

CREDIT POLICY AND PROCEDURES

PRIVATE AND CONFIDENTIAL

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1. GENERAL POLICIES

- The credit department policy shall be consistent with the overall company policy and objectives, to maximize the return on investment for the shareholders.
- In phases of its activities, the credit department shall maintain a positive approach and constructive attitude to foster goodwill promote profitable sales and help build customer relationships.
- The credit department will at all times be aware of and recognize company sales and marketing objectives and shall maintain co-operative attitude towards the sales department and endeavor to promote sales.
- The credit department practices shall be designed to permit the maximum number of shipments to flow without interruption and without exposing the company to any unnecessary risk.

1. SPECIFIC POLICIES

- The credit department will make provision for interception when necessary as a means of protecting credit extensions and account balances in the accounts receivable. This is to be done in careful consideration due to the perishable nature of goods.
- The credit department is responsible for the collection of all accounts and for the collection of interest on overdue accounts where interest on overdue accounts is contracted in terms of the sale.
- The sales and operations department's assistance may be requested to secure settlement of delinquent account
- The credit department is responsible for maintaining the shortest possible collection period.
- The credit department is responsible for keeping bad debt losses to a minimum.

- It is the responsibility of the credit department to maintain active and positive relationships with the credit community on both a local and national basis including banks, ITC and other agents handling perishables.
- Accounts considered high risk will not be accepted.
- The credit department shall be responsible for keeping management fully informed of problem clients through regular meetings with management. The credit department is responsible for ensuring that where special conditions are set, they are fulfilled.
- The credit department will identify queries and other reasons for non-payment as best possible
- Operational and sales staff will be required to resolve queries where applicable.
- It is recommended that management review the profitability of individual clients on an ongoing basis.

3. New Account Requirements:

No Close Corporation/Sole Proprietor will be approved unless the members/owner of the concern are prepared to sign a deed of surety ship/s and supply an asset and liability statement signed by the cc's accounting officer.

3.1 Client's responsibility:

- A) All clients must submit an original credit application form when applying for an account to be opened.
- B) Credit application forms must be completed in full and signed by an authorized person of the client's company and stamped with the company's stamp.
- C) Full details pertaining to the account size applied for, date back account was opened, account number, particulars of property ownership etc must be provided.
- D) It is important to note:
 - The client is to sign all documents without alterations.
 - These will be only be accepted in their entirety without alterations, in terms of clause 33 of the standard trading terms and conditions

3.2 Marketer's responsibility:

All new applications must be carefully perused by the marketer to ensure that it is completed in full and that all information is provided. Please pay special attention to the signatures and information called for.

3.3 Debtors Department's responsibility:

All new application forms must be registered either in the computer system.

3.3.1 Requirement of the register:

- Date received
- Client's name
- Date applied to ITC
- Credit limit approved
- Special conditions
- Date approved

3.3.2 Storing of Original Credit Application Forms

- These should be kept separate from the client's account in a fireproof safe.
- Copy to be placed in clients file
- Copies of the original securities held are to be kept with the above document
- A copy of the front page of the securities to be placed in the client file
- (Documents could be scanned into central computer client file)
- Applications rejected are to be filed separately

3.4 Cash / Urgent New Shipment

If the client wants to do the business immediately the following procedure should be adhered to:

- A) An ITC report is obtained not older than six months.
- B) The limit requested on the bank code must be higher than R50 000.00
- C) A new bank code must be requested for the amount of R50 000.00 (Bank codes take at least two days) Bank code obtained must be at least a "C".
- D) This must be authorized by the Managing Director or two other directors in his absence.
- E) If the above details do not reveal any adverse information, an account can be opened and the transaction processed on the clients account.
- F) If the applicant is a new entrance to the Market the client must be informed that the first shipment will be done on CBD (Cash before Disbursement) basis.

Should there not be enough time or any of the information or documents pertaining to the application is outstanding then the shipment can only be take on a CBD basis. Refer to

3.5 Credit Application Form

This is a legal contract between the client and MAC. It is therefore imperative that this document is completed in full.

- A) What is your full name – the client must write the legally registered name of the company.
- B) Under what name should the account be opened/under what name do you trade – this is when the company is trading under a name other than legal entity name (e.g Joe soap(Pty)Ltd t/a Hire Car Imports)

- C) Directors/Shareholders/Members – to be completed in full
- D) When did you commence business – this is used to ensure that the company has been in operation long enough to obtain a credit rating on the client
- E) Registration number – of legal entity
- F) Address details – all details must be clearly completed. (domicilium citandi et executandi)
- G) Statutory information – (auditors name, fax telephone numbers, nature of business etc) – to be completed in full
- H) Banking details – to be completed accurately and in full
- I) Trade references – must be supplied in order to do credit check on applicant

3.5.1 CREDIT LIMIT REQUIRED

The amount inserted here should be for two month's transactions to obtain a reasonable figure of the client's credit limit requirement.

The reason for this is that the client would do two months worth of transactions before the first payment is made and in case further shipments arrive before payment is made there will be sufficient credit facility for MAC to process the shipments.

It is important not to apply for a bank code on a higher credit facility if the facility is not required, as this could cause a delay in obtaining the bank code. It could also influence the bank code the bank supplies on the client.

3.5.2 AUDITED FINANCIAL STATEMENTS

If a client wants an increased limit of R50 000.00 or more and the client is considered to be of risk, delays in obtaining the required credit facility can be avoided by the credit supplying their company's financial statements up front. All close corporations must

supply their balance sheets signed by the accounting officer. (This applies to clients not listed on the stock exchange).

3.5.3 BANKING DETAILS.

The credit application cannot be processed if this information is not given. The client should be asked whether their banking accounts have altered in the past six months and if so, also obtain the previous banking details.

3.5.4 TRADE REFERENCES

Three local trade references must be obtained and they should not be sister companies or other companies within the group the client's company is in.

3.5.5 CLOSE CORPORATIONS / PARTNERSHIPS / SOLEPROPERTIES

The members of the close corporation must sign "deed of suretyship" forms for the account to be opened. The Financial Director or the Credit manager can waive this. The client must be informed of this requirement and then inform the credit to sign prior to the account being opened.

4. Security accepted by the Company:

The security that Morgan Air Cargo (PTY) LTD is prepared to accept against extending credit facilities are as follows:

Deed of Suretyship: of the Directors or the Members of the Company or Close Corporation. This must be accompanied by personal asset and Liability statements from the person/s signing the Deed of Suretyship. (Annexure A)

Bank Guarantee: issued on a non revocable basis. Either for a period of time or for a value

Letters of Credit: this is mainly for export clients and must be confirmed with an outside bank. (If the client is in Africa)

Mortgage Bond: This can be done for clients wanting a high value credit limit, as this needs to be done through the legal process. The client is to understand that the cost for the registration of the Mortgage Bond is for his account.

The full Approved Credit facility can only be enforced once the Security documents are in place. The documents are stamped in accordance to the law of the country. These documents are to be kept in a fire proof safe under the control of the Credit Manager.

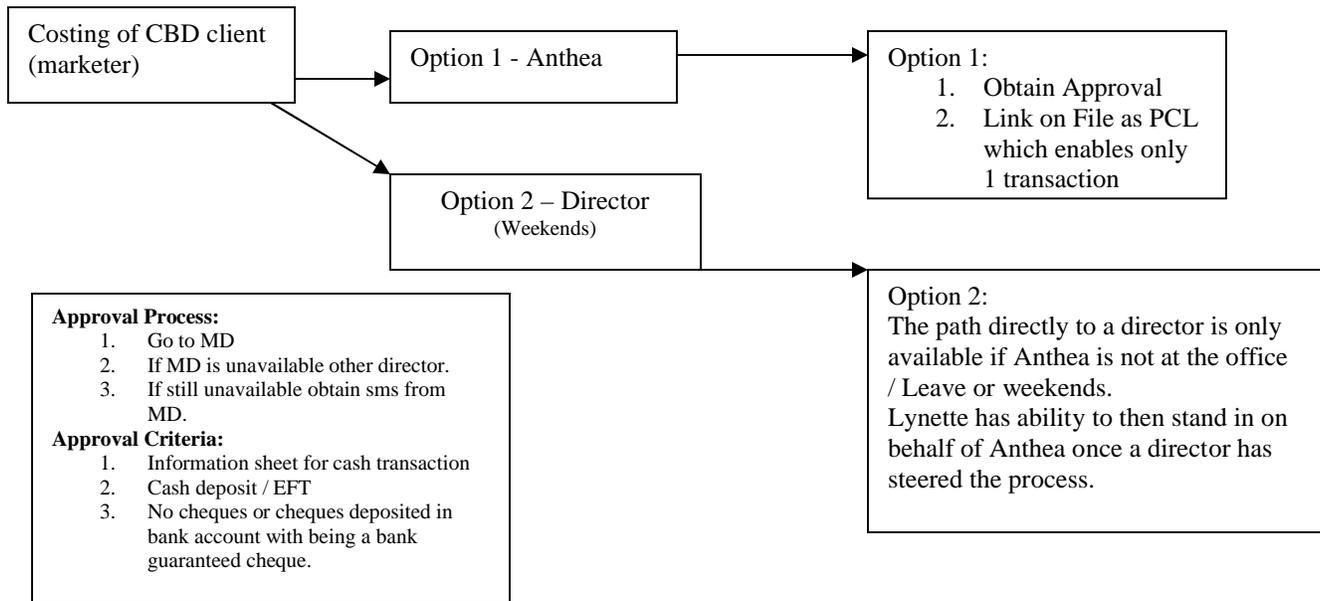
5. CASH BEFORE DISBURSEMENT ACCOUNTS:

Due to the high risk factor attached to this type of transaction the following procedures are to be followed.

- A) Client is to sign the Standard Trading Conditions / letter of undertaking
- B) Firstly the division / Branch doing the business is responsible for the collection of the funds, before the shipment is processed. This is very important as shipments sent without pre-payment will result in disciplinary action
- C) Payment is to be made as follows:
 - Bank Guaranteed Cheque
 - Cash paid up front (where possible avoid accepting cash for security reasons)
 - Direct deposit. To reduce fraud any money deposited directly into our accounts and the client faxes a deposit slip through
 - Cheque on special clearance. (Approximately 3-4 days)

D) The Credit Manager is to review these account on a weekly basis and ensure that action has been taken on any transaction that has not been paid.

Diagram of "Cash Before Disbursement" Clients and the Process flow:



6. COLLECTION ROUTINE

- A) The statements/age analysis is to be printed.
- B) The credit controllers are to separate statements which have a credit balance and these must be reviewed as to whether they are to be sent to the client or not.
- C) The balance of the statements is to be prepared for faxing, mailing or delivery.
- D) The credit controllers are to contact the clients early in the month to confirm the client has received the statement and the supporting documents to enable timeously payment.
- E) Clients are to be phoned at least four days before payment is due, to confirm payment or deal with any problems that have arisen.
- F) The Credit Controllers responsibility to follow up with the division/branches on a weekly basis to ensure that queries are being dealt with and resolved as soon as possible. Any query not being dealt with should be brought to the attention of the division head / MD.
- G) The Credit Controllers are to ensure that all invoices overdue are recorded on the query list, that the division/branches concerned have been notified of the client's queries on the invoices.
- H) The Credit Controllers are to assist the branches in any way possible in resolving the outstanding queries.
- I) The Credit Controllers are to liaise with the divisional managers on a weekly basis to discuss outstanding queries.
- J) The Credit Controller is to build relationships with the clients and where necessary visit the clients with the area / divisional managers.

6.1 Interest on overdue Accounts

- Interest will be charged on all overdue accounts.
- Queries should be raised well in advance and no new query on payment date will be seen as relevant excuse to get away from interest.

6.2 Legal Proceedings

- Accounts that are 30 days past due date are to be sent at least 2 requests for payment
- Accounts > 60 days past due date are to be sent a final demand for payment.
- If payment is not received within 10 working days after date of final demand, client is to be handed over for legal action without any further notification.

6.3 Increasing the Credit Limit

- To avoid delays weekly checks will be done by the debtors department to check on the amount of credit taken up by clients.
- Where the client has used 70% or more of the set credit limit, the credit controller will investigate the necessity of increasing the client's credit facility.
- If a higher credit limit is required the credit controller will compile a report on the clients requiring higher credit controller will compile a report on the clients requiring higher credit facilities and submit it to the Managing Director for approval/rejection of a higher facility.
- All credit limit increases are to be faxed to the debtors department fax number/taken to the debtors department.
- All increase authorizations will be returned as soon as possible in order to avoid delays.

- If there is going to be a delay the branch/es concerned will be notified timeously.
- If there is going to be a delay with the shipment/s the credit controller/s must inform the marketer of the delay.