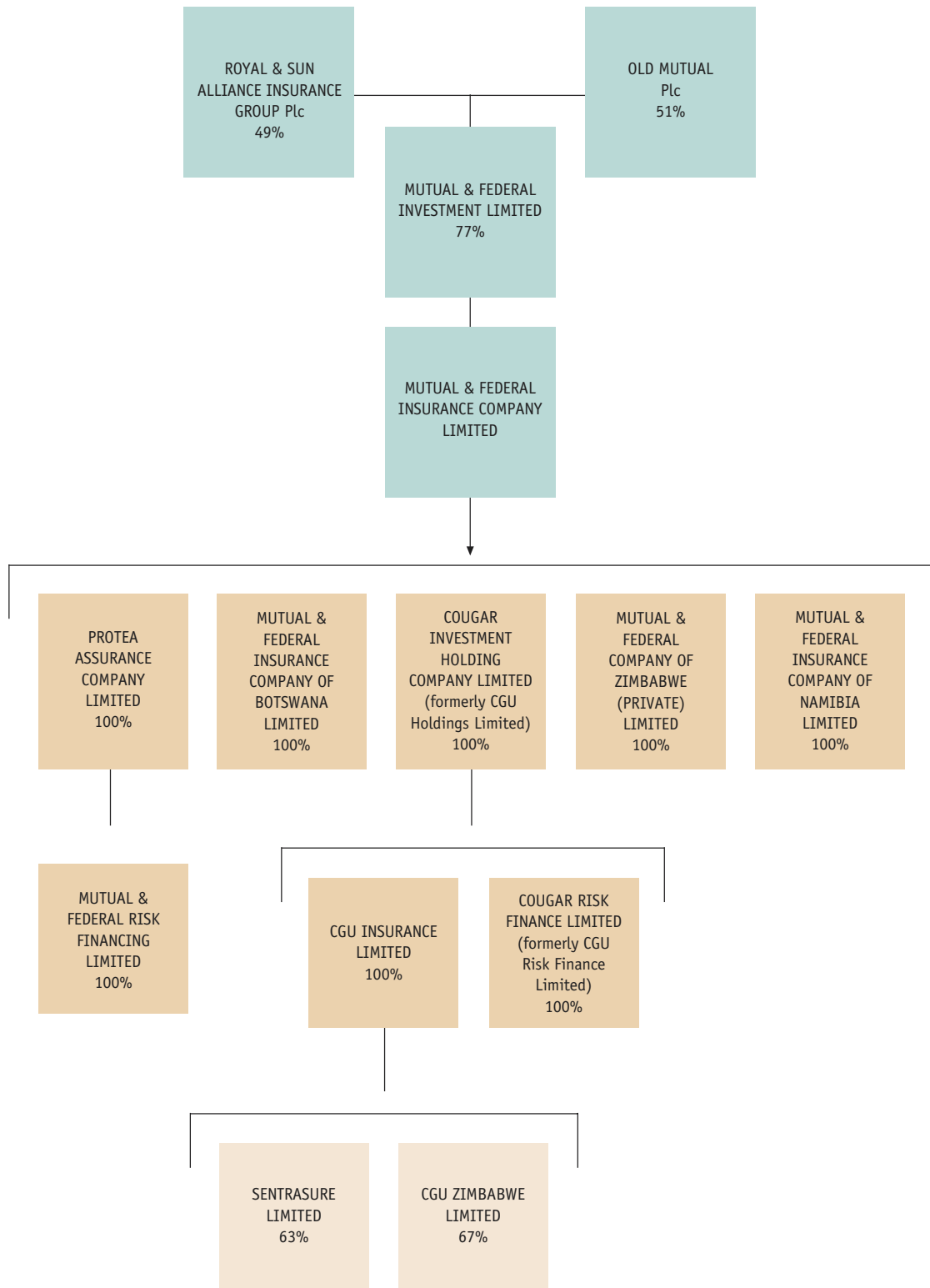
LIST OF MAIN SHAREHOLDERS OF MUTUAL & FEDERAL INSURANCE COMPANY LIMITED

Name of shareholder	Number of shares held	% of issued share capital
Mutual & Federal Investments Limited	185 635 000	77,0
Old Mutual Nominees (Pty) Limited	28 300 357	11,7
Standard Bank Nominees TVL. Limited	7 298 518	3,0
Nedcor Bank Nominees Limited	6 945 890	2,9
First National Nominees (Pty) Limited	4 479 500	1,9
SSFS Nominees (Pty) Limited	2 092 625	0,9
ABSA Nominees (Pty) Limited	1 044 534	0,4
	235 796 424	97,8
10 shareholders each holding between 100 000 and 499 999 shares	2 567 710	1,1
324 shareholders each holding less than 100 000 shares	2 676 790	1,1
Total shares in issue	241 040 924	100,0
Total number of shareholders	341	(Excludes 13 directors with non-beneficial holdings)

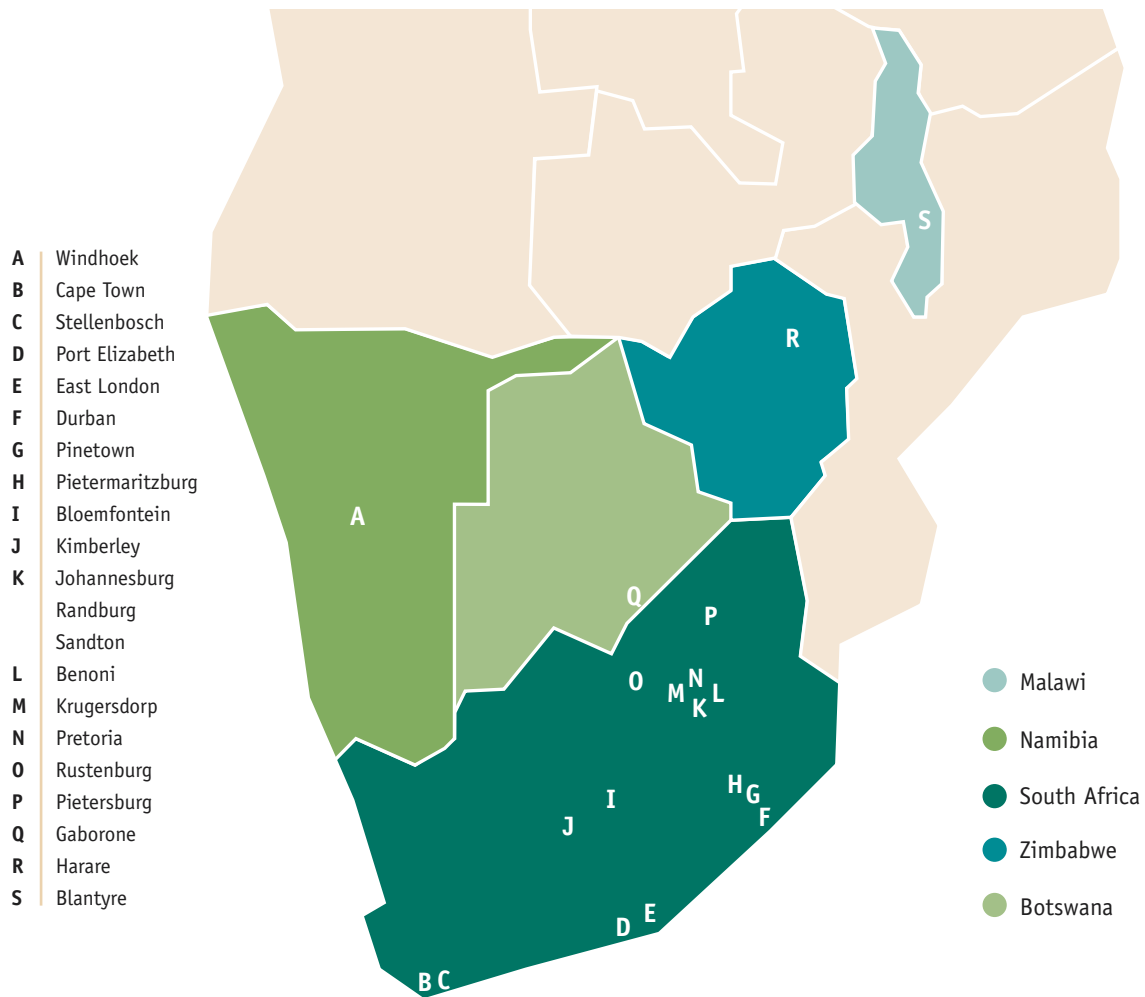
SHARE STATISTICS

	2000	1999
Number of ordinary shares traded (000)	12 716	16 717
Total value of shares traded (R 000)	379 866	280 971
Market price per ordinary shares (cents) *		
– Closing	1 600	1 480
– Highest	1 900	2 200
– Lowest	1 500	1 100

* A special dividend of 300 cents was paid in 2000 (1999: 600 cents).



The above excludes associate, investment holding, property and dormant companies.



M A N A G E R S

Accounting Services
 Administration
 Allsure & Product Development
 Claims Commercial
 Claims Development
 Claims Motor
 Claims Motor Recoveries
 Claims Personal
 Commercial Business

 Communications
 Corporate Accounting
 E-Business

 Engineering
 Financial Services

J S Smit
N J Ressel, F.C.I.S.
C Dallas, F.I.I.S.A.
P R Pepperell, F.C.I.I.
J Nel
C Hayhurst, A.I.I.S.A.
P D Pau, B.A., LL.B., I.L.P.A.
C J Grosch
H M Gardner, F.C.I.I., A.S.R.M.(SA)
W A D Gast, A.C.I.I.
D A Hopcroft
W V Richards, F.I.I.S.A.
L G M Comyn, B.A.
J R Heunes, Dip.Bus.Man.
J H Van der Vlugt, F.C.I.I. F.I.I.S.A.
D C Werner
K H Kietzman, B.Compt. (Hons.), C.A.(S.A.)

Forensic Audit
 Human Resources
 Information Services

 Internal Audit
 Investments
 Legal
 Marine
 Old Mutual Liaison
 Personal Business

 Research & Development
 Reinsurance
 Risk Finance
 Specialised Investigations
 Training

M P Arnold, B.Com., B.Acc.
M Low, B.Admin
N D Burke
L Gennari
K Wishart
P M J Hancock, B.Com., C.A. (S.A.)
A J Uren, B.Com.
A T Bouwer, B.Iuris., LL.B., Dip.LL
M G Caietta
A W G Vögel, A.I.I.S.A.
A Errington, A.C.I.I.
M P McCann, A.C.I.I.
P Morris, F.C.I.I.
L A Robertson, A.I.I.S.A., M.A.P.
P Gladwell, A.C.I.I.
H Marjoram
B L Ancient
P J K Viljoen, B.A. (Hons.) (Police Science)
C A E van den Berg, B.A. (Hons.)

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F B Quinton

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*L J Brown, A.C.I.I.
*H Fountain
*D Kerrin, F.I.I.S.A.
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L van Heerden, A.C.I.I.

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EAST LONDON P O Box 608 Telephone (043) 743 4643 Fax underwriting (043) 743 0567 Fax claims (043) 743 8742	B D Johnson, F.I.I.S.A. *M V Gower, *M Holmes	Queenstown P O Box 428 Telephone (045) 839 3106/7 Fax (045) 838 1194	S D Boucher
KIMBERLEY Private Bag X6063 Telephone (053) 832 3266 Fax (053) 831 2741	R E Jatho, A.C.I.I. *D K Delpont *R G Talbot	Uppington P O Box 820 Telephone (054) 332 6025 Fax (054) 332 4684 Vryburg P O Box 427 Telephone (053) 927 2227 Fax (053) 927 3081	F Holtzhausen F S van Deventer
KRUGERSDORP P O Box 629 Telephone (011) 951 5400 Fax (011) 660 3002 (011) 953 5011/3175	J F du Rand, A.C.I.I. *D R Daniels *A T Wiese	Carletonville P O Box 82 Telephone (018) 786 1147 Fax (018) 788 5758 Klerksdorp P O Box 565 Telephone (018) 462 9666 Fax (018) 462 8248	S Barlow J J Goosen
PIETERMARITZBURG P O Box 420 Telephone (033) 345 2415 Fax (033) 342 1176/7425	R G Jamieson, F.C.I.I. *F Hugo, F.C.I.I. *D G Manning *N R Taylor, A.I.I.S.A.	Newcastle P O Box 2338 Telephone (034) 312 7094 Fax (034) 315 2880 Ladysmith P O Box 372 Tel (036) 637 7031 Fax (036) 637 2606	M Hill C B Lee
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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 L Daniels, A.C.I.I. *M R Delponte *D Sanderson *L Westerman, B.Com.	George P O Box 300 Telephone (044) 802 5200 Fax (044) 802 5215	A Cronje
PRETORIA P O Box 178 Telephone (012) 319 8700 Fax (012) 325 6156	N H Loubser, A.C.I.I. *A M Dias *J B Goodchild *G P Lucas *N Smith, A.C.I.I.	Nelspruit P O Box 307 Telephone (013) 753 2221/2/3 Fax (013) 752 5912 Witbank P O Box 2118 Telephone (013) 690 2850 Fax (013) 656 5591	* H Breedt
PRETORIA CLAIMS P O Box 178 Telephone (012) 319 8700 Fax (012) 324 0133 (012) 325 3035	D J J Bisschoff, F.C.I.I. *S Papadopoulos *E C Scott, F.C.I.I.		

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*C McLachlan

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*J H Welthagen

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D N Visser

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D J R Blair, A.C.I.I.I.
R R Boggenpoel
D Brown
I D Dreyer
W Immelman
A E Kuyler
O La Grange
D B Mbuli
L H Swanepoel
A S J van Blommenstein

Pietermaritzburg
Durban
Port Elizabeth
Pretoria
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Assistant Manager
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C L Stretch, F.C.I.I.I.
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R Lotriet

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Managers
J Hogg, B.A., A.C.I.I.I.
J D van Huysteen, B.Com.

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Assistant Manager
D M Muthe, A.C.I.I.I.

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CGU MALAWI

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Fax (+265) 622862

General Manager
E Chapola, A.C.I.I.I.

Notice is hereby given that the thirtieth 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 10:30 on Tuesday, 8 May 2001 for the following purposes:

1. To receive and adopt the annual financial statements and reports for the year ended 31 December 2000
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) M J Levett
- (b) B E Hersov
- (c) A M Hyatt
- (d) J V F Roberts
- (e) K T M Saggars

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 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.
4. To authorise the directors of the company by way of general authority to issue all or any of the shares 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 Securities Exchange South Africa ("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 2001, be fixed at R45 000 per annum for each director, the Chairman's remuneration be at the rate of R112 000 per annum and the Deputy Chairman's remuneration be at the rate of R90 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. Proxy forms should be forwarded to reach the Company Secretary not less than forty-eight hours before the time of holding the meeting.

By order of the Board



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
P O 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: Mercantile Registrars Limited, 8th Floor
11 Diagonal Street, Johannesburg, 2001

Johannesburg
20 February 2001