

ERINYS AFRICA (PROPRIETARY) LIMITED

Registration no. 2001/015368/07

ANNUAL FINANCIAL STATEMENTS

for the period ended 31 December 2002

ERINYS AFRICA (PROPRIETARY) LIMITED

**ANNUAL FINANCIAL STATEMENTS
for the period ended 31 December 2002**

COMPANY INFORMATION

Registration number:	2001/015368/07
Registered address:	Erinys House, Waterfall Park, Midrand
Postal address:	PO Box 4107, Halfway House, 1685
Auditors:	PricewaterhouseCoopers Inc, Johannesburg
Attorneys:	Deneys Reitz
Bankers:	First National Bank

CONTENTS

	Page
Statement of responsibility by the board of directors	1
Report of the independent auditors	2
Report of the directors	3-4
Balance sheet	5
Income statement	6
Statement of changes in equity	7
Cash flow statement	8
Accounting policies	9-10
Notes to the financial statements	11-16

ERINYS AFRICA (PROPRIETARY) LIMITED

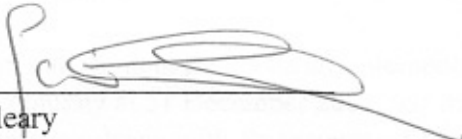
STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS
for the period ended 31 December 2002

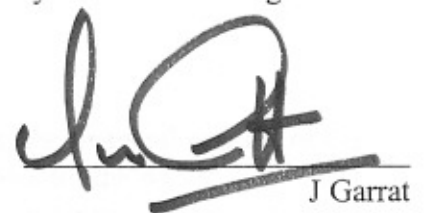
The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and the related information. The auditors are responsible for reporting on the fair presentation of the financial statements. The financial statements presented on pages 1 to 16 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the South African Companies Act, 1973.

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and system has occurred during the period under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

The financial statements were approved by the board of directors on 16 May 2003 and are signed on its behalf:


S Cleary


J Garrat

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ERINYS AFRICA (PROPRIETARY) LIMITED**

We have audited the financial statements set out on pages 2 to 16 for the period 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 included in the financial statements;
- assessing the accounting principles used and significant estimates made by management;
- 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 at 31 December 2002 and the results of its operations and cash flows for the period then ended in accordance with Statements of Generally Accepted Accounting Practice in South Africa, and in the manner required by the South African Companies Act, 1973.

Accounting and secretarial duties

With the written consent of all members, we have performed certain accounting and secretarial duties.

Supplementary information

The supplementary schedules set out in annexure 1 to 2 do not form part of the annual financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

**PricewaterhouseCoopers Incorporated
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
16 May 2003**

C Beggs Chief Executive Officer
I S Fourie Chief Operating Officer

J T C Wilkinson Director - Managing Johannesburg office
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of the directors' names is available for inspection.
VAT reg. no. 4950174682

ERINYS AFRICA (PROPRIETARY) LIMITED

DIRECTORS' REPORT

for the period ended 31 December 2002

The directors present their annual report, which forms part of the audited financial statements of the company for the period ended 31 December 2002.

Nature of business

The current business operations of the company are to provide risk management consulting services. The company was incorporated on 19 July 2001 with a year end of 28 February. During the current period the year end was changed to 31 December. This resulted in an effective period under review of 10 months.

Financial results

The financial results of the company are set out in the attached financial statements. The company started trading in in the last 6 months during the period under review.

Dividends

No dividends have been declared during the period and none is recommended.

Share capital

The following share capital was issued during the prior period: Ordinary shares: R100

Directors and Secretary

The present directors of the company are:

S Cleary (appointed 08/08/2002)

J Garrat (appointed 27/07/2001)

F Brown (appointed 27/07/2001)

The following director resigned during the period:

LK Plaistowe (resigned 25/09/2002)

The Secretary of the company is PricewaterhouseCoopers Inc., whose business and postal address is:

Business:

2 Eglin road

Sunninghill

2157

Postal:

Private Bag X36

Sunninghill

2157

ERINYS AFRICA (PROPRIETARY) LIMITED

DIRECTORS' REPORT

for the period ended 31 December 2002

Holding company

The company is controlled by Erinys International Ltd, which owns 100% of the company's shares.

Events subsequent to balance sheet

No matter which is material to the financial affairs of the company has occurred between the balance sheet date and the date of approval of the financial statements.

ERINYS AFRICA (PROPRIETARY) LIMITED

BALANCE SHEET

as at 31 December 2002

	Notes	2002 R	2001 R
ASSETS			
Non-current assets			
Property, plant and equipment	12	297,970	-
		<u>297,970</u>	-
Current assets			
Trade and other receivables	5	233,135	-
Cash and cash equivalents	6	30,687	-
		<u>263,822</u>	-
Total assets		<u><u>561,792</u></u>	-
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	100	100
Accumulated loss		(282,680)	-
		<u>(282,580)</u>	100
Non-current liabilities			
Other borrowings	8	190,885	(100)
		<u>190,885</u>	(100)
Current liabilities			
Trade and other payables	7	653,487	-
		<u>653,487</u>	-
Total liabilities		<u>844,372</u>	(100)
Total equity and liabilities		<u><u>561,792</u></u>	-

ERINYS AFRICA (PROPRIETARY) LIMITED

INCOME STATEMENT

for the period ended 31 December 2002

	Notes	2002 R	2001 R
		<u>(10 Months)</u>	<u>(7 Months)</u>
Revenue		1,508,805	-
Cost of sales		(208,603)	-
Gross profit		<u>1,300,202</u>	-
Administrative expenses		(1,560,224)	-
Other operating expenses		(22,706)	-
Operating loss	1	<u>(282,728)</u>	-
Finance income	3	48	-
Net loss		<u><u>(282,680)</u></u>	-

ERINYS AFRICA (PROPRIETARY) LIMITED

STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2002

	Notes	2002 R <u>(10 Months)</u>	2001 R <u>(7 Months)</u>
Share capital	9		
Ordinary shares			
At beginning of the year		100	-
Ordinary shares issued		-	100
Balance at end of the 10 months		<u>100</u>	<u>100</u>
Total share capital at end of 10 months		<u>100</u>	<u>100</u>
Accumulated loss			
Net loss		(282,680)	-
Balance at end of the 10 months		<u>(282,680)</u>	<u>-</u>

ERINYS AFRICA (PROPRIETARY) LIMITED

CASH FLOW STATEMENT
for the period ended 31 December 2002

	Notes	2002 R (10 Months)	2001 R (7 Months)
Cash flows from operating activities			
Cash receipts from customers		1,289,387	-
Cash paid to suppliers and employees		(1,108,095)	-
Net cash flow from operating activities	10	181,292	-
Interest received		456	-
Interest paid		(408)	-
Net cash flow from operating activities		181,340	-
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(318,932)	-
Net cash flow from investing activities		(318,932)	-
Cash flows from financing activities			
Net proceeds/(repayments) of other borrowings		190,985	(100)
Proceeds from issue of ordinary shares	9	-	100
Net cash flow from financing activities		190,985	-
Net increase in cash and cash equivalents		53,393	-
Cash and cash equivalents at beginning of 10 months	6	-	-
Effects of exchange rate changes		(22,706)	-
Cash and cash equivalents at end of 10 months	6	30,687	-

ERINYS AFRICA (PROPRIETARY) LIMITED

ACCOUNTING POLICIES

for the period ended 31 December 2002

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous period

1 Basis of preparation

The annual financial statements are prepared in accordance with and comply with South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared under the historical cost convention.

2 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

3 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4 Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year-end exchange rates.

5 Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

6 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation.

Depreciation is calculated on the straight-line method to write off the cost of each asset, to their residual values over their estimated useful life as follows:

Office equipment	10 years
Furniture and fittings	6 years
Computer equipment	3 years
Computer software	2 years

ERINYS AFRICA (PROPRIETARY) LIMITED

ACCOUNTING POLICIES for the period ended 31 December 2002

7 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Employee entitlements to annual leave and long service leave are recognised when they accrue to

8 Retirement Benefits

The group's contributions to the defined contribution plans are charged to the income statement in the year to which they relate.

9 Revenue recognition

Sales are recognised upon performance of services, net of Value Added Taxes.

Interest income is recognised as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

10 Trade Receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

ERINYS AFRICA (PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2002

1 Operating loss

The following items have been charged in arriving at operating loss:

	2002 R	2001 R
Depreciation on property, plant and equipment (note 12)	20,962	-
- Owned assets	20,962	-
Foreign exchange loss	22,706	-
Operating lease rentals	322,649	-
- Land and buildings	309,122	-
- Motor vehicles	13,527	-
Staff costs (note 2)	446,807	-
Auditors' remuneration	30,000	-
- Audit fees - current year	30,000	-
2 Staff costs	2002 R	2001 R
Salaries and wages	440,320	-
Pension costs		
- Defined contribution plans	6,487	-
	446,807	-
3 Finance income	2002 R	2001 R
Interest income	(456)	-
Interest expense		
- Bank borrowings	408	-
	(48)	-

ERINYS AFRICA (PROPRIETARY) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2002**

4 Taxation

No provision for tax has been made as the company has a tax loss that can be set off against future income.

5 Trade and other receivables	2002	2001
	R	R
Trade receivables	219,418	-
Prepayments	8,201	-
Other receivables	5,516	-
	<u>233,135</u>	<u>-</u>

6 Cash and cash equivalents	2002	2001
	R	R
Cash at bank and in hand	30,687	-
	<u>30,687</u>	<u>-</u>

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	2002	2001
	R	R
Cash and cash equivalents	30,687	-
	<u>30,687</u>	<u>-</u>

7 Trade and other payables	2002	2001
	R	R
Trade payables	425,556	-
Accrued expenses	64,651	-
Other payables	280	-
Income in advance	163,000	-
	<u>653,487</u>	<u>-</u>

Further information on trade and other payables to related parties is shown in note 11.

ERINYS AFRICA (PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2002

8 Other borrowings	2002 R	2001 R
Borrowings from directors	187,902	(100)
Borrowings - other	2,983	-
	<u>190,885</u>	<u>(100)</u>

These loans are unsecured, interest free and no fixed terms of repayment have been set. Also see note 11.

9 Ordinary shares and share premium

	Number of shares	Ordinary Shares R	Total R
Ordinary shares issued			-
At 28 February 2002	<u>100</u>	<u>100</u>	<u>100</u>
At 31 December 2002	<u>100</u>	<u>100</u>	<u>100</u>

The total authorised number of ordinary shares is 1 000 shares (2001: 1 000 shares) with a par value of R1 per share (2001: R1 per share). All issued shares are fully paid.

ERINYS AFRICA (PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2002

10 Cash generated from operations

Reconciliation of loss before tax to cash generated from operations:

	2002	2001
	R	R
Loss before tax	(282,680)	-
Adjustments for:		
Non cash items		
Depreciation (note 12)	20,962	-
Foreign exchange loss (note 1)	22,706	-
Investment income	(456)	-
Interest expense	408	-
	<hr/>	
	(239,060)	-
Changes in working capital	420,352	-
- Trade and other receivables	(233,135)	-
- Trade and other payables	653,487	-
	<hr/>	
Cash generated from operations	181,292	-

ERINYS AFRICA (PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2002

11 Related party transactions

The company is controlled by Erinys International Limited, which owns 100% of the company's shares.

The directors of the company exercise control over the following companies:

Strategic Concepts (Pty) Ltd

The following transactions were entered into with related parties

	2002 R	2001 R
Expenses		
Rental paid:		
Strategic Concepts (Pty) Ltd	300,000	-
	<u>300,000</u>	<u>-</u>
Payables to related parties:		
Strategic Concepts (Pty) Ltd	57,000	-
	<u>57,000</u>	<u>-</u>
Loans from related parties	2002 R	2001 R
Loans from directors		
Loans advanced during the period	187,902	-
Balance at the end of the period	<u>187,902</u>	<u>-</u>

These loans were provided interest free, and there was no specified repayment date.

	2002 R	2001 R
Directors' remuneration		
<i>Executive directors</i>		
Salaries	180,000	-
Fringe benefits	26,877	-
	<u>206,877</u>	<u>-</u>

ERINYS AFRICA (PROPRIETARY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2002

12 Property, plant and equipment

	Office equipment	Fixtures and fittings	Computer equipment	Computer software	Total
Depreciation rate	10.0%	16.6%	33.3%	50.0%	
Period ended 31 December 2002					
Opening carrying amount	-	-	-	-	-
Additions	5,834	38,490	254,025	20,583	318,932
Depreciation charge	(245)	(2,140)	(17,683)	(894)	(20,962)
Closing carrying amount	5,589	36,350	236,342	19,689	297,970
At 31 December 2002					
Cost or valuation	5,834	38,490	254,025	20,583	318,932
Accumulated depreciation	(245)	(2,140)	(17,683)	(894)	(20,962)
Carrying amount	5,589	36,350	236,342	19,689	297,970

ERINYS AFRICA (PROPRIETARY) LIMITED

**ANNEXURES TO THE FINANCIAL STATEMENTS
for the period ended 31 December 2002**

(not part of the audited financial statements)

CONTENTS

Page

Detailed Income Statement

Annexure 1 to 2

ERINYS AFRICA (PROPRIETARY) LIMITED

DETAILED INCOME STATEMENT
for the period ended 31 December 2002

	2002 R	2001 R
	(10 Months)	(7 Months)
Revenue	1,508,805	-
Cost of sales	208,603	-
Gross profit	1,300,202	-
Administrative expenses	1,560,224	-
Auditors' remuneration	30,000	-
- Audit fees - current year	30,000	-
Depreciation on property, plant and equipment	20,962	-
Directors' emoluments	206,877	-
Operating lease rentals	322,649	-
- Land and buildings	309,122	-
- Motor vehicles	13,527	-
Staff costs	446,807	-
Accounting fees	42,447	-
Advertising	33,975	-
Bank charges	5,096	-
Cleaning and refreshments	5,258	-
Computer expenses	59,267	-
Entertainment	3,614	-
Legal fees	4,053	-
Other	88,858	-
Printing, stationery and postage	36,187	-
Repairs and maintenance	1,377	-
- Office equipment	1,377	-
Security costs	4,890	-
Subscriptions	(3,147)	-
Telephone and fax	86,938	-
Travel and accommodation	93,619	-
- Local	4,429	-
- Overseas	89,190	-
Water and electricity	38,833	-
Motor vehicle expenses	23,005	-
Plants and gardening	4,889	-
Regional Service Council	3,770	-

ERINYS AFRICA (PROPRIETARY) LIMITED

DETAILED INCOME STATEMENT
for the period ended 31 December 2002

Other operating expenses	22,706	-
Foreign exchange loss	22,706	-
Operating loss	(282,728)	-
Finance income	(48)	-
Interest expense	408	-
- Bank borrowings	408	-
Interest income	456	-
- Bank and other investments	456	-
Net loss	(282,680)	-