

Satrix INDI Trust

Annual Financial Statements

for the year ended 31 December 2004

Satrix INDI Trust

Annual Financial Statements

for the year ended 31 December 2004

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Report of the independent auditors

To the trustee of the Satrix INDI Trust

We have audited the annual financial statements of the Satrix INDI Trust set out on pages 3 to 18 for the year ended 31 December 2004. These annual financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these annual financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the trust at 31 December 2004 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Collective Investment Schemes Act.

KPMG Inc.

*Registered Accountants and Auditors
Chartered Accountants (SA)*

Per JE O'Neill
Director
31 March 2005

Satrix INDI Trust

Trustee's report

for the year ended 31 December 2004

The trustee has pleasure in presenting its report for the year ended 31 December 2004.

Nature of business

The Satrix INDI Trust (the Trust) was established on 21 August 2001. The Trust was a special purpose vehicle established to enable Indexco III Limited (Indexco III) to hedge its exposure to holders of the Satrix INDI Index Securities. Subsequent to the registration of Satrix as a Collective Investment Scheme on 1 August 2004, the rights and obligations of Indexco III had been ceded to the Trust. The investment objective of the Trust is to track the price and yield performance of FTSE/JSE Industrial 25 Top Companies Index (INDI 25 Index).

The underlying portfolio is held by the Satrix INDI Trust and holders of Satrix INDI Index Securities will have rights against the Satrix INDI Trust, this includes rights to the income earned from those assets. Prior to conversion to a Collective Investment Scheme, the Satrix INDI Trust operated solely to provide Indexco III with a means of hedging its contractual obligations to holders. The relationship between the Satrix INDI Trust and Indexco III did not confer any rights on holders. The contractual rights embodied in Satrix INDI Index Securities were exercisable solely against Indexco III itself. Consequently neither Indexco III nor the Satrix INDI Trust were unit trusts as defined in the Unit Trust Control Act of 1981 and investors did not, as a result, qualify for any protection in terms of that Act.

Satrix INDI Index Securities are securities listed and traded on the JSE in much the same way as any listed shares. By owning Satrix INDI Index Securities an investor will obtain market exposure to the constituent companies included in the FTSE/JSE Industrial 25 Top Companies Index (INDI 25 Index).

Risk Analysis

Exposure to investment, index, credit, secondary trading and operational risk arises in the normal course of investment activities in listed index securities. A brief description of the respective risks and means utilised to mitigate these risks is given below –

Investment risk

There can be no assurance that the Trust will achieve its investment objectives of replicating the price and yield performance of the Index.

The following factors could impact negatively on the investment performance of the Trust–

- Certain cost and expenses incurred by the Trust could cause the underlying portfolio to mistrack the Index;
- Temporary unavailability of securities in the secondary market or other extraordinary circumstances could cause deviations from the exact weightings of the Index;
- In circumstances where securities comprising the Index are suspended from trading or other market disrupting events occur, it may be impossible to rebalance the portfolio of securities held by the Trust and this may lead to tracking errors;

Satrix INDI Trust

Trustee's report

For the year ended 31 December 2004

Risk Analysis *(continued)*

Index risk

- There is no assurance that the Index will continue to be calculated and published on the same or similar basis indefinitely. The Index was created by the JSE as a measure of market performance and not for the purposes of trading Trust Index Securities.
- The past performance of the Index is not necessarily a guide to its future performance.

Secondary trading risk

- There can be no guarantee that the Trust Index Securities will remain listed on the JSE; and
- Despite the presence of market makers, the liquidity of the Trust Index Securities cannot be guaranteed.

Credit risk

- The trustees of the Trust are permitted and have proceeded to engage in securities lending in respect of the securities held by the Trust. If a borrower fails to perform its obligations, the Trust may be unable to recover the loaned securities.

Operational risks

- If shares in the underlying companies are suspended or cease trading for any reason, the suspended shares will not be delivered to a holder exercising its right to take delivery of the underlying shares until the suspension on the trading in respect of those shares is lifted;
- If the computer facilities or other facilities of the JSE malfunction, calculation and trading in the Trust Index Securities may be suspended for a period of time; and
- Issues, redemptions and adjustments to rebalance the underlying portfolio of shares in the Trust could affect the value of the underlying shares constituting the Index and thereby also impact on the value of the Trust Index Securities.

Trustee

The previous trustee was Webber Wentzel Bowens Trustees III (Proprietary) Limited who resigned on 31 July 2004.

The trustee at the date of this report is –

ABSA Bank Limited (appointed 30 July 2004.)

Beneficiaries

The different beneficiaries of the Trust at the date of this report are as follows –

Vested income beneficiaries:

- The JSE Securities Exchange South Africa
- Sanlam Capital Markets Limited
- Deutsche Securities (Proprietary) Limited

Discretionary income and capital beneficiaries:

- All holders of Satrix INDI Index Securities

Satrix INDI Trust

Trustee's approval of the annual financial statements

The annual financial statements for the year ended 31 December 2004 set out on pages 3 to 18 were approved by the trustee on 31 March 2005 and are signed on its behalf by:

Trustee

Satrix INDI Trust

Balance sheet

at 31 December 2004

	<i>Notes</i>	2004 R	2003 R
Assets			
Investments at market value			
Listed equities	2	1 015 350 618	725 760 446
Current assets			
Accounts receivable and accruals	3	227 330	201 034
Cash resources		3 897 117	5 658 565
Total assets		1 019 525 065	731 620 045
Equity and liabilities			
Undistributed income			
		–	241 384
Non-current liabilities			
Liability – Indexco II Limited	4	–	726 209 804
Liability to unitholders	4.1	1 017 408 662	–
Current Liabilities			
Loans from associated entities	5	101 125	2 282 358
Accounts payable	6	219 738	284 103
Unitholders for distribution	8	1 795 540	2 602 396
Total equity and liabilities		1 019 525 065	731 620 045

Satrix INDI Trust

Income statement

for the year ended 31 December 2004

	<i>Note</i>	2004 R	2003 R
Income			
Dividends		18 775 445	16 684 978
Fair value adjustment	7	304 274 301	101 526 260
Fee income: Securities lending		713 074	543 255
Interest earned		268 714	621 836
		324 031 534	119 376 329
Expenses			
Fair value adjustment	7	306 612 933	101 526 260
Management and administrative expenses	10	1 599 099	1 186 569
Income available for distribution		15 819 502	16 663 500
Distributions	8	15 326 988	16 676 203
Undistributed income/(loss) before taxation		492 514	(12 703)
Taxation	11	–	–
Undistributed income/(loss)		492 514	(12 703)

Satrix INDI Trust

Statement of changes in equity

for the year ended 31 December 2004

	Undistributed income R
Balance at 1 January 2003	254 087
Undistributed loss for the year	(12 703)
Balance at 1 January 2004	<hr/> 241 384
Undistributed income for the year	492 514
Capital award to founding beneficiaries relating to period prior to the Collective Investment Scheme conversion	(726 116)
Balance at 31 December 2004	<hr/> 7 782
Classified as a non-current liability to unitholders	<hr/> (7 782)
Balance at 31 December 2004	<hr/> - <hr/>

Satrix INDI Trust

Cash flow statement

for the year ended 31 December 2004

	<i>Note</i>	2004 R	2003 R
Cash (utilised)/generated by operations	<i>13</i>	(566 318)	220 649
Capital award to founding beneficiaries		(726 116)	–
Taxation		–	(328 223)
Interest income		268 714	621 836
Net cash flow from operating activities		(1 023 720)	514 262
Cash (outflow)/inflow from investing activities		(737 728)	705 111
Purchases of equities		(122 307 106)	(185 951 297)
Proceeds from sale of equities		136 991 235	142 494 915
In specie creations and liquidations		(15 421 857)	44 161 493
Net (decrease)/increase in cash and cash equivalents		(1 761 448)	1 219 373
Cash and cash equivalents at the beginning of year		5 658 565	4 439 192
Cash and cash equivalents at the end of year		3 897 117	5 658 565

Satrix INDI Trust

Notes to the financial statements

for the year ended 31 December 2004

1. Accounting policies

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year.

1.1 Basis of preparation

The financial statements are prepared on a historic cost basis, except for financial instruments, which are accounted for as set out in note 1.3.

1.2 Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), the interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and in accordance with the Collective Investment Schemes Control Act.

1.3 Financial instruments

Measurement

Financial instruments are initially measured at cost at transaction date, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Listed investments are shown at fair value, as represented by the closing market value at year end as published in the financial press.

Trade and other receivables

Trade and other receivables originated by the Trust are stated at amortised cost less impairment charges.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value at balance sheet date.

Financial liabilities

The financial liability to Indexco III Limited is stated at the fair value as represented by the net asset value of the Satrix INDI Trust, which is calculated by adding all assets, being equities, cash and other receivables and deducting current liabilities and the unredeemed loss. Subsequent to the Collective Investment Scheme conversion, the liability has changed in its nature, as it is now payable to the unitholders. The liability to unitholders is stated as the fair value as represented by the number of Satrix INDI Trust units in issue multiplied by the net asset value per Satrix INDI Index security.

Satrix INDI Trust

Notes to the financial statements

for the year ended 31 December 2004

1. Accounting policies (continued)

1.3 Financial instruments (continued)

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are included in net profit or loss in the period in which the change arises.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 Revenue

Revenue comprises fee income from securities lending activities and investment income.

1.5 Investment income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the Trust.

Dividends are recognised when the right to receive payment is established. Scrip dividends have been accounted for as income.

1.6 Taxation

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are the differences between the carrying values of assets and liabilities for financial reporting purposes and their tax base.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Satrix INDI Trust

Notes to the financial statements

for the year ended 31 December 2004 (continued)

Notes to the financial statements

for the year ended 31 December 2004 (continued)

2. Investments (continued)

Listed equities (continued)

No of shares at 31 December 2004	Name of company	Cost R	Current price R	Market value R	% of equities	% of fund
Industrial						
Basic Industries						
306 365	AFX Afrox	4 376 401	25.05	7 674 443	0.76	0.75
38 367	PPC PPC	3 198 394	285.00	10 934 595	1.08	1.07
427 258	SAP Sappi	60 468 225	83.00	35 462 414	3.49	3.48
398 314	IIS Ispat Iscor	8 271 322	65.50	26 089 567	2.57	2.56
General industrials						
395 663	BAW Barworld	23 453 787	106.30	42 058 977	4.14	4.13
388 958	IPL Imperial	17 770 226	104.00	40 451 632	3.98	3.97
Cyclical consumer goods						
2 016 085	SHF Steinhoff	16 003 747	12.60	25 402 671	2.50	2.49
9 328 939	RCH Richemont	199 066 411	18.80	175 384 053	17.27	17.21
Non-cyclical consumer goods						
1 784 862	SAB SAB	134 465 791	95.45	170 365 078	16.78	16.71
608 931	AVI A V I	7 252 513	23.00	14 005 413	1.38	1.37
301 145	TBS Tigerbrands	14 830 280	96.90	29 180 951	2.87	2.86
2 993 910	NTC Netcare	8 661 953	5.05	15 119 246	1.49	1.48

Satrix INDI Trust

Notes to the financial statements

for the year ended 31 December 2004 (continued)

2. Investments (continued)

Listed equities (continued)

No of shares at 31 December 2004	Name of company	Cost R	Curren t price R	Market value R	% of equities	% of fund
Cyclical services						
355 984	MSM Massmart	7 874 727	45.29	16 122 515	1.59	1.58
307 390	JDG JDGroup	8 679 492	67.80	20 841 042	2.05	2.04
860 077	TRU Truworths	10 441 861	17.10	14 707 317	1.45	1.44
1 694 100	WHL Woolies	5 914 273	11.39	19 295 799	1.90	1.89
97 421	ECO Edcon	10 849 761	302.25	29 445 497	2.90	2.89
429 807	FOS Foschini	11 504 267	40.00	17 192 280	1.69	1.69
564 672	NPN Naspers N	13 922 364	75.00	42 350 400	4.17	4.16
563 212	BVT Bidvest	24 177 241	80.00	45 169 602	4.45	4.43
1 143 696	NPK Nampak	13 185 565	15.65	17 898 842	1.76	1.76
Non-cyclical services						
434 232	PIK Pick n Pay	4 856 406	23.20	10 074 182	0.99	0.99
971 281	SHP Shoprite	12 421 912	12.90	12 529 525	1.23	1.23
497 751	TKG Telkom	24 893 613	98.00	48 779 598	4.80	4.79
2 960 090	MTN Group MTN	50 918 259	43.50	128 763 915	12.68	12.63
Other securities						
5 200	STXIND INDI Satrix	36 400	9.82	51 064	0.01	0.01
	Total Equities	697 495 122		1 015 350 618	100.00	99.62
	Cash resources	3 897 117		3 897 117		0.38
	Total assets excluding accounts receivable	701 392 239		1 019 247 736		100.00

Comparative information is available upon request from the Company Secretary.

Satrix INDI Trust

Notes to the financial statements

for the year ended 31 December 2004 (continued)

	2004 R	2003 R
3. Accounts receivable and accruals		
Value added taxation	180 134	99 550
Interest accrual	15 850	30 847
Scrip lending fee accrual	81 346	70 637
	<u>227 330</u>	<u>201 034</u>
4. Liability – Indexco III Limited		
The 2003 liability to Indexco III Limited is in respect of Indexco III's contingent obligation to deliver the underlying baskets of shares constituting 105 788 457 Satrix INDI Index Securities listed on the Traded Index Funds sector of the JSE.		726 209 804
4.1 Liability to unitholders		
Opening balance	726 209 804	
Current year movement	291 191 076	
In specie creations and liquidations	(15 421 857)	
Revaluation	306 612 933	
Total units in issue	103 788 457	
Net asset value per Satrix INDI Index Security	9.8026	
Liability for distribution	7 782	
	<u>1 017 408 662</u>	<u>726 209 804</u>
5. Loans from associated entities		
Indexco Managers (Proprietary) Limited	101 125	2 279 751
The Satrix 40 Trust	–	2 607
	<u>101 125</u>	<u>2 282 358</u>
6. Expense accruals		
Expense accruals	219 738	284 103
	<u>219 738</u>	<u>284 103</u>
7. Net income before tax		
Included in net income before tax are the following significant transactions –		
Fair value adjustment on assets	(304 274 301)	(101 526 260)
Fair value adjustment on liabilities	306 612 933	101 526 260
	<u>2 338 632</u>	<u>–</u>

Satrix INDI Trust

Notes to the financial statements

for the year ended 31 December 2004 (continued)

8. Distributions

The index securities will effect quarterly distributions. All distributions are made out of the income of the Satrix INDI Trust. The record dates are 31 March, 30 June, 30 September and 31 December.

During the period under review the following distributions were effected per Satrix INDI Index Security –

	2004 R	2003 R
4.5 cents per security declared 26 March 2004 and paid 23 April 2004	4 781 638	
1.1 cents per security declared 25 June 2004 and paid 03 August 2004	1 121 358	
7.4 cents per security declared 01 October 2004 and paid 25 October 2004	7 628 452	
1.7 cents per security declared 31 December 2004 and paid 24 January 2005	1 795 540	
5.4 cents per security declared 28 March 2003 and paid 22 April 2003		5 307 577
1.6 cents per security declared 30 June 2003 and paid 16 July 2003		1 572 615
6.8 cents per security declared 26 September 2003 and paid 14 October 2003		7 193 615
2.5 cents per security declared 24 December 2003 and paid 21 January 2004		2 602 396
	15 326 988	16 676 203

9. Creation and liquidation of Satrix INDI Index Securities

No (2003 – 10 000 000) Satrix INDI Index Securities were created during the year (2003 value – R58 628 014).

Satrix INDI Index Securities cancelled totalled 2 000 000 (2003 – 2 500 000) securities at a value of R15 421 857 (2003 – R14 466 521).

Satrix INDI Trust

Notes to the financial statements

for the year ended 31 December 2004 (continued)

10. Management and administrative expenses

For the period ending 31 July 2004 Indexco Managers (Proprietary) Limited (Manco) performed all management and administrative services in respect of both the Satrix INDI Trust (the Trust) and Indexco III Limited (Indexco). Indexco Managers (Proprietary) Limited was reimbursed on a quarterly basis for all expenses plus a management fee. Indexco Managers (Proprietary) Limited was replaced by Satrix Managers (Proprietary) Limited effective 1 August 2004.

	2004 R	2003 R
Management and administrative expenses comprise –		
<i>Management fee</i>	39 614	51 316
<i>Operating expenditure –</i>	797 446	1 026 311
Asset management fee	584 920	735 952
Audit fees	84 167	50 000
Bank charges	14 973	28 182
Legal fees	7 460	8 265
License fee	37 684	54 691
Listing fees	(16 078)	20 546
Running costs	14 320	20 675
Trustees fees	70 000	108 000
<i>Indirect and other taxes</i>	89 635	108 942
Penalty interest	–	234
Regional Service Council Levy	623	1 797
Value Added Taxation not claimable	89 012	106 911
<i>Direct Trust expenses – subsequent to Collective Investment Scheme conversion</i>	672 404	
Bank charges	52 623	–
Asset management fee	481 060	–
Audit fees	50 000	–
Listing fees	46 653	–
License fees	42 068	–
	1 599 099	1 186 569

Satrix INDI Trust

Notes to the financial statements

for the year ended 31 December 2004 (continued)

11. Taxation	2004	2003
	R	R
South African normal tax		
Income tax – current year	–	–
Capital gains tax	–	–
	<hr/>	<hr/>
Total taxation	–	–
	<hr/>	<hr/>

Any residual taxable income in the Trust is taxable in the hands of the vested income beneficiaries. Therefore, there is no income tax due by the Trust.

For taxation purposes the gains and losses of a capital nature realised through portfolio rebalancing and redemption of Satrix INDI Index Securities prior to Collective Investment Schemes conversion were as follows –

Gains	4 723 172	7 039 295
Losses	(2 915 533)	(41 750 452)
	<hr/>	<hr/>
Net gain/(loss)	1 807 639	(34 711 157)
Inclusion rate at 50%	903 820	(17 355 579)
	<hr/>	<hr/>
Capital gains tax/(loss) on the net gain/(loss) at 40%	361 528	(6 942 232)
Capital (loss)/gains tax carried forward from prior year	(6 638 209)	304 023
	<hr/>	<hr/>
	(6 276 681)	(6 638 209)
	<hr/>	<hr/>

12. Scrip lending

The trustees of the Satrix INDI Trust are permitted to engage in securities lending in respect of the securities held by the Satrix INDI Trust as envisaged in the offering circular. The Collective Investment Scheme Act 2002 also permits scrip lending in the trust, subject to the following limitations:

- Not more than 50% of the market value of all the securities in the portfolio can be lent.
- The securities that can be lent to one borrower are limited to 30% of the value of all securities in the portfolio.
- The collateral security for the securities loaned must have an aggregate value that exceeds the market value of the securities loaned by not less than 5%.

If a borrower fails to perform its obligations, the Satrix 40 Trust may be unable to recover the loaned securities.

At balance sheet date significant concentrations of credit risk existed as significant securities lending had been engaged with ABSA Bank Limited and Standard Bank Limited. The market value of scrip lending exposure as at 31 December 2004 is as follows –

	2004	2003
	R	R
ABSA Bank Limited	108 891 408	80 723 996
Standard Bank Limited	166 375 408	23 186 048
	<hr/>	<hr/>
	275 266 816	103 910 044
	<hr/>	<hr/>

Satrix INDI Trust

Notes to the financial statements

for the year ended 31 December 2004 (continued)

	2004 R	2003 R	
13. Cash utilised by operations			
Income/(loss) before interest and taxation	223 800	(634 539)	
Adjust for:			
Net fair value adjustment on the equity investments and the liability to unitholders	2 338 632	–	
Increase in accounts receivable	(76 296)	(96 319)	
Increase/(decrease) from loans to associated entities	(2 181 233)	229 510	
Increase/(decrease) in accounts payable	(64 365)	85 371	
Increase/(decrease) in unitholders for distribution	(806 856)	636 626	
	<u>(566 318)</u>	<u>220 649</u>	
14. Quarterly review of Satrix INDI Index Security Prices (cents per unit)			
	High	Low	Close
<i>Quarter ended</i>			
31 December 2003	703	568	697
31 March 2004	728	718	728
30 June 2004	745	732	732
30 September 2004	816	803	816
31 December 2004	985	982	982