2009

CONDUIT CAPITAL LIMITED

(Registration number 1998/017351/06)

ANNUAL FINANCIAL STATEMENTS
31 August 2009

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REVIEW OF OPERATIONS

Head Office and Treasury

Shareholders will be pleased to note that group cash and near cash resources available for investment increased to approximately R150 million (2008: R130 million). These resources are classified separately from operating working capital. The group's net asset value increased to 92.65 cents per share (2008: 86.23 cents). Net tangible asset value, in turn, improved to 74.10 cents per share (2008: 67.59 cents).

By March of 2009 the listed equities portfolio had been actively managed down to less than 1% of total net assets. While this safeguarded against the sharp decline in equities in the first half of the year, we observed the rebound in markets from the sidelines. Notwithstanding that the future direction of the equities markets is in our opinion still uncertain, the sharp decline in interest rates has significantly lowered the return on cash justifying a change to our investment strategy going forward. Accordingly, we have allocated a reasonable percentage of capital to alternative/equity and enhanced yield investments which include: listed preference shares, government securities, third party commercial loan funding, direct equity investments and various equity funds. The investment mix has been carefully considered by the group's investment committee and falls well within prudential limits and the asset spread guidelines of the subsidiaries. The funds allocated to these portfolios will be deployed over a six-month period.

Conduit Insurance and Risk Services

Underwriting

The Insurance and Risk Services division performed in line with expectation and management and staff should be commended on their achievements in a particularly challenging economic environment.

Reinsurance

The reinsurance arrangements for the 2009/2010 financial year have been structured to better reflect the underlying risk and high solvency levels of Constantia Insurance Company Limited ("CICL"). The cancellation of underperforming portfolios has released valuable capital reserves that will allow us to retain more quality premium for our own account without compromising solvency or our valued reinsurance relationships. Although this strategy is not likely to produce a meaningful increase in underwriting profit in the short term, it does represent an improved allocation of capital and overall confidence in our ability to effectively manage and evaluate the risks we insure.

Statutory funding ratio and credit rating

The positive trend in the statutory funding ratio of CICL continued into the second six months of the year. The local solvency measure increased from 38% at 31 August 2008 to 67% at 31 August 2009, which amounts to more than four times the statutory requirement. On an international basis the solvency margin also increased from 64% to 73% year-on-year. CICL's global credit rating remains unchanged at A –.

Conduit Direct

Anthony Richards & Associates (Proprietary) Limited ("ARA")

ARA continues to excel and have once again delivered sterling results in spite of a generally volatile and demanding credit environment. As evidenced by the award of additional contracts and performance statistics provided by its clients, ARA has firmly embedded its position in the top tier of credit recovery agencies in the country. The addition of value added services and the remarkable dedication to improved recovery methodologies, innovation and focus on core competence often results in ARA being selected as the supplier of choice where existing strategies are not proving optimally effective. Constant additions to the technological infrastructure provide ARA with the ability to strike a balance between collection ratios, cost efficiencies and profitability for both client and company. ARA's collection book is at levels that suggest persistent performance and increased profitability in the year ahead.

Conduit Private Equity

On Line Lottery Services (Proprietary) Limited ("Lottofun")

The group is pleased to report that in the matter between Gidani (the National Lotteries Operator), the National Lotteries Board and Lottofun, the Supreme Court of Appeal ("SCA") held that the word "Lotto" is a generic term and that the "Lotto" trademark belonging to the National Lotteries Board should be struck off the trademark registers. The SCA further ruled that Lottofun's business does not contravene the National Lotteries Act and furthermore that Lottofun is not "passing off" as being associated with either the National Lotteries Board or the Operator. A cost award was made in favour of Lottofun, with the result that the appeal was successful on all counts.

Results

Below are some key indicators for the financial years ended 31 August:

	2009	2008
Continuing and discontinued operations		
Net asset value (R'000)	**231 888**	215 813
Tangible net asset value (R'000)	**185 448**	169 167
Total revenue (R'000)	**816 394**	1 461 166
Net revenue after direct insurance expenses (R'000)	**314 812**	356 066
Profit before tax (R'000)	**36 080**	31 805
Headline earnings (R'000)	**14 464**	14 817
Number of shares in issue (net of treasury shares) ('000)	**250 277**	250 277
Weighted average number of shares ('000)	**250 277**	232 166
Diluted number of shares ('000)	**251 449**	233 095
Net asset value per share (cents)	**92.65**	86.23
Tangible net asset value per share (cents)	**74.10**	67.59
Profit before tax per share (cents)	**14.42**	13.70
Basic earnings per share (cents)	**6.29**	6.54
Headline earnings per share (cents)	**5.78**	6.38
Diluted earnings per share (cents)	**6.26**	6.51
Diluted headline earnings per share (cents)	**5.75**	6.36

CONCLUSION

In the 2008 annual financial statements we reported that we expected the financial crisis to continue into the next year during which time we would maintain our conservative investment strategy while we focused on existing operations. Indeed, this was the case as we patiently observed the financial crisis deepen and investment markets reel in the face of massive corporate bankruptcies and panic. Fortunately, that very internal focus and conservatism we spoke of assisted us in not only protecting shareholder wealth but increasing it over this period.

For 2010 our challenge is quite different as we embark on measured product, marketing, technology and distribution development initiatives. Accompanying this more expansive strategy will be the ongoing investment in key individuals critical to the success of each programme. The implementation of these initiatives is a sound and necessary investment in the group's future but will require the group to incur costs and will take time to mature. Whilst the investment in people and resources is paramount to our growth, so is our desire to seek out opportunities to expand our activities beyond their existing scope. We look forward to a more adventurous 2010.

Jason D Druian
Chief Executive Officer

Johannesburg
6 November 2009

CORPORATE GOVERNANCE STATEMENT

The directors fully support the principles of good corporate governance established by the Code of Corporate Practices and Conduct ('the Code") of the King Report on corporate governance and are committed to the implementation thereof. During the year under review, there has been compliance with the Code in all material aspects.

FINANCIAL STATEMENTS

The annual financial statements set out in this report have been prepared by the directors in accordance with International Financial Reporting Standards. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgement and estimates.

The directors of the company are responsible for the preparation of the annual financial statements and related financial information that fairly present the state of affairs and the results of the company and of the group. The external auditors are responsible for independently auditing and reporting on these annual financial statements in conformity with International Standards on Auditing.

GOING CONCERN

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

STRUCTURE OF THE BOARD

The board of directors consists of seven members. Any changes to the composition of the board are approved by the board as a whole. All executive directors and non-executive directors are subject to re-election in accordance with the provisions of the Articles of Association.

The board will nominate and appoint directors to replace any director who has resigned. All directors so appointed are required to step down at the next annual general meeting ("AGM") in order for them to be re-elected by the shareholders. An abridged *CV* of the nominated director is sent to shareholders with the notice 21 days before the AGM. At the AGM shareholders vote by single resolution to determine whether the director will be re-elected.

The capacity of the directors can be categorised as follows:

• Reginald Berkowitz	Independent Non-Executive Director and Chairman
• Jason Druian	Executive Director – Chief Executive Officer
• Scott Campbell #	Independent Non-Executive Director
• Günter Steffens ##	Independent Non-Executive Director
• Lourens Louw	Financial Director
• Stanley Shane	Executive Director
• Gavin Toet	Executive Director

New Zealander

German

Gavin Toet was appointed as a director on 8 September 2009.

In accordance with the terms of the Articles of Association the following directors, who are both eligible and available for re-election at the forthcoming Annual General Meeting, will retire by rotation:

• Scott Campbell	Non-executive Director
• Günter Steffens	Non-executive Director
• Gavin Toet	Executive Director

The roles of the Chairman and the Chief Executive Officer are separated. The directors have a wide range of skills and the majority have financial services experience. During the year under review there was an equal number of executives and non-executive directors (all of which are independent), which ensured that no one grouping dominates board proceedings and decision making. The board is aware that, following the appointment of Mr Toet, there are more executive directors than non-executive directors. At least four board meetings are held per annum.

ATTENDANCE AT BOARD MEETINGS

Name	12 Nov 2008	18 Feb 2009	30 Apr 2009	13 Aug 2009
Berkowitz, R S	P	P	P	P
Campbell, S M	A	A	A	P
Druian, J D	P	P	P	P
Louw, L E	P	P	P	P
Shane, S D	P	P	P	P
Steffens, G Z	P	P	P	P
Toet, G	*	*	*	*
Number of board members	6	6	6	6
Number present	5	5	5	6

Key: P = Present/Participated
A = Apology/Absent
* = Not a board member at the time, but attended by invitation

AUDIT COMMITTEE

The audit committee consists of two independent non-executive directors, Messrs Günter Steffens (the Chairman of the committee) and Reginald Berkowitz. The committee meets three times per year with executive management and the auditors to review accounting, auditing and financial reporting matters in order to ensure that an effective control environment in the group is maintained. The committee also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses the accounting implications of major transactions.

The audit committee receives a high level of co-operation from directors, management and staff and is satisfied that controls and systems within the group have been adhered to and, where necessary, improved during the year under review.

The committee will continue to monitor and appraise internal operating structures, controls and systems to ensure that these are maintained and continue contributing to the ongoing success of the company.

The audit committee sets the principles and approves the use of the external auditors for non-audit services.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Name	12 Nov 2008	29 Apr 2009	13 Aug 2009
Steffens, G Z	P	P	P
Berkowitz, R S	P	P	P
Druian, J D	*	*	*
Louw, L E	*	*	*
Number of committee members	2	2	2
Number present	2	2	2

Key: P = Present/Participated
A = Apology/Absent
* = Not a committee member, but attended by invitation

REVIEW OF MANAGEMENT AND FINANCIAL CONTROLS

The directors and the audit committee continuously review the management and financial controls of the group to ensure that:

- an effective system of internal controls and accounting records of the group is maintained; and
- the assets of the group are safeguarded and appropriately insured.

INTERNAL CONTROL

The effectiveness of the internal control system is monitored through management overviews. The board of directors is responsible for the group's systems of internal control. These systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of its assets and to select and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statements preparation and asset safeguarding.

The controls throughout the group concentrate on critical risk, and these areas are closely monitored. Continued reviews and reporting structures enhance the control environment. Nothing has come to the attention of the directors to indicate that a material breakdown in the controls within the group has occurred during the year.

RISK MANAGEMENT

The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that the appropriate infrastructure, controls, systems and ethics are applied throughout the group and managed within predetermined procedures and constraints.

The risk management committee comprises the Chairman of the audit committee, the Financial Director, another Executive Director and the Financial Manager.

ATTENDANCE AT FORMAL RISK COMMITTEE MEETINGS

Name	3 Feb 2009
Steffens, G Z	P
Alberts, R	P
Louw, L E	P
Toet, G	P
Number of committee members	4
Number present	4

Key: P = Present/Participated

REMUNERATION COMMITTEE

The group's remuneration policies and philosophy is determined by the remuneration committee. The committee's main responsibility is to consider, review and make recommendations to the board concerning the remuneration policies and principles of the group and to review and approve the remuneration and terms of employment of the executive directors and senior employees of the group. All the group's executive directors have service contracts, the details of which are disclosed in the body of the annual report.

The remuneration committee comprises the Chairman of the board, as well as two independent non-executive directors and the Chief Executive Officer and meets three times per year.

ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS

Name	28 Oct 2008	18 Feb 2009	12 Aug 2009
Berkowitz, R S	P	P	P
Campbell, S M	P	A	P
Druian, J D	P	P	P
Steffens, G Z	P	P	P
Number of committee members	4	4	4
Number present	4	3	4

Key: P = Present/Participated
A = Apology/Absent

EMPLOYMENT EQUITY AND PRACTICES

The group is committed to providing equal opportunities for its employees regardless of their ethnic origin or gender.

The directors believe that affirmative action, structured in an economically viable and self-sustaining manner, is an essential and integral part of corporate governance. Where applicable, employment equity policies have been formalised and, where required, plans have been submitted to the Department of Labour.

ENVIRONMENT

The group is committed to pursuing sound environmental policies in all aspects of its business and seeks to encourage and promote good environmental practice among its employees and within the community in which it operates.

DIRECTORS' RESPONSIBILITY
AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

at 31 August 2009

The directors are required by the Companies Act of South Africa, as amended, to maintain adequate accounting records and are responsible for the content and the integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of Conduit Capital Limited and its subsidiaries ("the group") as at the end of the financial period and the results of their operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring that business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management is on identifying, assessing, managing and monitoring key risks across the entities. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecasts for the year to 31 August 2010 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 11 to 77, which have been prepared on the going concern basis, were approved by the Board on 6 November 2009 and were signed on its behalf by:

R S Berkowitz	**J D Druian**	**L E Louw**
Chairman	*Chief Executive Officer*	*Financial Director*

Johannesburg
6 November 2009

We certify, to the best of our knowledge and belief, that in terms of section 268G(d) of the Companies Act, 1973, as amended, Conduit Capital Limited and its subsidiaries lodged with the Registrar of Companies all such returns as are required in terms of the Act and that all such returns are true, current and up to date.

Probity Business Services (Proprietary) Limited
Company Secretary

Johannesburg
6 November 2009

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CONDUIT CAPITAL LIMITED

We have audited the group annual financial statements and company annual financial statements of Conduit Capital Limited, which comprise the consolidated and separate balance sheets as at 31 August 2009, and the consolidated and separate income statements, the consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and notes which include a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 11 to 77.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Conduit Capital Limited as at 31 August 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Grant Thornton

GRANT THORNTON
Chartered Accountants (SA)
Registered Auditors
South African Member of Grant Thornton International

per S Ho
Chartered Accountant (SA)
Registered Auditor

137 Daisy Street, Sandown, Johannesburg, 2196
6 November 2009

The directors have pleasure in presenting their report for the year ended 31 August 2009.

NATURE OF THE BUSINESS

Conduit Capital Limited is an investment holding company that, through its subsidiaries and associates, carries on business in the financial services industry with the main focus currently being on insurance and credit recovery.

SHARE CAPITAL

The authorised share capital of the company is 500 000 000 ordinary shares of one cent each (2008: 500 000 000).

There were no changes to the issued share capital or to treasury shares during the year.

See note 16 of the annual financial statements for further details.

SHARE PREMIUM

The group's share premium account amounted to R196.65 million (2008: R196.72 million).

See note 17 of the annual financial statements for further details.

ACQUISITIONS, DISPOSALS AND IMPAIRMENTS OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS

The group acquired property, plant and equipment, software and other intangible assets of approximately R5.6 million (2008: R6.8 million) during the year.

The group disposed of and impaired the following assets and investments during the year:

1. Ambledown Risk & Underwriting Managers (Proprietary) Limited, a 50% subsidiary with an attributable asset value of approximately R2.25 million was sold for R4 million, resulting in a net profit on sale of R1.75 million;
2. Bloemfontein Underwriting Managers (Proprietary) Limited, an associate with a book value of approximately R1.22 million was sold for R4 million;
3. A number of other, minor subsidiaries and associates with a combined book value of approximately R0.44 million were sold for R0.4 million;
4. Property, plant and equipment and intangible assets with a book value of approximately R1.39 million were sold for R1.35 million (2008: assets to the value of R1.45 million were sold for R1.42 million);
5. Investments in associate companies were impaired through the income statement at a loss of approximately R1.2 million (2008: R0.27 million); and
6. Debtors were impaired through the income statement at a loss of approximately R0.12 million (2008: R4.67 million), while previous period impairments to the value of R5.22 million were reversed through the income statement (2008: Nil).

INTEREST IN SUBSIDIARIES

The company's interest in the consolidated after tax profits (losses) of its subsidiary companies are as follows:

	2009 **R'000**	2008 R'000
Profits	**27 146**	29 196
Losses	**(7 279)**	(9 655)

SUBSEQUENT EVENTS

There were no events that resulted in a material impact on the group between the reporting date and the date of publication of this report.

DIRECTORS AND OFFICERS

The following persons acted as directors:

Name			Appointed
Berkowitz, Reginald S	(Chairman)	# * R	24 May 2005
Campbell, Scott M‡		*	9 April 2000
Druian, Jason D	(Chief Executive Officer)	R	24 May 2005
Louw, Lourens E	(Financial Director)		25 August 2004
Shane, Stanley D			21 January 1999
Steffens, Günter Z†		# * R	27 April 2007
Toet, Gavin			8 September 2009

Key: * Non-executive (Independent)
Audit committee
R Remuneration committee
† German
‡ New Zealander

The company secretary is Probity Business Services (Proprietary) Limited. Its business address is Third Floor, The Mall Offices, 11 Cradock Avenue, Rosebank, 2196. Its postal address is PO Box 85392, Emmarentia, 2029.

DIRECTORS' SHAREHOLDING

As at 31 August 2009 certain directors beneficially owned 56 120 839 ordinary shares in Conduit Capital (2008: 57 279 172). The directors held rights to a further 1 350 000 share options under the IMR Share Trust (2008: 1 350 000). Full details of these holdings are disclosed in note 39 of the annual financial statements.

DIRECTORS' INTEREST IN CONTRACTS

Other than their letters of employment with the company, no director of the company has an interest in any contract that a company within the group has entered into.

BORROWING LIMITATIONS OF DIRECTORS

In terms of the Articles of Association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate. At 31 August 2009 and 31 August 2008 the company's borrowings totalled as follows:

	2009 R'000	2008 R'000
– Borrowings from other group companies	**7 393**	10 437
– Borrowings from external sources	**14**	46
– Total borrowings	**7 407**	10 483

DIVIDENDS

No dividend payment to ordinary shareholders was recommended by the directors for the year ended 31 August 2009 (2008: Nil).

AUDIT COMMITTEE

The audit committee is satisfied that it has fulfilled its responsibilities during the year (refer to the Corporate Governance Report for further details in such regard). The committee has furthermore satisfied itself as to the independence of the external auditors and their suitability for re-appointment at the AGM, as well as with the expertise and experience of the Financial Director.

AUDITORS

Grant Thornton are the company's auditors and will continue in office in accordance with section 270(2) of the Companies Act, No. 61 of 1973, as amended, with Ms S Ho being the registered individual auditor.

SPECIAL RESOLUTIONS

A special resolution that extended the mandate given to the company (or one of its wholly-owned subsidiaries), by way of a general approval, to acquire the company's own securities upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Companies Act, 1973, as amended, and the Listings Requirements of JSE Limited and subject to certain terms and conditions, was approved by shareholders at the company's annual general meeting that was held on 18 February 2009. The special resolution was registered with the Registrar of Companies on 2 March 2009.

BALANCE SHEETS

	Notes	GROUP 31 August 2009 R'000	GROUP 31 August 2008 R'000	COMPANY 31 August 2009 R'000	COMPANY 31 August 2008 R'000
ASSETS					
Non-current assets		**91 911**	123 716	**153 102**	141 377
– Property, plant and equipment	4	**15 648**	23 952	**248**	333
– Intangible assets	5	**46 440**	46 646	**72**	106
– Loans receivable	6	**5 917**	2 293	**–**	–
– Deferred taxation	7	**6 830**	6 168	**–**	–
– Investment property	8	**8 545**	15 791	**–**	–
– Investment in associates	9	**2 469**	4 602	**–**	–
– Investment in subsidiaries	10	**–**	–	**152 782**	140 938
– Investments held at fair value	11	**6 062**	24 264	**–**	–
Current assets		**644 673**	997 432	**10 111**	21 301
– Insurance assets	12	**269 744**	678 029	–	–
– Investments held at fair value	11	**858**	569	–	–
– Trade and other receivables	13	**87 209**	95 328	**166**	16 787
– Taxation		**12 012**	10 463	**–**	–
– Cash and cash equivalents	14	**274 850**	213 043	**9 945**	4 514
Non-current assets held for sale	15	**14 900**	–	**–**	–
Total assets		**751 484**	1 121 148	**163 213**	162 678
EQUITY AND LIABILITIES					
Capital and reserves		**246 511**	228 887	**155 347**	150 154
– Ordinary share capital	16	**2 503**	2 503	**2 564**	2 564
– Share premium	17	**196 652**	196 717	**223 477**	223 542
– Retained earnings (Accumulated losses)		**31 729**	15 989	**(71 698)**	(76 556)
– Share-based payment reserve	19	**1 004**	604	**1 004**	604
Equity attributable to equity holders of the parent		**231 888**	215 813	**155 347**	150 154
Minority shareholders' interest		**14 623**	13 074	**–**	–
Non-current liabilities		**52 245**	52 962	**–**	–
– Policyholder liabilities under insurance contracts	20	**24 548**	23 662	**–**	–
– Interest bearing borrowings	21	**18 873**	22 166	**–**	–
– Deferred taxation	7	**8 824**	7 134	**–**	–
Current liabilities		**452 728**	839 299	**7 866**	12 524
– Insurance liabilities	12	**332 031**	747 963	**–**	–
– Vendors for cash	22	**90**	3 049	**–**	–
– Loans payable	37.2	**–**	–	**7 393**	10 437
– Trade and other payables	23	**111 036**	80 598	**459**	2 041
– Current portion of interest bearing borrowings	21	**5 566**	5 142	**–**	–
– Taxation		**3 991**	2 501	**–**	–
– Bank overdraft	14	**14**	46	**14**	46
Total equity and liabilities		**751 484**	1 121 148	**163 213**	162 678

	Notes	GROUP 31 August 2009 R'000	GROUP 31 August 2008 R'000	COMPANY 31 August 2009 R'000	COMPANY 31 August 2008 R'000
CONTINUING OPERATIONS					
Gross revenue	24	**816 394**	1 434 478	**6 334**	5 609
Net insurance revenue	25	**216 000**	237 722	**–**	–
Other operating revenue	24.2	**98 812**	91 656	**6 334**	5 609
Net revenue		**314 812**	329 378	**6 334**	5 609
Operating expenses		**(299 150)**	(314 176)	**(7 188)**	(33 993)
– Direct expenses: Insurance and risk services	26	**(168 928)**	(179 782)	**–**	–
– Administration and other expenses		**(52 926)**	(56 442)	**(1 990)**	(23 533)
– Depreciation and amortisation		**(3 019)**	(3 014)	**(130)**	(143)
– Employee costs		**(74 277)**	(74 938)	**(5 068)**	(10 317)
Operating profit (loss)		**15 662**	15 202	**(854)**	(28 384)
Income from associates		**2 171**	1 856	**–**	–
Investment income	27	**18 607**	14 831	**5 717**	3 208
Other income (expenses)		**3 208**	(51)	**–**	1 980
Finance charges	28	**(3 568)**	(5 308)	**(5)**	(83)
Impairment of goodwill		**–**	(185)	**–**	–
Profit (loss) before taxation	29	**36 080**	26 345	**4 858**	(23 279)
Taxation	32	**(11 454)**	(7 052)	**–**	–
Profit (loss) for the year from continuing operations		**24 626**	19 293	**4 858**	(23 279)
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	33	**–**	3 644	**–**	–
Profit (loss) for the year		**24 626**	22 937	**4 858**	(23 279)
Attributable to:					
Equity holders of the parent		**15 740**	15 182		
Minority interest		**8 886**	7 755		
– Continuing operations		**8 886**	5 935		
– Discontinued operation		**–**	1 820		
Profit for the year		**24 626**	22 937		
EARNINGS PER SHARE (CENTS)					
Basic	35.4.1	**6.29**	6.54		
– Continuing operations		**6.29**	5.75		
– Discontinued operation		**–**	0.79		
Diluted	35.4.2	**6.26**	6.51		
– Continuing operations		**6.26**	5.73		
– Discontinued operation		**–**	0.78		

STATEMENTS OF CHANGES IN EQUITY

GROUP	Ordinary share capital R'000	Share premium R'000	Retained earnings R'000	Share-based payment reserve R'000	Vendors for equity R'000	Minority share-holders' interest R'000	Total R'000
Balance at 31 August 2007	**2 218**	**168 097**	**807**	**288**	**18 905**	**40 194**	**230 509**
Issue of shares to vendors	240	18 665	–	–	(18 905)	–	–
Proceeds from issue of shares	45	10 080	–	–	–	–	10 125
Cost of issue of shares	–	(125)	–	–	–	–	(125)
Disposal of interest in subsidiary	–	–	–	–	–	(31 361)	(31 361)
Profit for the year	–	–	15 182	–	–	7 755	22 937
Equity options issued to executives	–	–	–	316	–	–	316
Dividends paid	–	–	–	–	–	(3 514)	(3 514)
Balance at 31 August 2008	**2 503**	**196 717**	**15 989**	**604**	**–**	**13 074**	**228 887**
Cost of issue of shares	–	(65)	–	–	–	–	(65)
Disposal of interest in subsidiary	–	–	–	–	–	(2 248)	(2 248)
Profit for the year	–	–	15 740	–	–	8 886	24 626
Equity options issued to executives	–	–	–	400	–	–	400
Dividends paid	–	–	–	–	–	(5 089)	(5 089)
Balance at 31 August 2009	**2 503**	**196 652**	**31 729**	**1 004**	**–**	**14 623**	**246 511**

COMPANY	Ordinary share capital R'000	Share premium R'000	Accumu-lated losses R'000	Share-based payment reserve R'000	Vendors for equity R'000	Total R'000
Balance at 31 August 2007	**2 279**	**194 922**	**(53 277)**	**288**	**18 905**	**163 117**
Issue of shares to vendors	240	18 665	–	–	(18 905)	–
Proceeds from issue of shares	45	10 080	–	–	–	10 125
Cost of issue of shares	–	(125)	–	–	–	(125)
Loss for the year	–	–	(23 279)	–	–	(23 279)
Equity options issued to executives	–	–	–	316	–	316
Balance at 31 August 2008	**2 564**	**223 542**	**(76 556)**	**604**	**–**	**150 154**
Cost of issue of shares	–	(65)	–	–	–	(65)
Profit for the year	–	–	4 858	–	–	4 858
Equity options issued to executives	–	–	–	400	–	400
Balance at 31 August 2009	**2 564**	**223 477**	**(71 698)**	**1 004**	**–**	**155 347**

	Notes	GROUP 31 August 2009 R'000	GROUP 31 August 2008 R'000	COMPANY 31 August 2009 R'000	COMPANY 31 August 2008 R'000
Cash flows from operating activities		**54 422**	22 870	**20 362**	(2 636)
– Cash generated (absorbed) by operations	36.2	**50 120**	23 461	**14 651**	(5 761)
– Interest received		**23 304**	19 474	**2 902**	1 658
– Finance charges		**(3 568)**	(5 969)	**(5)**	(83)
– Dividends received		**284**	2 087	**2 814**	1 550
– Dividends paid		**(5 089)**	(3 514)	**–**	–
– Taxation paid	36.3	**(10 629)**	(12 669)	**–**	–
Cash flows from investing activities		**18 885**	43 575	**(11 855)**	277
– Acquisition of subsidiaries	36.4	**–**	–	**(11 844)**	(585)
– Disposal of subsidiaries	36.4	**2 500**	2 139	**–**	1 385
– Disposal of associates		**4 362**	–	**–**	–
– Loans repaid by (advanced to) associates		**87**	(48)	**–**	(243)
– Dividends received from associates		**1 393**	512	**–**	–
– Acquisition of property, plant and equipment		**(3 304)**	(5 854)	**(13)**	(218)
– Disposal of property, plant and equipment		**1 301**	1 350	**3**	31
– Acquisition of investment properties		**(381)**	(97)	**–**	–
– Acquisition of other intangible assets		**(1 917)**	(863)	**(1)**	(94)
– Disposal of other intangible assets		**45**	67	**–**	1
– Acquisition of financial investments		**(1 092)**	(76 287)	**–**	–
– Disposal of financial investments		**15 891**	122 656	**–**	–
Cash flows from financing activities		**(10 046)**	(21 184)	**(3 044)**	164
– Proceeds from new share issue		**(65)**	10 000	**–**	10 000
– Movement in interest bearing borrowings		**(2 869)**	(27 854)	**–**	–
– Movement in loans payable		**(2 959)**	(1 776)	**(3 044)**	(9 836)
– Movement in loans receivable		**(4 153)**	(1 554)	**–**	–
Net increase (decrease) in cash and cash equivalents		**63 261**	45 261	**5 463**	(2 195)
Cash and cash equivalents at the beginning of the year		**212 997**	179 474	**4 468**	6 663
Cash disposed of		**(1 422)**	(11 738)	**–**	–
Cash and cash equivalents at the end of the year		**274 836**	212 997	**9 931**	4 468

CASH FLOW STATEMENTS
SPLIT BETWEEN CONTINUING AND DISCONTINUED OPERATIONS

	GROUP	
	31 August 2009 R'000	31 August 2008 R'000
Cash flows from operating activities	**54 422**	22 870
– Continuing operations	**54 422**	19 759
– Discontinued operation	**–**	3 111
Cash flows from investing activities	**18 885**	43 575
– Continuing operations	**18 885**	43 874
– Discontinued operation	**–**	(299)
Cash flows from financing activities	**(10 046)**	(21 184)
– Continuing operations	**(10 046)**	(13 227)
– Discontinued operation	**–**	(7 957)
Net increase in cash and cash equivalents	**63 261**	45 261
– Continuing operations	**63 261**	50 406
– Discontinued operation	**–**	(5 145)
Cash and cash equivalents at the beginning of the year	**212 997**	179 474
– Continuing operations	**212 997**	174 255
– Discontinued operation	**–**	5 219
Cash disposed of	**(1 422)**	(11 738)
– Continuing operations	**(1 422)**	(11 664)
– Discontinued operation	**–**	(74)
Cash and cash equivalents at the end of the year	**274 836**	212 997
– Continuing operations	**274 836**	212 997
– Discontinued operation	**–**	–

	Head office and treasury R'000	Insurance and risk services R'000	Direct R'000	Financial services R'000	Private equity R'000	Total R'000
Year ended 31 August 2009						
Gross revenue	–	751 174	63 298	–	1 922	816 394
Net revenue	–	249 592	63 298	–	1 922	314 812
Investment income	1 483	16 004	705	330	85	18 607
Profit (loss) before taxation	(9 912)	26 307	19 053	47	585	36 080
Attributable earnings (loss)	(8 348)	18 549	5 189	47	303	15 740
Minority interest	–	1 040	7 784	–	62	8 886
Depreciation and amortisation	156	1 825	1 039	11	(12)	3 019
Total assets	15 291	693 969	35 704	5 052	1 468	751 484
Total liabilities	(2 996)	(493 587)	(7 112)	(15)	(1 263)	(504 973)
Capital expenditure	14	4 573	1 015	–	–	5 602
Year ended 31 August 2008						
Gross revenue	48	1 389 588	43 127	31	1 684	1 434 478
Net revenue	48	284 488	43 127	31	1 684	329 378
Investment income	3	14 507	247	–	74	14 831
Profit (loss) before taxation	(8 970)	30 604	7 623	(3 318)	406	26 345
Attributable earnings (loss)	(8 250)	21 933	2 118	(2 663)	220	13 358
Minority interest	–	2 757	3 178	–	–	5 935
Depreciation and amortisation	143	1 783	1 021	21	46	3 014
Total assets	9 267	1 059 241	30 416	21 062	1 162	1 121 148
Total liabilities	(2 943)	(880 376)	(7 799)	(8)	(1 135)	(892 261)
Capital expenditure	313	4 408	1 758	306	29	6 814

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are in compliance with JSE Limited Listings Requirements and the South African Companies Act, 1973 (as amended). The group's financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, the application of the equity method in accounting for investments in associated companies and the valuation of long-term policyholder liabilities on a financial soundness valuation basis. The financial statements incorporate the principal accounting policies set out below, which are consistently applied to all the years presented, unless otherwise stated.

It should be noted that, as IFRS is implemented internationally, evolving practices with regard to the interpretation and application of standards under IFRS could impact future reported results and disclosure.

2. SIGNIFICANT JUDGEMENTS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. Significant judgements include:

Impairment testing

The recoverable amounts of cash generating units and individual assets, including goodwill, have been determined based on either the higher of value-in-use calculations or fair values. These calculations require the use of estimates and assumptions.

To determine the recoverable amount, management estimate expected future cash flows from each cash generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (refer note 5.4.1). In the process of measuring expected future cash flows, management makes assumptions about future profits, which are dependent on future events and circumstances.

Trade and other receivables

The group assesses its trade and other receivables at each balance sheet date and makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset, in which case an impairment loss is recorded in the income statement.

Investment properties

The fair value of investment properties have been determined with the use of open market values by professional property valuators.

Insurance liabilities

Insurance contract accounting requires that estimates and judgements be made. In particular, judgement is required in estimating reserves in respect of reported claims which have not yet been settled, in the determination of the Incurred But Not Reported ("IBNR") provision (refer to note 12) and in estimating future cash flows in respect of salvages and claims recoveries.

The policyholder liabilities arising from long-term insurance contracts are determined by the statutory actuaries based on appropriate estimates and assumptions.

Investment in subsidiaries, associates and unlisted equities

Estimates and judgements are exercised in the valuation of unlisted shares (notes 9, 10 and 11.1.2). Fair values are determined either by way of discounting expected future cash flows where reliable information is available or by using the net asset value of the investment, as appropriate to the circumstances of each individual investment.

Additional judgements include:

– the determination of the fair value of the share options that were issued to executive directors and senior management by way of an option pricing model (note 19).

Management believes that the estimates and assumptions that were used in order to make these judgements at year-end were reasonable.

3. BASIS OF CONSOLIDATION

The consolidated annual financial statements include the financial position, results and cash flow information of the company and its subsidiaries, including its share trust. The results of subsidiaries acquired and disposed of during the year are included in the consolidated financial statements from the date that effective control was acquired and up to the date that effective control ceased. Control is defined as the ability to govern the financial and operating policies of an entity.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less cost to sell. The excess of cost of shares acquired over the fair value of subsidiaries' identifiable net assets at dates of acquisition is expressed as goodwill. Goodwill is carried at cost and is assessed annually for impairment.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Unrealised deficits are not eliminated to the extent that they provide evidence of impairment.

4. PROPERTY, PLANT AND EQUIPMENT

The cost of property, plant and equipment is recognised as an asset only when:

– it is probable that future economic benefits associated with the item will flow to the group;
– the cost of the item can be measured reliably.

Cost includes costs initially incurred to acquire or construct an item of property, plant and equipment, as well as costs subsequently incurred to add to, replace part of, or service such item. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are carried at cost, less accumulated depreciation and impairment losses. Each item's useful life and residual value is reassessed on an annual basis and its carrying value is restated by applying an appropriate depreciation charge against the income statement, unless the depreciation charge is included in the carrying amount of another asset.

The gain or loss arising from the derecognising of an item of property, plant and equipment is included in the income statement when the item is derecognised. The gain or loss from the derecognising of an item of property, plant and equipment is determined as the difference between the net proceeds on disposal, if any, and the carrying amount of the item.

Depreciation is provided on all property, plant and equipment other than land to write down the cost, less expected residual value, by equal instalments over their useful lives. The current estimated useful lives are as follows:

Category	*Expected useful life*
Motor vehicles	5 years
Computer hardware	3 – 6 years
Furniture and fittings	6 – 10 years
Office equipment	5 – 10 years
Leasehold improvements	3 years
Owner occupied property	20 years

5. GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interests in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets, while goodwill on the acquisition of associates is included in investments in associates. Internally generated goodwill is not recognised as an asset.

Goodwill, which is being tested for impairment on an annual basis, is carried at cost less impairment. The amount of the impairment is charged against the income statement.

On the disposal of a subsidiary, the attributable amount of unimpaired goodwill is included in the determination of the profit or loss on disposal.

Should the group's/company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities be in excess of the cost of the business combination, the difference is immediately recognised as a profit in the income statement.

6. INTANGIBLE ASSETS

Intangible assets are recognised only when the cost can be measured reliably and if it is probable that the expected future economic benefits that are attributable to the asset will flow to the group. Internally generated brands, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are initially recognised at cost.

The useful life of intangible assets is assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it is amortised over its useful life. Amortisation periods and methods of amortisation for intangible assets with a finite useful life are reviewed annually or earlier where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortised, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the group. Intangibles with indefinite useful lives are reviewed annually to ensure that the carrying value does not exceed the recoverable amount, regardless of whether an indicator of impairment is present and whether or not the intangible asset continues to have an indefinite life.

The expected useful lives of the different categories of intangible assets are estimated to be as follows:

Category	*Expected useful life*
Computer software	2 – 5 years
Other	Indefinite

7. INVESTMENT PROPERTIES

Investment properties are classified as properties that are held to earn rental income and/or for capital appreciation and that are not occupied by companies in the group. Owner-occupied properties are held for the supply of services and administration purposes. This distinguishes owner-occupied properties from investment properties.

Investment properties are initially recognised at cost. At the balance sheet date, investment properties are measured at fair value as determined by professional property valuators using open market values. When investment properties become owner occupied, the group reclassifies it to property, plant and equipment, using the fair value at the date of reclassification as the cost. A gain or loss arising from a change in fair value is included in net profit for the period in which it arises.

8. ASSOCIATE COMPANIES

Group

An associate is an enterprise in which the investor has a long-term interest and over which it exercises significant influence, but no control, and which is neither a subsidiary nor a joint venture of the investor.

Interests in associates are accounted for under the equity method, except when the investment is acquired and held exclusively with a view to its disposal in the near future, in which case the investment in associate is accounted for under the cost method. The equity method of accounting is the method whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associate. The use of the equity method is discontinued from the date that the group ceases to have significant influence over an associate.

Impairment losses reduce the carrying amount of investments in associates.

Distributions received from the associate reduce the carrying amount of the investment.

Profits and losses resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

Company

Interests in associates are stated at cost, less any impairment losses.

9. INVESTMENT IN SUBSIDIARIES

Company

Investments in subsidiaries are stated at cost, less any impairment losses.

The cost of an investment in a subsidiary is calculated as the aggregate of:

– the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the company; plus

– any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

10. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for sale from the date these conditions are met and are measured at the lower of their carrying amount and their fair value less costs to sell. Any resulting impairment is reported through the income statement.

On classification as held for sale the assets are no longer depreciated. Comparative amounts are not adjusted.

Discontinued operations are either a separate major line of business or a geographical area of operations that have been sold or that are part of a single coordinated plan to be disposed of, or is a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, or is reclassified as continuing, the comparative information is restated. Discontinued operations are classified as held for sale.

11. FINANCIAL INSTRUMENTS

11.1 Initial recognition

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the balance sheet when the group or the company becomes a party to the contractual provisions of the instrument.

11.2 Subsequent measurement

After initial recognition, these instruments are measured as follows:

Investments in securities

Investments in equity and debt securities are recognised on a trade-date basis and are initially measured at cost, which includes directly attributable transaction costs. Investments are classified as "at fair value through profit and loss" and at subsequent reporting dates investments in equity and debt securities are valued at fair value, with changes in fair value being recognised in the income statement.

Fair value represents the current market value based on the quoted market price where a regulated market exists, otherwise fair value is determined by the directors on the basis of the more appropriate of either return, or the value of the most recent offer to purchase the shares in an investment in instances where such an offer is a valid offer, or net asset value. Investments in securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Derivative financial instruments

Investments in derivatives may give rise to financial assets and in some cases also to financial liabilities due to the nature of these financial instruments and the entering into either long or short positions. Derivatives are initially measured at the cost of the contract, but are marked to market on each reporting date based on the current price of the contract where a regulated market exists, failing which the fair value of investments are estimated using appropriate pricing models. Gains and losses are included in profit and loss in the period in which they arise.

Loans, trade and other receivables

Loans, trade and other receivables and held-to-maturity investments originated by the enterprise are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Financial liabilities

Financial liabilities, including trade and other payables, loans payable, borrowings and other liabilities, are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method.

11.3 Gains and losses

A gain or loss arising from a change in a financial asset or liability is recognised as follows:

– a gain or loss on a financial asset or liability classified as at fair value through profit or loss is recognised in the income statement; and

– where financial assets and liabilities are carried at amortised cost, a gain or loss is recognised in profit or loss through the amortisation process when the financial asset or liability is derecognised or impaired.

11.4 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in value. These include cash on hand and deposits held on call with banks, where these amounts are held for the benefit of the group.

Cash and cash equivalents are measured at initial and subsequent recognition at fair value, through profit and loss.

11.5 Loans to/from group companies

These include loans to subsidiaries and associates, are classified as held to maturity and are carried at amortised cost.

12. SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the company reacquires its own equity instruments, those are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity. The same principles are applied in the consolidated annual financial statements to the company's shares that are held by subsidiaries.

13. INSURANCE CONTRACTS

13.1 Classification of insurance contracts

A contract is classified as an insurance contract if it is a contract under which the group's insurance entities accept significant insurance risk from another party, the policyholder, by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event, the insured event, adversely affects the policyholder. Such contracts are accounted for in terms of IFRS 4 – Insurance Contracts.

Insurance risk is risk other than financial risk, transferred from the holder of a contract to the issuer. Financial risk is defined as the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

An insurance risk is significant if the benefits to be paid under the contract, if the insured event occurs, are materially higher than any benefit to be paid under the contract should the insured event not occur.

The group classifies financial guarantee contracts as insurance contracts.

13.2 Recognition and measurement of insurance contracts

13.2.1 Premiums

Premium income relates to premiums received on insurance contract business entered into during the year, irrespective of whether the risk cover in terms of that contract relates in whole or in part to later accounting periods, together with any adjustments to premiums recognised in prior accounting periods and changes to the unearned premium liability. Premiums are shown gross of commission payable to intermediaries and management fees payable to underwriting managers and exclude value added taxation levied on premiums, where applicable.

Premiums are recognised as revenue (earned premiums) proportionally over the period of cover provided by the insurance contract. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. The liability is generally calculated on a time proportionate basis.

13.2.2 Acquisition costs and deferred acquisition costs

Acquisition costs, which include commissions paid to intermediaries, are recognised over the period in which the related premiums are earned. A deferred acquisition cost asset is recognised in respect of costs paid relating to premium income which remains unearned as at balance sheet date.

13.2.3 Claims

Claims paid are recognised in the income statement and consists of claims and related expenses paid in the year and changes in the provision for outstanding claims, together with any other adjustments to claims estimates from previous years. Where applicable, adjustments are made for salvage and subrogation recoveries received.

The provision for outstanding claims comprises the group's estimate of the undiscounted ultimate cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not, and related internal and external claims handling expenses. Related anticipated reinsurance recoveries are disclosed separately as assets. These estimated reinsurance and other recoveries are assessed in a manner similar to the assessment of the claims outstanding. Outstanding claims are stated net of expected subrogation and salvage recoveries.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses, including an implicit risk margin to allow for the ultimate cost of claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court rulings. The methods used to value these provisions, and the estimates made, are reviewed regularly.

13.2.4 *Profit commission*

In terms of agreements entered into with the underwriting managers, whereby a profit commission will become due and payable if a loss ratio below a stipulated level is achieved, a provision is made to cover estimated profit commissions payable. The provision is based on the performance of the affected underwriting managers as at the balance sheet date. However, this provision may change should the results be affected by any claims developments after this date. Final payment of profit commissions are only made after these subsequent claims developments.

13.2.5 *Reinsurance*

Reinsurance contracts are contracts entered into by the group with reinsurers under which the group is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the group.

The group cedes reinsurance in the normal course of business for the purpose of limiting its net loss exposure. Reinsurance arrangements do not relieve the group from its direct obligations to its policyholders.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance services received.

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the group may not recover all amounts due and that there is a reliably measurable impact on the amounts that the group will receive from the reinsurer. Impairment losses are recognised in the income statement.

13.2.6 *Reinsurance commission*

Commission on reinsurance contracts placed with reinsurers is received to cover the administration costs of the company and is earned over the period over which the premium is earned. The commission is earned consistent with the pattern of risk of the underlying direct insurance policies.

13.2.7 *Statutory contingency reserve*

The contingency reserve is calculated in terms of the Short Term Insurance Act at the higher of 10% of net premium written over the last 12 months and the reserve held at the previous year-end. Transfers to and from this reserve are taken directly to or from retained income.

13.2.8 *Liquidity adequacy test and unexpired risk provision*

An unexpired risk provision is raised for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risk provision. The expected claims are calculated having regard to events that have occurred prior to balance sheet date. Unexpired risks surpluses and deficits are aggregated where business classes are managed together.

13.2.9 Policyholder liabilities under long-term insurance contracts

The group's liabilities under unmatured policies of long-term insurance contracts are calculated at the balance sheet date by the Independent Statutory Actuary in accordance with prevailing legislation, on the 'Financial Soundness Valuation' basis using a discounted cash flow methodology as prescribed by PGN 104 issued by the Actuarial Association of South Africa. The transfer to or from the policyholder liabilities under insurance contracts reflected in the income statement represents the increase or decrease in actuarial liabilities. The reports of the Statutory Actuary are included in the annual financial statements of the relevant subsidiary companies and are available to shareholders on request.

14. OFFSETTING

Financial assets and liabilities are offset and the net reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is the intention to settle on a net basis or realise the asset and settle the liability simultaneously.

15. REVENUE RECOGNITION

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised on an accrual basis in accordance with the substance of the relevant transaction and by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be measured reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

The stage of completion is determined with reference to the amount of work performed in relation to the total transaction.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service fees are recognised as revenue over the period during which the service is performed.

Rental income is recognised on a straight-line basis over the lease term.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax.

16. INCOME FROM INVESTMENTS

Dividends are recognised when the right to receive payment, which is registered ownership on the last day to register, is established.

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity of the financial instrument.

17. OPERATING LEASES

Leases under which the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Rights and obligations incurred under operating leases are accrued in the income statement over the period of the lease on a straight-line basis.

18. FINANCE LEASES

Assets held under finance lease are capitalised. At the commencement of the lease these assets are reflected at the lower of fair value and the present value of the minimum lease payments. The related liability is recognised at an equivalent amount. Finance charges are written off over the periods of the leases based on the effective rates of interest.

19. EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render the service that increases their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Share-based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

20. IMPAIRMENT OF ASSETS

Reinsurance assets

The group assesses at each balance sheet date whether there is objective evidence that reinsurance assets are impaired. The reinsurance assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the reinsurance asset that can be reliably estimated.

Objective evidence that a reinsurance asset is impaired includes observable data that come to the attention of the company about the following events:

- significant financial difficulty of the reinsurer;
- a breach of contract, such as default; or
- it becoming probable that the reinsurer will enter bankruptcy or other financial reorganisation.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the income statement.

Receivables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in the income statement. The group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for reinsurance assets. The impairment loss is also calculated under the same method used for reinsurance assets.

Other assets

The group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher or its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less that its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss, which is immediately recognised in the income statement.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as revaluation increase.

21. TAXATION

Tax expenses and income

Current tax and deferred tax is charged against the income statement and is based on the expected taxable income for the year, as adjusted for items which are non-assessable or disallowed, as well as any adjustment of tax payable for previous years, except to the extent that the tax arises from:

– a transaction or event which is recognised, in the same or a different period, directly in equity; or
– a business combination.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it related to items previously charged or credited directly to equity.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base (or tax value) used in the computation of current taxable profits.

A deferred tax asset or liability is recognised for all taxable temporary differences, except to the extent that the deferred tax asset or liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss.

No deferred tax asset or liability is recognised for any taxable temporary differences associated with investment in subsidiaries, branches and associates and interest in joint ventures, where the parent, investor or venturer is able to control the timing reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused Secondary Tax on Companies ("STC") credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In respect of temporary differences arising out of fair value adjustments on investment properties, deferred taxation is provided at the income rate tax to the extent that the carrying value is expected to be recovered through use of the property, or at the Capital Gains Tax rate, to the extent that recovery is anticipated to be mainly through disposal.

Secondary Tax on Companies (STC)

Dividends declared/paid are subject to STC, but may be reduced by dividends received during the dividend cycle. Where the dividends received exceed dividends declared/paid within a cycle, there is no liability to pay STC. The excess dividends received are carried forward to the next dividend cycle and are disclosed as STC credits in the taxation note. Where dividends declared/paid exceed the dividends received during a cycle, the relevant rates of STC is applied against the difference between the dividends received and those declared/paid. This tax amount is disclosed as part of the tax charge in the income statement and the notes to the financial statements.

22. FOREIGN CURRENCIES

A foreign currency transaction is recorded on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency at the date of the transaction.

At each balance sheet date:

– foreign currency monetary items are translated using the closing rate;
– non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction; and
– non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated in initial recognition during the period or in previous annual financial statements, are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

23. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following IFRS and International Financial Reporting Interpretations Committee (IFRIC) Standards and Interpretations were in issue but not yet effective. The group has not early adopted any of these pronouncements. The new Standards, amendments and Interpretations that are expected to be relevant to the group's financial statements are provided below. Certain other new Standards and Interpretations have been issued, but are not expected to have a material impact on the group's annual financial statements.

23.1 Amendments to IAS 1: Presentation of Financial Statements

Effective 1 January 2009, this amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the group's financial statements.

23.2 Revised IFRS 3: Business Combinations and revised IAS 27: Consolidated and Separate Financial Statements

Effective 1 July 2009, these revisions require some significant changes to the application of the acquisition method to business combinations and the accounting for subsequent changes in ownership interests. The main changes likely to impact the group's accounting policies for future business combinations and relevant ownership changes are: (a) transaction costs incurred in a business combination will be expensed instead of being included in the cost of investment; (b) an option is introduced to allow any non-controlling interest in the acquired entity to be measured at fair value, with a consequential impact on the calculation of goodwill and (c) once control is obtained, all other increases or decreases in ownership interest are reported in equity and will no longer result in goodwill adjustments or gains and losses. Management is currently assessing the detailed impact of these revisions on the group's financial statements.

23.3 IFRS 8: Operating Segments

Effective 1 January 2009, this IFRS specifies how an entity should report information about its operating segments in its financial statements. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Implementation of this Standard is expected to increase the number of reportable segments, as well as the manner in which the segments are reported, in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require the re-allocation of goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment of goodwill.

1. GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

1.1 Assets

GROUP	2009 Loans and receivables R'000	2009 Fair value through profit and loss held for trading R'000	2008 Loans and receivables R'000	2008 Fair value through profit and loss held for trading R'000
Non-current				
Loans receivable	**5 917**	**–**	2 293	–
Investments	**–**	**6 062**	–	24 264
Listed investments *	**–**	**4 196**	–	22 625
Unlisted investments *	**–**	**1 866**	–	1 639
Current				
Listed investments	**–**	**858**	–	569
Trade and other receivables	**87 209**	**–**	95 328	–
Cash and cash equivalents	**274 850**	**–**	213 043	–
	367 976	**6 920**	310 664	24 833

* Prior year numbers for the group were restated as R5 million, which was previously classified as unlisted investments, has now been reclassified as listed investments.

1.2 Liabilities

GROUP	2009 Financial liabilities at amortised cost R'000	2008 Financial liabilities at amortised cost R'000
Non-current		
Interest bearing borrowings	**18 873**	22 166
Current		
Vendors for cash	**90**	3 049
Trade and other payables	**111 036**	80 598
Current portion of interest bearing borrowings	**5 566**	5 142
Bank overdrafts	**14**	46
	135 579	111 001

2. COMPANY FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

2.1 Assets

COMPANY	**2009 Loans and receivables R'000**	2008 Loans and receivables R'000
Current		
Trade and other receivables	**166**	16 787
Cash and cash equivalents	**9 945**	4 514
	10 111	21 301

2.2 Liabilities

COMPANY	**2009 Financial liabilities at amortised cost R'000**	2008 Financial liabilities at amortised cost R'000
Current		
Loans payable	**7 393**	10 437
Trade and other payables	**459**	2 041
Bank overdrafts	**14**	46
	7 866	12 524

3. GAINS AND LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES PER CATEGORY

The following table presents the total net gains or losses for each category of financial assets and financial liabilities:

3.1 Group

	Loans and receivables R'000	Fair value through profit and loss held for trading R'000	Financial liabilities at amortised cost R'000	Total R'000
3.1.1 2009				
Interest received	23 304	–	–	23 304
Finance charges	–	(128)	(3 440)	(3 568)
Dividend income	–	284	–	284
Realised fair value adjustment of financial assets	–	(2 527)	–	(2 527)
Unrealised fair value adjustment of financial assets	–	(979)	–	(979)
Impairment losses reversed	5 099	–	–	5 099
	28 403	(3 350)	(3 440)	21 613

3. GAINS AND LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES PER CATEGORY (continued)

3.1 Group (continued)

	Loans and receivables R'000	Fair value through profit and loss held for trading R'000	Financial liabilities at amortised cost R'000	Total R'000
3.1.2 2008				
Interest received	19 474	–	–	19 474
Finance charges	–	(1 122)	(4 186)	(5 308)
Dividend income	–	2 087	–	2 087
Realised fair value adjustment of financial assets	–	3 957	–	3 957
Unrealised fair value adjustment of financial assets	–	(11 409)	–	(11 409)
Impairment losses	(4 400)	–	–	(4 400)
	15 074	(6 487)	(4 186)	4 401

3.2 Company

	Loans and receivables R'000	Fair value through profit and loss held for trading R'000	Financial liabilities at amortised cost R'000	Total R'000
3.2.1 2009				
Interest received	2 902	–	–	2 902
Finance charges	–	–	(5)	(5)
Dividend income	–	2 800	–	2 800
Impairment losses	(49)	–	–	(49)
	2 853	2 800	(5)	5 648
3.2.2 2008				
Interest received	1 658	–	–	1 658
Finance charges	–	–	(83)	(83)
Dividend income	–	1 550	–	1 550
Impairment losses	(20 262)	–	–	(20 262)
	(18 604)	1 550	(83)	(17 137)

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Group

	2009 Cost R'000	2009 Accumulated depreciation R'000	2009 Net carrying value R'000	2008 Cost R'000	2008 Accumulated depreciation R'000	2008 Net carrying value R'000
– Owner occupied properties(Note A)	**6 356**	**–**	**6 356**	14 052	–	14 052
– Leasehold improvements	**935**	**(323)**	**612**	537	(202)	335
– Computer hardware	**5 398**	**(3 193)**	**2 205**	5 474	(2 948)	2 526
– Office equipment	**2 905**	**(1 354)**	**1 551**	3 615	(1 672)	1 943
– Furniture and fittings	**7 127**	**(2 484)**	**4 643**	6 801	(2 192)	4 609
– Motor vehicles	**548**	**(267)**	**281**	697	(210)	487
	23 269	**(7 621)**	**15 648**	31 176	(7 224)	23 952

	Owner occupied properties R'000	Leasehold improvements R'000	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
2009							
Movement for the year							
– Opening carrying value	14 052	335	2 526	1 943	4 609	487	23 952
– Additions	71	543	851	376	1 416	47	3 304
– Reclassified from investment properties	750	–	–	–	–	–	750
– Reclassified to held for sale	(7 050)	–	–	–	–	–	(7 050)
– Disposals	–	(21)	(160)	(361)	(675)	(124)	(1 341)
– Fair value adjustment	(1 467)	–	–	–	–	–	(1 467)
– Depreciation	–	(165)	(893)	(402)	(541)	(106)	(2 107)
– Disposed of as part of sale of subsidiary	–	(80)	(119)	(5)	(166)	(23)	(393)
	6 356	612	2 205	1 551	4 643	281	15 648
2008							
Movement for the year							
– Opening carrying value	16 796	507	2 608	1 451	4 301	863	26 526
– Additions	553	459	1 816	666	1 903	457	5 854
– Reclassification	(3 310)	190	(663)	465	13	–	(3 305)
– Disposals	–	–	17	(36)	(715)	(648)	(1 382)
– Depreciation	13	(348)	(963)	(521)	(635)	(185)	(2 639)
– Disposed of as part of sale of subsidiary	–	(473)	(289)	(82)	(258)	–	(1 102)
	14 052	335	2 526	1 943	4 609	487	23 952

Note A: A register that contains full details of all properties is available for inspection at the group's registered office.

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.2 Company

	2009 Cost R'000	**2009 Accumulated depreciation R'000**	**2009 Net carrying value R'000**	2008 Cost R'000	2008 Accumulated depreciation R'000	2008 Net carrying value R'000
– Leasehold improvements	**67**	**(43)**	**24**	66	(9)	57
– Computer hardware	**164**	**(111)**	**53**	171	(102)	69
– Office equipment	**55**	**(39)**	**16**	51	(34)	17
– Furniture and fittings	**248**	**(93)**	**155**	248	(58)	190
– Motor vehicles	**–**	**–**	**–**	–	–	–
	534	**(286)**	**248**	536	(203)	333

	Leasehold improvements R'000	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
2009						
Movement for the year						
– Opening carrying value	57	69	17	190	–	333
– Additions	1	8	4	–	–	13
– Disposals	–	(3)	–	–	–	(3)
– Depreciation	(34)	(21)	(5)	(35)	–	(95)
	24	53	16	155	–	248
2008						
Movement for the year						
– Opening carrying value	27	51	22	154	12	266
– Additions	66	55	4	93	–	218
– Disposals	–	(7)	(2)	(18)	(3)	(30)
– Depreciation	(36)	(30)	(7)	(39)	(9)	(121)
	57	69	17	190	–	333

	GROUP 31 August 2009 R'000	GROUP 31 August 2008 R'000	COMPANY 31 August 2009 R'000	COMPANY 31 August 2008 R'000
5. INTANGIBLE ASSETS				
– Goodwill (note 5.1)	**44 887**	44 887	**–**	–
– Computer software (note 5.2)	**1 543**	1 712	**72**	106
– Broker relationships and other (note 5.3)	**10**	47	**–**	–
	46 440	46 646	**72**	106
5.1 Goodwill				
5.1.1 Net carrying value				
– Cost	**67 308**	67 308	**–**	–
– Impairment	**(22 421)**	(22 421)	**–**	–
– Net carrying value	**44 887**	44 887	**–**	–
5.1.2 Movement for the year				
At beginning of year	**44 887**	76 161	**–**	–
Goodwill on the (sale) acquisition of:				
– Conduit Risk and Insurance Holdings (Proprietary) Limited	**–**	460	**–**	–
– Gateway Capital Limited	**–**	(29 058)	**–**	–
– Sureline Administrators (Proprietary) Limited	**–**	(2 491)	**–**	–
Impairment	**–**	(185)	**–**	–
	44 887	44 887	**–**	–
5.1.3 Goodwill per cash generating unit				
– Anthony Richards & Associates (Proprietary) Limited	**10 516**	10 516	**–**	–
– Black Ginger 92 (Proprietary) Limited	**1 992**	1 992	**–**	–
– Conduit Risk and Insurance Holdings (Proprietary) Limited	**32 379**	32 379	**–**	–
	44 887	44 887	**–**	–
5.2 Computer software				
5.2.1 Net carrying value				
Cost	**5 475**	4 397	**164**	163
Amortisation	**(3 932)**	(2 685)	**(92)**	(57)
Net carrying value	**1 543**	1 712	**72**	106
5.2.2 Movement for the year				
At beginning of year	**1 712**	1 608	**106**	35
Reclassification to property, plant and equipment and other intangible assets	**–**	(28)	**–**	–
Additions	**1 907**	812	**1**	94
Disposals	**(45)**	(67)	**–**	(1)
Disposal as part of sale of subsidiary	**(1 119)**	(34)	**–**	–
Amortisation	**(912)**	(579)	**(35)**	(22)
	1 543	1 712	**72**	106

The remaining expected useful life of computer software is expected to be 2 to 5 years.

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000

5. INTANGIBLE ASSETS (continued)

5.3 Broker relationships and other

5.3.1 Net carrying value

Cost	**10**	94	**–**	–
Amortisation	**–**	(47)	**–**	–
Net carrying value	**10**	47	**–**	–

5.3.2 Movement for the year

At beginning of year	**47**	777	**–**	–
Reclassification from Computer Software	**–**	23	**–**	–
Additions	**10**	51	**–**	**–**
Disposal as part of sale of subsidiary	**(47)**	(782)	**–**	–
Amortisation	**–**	(22)	**–**	–
	10	47	**–**	–

5.4 Impairment testing of intangible assets

5.4.1 Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following individual cash generating units, which are reportable segments for impairment testing:

– Anthony Richards & Associates (Proprietary) Limited;

– Black Ginger 92 (Proprietary) Limited; and

– Conduit Risk and Insurance Holdings (Proprietary) Limited ('CRIH').

The recoverable amount of each unit has been determined based on a "value in use calculation" that:

– uses cash flow projections based on actual results covering a one-year period;

– adjusts such projections with a variable growth rate of between 5% and 10% in order to take account of future prospects in each unit for a period of five years;

– extrapolates cash flows beyond the fifth year by using a growth rate of 5%; and

– discounts cash flows at after-tax rates ranging between 19.22% and 20.72%.

These calculations indicate that there is no further need for impairment of the carrying value of goodwill.

The directors believe that any reasonable change in the key assumptions would not cause the carrying amounts of the cash generating units to exceed the recoverable amounts that remain.

5.4.2 Impairment testing of other intangible assets

The useful life and residual value of each asset is assessed twice annually and its carrying value is restated by applying the appropriate impairment or amortisiation charge against the income statement.

	GROUP 31 August 2009 R'000	GROUP 31 August 2008 R'000	COMPANY 31 August 2009 R'000	COMPANY 31 August 2008 R'000
6. LOANS RECEIVABLE				
Secured loan	**3 535**	–	**–**	–
Unsecured loans	**2 382**	2 293	**–**	–
	5 917	2 293	**–**	–

- Security on the secured loan comprises shares in an unlisted company, a subordinated cash balance equal to the value of the loan and personal guarantees. The loan carries interest at prime plus 2% and is repayable on three months' notice.
- R942 000 of the unsecured loans is repayable in monthly instalments of R50 000 each and carries interest at 10% p.a.
- A further R1.38 million (2008: R1.48 million) of the unsecured loans carries interest at prime less 2% and is repayable by September 2017.
- The remainder of the unsecured loans are interest free and there are no fixed repayment terms.

	GROUP 31 August 2009 R'000	GROUP 31 August 2008 R'000	COMPANY 31 August 2009 R'000	COMPANY 31 August 2008 R'000
7. DEFERRED TAX				
Balance at beginning of year	**(966)**	(2 011)	**–**	–
Disposal as part of sale of subsidiary	**(144)**	–	**–**	–
Charge against the income statement	**(884)**	1 045	**–**	–
Continuing operations	**(884)**	1 048	**–**	–
Discontinued operation	**–**	(3)	**–**	–
Balance at end of year	**(1 994)**	(966)	**–**	–
Relating to:	**(1 994)**	(966)	**–**	–
Provisions and accruals	**(3 405)**	250	**–**	–
Accelerated capital allowances	**(945)**	(871)	**–**	–
Fair valuing of long term loans	**(56)**	(157)	**–**	–
Unrealised gains on investment properties	**(2 324)**	(2 096)	**–**	–
Unrealised gains on investments	**(3 785)**	(2 598)	**–**	–
Unexpired risk reserve	**325**	–	**–**	–
Estimated tax losses	**8 196**	4 506	**–**	–
Comprising:	**(1 994)**	(966)	**–**	–
Deferred tax assets	**6 830**	6 168	**–**	–
Deferred tax liabilities	**(8 824)**	(7 134)	**–**	–

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
8. INVESTMENT PROPERTY				
8.1 Net carrying value				
Cost	**4 492**	11 421	**–**	–
Fair value adjustment	**4 053**	4 370	**–**	–
Net carrying value	**8 545**	15 791	**–**	–
8.2 Movement for the year				
At beginning of year	**15 791**	11 433	**–**	–
Additions	**381**	97	**–**	–
Reclassification (to) from owner occupied properties	**(750)**	3 310	**–**	–
Reclassification to held for sale	**(7 850)**	–	**–**	–
Fair value adjustment (note 27)	**973**	951	**–**	–
	8 545	15 791	**–**	–

A register that contains full details of all properties is available for inspection at the group's registered office.

The fair value of each investment property was determined by the following professional property valuator with the use of open market values:

– Mills Fitchet Magnus Penny (Proprietary) Limited:

  Gibbons, M.R.B.
  (Nat. Dip. Prop. Val. MIV (SA))

	GROUP		COMPANY	
9. INVESTMENT IN ASSOCIATES				
At beginning of year	**4 602**	3 478	**–**	–
Disposals	**(4 362)**	–	**–**	–
Attributable portion of earnings	**2 171**	1 856	**–**	–
Loans	**(87)**	48	**(127)**	243
Dividend received	**(1 393)**	(512)	**–**	–
Fair value adjustment (impairment)	**1 538**	(268)	**127**	(243)
Balance at end of year	**2 469**	4 602	**–**	–

Details of the investments are set out in notes 37.3 and 37.4.

9. INVESTMENT IN ASSOCIATES (continued)

Associates' summary information

The aggregate assets, liabilities, revenue and profits (losses) of the associates, all of which are unlisted, were as follows:

	Assets R'000	Liabilities R'000	Revenue R'000	Profit R'000
2009				
Various, as listed in note 37.3	12 076	(8 586)	27 698	903
2008				
Various, as listed in note 37.3	20 239	(10 848)	18 721	4 684

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
10. INVESTMENT IN SUBSIDIARIES				
Unlisted shares at cost, less amounts written off	**–**	–	**13 085**	13 083
Amounts due by subsidiaries	**–**	–	**139 697**	127 855
Net carrying value (refer notes 37.1 and 37.2)	**–**	–	**152 782**	140 938
Directors' valuation	**–**	–	**498 190**	140 938

The directors' valuation of the underlying shares for trading entities is based on cash flow projections using the principles described in section 5.4.1, while the valuation of non-trading entities is based on the entities' Net Asset Value, adjusted for the recoverability or forgiveness of inter-group loans receivable or payable.

11. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

11.1 Long-term investments

	GROUP 2009	GROUP 2008	COMPANY 2009	COMPANY 2008
Listed investments (note 11.1.1)	**4 196**	22 625	**–**	–
Listed equities	**1 034**	19 308	**–**	–
Bonds	**3 162**	3 317	**–**	–
Unlisted investments (note 11.1.2)	**1 866**	1 639	**–**	–
	6 062	24 264	**–**	–
11.1.1 Listed equities and bonds at valuation				
Opening net book value	**22 625**	66 871	**–**	–
Additions	**376**	76 216	**–**	–
Disposals	**(15 846)**	(118 999)	**–**	–
Fair value adjustment (note 27)	**(2 959)**	(1 463)	**–**	–
Closing net book value	**4 196**	22 625	**–**	–

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
11. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)				
11.1 Long-term investments (continued)				
11.1.2 Unlisted shares at valuation				
Opening net book value	**1 639**	1 933	**–**	–
Additions	**–**	71	**–**	–
Disposals	**(45)**	–	**–**	–
Fair value adjustment (note 27)	**272**	(365)	**–**	–
Closing net book value	**1 866**	1 639	**–**	–
Directors' valuation at net book value	**1 866**	1 639	**–**	–
11.2 Short-term investments				
– Locally listed investments (note 11.2.1)	**858**	569	**–**	–
– Overseas listed investments (note 11.2.2)	**–**	–	**–**	–
	858	569	**–**	–
11.2.1 Locally listed shares at valuation				
Opening net book value	**569**	4 162	**–**	–
Additions	**716**	–	**–**	–
Disposals	**–**	(3 111)	**–**	–
Fair value adjustment (note 27)	**(427)**	(482)	**–**	–
Closing net book value	**858**	569	**–**	–
11.2.2 Overseas listed shares at valuation				
Opening net book value	**–**	561	**–**	–
Disposals	**–**	(546)	**–**	–
Fair value adjustment (note 27)	**–**	(15)	**–**	–
Closing net book value	**–**	–	**–**	–

In terms of the provisions of the Companies Act, 1973, a complete register of investments is available for inspection at the group's registered office.

	GROUP 31 August 2009 R'000	GROUP 31 August 2008 R'000	COMPANY 31 August 2009 R'000	COMPANY 31 August 2008 R'000
12. INSURANCE ASSETS AND LIABILITIES				
12.1 Gross insurance liabilities				
Claims reported but not paid	**(104 256)**	(97 752)	**–**	–
Claims incurred but not reported	**(52 016)**	(54 268)	**–**	–
Unearned premiums, net of deferred acquisition costs	**(175 759)**	(595 943)	**–**	–
Unearned premiums	**(262 114)**	(848 216)	**–**	–
Unexpired risk reserve	**–**	(1 160)	**–**	–
Deferred acquisition costs	**86 355**	253 433	**–**	**–**
Total insurance liabilities	**(332 031)**	(747 963)	**–**	–
12.2 Recoverable from reinsurers				
Claims reported but not paid	**62 849**	51 024	**–**	–
Claims incurred but not reported	**43 589**	46 060	**–**	–
Unearned premiums, net of deferred reinsurance commission revenue	**163 306**	580 945	**–**	–
Unearned premiums	**163 643**	825 093	**–**	–
Deferred reinsurance commission revenue	**(337)**	(244 148)	**–**	–
Reinsurers' share of insurance liabilities	**269 744**	678 029	**–**	–
12.3 Net insurance liabilities				
Claims reported but not paid	**(41 407)**	(46 728)	**–**	–
Claims incurred but not reported	**(8 427)**	(8 208)	**–**	–
Unearned premiums	**(12 453)**	(14 998)	**–**	–
Total net insurance liabilities	**(62 287)**	(69 934)	**–**	–

12.4 Incurred But Not Reported ("IBNR") provision

The directors have estimated that the incurred but not reported provision calculated at 7%, as required by the Short-Term Insurance Act, is excessive in terms of the portfolio of business underwritten by the group. In light of this, the provision has been revised and calculated at a rate of 4.3% for the 2009 financial year (2008: 4%).

Had the IBNR provision been calculated at a rate of 7%, the net provision would have been R5.31 million greater than the net R8.43 million currently provided for (2008: R6.16 million).

At the balance sheet date a detailed exercise was performed by the group in order to arrive at the rate of 4.3% of net insurance premium for calculation of the IBNR provision. Actual current and historical data of claims that would have been incurred at this date, but that would not have been reported yet, was used to determine the appropriate value of the provision at the balance sheet date. This exercise assisted in arriving at an appropriate value for all claims incurred but not yet reported at the balance sheet date across all lines of business and across claims emanating from all underwriting managers from whom the group derives its business. The average value determined as a result of this exercise approximates 4.3% of the net insurance premium for the year.

It is important to note that, for the purpose of calculating the solvency margin in terms of the FSB requirements the IBNR provision has been calculated at the statutory 7%.

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
13. TRADE AND OTHER RECEIVABLES				
Deposits and prepaid expenses	**358**	243	**91**	160
Insurance receivables	**68 966**	42 766	**–**	–
Trade receivables	**18 043**	37 551	**453**	580
Loans – secured	**216**	188	**–**	–
Loans – unsecured	**725**	721	**123**	209
Other receivables – secured	**–**	16 400	**–**	16 400
Less: Impairment	**(1 099)**	(2 541)	**(501)**	(562)
	87 209	95 328	**166**	16 787
Secured loans relating to a loan made by the IMR Share Trust to a director of the company and secured by shares	**216**	188	**–**	–
Value of security relating to the above loan	**1 100**	1 260	**–**	–

Secured loans attract interest at prime and are repayable by mutual agreement.

Unsecured loans attract no interest and have no fixed repayment dates.

The directors are of the opinion that the value of the above receivables approximates their fair value.

14. CASH AND CASH EQUIVALENTS

	GROUP 31 August 2009 R'000	GROUP 31 August 2008 R'000	COMPANY 31 August 2009 R'000	COMPANY 31 August 2008 R'000
Comprising:				
Cash	**21**	21	**3**	2
Call accounts	**222 530**	172 951	**9 920**	4 439
Current accounts – local	**52 299**	40 040	**22**	73
Current accounts – overseas	**–**	31	**–**	–
	274 850	213 043	**9 945**	4 514
Bank overdraft	**(14)**	(46)	**(14)**	(46)
Net cash and cash equivalents	**274 836**	212 997	**9 931**	4 468

Balances on call include amounts held on call at banks, as well as amounts held on call at stockbrokers.

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
15. NON-CURRENT ASSETS HELD FOR SALE				
15.1 Net carrying value				
Cost	**9 099**	–	**–**	–
Fair value adjustment	**5 801**	–	**–**	–
Net carrying value	**14 900**	–	**–**	–
15.2 Movement for the year				
At beginning of year	**–**	–	**–**	–
Reclassification from investment properties	**7 850**	–	**–**	–
Reclassification from owner occupied properties	**7 050**	–	**–**	–
	14 900	–	**–**	–

Certain properties have been presented as 'held for sale' following approval by the Investment Committee to dispose of them within the next 12 months. It is anticipated that the properties will be disposed of directly or through agents, subject to a minimum price. A register that contains full details of all properties available for sale is available for inspection at the group's registered office.

The fair value of each property held for sale was determined by one of the following professional property valuators with the use of open market values:

– Pike, Edgar J. (MIV (SA)); and
– Mills Fitchet Magnus Penny (Proprietary) Limited: Gibbons, M.R.B. (Nat. Dip. Prop. Val. MIV (SA)).

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
16. ORDINARY SHARE CAPITAL				
Authorised				
500 000 000 ordinary shares of 1c each (2008: 500 000 000)	**5 000**	5 000	**5 000**	5 000
Issued				
256 379 818 ordinary shares of 1c each (2008: 256 379 818)	**2 564**	2 564	**2 564**	2 564
Treasury shares:				
– 3 509 760 ordinary shares of 1c each held by IMR 1 (Proprietary) Limited (2008: 3 509 760)	**(35)**	(35)	**–**	–
– 1 650 370 ordinary shares of 1c each held by the IMR Share Trust (2008: 1 650 370)	**(17)**	(17)	**–**	–
– 943 091 ordinary shares of 1c each held by Marble Gold 213 (Proprietary) Limited (2008: 943 091)	**(9)**	(9)	**–**	–
	2 503	2 503	**2 564**	2 564

In terms of a resolution passed at the most recent annual general meeting, all authorised and unissued shares are placed under the control of the company's directors who are authorised, until the forthcoming annual general meeting, to issue all or any of the unissued shares at their discretion, subject to sections 221 and 222 of the Companies Act, 1973, the Rules and Regulations of JSE Limited ("the JSE") and the company's Articles of Association.

Reconciliation of movement in number of shares (net of treasury shares held):

Opening balance	**250 276 597**	221 776 597	**256 379 818**	227 879 818
General issue of shares	**–**	4 500 000	**–**	4 500 000
Issue of shares to vendors of subsidiaries acquired	**–**	24 000 000	**–**	24 000 000
	250 276 597	250 276 597	**256 379 818**	256 379 818

Shares under option

As at the reporting date, 1 450 000 shares in the company were under option in terms of the Group Senior Executive Option Scheme (2008: 1 450 000) (also see note 19). There were no contracts in place for the sale of shares (2008: Nil).

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
17. SHARE PREMIUM				
Reconciliation of movement in share premium:				
Opening balance	**196 717**	168 097	**223 542**	194 922
General issue of shares	**–**	10 080	**–**	10 080
Share issue costs	**(65)**	(125)	**(65)**	(125)
Issue of shares to vendors of subsidiaries acquired	–	18 665	**–**	18 665
	196 652	196 717	**223 477**	223 542

18. INSURANCE CONTINGENCY RESERVE

In terms of the Short-Term Insurance Act the group's short-term insurance subsidiary is required to hold a contingency reserve equivalent to 10% of its net premiums written during the year. The contingency reserve held by the group's short-term insurance subsidiary as a result of this requirement amounts to R19.624 million (2008: R20.523 million).

The annualised premiums written since acquisition have been less than the annualised premiums written prior to acquisition, which would have resulted in a net debit on the post-acquisition contingency reserve account. Consequently and notwithstanding the fact that there is a contingency reserve in the short-term insurance subsidiary, no post-acquisition contingency reserve has been raised in the group for the year that ended on 31 August 2009 (2008: Nil).

19. SHARE-BASED PAYMENT RESERVE

No share-based payments were made to directors or staff during the year under review. During the 18 months ended 31 August 2007 share options were awarded to executive directors and senior management using Conduit's executive share incentive scheme, which at the time took the form of a share option scheme. The following conditions attached to the options:

- The vesting period is three years from the date of being awarded and the options lapse one year thereafter;
- Options can be exercised three years after the date of being awarded, provided the employee is still in service;
- Shares will be issued on receipt of payment therefor, which must be made by no later than four years after the date on which the options were awarded; and
- The group has no legal or constructive obligation to repurchase or settle the options in cash.

The exercise price of the options that were awarded was equal to 90% of the 30-day volume weighted average price of the underlying shares on the day of the award.

The following share options, which lapse after four years, were awarded and are outstanding in terms of Conduit's executive share incentive scheme:

	Date awarded	Last day of exercise	Exercise price (cents)	Number of underlying shares
2009	**27 Feb 2007**	**28 Feb 2011**	**145.50**	**1 450 000**
2008	27 Feb 2007	28 Feb 2011	145.50	1 450 000

The fair value of options granted during 2007 is R1.2 million, of which R1 million has been accounted for at the financial reporting date (2008: R604 000) using a model that is based on the American binomial method. The significant inputs into this model are:

- the 30-day volume weighted average of the share price as at the date of the options being awarded;
- the option exercise price;
- the vesting period;
- the volatility, measured at the standard deviation of expected share price returns as at the date of awarding the options; and
- expected staff turnover time.

Due to the new direction that the group has taken 4.5 years ago and the resultant movement in the share price, volatility for purposes of the valuation was based on the statistical analysis of the daily share price from 1 March 2005 only.

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
20. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Opening balance	**23 662**	22 587	**–**	–
Transfer from income statement	**886**	1 075	**–**	–
	24 548	23 662	**–**	–

Policyholder liabilities are determined by the statutory actuaries of the underlying long-term insurance companies. The reports of the statutory actuaries are set out in the annual financial statements of these subsidiary companies and are available to shareholders on request.

20.1 Analysis of policyholder liabilities

Individual funeral cover	**21 036**	20 493	**–**	–
Group funeral cover	**3 512**	3 169	**–**	–
	24 548	23 662	**–**	–

20.2 Maturity analysis of policyholder liabilities

Policyholder liabilities are expected to become payable as follows:

Up to one year	**3 790**	3 185	**–**	–
One year to five years	**774**	1 052	**–**	–
More than five years	**19 984**	19 425	**–**	–
	24 548	23 662	**–**	–

20.3 Key assumptions

For the group funeral business an "Incurred But Not Reported" reserve was established based on the most recent claims run-off numbers. These claims run-off numbers were based on the results of "experience investigations" and current and expected future market conditions. In certain instances a deficiency reserve was established to allow for any expected losses on the group funeral policies.

For individual business units, a prospective valuation is carried out with the following principal assumptions:

– Inflation rate 6.68% (2008: 6.68%)

– Interest rate 7.94% (2008: 9.64%)

– Withdrawal rates 21% in the first year, reducing to 7.5% after the fourth year

– Mortality rates are derived from the English Life Table 8

– AIDS mortality rates are derived from the ASSA HA2M/F model

20. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

20.4 Sensitivities

Policyholder liabilities have been calculated at R24 548 417 by the statutory actuary as at 31 August 2009 (2008: R23 661 948). The following scenarios indicate the value of the liabilities if the factors influencing the valuation had to change by the percentages given:

Factor	Level of change	Resulting liability R'000	Change %
Main basis	None	24 548	0.00
Mortality (and other claims)	10% increase	28 850	17.52
Expenses	10% increase	26 544	8.13
Investment returns	1% reduction	26 079	6.24
Withdrawals	10% increase	24 103	(1.81)
Inflation	1% increase	25 792	5.07

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
21. INTEREST BEARING BORROWINGS				
Non-current	**18 873**	22 166	**–**	–
– Secured	**15 261**	19 893	**–**	–
– Unsecured	**3 612**	2 273	**–**	–
Current				
– Secured	**5 566**	5 142	**–**	–
	24 439	27 308	**–**	–
21.1 Non-current borrowings				
Secured				
Finance lease obligations	**–**	34	**–**	–
Mortgage loan obligations (Note A)	**6 857**	5 951	**–**	–
Cumulative preference shares (Note B)	**13 970**	19 050	**–**	–
	20 827	25 035	**–**	–
Less: Current portion of obligation	**(5 566)**	(5 142)	**–**	–
Finance lease obligations	**–**	(17)	**–**	–
Mortgage loan obligations	**(486)**	(45)	**–**	–
Preference shares	**(5 080)**	(5 080)	**–**	–
	15 261	19 893	**–**	–
Unsecured				
Cumulative preference shares (Note C)	**2 550**	2 240	**–**	–
Face value	**2 750**	2 750	**–**	–
Fair value adjustment	**(200)**	(510)	**–**	–
Other (Note D)	**1 062**	33	**–**	–
	3 612	2 273	**–**	–

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
21. INTEREST BEARING BORROWINGS (continued)				
21.2 Current portion of borrowings				
Secured				
Finance lease obligations	**–**	17	**–**	–
Mortgage loan obligations (Note A)	**486**	45	**–**	–
Cumulative preference shares (Note B)	**5 080**	5 080	**–**	–
	5 566	5 142	**–**	–

Note A:

The mortgage loan bears interest at a variable rate of the prime bank overdraft rate less 1%. The final payment is due by 2015 and the loan is secured by property with a fair value of R15 million.

Note B:

The group's authorised preference share capital consists of 25 400 cumulative redeemable shares of one cent each (2008: 25 400) and 7 750 cumulative redeemable shares of R1 000 each (2008: 7 750).

The group's issued preference share capital consists of 13 970 cumulative redeemable shares of one cent each (2008: 19 050) and 2 750 cumulative redeemable shares of R1 000 each (2008: 2 750).

The dividend is calculated at a rate of 79% of the prime overdraft rate, as quoted by Nedbank Limited from time to time, and is cumulative in nature. The final payment is due by October 2012 and the cumulative preference shares are secured by the investment in Conduit Risk and Insurance Holdings (Proprietary) Limited ("CRIH") with a fair value of R150 million.

Note C:

The dividend is calculated at a rate 5% of the face value of the preference shares and is cumulative in nature. There is no specified redemption date, other than a stipulation that the preference shares will be redeemed by no later than October 2019.

Note D:

This loan is unsecured, interest free and is repayable by 2011.

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
22. VENDORS FOR CASH				
The estimated cash payable to the vendors of various subsidiaries as at the reporting date was as follows:				
Payable within one year				
Anslow Management Consultants (Proprietary) Limited for Conduit Risk & Insurance Holdings (Proprietary) Limited	**–**	2 950	**–**	–
Original value	**–**	3 000	**–**	–
Fair value adjustment	**–**	(50)	**–**	–
Various				
Black Ginger 92 (Proprietary) Limited	**90**	99	**–**	–
	90	3 049	**–**	–
23. TRADE AND OTHER PAYABLES				
Accruals	**4 477**	4 418	**18**	1 241
Insurance payables	**58 251**	27 188	**–**	–
Trade payables	**47 786**	48 099	**441**	786
Dividends payable	**522**	893	**–**	14
Ordinary shares	**–**	14	**–**	14
Preference shares	**522**	879	**–**	–
	111 036	80 598	**459**	2 041
24. REVENUE				
24.1 Insurance revenue				
Gross insurance premiums	**717 582**	1 342 822	**–**	–
24.2 Other revenue	**98 812**	91 656	**6 334**	5 609
Advisory, consulting and management fees received from group companies	**–**	–	**6 294**	5 361
Advisory, consulting, management and other fees, fees received from third parties	**34 941**	47 059	**–**	10
Commissions	**63 159**	42 924	**–**	238
Rental income	**712**	1 673	**40**	–
	816 394	1 434 478	**6 334**	5 609
25. NET INSURANCE REVENUE				
Gross premiums written	**717 582**	1 342 822	**–**	–
Reinsurance premiums paid	**(500 889)**	(1 111 049)	**–**	–
Other	**(693)**	5 949	**–**	–
	216 000	237 722	**–**	–

	GROUP 31 August 2009 R'000	GROUP 31 August 2008 R'000	COMPANY 31 August 2009 R'000	COMPANY 31 August 2008 R'000
26. DIRECT EXPENSES – INSURANCE AND RISK SERVICES				
Gross claims paid, change in provision for outstanding claims and IBNR	**387 506**	511 046	**–**	–
Reinsurers' share of claims paid and change in provision for outstanding claims	**(241 747)**	(340 544)	**–**	–
Net claims paid	**145 759**	170 502	**–**	–
Net expenses for the acquisition of insurance contracts, including commissions and profit commissions	**22 283**	8 205	**–**	–
Transfer to policyholder liabilities	**886**	1 075	**–**	–
	168 928	179 782	**–**	–
27. INVESTMENT INCOME				
Interest received	**23 304**	19 474	**2 902**	1 658
Investment income (listed shares and bonds)	**(3 102)**	127	**2 814**	1 550
– Dividend income	**284**	2 087	**14**	–
– Dividend income (subsidiaries)	**–**	–	**2 800**	1 550
– Fair value adjustment (unrealised)	**(1 251)**	(11 044)	–	–
– Fair value adjustment (realised)	**(2 135)**	9 084	–	–
Fair value adjustment (unlisted shares)	**272**	(365)	**1**	–
Investment losses (other)	**(1 867)**	(4 405)	**–**	–
– Derivatives losses	**(392)**	(5 127)	**–**	–
– Fair value adjustment (investment properties)	**(494)**	951	**–**	–
– Other	**(981)**	(229)	**–**	–
	18 607	14 831	**5 717**	3 208
28. FINANCE CHARGES				
Interest paid	**1 334**	2 390	**5**	83
– Finance leases	**8**	31	**–**	–
– Property finance	**906**	1 111	**–**	–
– Derivative trade finance	**128**	1 122	**–**	–
– Other	**292**	126	**5**	83
Preference dividends paid	**1 874**	2 563	**–**	–
Fair value adjustment (low interest loans and preference shares)	**360**	355	**–**	–
	3 568	5 308	**5**	83

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
29. PROFIT (LOSS) BEFORE TAXATION				
The profit (loss) before taxation incudes:				
Income				
Profit on disposal of subsidiaries	**1 711**	–	**–**	1 979
Profit on disposal and revaluation of associates	**1 538**	–	**–**	–
Profit on disposal of property, plant and equipment	**5**	1	**–**	1
Forex profit	**–**	6	**–**	–
Expenses				
Auditors' remuneration	**2 608**	2 888	**441**	334
– Current year	**1 660**	2 248	**–**	329
– Prior year underprovision	**761**	213	**422**	–
– Other services	**187**	427	**19**	5
Consulting fees paid	**1 955**	1 444	**136**	213
Depreciation and amortisation	**3 019**	3 014	**130**	143
Direct operating expenses in respect of investment properties	**767**	418	**–**	–
Forex losses	**139**	–	**–**	–
Impairment of financial assets	**(5 099)**	4 668	**(78)**	20 505
– Impairment of associates (reversed)	**–**	268	**(127)**	243
– Impairment of loans and other receivables (reversed)	**(5 099)**	4 400	**49**	20 262
Impairment of goodwill	**–**	185	**–**	–
Loss on disposal of property, plant and equipment	**45**	33	**–**	–
Loss on disposal of subsidiaries	**–**	193	**–**	–
Management fees paid to third parties	**2 290**	1 173	**–**	–
Operating lease charges	**7 500**	8 609	**187**	561
– Equipment	**2 295**	2 108	**10**	21
– Premises	**5 205**	6 501	**177**	540
Secretarial fees	**222**	265	**81**	106
Staff costs	**67 501**	68 503	**769**	4 430
– Salaries and wages *	**64 943**	65 446	**769**	4 430
– Provident fund (defined contribution plan) *	**2 558**	3 057	**–**	–

* Prior year numbers for salaries and wages for the group were restated by R1.94 million. This amount was previously classified as a salaries expense and has now been reclassified as a provident fund expense.

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Cost of share options R'000	Other benefits R'000	Total R'000
30. DIRECTORS' EMOLUMENTS						
30.1 2009						
Paid for by company:						
Non-executive						
Berkowitz, R S	**350**	**–**	**–**	**–**	**–**	**350**
Campbell, S M	**160**	**–**	**–**	**–**	**–**	**160**
Steffens, G Z	**250**	**–**	**–**	**–**	**–**	**250**
Executive						
Druian, J D	**–**	**1 057**	**412**	**165**	**10**	**1 644**
Louw, L E	**–**	**583**	**163**	**41**	**17**	**804**
Shane, S D	**–**	**786**	**116**	**165**	**24**	**1 091**
	760	**2 426**	**691***	**371**	**51**	**4 299**
Paid for by subsidiaries:						
Executive						
Druian, J D	**–**	**1 056**	**–**	**–**	**11**	**1 067**
Louw, L E	**–**	**581**	**–**	**–**	**19**	**600**
Shane, S D	**–**	**784**	**–**	**–**	**26**	**810**
	–	**2 421**	**–**	**–**	**56**	**2 477**
	760	**4 847**	**691***	**371**	**107**	**6 776**
30.2 2008						
Non-executive						
Berkowitz, R S	225	–	–	–	–	225
Campbell, S M	60	–	–	–	–	60
Kruger, M	30	–	–	–	–	30
Steffens, G Z	200	–	–	–	–	200
Executive						
Diamond, P	–	540	–	(84)	11	467
Druian, J D	–	1 958	–	166	19	2 143
Louw, L E	–	1 023	–	41	32	1 096
Shane, S D	–	1 456	–	166	44	1 666
Shaw, R L (paid by subsidiary)	195	638	122	–	12	967
	710	5 615	122	289	118	6 854

* Bonuses provided for in 2008 on a non-specific basis and subsequently allocated and paid to specific individuals in 2009.

30. DIRECTORS' EMOLUMENTS (continued)

30.3 Directors' service contracts

In order to facilitate a smooth handover upon an executive director's resignation from the group, all executive directors' service contracts are terminable on two months' notice. Each director is remunerated in full during his notice period.

Executive directors' service contracts contain restraint of trade provisions in terms of which the directors are restrained from competing (either directly or indirectly) with the group during their employment and for a period of up to two years after the termination of their employment with the group. The directors are not entitled to any remuneration in respect of the restraint of trade.

31. RETIREMENT BENEFITS

9.4% of the group's employees, all employed by the Insurance and Risk Services division, contribute to the CICL Investment Holdings Provident Fund, which is a defined contribution plan. Once the contributions have been paid, the group has no further payment obligations. The regular contributions constitute net periodic costs for the period in which they are due and as such are included in staff costs.

Contributions for the year under consideration amounted to R2.56 million (2008: R3.06 million). The fund is registered in terms of and regulated by the Pension Funds Act, 1956.

The rest of the group has no formal or informal retirement benefit arrangements for employees or directors.

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
32. TAXATION				
32.1 Taxation				
South African normal taxation	**9 547**	7 590	**–**	–
– Current year	**8 974**	8 624	**–**	–
– Prior period under (over) provision	**573**	(1 034)	**–**	–
Deferred tax	**884**	(1 048)	**–**	–
Secondary Tax on Companies	**1 023**	510	**–**	–
Taxation per income statement	**11 454**	7 052	**–**	–
32.2 Taxation reconciliation				
Profit (loss) before tax	**36 080**	26 345	**4 858**	(23 279)
Standard South African normal taxation	**10 103**	7 376	**1 360**	(6 518)
Non-taxable income	**(1 983)**	(12 449)	**(788)**	(434)
Non-deductible expenses	**3 082**	11 637	**48**	5 775
Prior period under provision	**(122)**	(1 040)	**–**	–
Deferred tax asset not raised in companies with losses	**209**	3 495	**–**	(905)
Utilisation of previously unrecognised tax losses	**(1 130)**	–	**(620)**	–
Reduction in tax rate	**–**	37	**–**	–
Capital Gains Tax rate differential	**272**	(2 514)	**–**	2 082
Secondary Tax on Companies	**1 023**	510	**–**	–
Taxation per income statement	**11 454**	7 052	**–**	–

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000

32. TAXATION (continued)

32.2 Taxation reconciliation (continued)

Deferred tax assets have not been recognised in group companies that do not anticipate generating sufficient taxable income to utilise these assets in the foreseeable future. The assets not so recognised amount to R44.13 million (2008: R43.72 million).

The group has unutilised credits that arose in respect of Secondary Tax on Companies of R8.89 million (2008: R8.46 million). This credit is not recognised as an asset unless it is expected to be realised within a year.

33. DISCONTINUED OPERATION – GATEWAY CAPITAL LIMITED ("Gateway")

The group's share of Gateway's profit was as follows (the group's 50.05% shareholding was disposed of with effect from 31 July 2008):

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Revenue	–	26 688	–	–
Cost of sales	–	(15 331)	–	–
Administration and other expenses	–	(2 306)	–	–
Auditors' remuneration	–	(155)	–	–
Depreciation and amortisation	–	(226)	–	–
Impairment of financial assets	–	(323)	–	–
Operating lease charges	–	(523)	–	–
Salaries and wages	–	(2 493)	–	–
Operating profit	–	5 331	–	–
Investment income	–	112	–	–
Negative goodwill on acquisition of subsidiary	–	678	–	–
Finance charges	–	(661)	–	–
Profit before taxation	–	5 460	–	–
Taxation	–	(1 816)	–	–
Profit for the year	–	3 644	–	–
The cash flows were as follows:				
Net cash from operating activities	–	3 111	–	–
Net cash from investing activities	–	(299)	–	–
Net cash from financing activities	–	(7 957)	–	–
Net decrease in cash and cash equivalents	–	(5 145)	–	–

34. COMMITMENTS AND CONTINGENT LIABILITIES

34.1 Commitments: Operating leases

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:				
Equipment leases	**2 772**	5 323	**–**	19
– Within one year	**1 542**	1 999	**–**	19
– In second to fifth years	**1 230**	3 324	**–**	–
Property leases	**8 650**	8 021	**–**	–
– Within one year	**2 332**	3 937	**–**	–
– In second to fifth years	**6 318**	4 084	**–**	–
Other leases	**–**	62	**–**	–
– Within one year	**–**	47	**–**	–
– In second to fifth years	**–**	15	**–**	–
	11 422	13 406	**–**	19

Operating lease payments largely represent rentals payable for office properties and office equipment. Leases are negotiated for terms ranging between three and five years. Rentals on office properties escalate at an average rate of 10% per annum, while there are no escalations on office equipment.

34.2 Contingent liabilities

34.2.1 Contingent rent is payable in connection with parking for which no rental agreement exists.

34.2.2 The group's bankers have issued the following guarantees on behalf of the group:

– CBS Property Portfolio Limited for office rent	R221 168
– South African Post Office Limited for postage	R100 000

The guarantees are secured by corresponding cash deposits held at the banks who have issued the guarantees.

35. EARNINGS PER SHARE

Earnings per share is derived by dividing attributable earnings by the weighted average number of shares in issue. Appropriate adjustments are made in calculating diluted earnings and headline earnings per share.

Diluted earnings per share reflects the potential dilution that could occur if all of the group's outstanding share options were exercised. The number of shares outstanding is adjusted to show the potential dilution if employee share options were converted into ordinary shares.

No adjustments were made to reported earnings attributable to shareholders in the computation of diluted earnings per share.

	GROUP	
	31 August 2009 R'000	31 August 2008 R'000
35. EARNINGS PER SHARE (continued)		
35.1 Calculation of basic earnings		
The earnings used in the calculation of basic earnings per share is as follows:		
Profit for the year from continuing operations	**24 626**	19 293
Less: Minority interest	**(8 886)**	(5 935)
Earnings used in the calculation of basic earnings per share from continuing operations	**15 740**	13 358
Attributable profit for the year from discontinued operation	**–**	1 824
– Profit for the year from discontinued operation	**–**	3 644
– Minority interest	**–**	(1 820)
Profit attributable to ordinary shareholders	**15 740**	15 182
35.2 Reconciliation between basic earnings and headline earnings		
Headline earnings is determined as follows:		
Earnings used in the calculation of basic earnings per share from continuing operations	**15 740**	13 358
Add: Impairment of goodwill	**–**	185
After-tax loss on revaluation of investment properties	**1 294**	–
Net loss on disposal of property, plant and equipment (net of tax)	**27**	23
Less: After tax profit on revaluation of investment properties	**–**	(302)
Unclaimed shares written back	**–**	(125)
(Profit) loss on disposal of subsidiaries and associates	**(2 597)**	193
Headline earnings from continuing operations	**14 464**	13 332
Headline earnings from discontinued operation	**–**	1 485
Attributable profit for the year from discontinued operation	**–**	1 824
Less: Negative goodwill on acquisition of subsidiary	**–**	(339)
Headline earnings	**14 464**	14 817
35.3 Shares in issue		
35.3.1 Number of shares		
– Shares in issue	**256 380**	256 380
– Shares held as treasury shares	**(6 103)**	(6 103)
	250 277	250 277
35.3.2 Weighted average number of shares		
– Shares in issue	**256 380**	238 269
– Shares held as treasury shares	**(6 103)**	(6 103)
	250 277	232 166
35.3.3 Diluted weighted average number of shares		
– Shares in issue	**257 552**	239 198
– Shares held as treasury shares	**(6 103)**	(6 103)
	251 449	233 095

	GROUP	
	31 August 2009 R'000	31 August 2008 R'000
35. EARNINGS PER SHARE (continued)		
35.4 Earnings per share (cents)		
35.4.1 Basic earnings per share	**6.29**	6.54
Continuing operations	**6.29**	5.75
Discontinued operation	**–**	0.79
35.4.2 Diluted earnings per share	**6.26**	6.51
Continuing operations	**6.26**	5.73
Discontinued operation	**–**	0.78
35.4.3 Headline earnings per share	**5.78**	6.38
Continuing operations	**5.78**	5.74
Discontinued operation	**–**	0.64
35.4.4 Diluted headline earnings per share	**5.75**	6.36
Continuing operations	**5.75**	5.72
Discontinued operation	**–**	0.64

36. NOTES TO THE CASH FLOW STATEMENTS

36.1 The following convention applies to figures other than adjustments:

Outflows of cash are represented by amounts in brackets, while inflows are represented by amounts without brackets.

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
36. NOTES TO THE CASH FLOW STATEMENTS (continued)				
36.2 Reconciliation of profit (loss) before taxation to cash generated (absorbed) by operations				
Profit (loss) before taxation	**36 080**	31 805	**4 858**	(23 279)
– Continuing operations	**36 080**	26 345	**4 858**	(23 279)
– Discontinued operation	**–**	5 460	**–**	–
Adjustments for:				
Depreciation and amortisation	**3 019**	3 240	**130**	143
– Continuing operations	**3 019**	3 014	**130**	143
– Discontinued operation	**–**	226	**–**	–
Dividends received	**(284)**	(2 087)	**(2 814)**	(1 550)
(Reversal of) financial assets impairment	**(5 099)**	4 991	**(78)**	20 505
– Continuing operations	**(5 099)**	4 668	**(78)**	20 505
– Discontinued operation	**–**	323	**–**	–
Impairment of goodwill	**–**	185	**–**	–
Profit on disposal/revaluation of shares in associates	**(1 538)**	–	**–**	–
(Profit) loss on disposal of shares in subsidiaries	**(1 711)**	(485)	**–**	(1 979)
– Continuing operations	**(1 711)**	193	**–**	(1 979)
– Discontinued operation	**–**	(678)	**–**	–
Finance charges	**3 568**	5 969	**5**	83
– Continuing operations	**3 568**	5 308	**5**	83
– Discontinued operation	**–**	661	**–**	–
Interest income	**(23 304)**	(19 474)	**(2 902)**	(1 658)
Loss (profit) on disposal of property, plant and equipment	**40**	32	**–**	(1)
Share-based payment reserve	**400**	316	**400**	316
Revaluation of property	**494**	(951)	**–**	–
Losses (profits) on investments	**3 114**	2 325	**(1)**	–
Income from associates	**(2 171)**	(1 856)	**–**	–
Operating cash flows before working capital changes	**12 608**	24 010	**(402)**	(7 420)
Working capital changes	**37 512**	(549)	**15 053**	1 659
– Decrease in trade and other receivables	**11 918**	18 399	**16 621**	1 044
– Increase (decrease) in trade and other payables	**32 355**	(16 084)	**(1 568)**	615
– Increase in policyholder liabilities	**886**	1 075	**–**	–
– Decrease (increase) in insurance assets	**408 285**	(25 238)	**–**	–
– (Decrease) increase in insurance liabilities	**(415 932)**	21 299	**–**	–
Cash generated (absorbed) by operations	**50 120**	23 461	**14 651**	(5 761)

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000

36. NOTES TO THE CASH FLOW STATEMENTS (continued)

36.3 Taxation paid

	GROUP 2009	GROUP 2008	COMPANY 2009	COMPANY 2008
Opening balance	**7 962**	4 747	**–**	–
Disposal of subsidiaries	**–**	459	**–**	–
Income statement movement	**(9 547)**	(9 199)	**–**	–
– Continuing operations	**(9 547)**	(7 590)	**–**	–
– Discontinued operation	**–**	(1 609)	**–**	–
Secondary Tax on Companies	**(1 023)**	(714)	**–**	–
– Continuing operations	**(1 023)**	(510)	**–**	–
– Discontinued operation	**–**	(204)	**–**	–
Closing balance	**(8 021)**	(7 962)	**–**	–
	(10 629)	(12 669)	**–**	–

36.4 Reconciliation of assets disposed of (acquired in) subsidiaries to cash received (paid)

	GROUP 2009	GROUP 2008	COMPANY 2009	COMPANY 2008
– Property, plant and equipment	**393**	1 102	**–**	–
– Other intangible assets	**1 166**	816	**–**	–
– Investment in subsidiaries	**–**	–	**(11 844)**	14 873
– Loans receivable	**529**	–	**–**	–
– Trade and other receivables	**2 800**	52 101	**–**	–
– Funds at call, bank balances and cash	**1 422**	11 738	**–**	–
– Deferred taxation	**144**	–	**–**	–
– Loans payable	**–**	(30 371)	**–**	–
– Trade and other payables	**(1 917)**	(14 061)	**–**	–
– Net tax	**–**	(459)	**–**	–
– Minority interest	**(2 248)**	(31 361)	**–**	–
– Net asset value sold (acquired)	**2 289**	(10 495)	**(11 844)**	14 873
– Profit on sale	**1 711**	485	**–**	2 327
– Goodwill disposed of	**–**	31 089	**–**	–
– Sale price	**4 000**	21 079	**(11 844)**	17 200
– Future cash receipt	**(1 500)**	(18 940)	**–**	(16 400)
– Net cash inflow (outflow)	**2 500**	2 139	**(11 844)**	800

37. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

37.1 The following information relates to the company's investment in subsidiary companies:

	Nature of business	Country of incorporation	Issued ordinary share capital 2009	Issued ordinary share capital 2008	Interest 2009 %	Interest 2008 %	Shares at cost less amounts written off 2009 R'000	Shares at cost less amounts written off 2008 R'000	Indebtedness to (by) Conduit Capital 2009 R'000	Indebtedness to (by) Conduit Capital 2008 R'000
Directly owned										
– AIIM Capital Investments Limited	Dormant	Guernsey, Channel Islands	**989**	989	**100**	100	**–**	–	**–**	–
– Appleton Portfolio Managers International Limited	Dormant	Guernsey, Channel Islands	**574**	574	**100**	100	**–**	–	**–**	–
– Anthony Richards & Associates (Proprietary) Limited	Credit recovery and call centre services	RSA	**100**	100	**40**	40	**11 568**	11 568	**–**	–
– Conduit Fund Managers (Proprietary) Limited	Asset manager	RSA	**1**	1	**100**	100	**–**	–	**4 902**	4 497
– Copper Sunset Trading 186 (Proprietary) Limited	Holding company	RSA	**100**	100	**100**	100	**2**	–	**127 729**	117 282
– IMR (CI) Limited	Dormant	Guernsey, Channel Islands	**995**	995	**100**	100	**–**	–	**–**	–
– IMR 1 (Proprietary) Limited	Equities and derivatives trading	RSA	**140 000**	140 000	**100**	100	**140**	140	**(4 035)**	(7 060)
– Marble Gold 213 (Proprietary) Limited	Holding company	RSA	**100**	100	**100**	100	**790**	790	**123**	27
– On Line Lottery Services (Proprietary) Limited	E-commerce agent	RSA	**150**	150	**80**	80	**585**	585	**67**	67
Held through a subsidiary										
– Ambledown Risk & Underwriting – Solutions (Proprietary) Limited	Underwriting manager	RSA	**–**	100	**–**	50	**–**	–	**–**	–
– Black Ginger 92 (Proprietary) Limited	Investment company	RSA	**100**	100	**100**	100	**–**	–	**6 876**	5 973
– Cherry Creek Trading 88 (Proprietary) Limited	Property company	RSA	**100**	100	**100**	100	**–**	–	**–**	–
– Constantia Insurance Holdings (Proprietary) Limited (previously Constantia Intermediate Holdings)	Investment company	RSA	**120**	120	**100**	100	**–**	–	**–**	–
– Conduit Risk and Insurance Holdings (Proprietary) Limited	Holding company	RSA	**200**	200	**100**	100	**–**	–	**–**	–
– Constantia Insurance Company Limited	Short-term insurer	RSA	**2 244 500**	2 244 500	**100**	100	**–**	–	**–**	–
– Constantia Life & Health Assurance Company Limited	Long-term insurer	RSA	**13 772 380**	13 772 380	**100**	100	**–**	–	**–**	–
– Constantia Corporate Services (Proprietary) Limited	Management company	RSA	**1 000**	1 000	**100**	100	**–**	–	**–**	9
– Constantia Underwriting Agency (Proprietary) Limited	Underwriting manager	RSA	**352 000**	352 000	**100**	100	**–**	–	**–**	–
– CPE Underwriting Managers (Proprietary) Limited	Name protection (dormant)	RSA	**120**	120	**100**	100	**–**	–	**–**	–
– D&O Liability Underwriters (Proprietary) Limited	Name protection (dormant)	RSA	**100**	100	**100**	100	**–**	–	**–**	–
– Goodall and Bourne (South Western Districts) (Proprietary) Limited	Dormant	RSA	**100**	100	**100**	100	**–**	–	**–**	–
– Constantia Life Limited (previously Goodall & Bourne Assurance)	Long-term insurer	RSA	**696 000**	696 000	**100**	100	**–**	–	**–**	–
– Goodall and Bourne Credit (Proprietary) Limited	Dormant	RSA	**100**	100	**100**	100	**–**	–	**–**	–

37. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

37.1 The following information relates to the company's investment in subsidiary companies (continued):

	Nature of business	Country of incorporation	Issued ordinary share capital 2009	Issued ordinary share capital 2008	Interest 2009 %	Interest 2008 %	Shares at cost less amounts written off 2009 R'000	Shares at cost less amounts written off 2008 R'000	Indebtedness to (by) Conduit Capital 2009 R'000	Indebtedness to (by) Conduit Capital 2008 R'000
Held through a subsidiary (continued)										
– Goodall and Bourne Properties (Proprietary) Limited	Property company	RSA	**2 000**	2 000	**100**	100	**–**	–	**–**	–
– Goodall and Bourne Properties (Wale Street) (Proprietary) Limited	Property company	RSA	**100**	100	**100**	100	**–**	–	**–**	–
– Goodall and Bourne Property Holdings (Proprietary) Limited	Investment company	RSA	**100**	100	**100**	100	**–**	–	**–**	–
– Goodall and Bourne Trust Company Limited	Administrative company	RSA	**4 000**	4 000	**100**	100	**–**	–	**–**	–
– Goodall and Company Funeral Assurance Society Limited	Long-term insurer	RSA	**50 000**	50 000	**100**	100	**–**	–	**–**	–
– Goodall and Company Undertakers (Proprietary) Limited	Undertakers and funeral managers	RSA	**2 000**	2 000	**100**	100	**–**	–	**–**	–
– IMR 11 (Proprietary) Limited	Inactive	RSA	**100**	100	**100**	100	**–**	–	**(1 834)**	(1 836)
– IMR Share Trust	Share trust	RSA	**–**	–	**–**	–	**–**	–	**(1 524)**	(1 541)
– Intellect-On-Line (Proprietary) Limited	Name protection (dormant)	RSA	**10 000**	10 000	**100**	100	**–**	–	**–**	–
– Inventory & Risk Survey Holdings (Proprietary) Limited	Risk surveyor	RSA	**100**	100	**61**	61	**–**	–	**–**	–
– Motor Liability Acceptances (Proprietary) Limited	Name protection (dormant)	RSA	**100**	100	**100**	100	**–**	–	**–**	–
– MTR Underwriting Agency (Proprietary) Limited	Underwriting manager	RSA	**100 000**	100 000	**52**	52	**–**	–	**–**	–
– Pendulum Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA	**100**	100	**80**	80	**–**	–	**–**	–
– Shavian Management Consultants (Proprietary) Limited	Insurance consultant	RSA	**100**	100	**100**	100	**–**	–	**–**	–
– Siyaya Underwriting Managers (Proprietary) Limited	Underwriting manager (not yet trading)	RSA	**100**	100	**74**	74	**–**	–	**–**	–
– TGI Investment Holdings (Proprietary) Limited	Investment company	RSA	**16 133 292**	16 133 292	**60**	60	**–**	–	**–**	–
– The Oakwood Financial Services Group (Proprietary) Limited	Investment company	RSA	**100**	100	**100**	100	**–**	–	**–**	–
– The Peoples' Industrial Advice Centre (Proprietary) Limited	Underwriting manager	RSA	**100**	100	**100**	100	**–**	–	**–**	–
– Transqua Administrative Services (Proprietary) Limited	Underwriting manager	RSA	**500 000**	500 000	**100**	100	**–**	–	**–**	–
– Truck and General Insurance Company Limited	Underwriting manager	RSA	**1 002**	1 002	**60**	60	**–**	–	**–**	–
– Yellow Metal Insurance Administrators (Proprietary) Limited	Name protection (dormant)	RSA	**100**	100	**100**	100	**–**	–	**–**	–
– Zizwe Risk Academy (Proprietary) Limited	In deregistration	RSA	**100**	100	**100**	100	**–**	–	**–**	–
							13 085	13 083	**132 304**	117 418

Notes:
- All subsidiaries in the group are unlisted companies.
- The equity loan to Copper Sunset Trading 186 (Proprietary) Limited is unsecured, attracts no interest and has no fixed repayment date.
- Loans receivable from all other subsidiary companies are unsecured, attract interest at rates linked to prime and have no fixed repayment dates.
- Loans payable to all subsidiary companies are unsecured, attract interest at rates linked to prime and have no fixed repayment dates.

37. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
37.2 Allocated as follows:				
Investment in subsidiaries (note 10)	**–**	–	**152 782**	140 938
Loans payable	**–**	–	**(7 393)**	(10 437)
	–	–	**145 389**	130 501

37. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

37.3 The following information relates to the company's investment in associate companies:

	Nature of business	Country of incorporation	Number of shares held 2009	Number of shares held 2008	Interest 2009 %	Interest 2008 %	Book value of investment 2009 R'000	Book value of investment 2008 R'000	Indebtedness to (by) Group 2009 R'000	Indebtedness to (by) Group 2008 R'000
Directly owned										
– Maruapula Capital (Proprietary) Limited	Investment company	RSA	**40**	40	**40**	40	**–**	(158)	**–**	243
Held through a subsidiary										
– Autotrade Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA	**30**	30	**30**	30	**134**	108	**–**	–
– Bloemfontein Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA	**–**	325	**–**	32	**–**	1 084	**–**	–
– Emerald Recovery Services (Proprietary) Limited	Claims recovery services	RSA	**–**	26	**–**	26	**–**	–	**–**	–
– EVB Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA	**25**	25	**25**	25	**22**	382	**–**	–
– Fidfin Insurance Brokers (Proprietary) Limited	Insurance broker	RSA	**40**	40	**40**	40	**–**	–	**–**	–
– General and Professional Liability Acceptances (Proprietary) Limited	Underwriting manager	RSA	**–**	1 000	**–**	25	**–**	–	**–**	–
– Health Finance Corporation (Proprietary) Limited	Designer, provider and administrator of healthcare	RSA	**40**	40	**34**	34	**2 192**	2 480	**–**	–
– Issue Software (Proprietary) Limited	Software company	RSA	**44**	44	**44**	44	**73**	–	**–**	–
– Mail Credit Management (Proprietary) Limited	Debt recovery	RSA	**40**	40	**33**	33	**48**	52	**–**	11
– Maruapula Brokers (Proprietary) Limited	Dormant	RSA	**–**	26	**–**	26	**–**	–	**–**	–
– Record Edge Investment Management (Proprietary) Limited	Investment manager	RSA	**–**	35	**–**	35	**–**	302	**–**	–
– Third Degree (Proprietary) Limited	Underwriting manager	RSA	**–**	2 400	**–**	24	**–**	98	**–**	–
							2 469	4 348	**–**	254

Notes:

– All associates of the group are unlisted companies.

– The loan to Maruapula Capital (Proprietary) Limited is unsecured, attracts interest at prime and has no fixed repayment date.

– Loans receivable from all other associate companies are unsecured, attract no interest and have no fixed repayment dates.

37. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
37.4 Allocated as follows:				
Book value of investment	**2 469**	4 348	**–**	–
Indebtedness to the group	**–**	254	**–**	–
Investment in associates (note 9)	**2 469**	4 602	**–**	–

38. RISK MANAGEMENT

38.1 Currency risk

Currency risk is the risk that the value of a financial instrument, in Rands, will fluctuate as a result of changes in foreign exchange rates.

The group is exposed to currency risk with regard to provisions for claims denominated in foreign currencies under certain "long tail" reinsurance inwards treaties in Constantia Insurance Company Limited, as well as premiums receivable that is invoiced in Zambian Kwacha and that is settled quarterly in arrears. As at 31 August 2009, the amount so receivable is R16 800.

The group is further minimally exposed to currency risk with regards to its shareholdings in IMR (CI) Limited, AIIM Capital Investments Limited and Appleton Portfolio Managers International Limited (all dormant companies based in the United Kingdom and the Channel Islands).

The risk is not material and the group is not exposed to significant currency risk. As a result, no sensitivity analysis has been provided.

38.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

The group has material investments and borrowings that are subject to interest rate risk. Details of these investments and borrowings are set out in notes 11, 21, 22 and 23. Additional exposure to interest rate risk is in the form of cash balances held at call with banks (see note 14), which earn interest at rates that vary on a daily basis, loans receivable that earn interest at rates that are linked to the prime lending rate (note 6), as well as the effect that interest rate fluctuations have on the value of debt securities and listed property units held by the group (note 11).

An increase or decrease of 2% in the respective interest rates would result in the following changes in the fair values of these financial instruments:

Financial assets	**2009 2% increase R'000**	2008 2% increase R'000	**2009 2% decrease R'000**	2008 2% decrease R'000
Investments in debt securities	**(63)**	(68)	**64**	69
Cash and interest bearing loans	**4 360**	3 003	**(4 360)**	(3 003)
	4 297	2 935	**(4 296)**	(2 934)

An increase or decrease of 2% in the interest rates relating to investments in debt securities, listed property units, loans receivable and cash would result in an increase in income of R4.30 million (2008: R2.94 million) or a decrease in income of R4.30 million (2008: R2.93 million), respectively.

38. RISK MANAGEMENT (continued)

38.2 Interest rate risk (continued)

Financial liabilities	**2009 2% increase R'000**	2008 2% increase R'000	**2009 2% decrease R'000**	2008 2% decrease R'000
Interest bearing borrowings	**(441)**	(1 908)	**441**	1 908
Vendors for cash	**–**	(75)	**–**	75
	(441)	(1 983)	**441**	1 983

An increase or decrease of 2% in the interest rates relating to borrowings and payables would result in an increase in expenses of R0.44 million (2008: R1.98 million) or a decrease in expenses of R0.44 million (2008: R1.98 million), respectively.

The group monitors and manages this risk through its investment committee and the Board's oversight.

38.3 Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices and foreign currency exchange rates, besides those disclosed more specifically under currency and interest rate risks.

Key areas where the group is exposed to market risk are:

- listed investments in equity and debt securities;
- unlisted investments in equity;
- investment properties and property holding subsidiaries.

The group regularly reviews and actively manages these risks through its investment committee.

38.4 Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the group is exposed to credit risk are:

- cash and cash equivalents;
- investments in debt securities;
- unlisted investments;
- amounts due from insurance policyholders and intermediaries;
- amounts due from reinsurers and reinsurers' share of insurance liabilities;
- loans receivable;
- trade and other receivables.

The group determines counter-party credit quality by reference to ratings from independent ratings agencies or, where such ratings are not available, by internal analysis. The group seeks to avoid concentration of credit risk by counter-party, business sector, product type and geographical segment.

38. RISK MANAGEMENT (continued)

38.4 Credit risk (continued)

The following tables provide information regarding the aggregated credit risk exposure for financial assets with external credit ratings as at:

	Credit rating AAA R'000	AA+ R'000	AA R'000	AA– R'000	A– R'000	BBB+ R'000	Baa2 R'000	Not rated R'000	Carrying value R'000
31 August 2009									
Investments in debt securities held at fair value	–	–	–	–	–	3 162	–	–	3 162
Unlisted investments held at fair value	–	–	–	–	–	–	–	1 866	1 866
Loans receivable	–	–	–	–	–	–	–	5 917	5 917
Trade and other receivables	–	–	–	–	–	–	–	87 209	87 209
Cash and cash equivalents	41 501	122 256	49 034	62 036	–	–	–	23	274 850
	41 501	122 256	49 034	62 036	–	3 162	–	95 015	373 004
31 August 2008									
Investments in debt securities held at fair value	–	–	–	–	–	3 175	142	–	3 317
Unlisted investments held at fair value	–	–	–	–	–	–	–	1 639	1 639
Loans receivable	–	–	–	–	–	–	–	2 293	2 293
Trade and other receivables	–	–	–	–	324	–	–	95 004	95 328
Cash and cash equivalents	45 471	111 142	36 663	19 146	–	–	–	621	213 043
	45 471	111 142	36 663	19 146	324	3 175	142	99 557	315 620

Comparatives have been amended to exclude listed investments, other than debt securities, as there is no credit risk associated with these type of investments.

The bulk of insurance assets are due by reputable, rated reinsurance companies (see note 38.6). Loans and other receivables consist mainly of accounts receivable from the group's customer base. Group companies and contracted underwriting managers monitor the financial position of their customers, which include insurance clients, on an ongoing basis. Credit, other than in the insurance division, is extended in terms of an agreement and provisions are made for both specific and general bad debts.

The carrying amount of assets included on the balance sheet represents the maximum credit exposure. At the year-end management did not consider there to be any material credit risk exposure that was not already covered by a bad debt provision.

38. RISK MANAGEMENT (continued)

38.4 Credit risk (continued)

Impairment history

The following tables provide information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired:

	Neither past due nor impaired R'000	Financial assets that are past due but not impaired 0 – 3 months R'000	3 – 6 months R'000	6 months to 1 year R'000	Greater than 1 year R'000	Financial assets that have been impaired R'000	Impairment R'000	Carrying value R'000
31 August 2009								
Investments in debt securities held at fair value	3 162	–	–	–	–	–	–	3 162
Unlisted investments held at fair value	1 866	–	–	–	–	180	(180)	1 866
Loans receivable	5 917	–	–	–	–	–	–	5 917
Trade and other receivables	84 932	2 012	197	59	9	1 099	(1 099)	87 209
Cash and cash equivalents	274 850	–	–	–	–	–	–	274 850
	370 727	2 012	197	59	9	1 279	(1 279)	373 004
31 August 2008								
Investments in debt securities held at fair value	3 317	–	–	–	–	–	–	3 317
Unlisted investments held at fair value	1 639	–	–	–	–	180	(180)	1 639
Loans receivable	2 293	–	–	–	–	–	–	2 293
Trade and other receivables	92 249	1 197	1 353	378	151	2 541	(2 541)	95 328
Cash and cash equivalents	213 043	–	–	–	–	4	(4)	213 043
	312 541	1 197	1 353	378	151	2 725	(2 725)	315 620

Comparatives have been amended to exclude listed investments, other than debt securities, as there is no credit risk associated with these type of investments.

38.5 Liquidity risk

Liquidity risk is defined as the ability of the group to meet its financial obligations as they fall due and to manage the mismatch of assets and liabilities.

Management monitors this risk on a daily basis through a review of available cash resources and expected and possible future commitments.

The following maturity analysis provides details on expected settlement of financial liabilities recognised at reporting date:

	Within 1 year R'000	**2 to 5 years R'000**	**More than 5 years R'000**	**Total R'000**
2009				
Interest bearing borrowings	5 566	5 910	12 963	24 439
Vendors for cash	90	–	–	90
Trade and other payables	111 036	–	–	111 036
	116 692	5 910	12 963	135 565
2008				
Interest bearing borrowings	5 142	17 408	4 758	27 308
Vendors for cash	3 049	–	–	3 049
Trade and other payables	80 598	–	–	80 598
	88 789	17 408	4 758	110 955

38. RISK MANAGEMENT (continued)

38.6 Insurance risk

The insurance division has a risk management and a portfolio management function that manage and continuously monitor and report the risks relating to the group's insurance operations to the division's risk and compliance committee and to management.

38.6.1 Types of insurance policies

The group writes both short-term and long-term insurance business. The long-term business consists mainly of funeral cover, comprising both individual business and group schemes. Several lines of short-term business are written, providing cover to individuals and insuring business risks. The main short-term lines of business are as follows:

Guarantee

The insurer assumes an obligation in the event that a specified party fails to discharge certain specified obligations, financial or otherwise.

Liabiliity

The insurer assumes an obligation for liabilities incurred by the insured which are not more specifically defined in the contract.

Motor

The insurer assumes an obligation for damage to or theft of the insured vehicle and for damage caused by the vehicle to third party property or other legal liability arising from the use or ownership of the vehicle. This class of business encompasses light vehicles used for both personal and commercial purposes as well as heavy commercial vehicles.

Accident and Health

The insurer assumes obligations linked to the occurrence of certain health events and on death or disability of the insured resulting from the occurrence of certain personal accidents.

Property

The insurer assumes obligation arising from damage to or loss of property of the insured or other liability arising from the ownership of the property.

38.6.2 Concentration of insurance risk

The group limits its exposure to any one risk through a reinsurance strategy combining both proportional and non-proportional elements.

The insurance division has no specific concentration of insurance risk by policy type or geographic area, except for liabilities that would arise in the event of a natural disaster. The group mitigates such risk through reinsurance catastrophe cover.

Using gross earned premium as an indicator, the table below illustrates the division's distribution of risks underwritten across the classes of business:

Gross premium earned per class of business	**2009 R'000**	2008 R'000
Short term		
– Property	**96 293**	155 456
– Transportation	**–**	599
– Motor	**235 174**	302 940
– Accident/Health	**195 057**	440 832
– Guarantee	**14 966**	6 917
– Liability	–	2 790
– Miscellaneous	**145 847**	402 175
Long term	**30 215**	31 113
	717 552	1 342 822

38. RISK MANAGEMENT (continued)

38.6 Insurance risk (continued)

38.6.3 Management of insurance risk

The acceptance of insurance risk is the core activity of the insurance division. As a result the risk management approach is to ensure that risks are within acceptable limits rather than totally nullified. The principal risk is that the frequency or severity of claims are greater than expected or that premiums have not been correctly rated for the level of risk adopted.

The underwriting results of each underwriting manager or scheme and of each risk class are monitored on a regular basis by the portfolio management function and management and corrective measures are actioned where applicable. This can include the review of underwriting manager procedures for the acceptance of new business, rating procedures and claims administration, the re-rating of existing business, where applicable, or the cancellation of contracts with underwriting managers or policyholders when justified. There are clearly defined limits within which business may be written.

The group has a programme for the regular internal audit of underwriting activities to identify potential risk areas proactively.

Underwriting risk is further mitigated by a clear reinsurance policy that incorporates both proportional and non-proportional reinsurance programs which are reviewed and monitored by management by individual lines of business. As part of the group's risk management regime, it annually reviews its reinsurance program to ensure that an appropriate level of risk is retained in the group.

The group's short-term insurance risks are spread across various geographical areas and amongst various lines of business, both personal and commercial, including guarantee, liability, motor, accident and health, and property cover. In respect of long-term policies, a reputable actuary is utilised to ensure that adequate premiums are being levied and that the capital adequacy reserve is well-covered by assets.

38.6.4 Key insurance risks

Reinsurance Credit risk

There is a risk that a reinsurer does not perform in accordance with the reinsurance contract. The risk is limited as risk premiums are paid quarterly to reinsurers and claims can be offset against risk premiums.

The risk is mitigated by the choice of reinsurers. The group currently deals with the following reputable reinsurers:

– African Reinsurance Corporation (SA) Limited
– Hannover Reinsurance Africa Limited
– Imperial Reinsurance Company Limited
– Munich Reinsurance Company of Africa Limited

Claims risk

Claims risk is the risk that the group may pay claims not legitimately incurred. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims, including reviews of individual claims by the claims centre and claims forum, where required. Claims costs are further mitigated by the activities of salvages and recoveries and claims procurement department.

Lapse risk

Lapse risk relates to the risk of financial loss due to negative lapse experience, particularly as it impacts the actuarially assessed policyholder liabilities. Lapse experience is monitored to ensure that negative experience is timeously identified and corrective action taken.

38. RISK MANAGEMENT (continued)

38.6 Insurance risk (continued)

38.6.4 Key insurance risks (continued)

Expense risk

Expense risk is the risk of loss due to actual expense experience being worse than that assumed in premium rates and actuarially calculated policy liabilities. Expenses are continuously monitored and managed through the group's budgeting and financial reporting processes.

Pricing and Underwriting risk

Pricing and Underwriting risks are the risks that inappropriate business is accepted or that business is not correctly priced relative to the level of risk assumed. These risks are mitigated by an ongoing review of underwriting activities, claims experience and financial performance, as well as periodic reviews of product rating by the group's actuarial resource.

38.7 Capital risk management

The group's objectives when managing capital are:

- to safeguard the group's ability as a going concern in order to provide returns for shareholder and benefits for other stakeholders; and
- to maintain an optional capital structure that balances the required returns on shareholders' capital with the risks associated with the entities business.

The capital structure of the group consists of invested share capital, retained earnings, non-controlling shareholders' interest and debt that include the borrowings disclosed in note 21.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, raise additional capital from shareholders, sell assets to reduce debt or review the quantum of risk carried by the group by passing on risk to reinsurers through proportional reinsurance structures.

Consistent with others in the industry, the group monitors capital in its insurance businesses on the basis of solvency and the capital adequacy ratio. The group targets a solvency ratio of in excess of 25% for its short-term insurance business and a CAR ratio of 1.5 for its long-term insurance businesses over the medium to long term.

The solvency ratio is calculated as the short-term insurer's net assets divided by net written premium, while the CAR ratio is calculated as the long-term insurer's net assets divided by its capital adequacy requirement as calculated on the financial soundness valuation basis disclosed in the actuary's report.

The short-term insurer's solvency is 67% (2008: 38%), while the long-term insurers' CAR ratios are 1.22 and 1.26, respectively (2008: 1.39 and 1.33). Growth in net premium volumes would result in the solvency ratio decreasing.

The group's insurance businesses are required by law to maintain a minimum level of solvency and a prescribed spread of assets in terms of the Long- and Short-Term Insurance Acts, respectively, and submits returns on a quarterly and annual basis to the Financial Services Board. Solvency for this purpose is calculated in terms of the Act.

The current regulatory framework is presently under review and a new risk-based approach to determining the capital to be held by the group, named Financial Condition Reporting is expected to be implemented by 2012.

39. DIRECTORS' INTEREST IN SHARES AND SHARE OPTIONS

39.1 Beneficial interest in shares

	Direct	Indirect	Total
31 August 2009			
– Berkowitz, R S	350 000	–	350 000
– Campbell, S M	48 000	2 523 000	2 571 000
– Druian, J D	24 934 041	2 587 734	27 521 775
– Louw, L E	–	2 000 000	2 000 000
– Shane, S D	18 599 477	5 078 587	23 678 064
– Steffens, G Z	–	–	–
	43 931 518	12 189 321	56 120 839

There were no movements in the above shareholdings between the year-end and the date of this report.

	Direct	Indirect	Total
31 August 2008			
– Berkowitz, R S	350 000	–	350 000
– Campbell, S M	1 648 000	923 000	2 571 000
– Druian, J D	25 100 708	2 587 734	27 688 442
– Louw, L E	–	2 000 000	2 000 000
– Shane, S D	19 516 143	5 153 587	24 669 730
– Steffens, G Z	–	–	–
	46 614 851	10 664 321	57 279 172

39.2 Interest in share options

	Direct	Total
31 August 2009		
– Berkowitz, R S	–	–
– Campbell, S M	–	–
– Druian, J D	600 000	600 000
– Louw, L E	150 000	150 000
– Shane, S D	600 000	600 000
– Steffens, G Z	–	–
	1 350 000	1 350 000
31 August 2008		
– Berkowitz, R S	–	–
– Campbell, S M	–	–
– Druian, J D	600 000	600 000
– Louw, L E	150 000	150 000
– Shane, S D	600 000	600 000
– Steffens, G Z	–	–
	1 350 000	1 350 000

40. RELATED PARTY TRANSACTIONS

The company and its subsidiaries, in the normal course of business, entered into various transactions with related parties, as detailed below:

40.1 Shareholders

The principal shareholders of the company are detailed in the section dealing with shareholder information. There were no dealings with the company's principal shareholders, other than those who are also directors of the company. These dealings are disclosed in note 40.3.

40.2 Companies within the group

40.2.1 Subsidiaries

Details of investments in and loans to/from subsidiary companies are disclosed in notes 37.1 and 37.2. Additional information about the impact that these balances have on the group and the company's annual financial statements are disclosed in note 10. Details of trading transactions with subsidiary companies and outstanding balances are reflected in note 40.4.1.

40.2.2 Associates

Details of investments in associate companies are disclosed in notes 37.3 and 37.4. Loans to associates are interest free and have no fixed repayment terms, unless disclosed otherwise.

Details of trading transactions with associate companies are reflected in notes 9 and 40.4.2.

40.2.3 Investments

Details of investments other than investments in subsidiary and associate companies are disclosed in note 11. In terms of the provisions of the Companies Act, 1973, a complete register of listed and unlisted investments is available for inspection at the group's registered office.

40.3 Directors and key management

40.3.1 Dealings in capacity as a director of the company

The directors' report and the notes to the annual financial statements disclose details relating to directors' emoluments (note 30), shareholdings (note 39) and share options in the company (notes 19 and 39).

The directors named in the directors' report each held office as a director of the company during the years ended 31 August 2009 and 31 August 2008, respectively. There were no additions to or resignations from the Board of directors.

40.3.2 Dealings in capacities, other than as a director of the company

During the year ended 31 August 2009 the group has had no dealings with directors, other than in their capacity as directors.

Further details of transactions with directors and key management are disclosed in note 40.4.3.

40. RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
40.4 Trading transactions and outstanding balances other than loan balances				
40.4.1 Subsidiaries				
Anthony Richards & Associates (Proprietary) Limited				
– Dividend received	**–**	–	**2 800**	800
– Rent received	**–**	–	**–**	120
Black Ginger 92 (Proprietary) Limited				
– Interest received	**–**	–	**864**	810
Conduit Fund Managers (Proprietary) Limited				
– Consulting fees received	**–**	–	**–**	1 516
– Interest received	**–**	–	**281**	–
– Management and administration fees paid	**–**	–	**(8)**	–
Conduit Management Services (Proprietary) Limited				
– Management and administration fees paid	**–**	–	**(100)**	–
– Balance due by	**–**	–	**61**	–
Conduit Risk and Insurance Holdings (Proprietary) Limited				
– Management and administration fees received	**–**	–	**–**	790
Constantia Insurance Holdings (Proprietary) Limited				
– Maintenance	**–**	–	**–**	(1)
– Balance due to	**–**	–	**–**	(1)
Constantia Corporate Services (Proprietary) Limited				
– Cleaning	**–**	–	**(5)**	–
– Maintenance	**–**	–	**(15)**	(19)
– Management and administration fees paid	**–**	–	**(156)**	(129)
– Management and administration fees received	**–**	–	**5 762**	–
– Rent paid	**–**	–	**(1)**	–
– Security	**–**	–	**(12)**	(8)
– Staff welfare	**–**	–	**(26)**	(23)
– Telephones	**–**	–	**(32)**	(16)
– Balance due by (due to)	**–**	–	**1**	(49)

40. RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
40.4 Trading transactions and outstanding balances other than loan balances (continued)				
40.4.1 Subsidiaries (continued)				
Constantia Insurance Company Limited				
– Consulting fees received	**–**	–	**–**	355
– Reversal of interest received	**–**	–	**–**	(12)
– Management and administration fees received	**–**	–	**–**	2 400
– Rent paid	**–**	–	**(184)**	(135)
– Security	**–**	–	**–**	(6)
– Balance due by	**–**	–	**–**	21
Constantia Life & Health Assurance Company Limited				
– Staff welfare	**–**	–	**–**	(1)
– Consulting fees received	**–**	–	**396**	56
– Balance due by	**–**	–	**2**	62
Gateway Capital Limited				
– Dividend received	**–**	–	**–**	750
– Interest received	**–**	–	**–**	61
On Line Lottery Services (Proprietary) Limited				
– Management and administration fees received	**–**	–	**132**	240
– Interest received	**–**	–	**1**	40
– Rent received	**–**	–	**40**	81
– Computer equipment sold to	**–**	–	**3**	–
– Balance due by	**–**	–	**1**	58
TGI Investment Holdings (Proprietary) Limited				
– Directors' fees received	**–**	–	**7**	4
40.4.2 Associates				
Maruapula Capital (Proprietary) Limited				
– Interest received	**25**	28	**25**	28
40.4.3 Directors, directors' companies and key management				
Paul Diamond and Jason Druian				
– Value of consideration shares issued in full payment for entire share capital of Marble Gold	**–**	(18 905)	**–**	(18 905)

40. RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	31 August 2009 R'000	31 August 2008 R'000	**31 August 2009 R'000**	31 August 2008 R'000
40.4 Trading transactions and outstanding balances other than loan balances (continued)				
40.4.3 Directors, directors' companies and key management (continued)				
Mindfield Investments (Proprietary) Limited				
– Interest paid on cash amount paid as part consideration for acquisition of 40% shareholding in ARA	**–**	(80)	**–**	(80)
– Cash payment made as part consideration for acquisition of 40% shareholding in ARA	**–**	(1 847)	**–**	(1 847)
Key management				
– Salaries paid to key management (short-term employee benefits)	**(4 603)**	(2 761)	**–**	(720)

SHAREHOLDER INFORMATION

as at 31 August 2009

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	433	60.56	140 891	0.05
1 001 – 10 000 shares	127	17.77	532 134	0.21
10 001 – 100 000 shares	72	10.07	2 969 355	1.16
100 001 – 1 000 000 shares	40	5.59	15 652 625	6.11
1 000 001 shares and over	43	6.01	237 084 813	92.47
	715	**100.00**	**256 379 818**	**100.00**

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Close corporations	11	1.54	6 367 967	2.48
Individuals	580	81.11	103 568 597	40.40
Nominees and trusts	54	7.55	13 337 575	5.20
Other persons and corporations	25	3.50	15 652 086	6.11
Private companies	35	4.90	87 927 882	34.30
Public companies	9	1.26	27 875 341	10.87
Share trust	1	0.14	1 650 370	0.64
	715	**100.00**	**256 379 818**	**100.00**

NON-PUBLIC/PUBLIC SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Non-public shareholders	23	3.22	76 155 576	29.70
Directors' and associates' holdings	20	2.80	70 052 355	27.32
Own holdings	2	0.28	4 452 851	1.74
Share trust	1	0.14	1 650 370	0.64
Public shareholders	692	96.78	180 224 242	70.30
	715	**100.00**	**256 379 818**	**100.00**

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	Number of shares	%
Diamond, P	28 136 649	10.97
Druian, J D	27 521 775	10.73
Shane, S D	23 678 064	9.24
Investec Employee Benefits Limited	13 844 776	5.40
Morning Tide Investments 82 (Proprietary) Limited	13 000 000	5.07
First National Investors (Proprietary) Limited	12 181 818	4.75
Druian, W A	11 450 934	4.47
Ellerine Bros (Proprietary) Limited	10 000 000	3.90
Capricorn Capital Partners Holdings	8 351 986	3.26
	148 166 002	**57.79**

DIRECTORATE, ADMINISTRATION AND CORPORATE INFORMATION

DIRECTORS INFORMATION

Reginald S Berkowitz (72) – LLB
Chairman and non-executive director

Jason D Druian (37)
Chief executive officer

Scott M Campbell** (43) – BBS; Dip Bus Studies
Non-executive director

Lourens Louw (39) – B Comm
Financial Director

Stanley D Shane (38) – B Com
Member – SA Institute of Stockbrokers
Executive director

Günter Z Steffens* (72)
Member – The Guild of International Bankers
London Brooks, London
Non-executive director

Gavin Toet (35)
Executive director

* German
** New Zealander

ADMINISTRATION

Registered office

Unit 7 Tulbagh
360 Oak Avenue
Randburg, 2194
PO Box 97, Melrose Arch, 2076
Tel: (+27 11) 686 4200
Fax: (+27 11) 886 0206

Alpha code

CND

ISIN

ZAE000073128

Registration number

1998/017351/06

CORPORATE INFORMATION

Company secretary
Probity Business Services
(Proprietary) Limited
(Registration number 2000/002046/07)
Third Floor, The Mall Offices
11 Cradock Avenue, Rosebank, 2196
PO Box 85392, Emmarentia, 2029

Transfer secretaries
Computershare Investor Services
(Proprietary) Limited
(Registration number 2004/003647/07)
Ground Floor, 70 Marshall Street
Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

Sponsor
Merchantec (Proprietary) Limited
(Registration number 2008/027362/07)
2nd Floor, North Block, Hyde Park Office Tower
Corner 6th Road and Jan Smuts Avenue, Hyde Park, 2196
PO Box 41480, Craighall, 2024

Independent auditors
Grant Thornton
Chartered Accountants (SA)
137 Daisy Street, corner Grayston Drive
Sandton, 2196
Private Bag X28, Benmore, 2010

Corporate advisor and legal advisor
Java Capital (Proprietary) Limited
(Registration number 2002/031862/07)
2 Arnold Road, Rosebank, 2196
PO Box 2087, Parklands, 2121

CONDUIT CAPITAL LIMITED
Incorporated in the Republic of South Africa
(Registration number 1998/017351/06)
Share code: CND ISIN: ZAE000073128
("Conduit Capital" or "the company" or "the group")

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional advisor immediately.

Notice is hereby given that the annual general meeting of members of Conduit Capital will be held in the company's boardroom at Tulbagh, 360 Oak Avenue, Randburg, 2194, at 08:00 on Wednesday, 17 February 2010, to conduct the following business:

ANNUAL FINANCIAL STATEMENTS

To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 31 August 2009, including the directors' report and the report of the auditors therein.

RESOLUTIONS

To consider, and if deemed fit, to pass, with or without modification, the following resolutions:

1. **Special Resolution Number 1 – General authority to acquire shares**

"**Resolved,** by way of a general authority, that Conduit Capital Limited ("the company") and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the company in terms of sections 85 to 89 of the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE") from time to time.

The JSE Listings Requirements currently provide, *inter alia,* that:

(a) the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party;

(b) this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;

(c) in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;

(d) the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent), or 10% (ten percent) if the shares are acquired by a subsidiary, of the company's issued ordinary share capital;

(e) the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless a repurchase programme (where the dates and quantities of shares to be repurchased during the prohibited period are fixed) is in place and full details thereof are announced on SENS prior to commencement of the prohibited period;

(f) the repurchase of ordinary shares may only be undertaken if, after such repurchase, the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread;

(g) an announcement will be published once the company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter;

(h) at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf."

Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months after the date of this notice of annual general meeting:

- the company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the company and its subsidiaries;
- the issued share capital and reserves of the company and its subsidiaries will be adequate for the purpose of the ordinary business of the company and its subsidiaries; and
- the working capital available to the company and its subsidiaries will be sufficient for the group's requirements.

The company may not enter the market to proceed with the repurchase until its sponsor, Merchantec (Proprietary) Limited, has discharged all of its responsibilities in terms of the JSE Listings Requirements insofar as they apply to working capital statements for the purpose of undertaking an acquisition of its issued ordinary shares.

Other disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure, which are contained in the annual report of which this notice forms part:

Directors and management – page 12

Major shareholders of Conduit Capital – page 78

Directors' interests in securities – page 73

Share capital of the company – refer note 16, page 46

Litigation statement

The directors, whose names appear on page 12 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 (twelve) months) a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names appear on page 12 of the annual report of which the notice forms part, collectively and individually, accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 1 that have been omitted which would make any statement in relation to special resolution number 1 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution number 1 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 1.

Material changes

There have been no material changes in the affairs or financial position of Conduit Capital and its subsidiaries since Conduit Capital's financial year-end and the date of this notice.

Reason for and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to obtain an authority for, and to authorise, the company and the company's subsidiaries, by way of a general authority, to acquire the company's issued ordinary shares.

It is the intention of the directors of the company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

2. Ordinary Resolution Number 1 – Re-appointment of Grant Thornton as auditors for ensuing financial year

"To confirm the re-appointment of Grant Thornton, with Ms Serena Ho as the responsible partner, as independent auditors of the company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration."

3. Ordinary Resolution Number 2 – Re-election of S M Campbell as a director

"To re-elect Scott M Campbell who, in terms of Article 68 of the company's articles of association, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election."

The occupation and relevant business experience of Scott M Campbell is set out below:

Name: Scott MacGibbon Campbell

Age: 43

Nationality: New Zealander

Role: Non-executive director (Independent)

Scott commenced his career with AMP Group in New Zealand during 1989. He then joined the Appleton Group in Cape Town during 1996 and was appointed Managing Director of Appleton International in 1997. He moved the location of the operation to London in 2000 and successfully continued the development of the business as CEO whilst also acting as Chief Investment Officer. Scott has achieved a five-star ranking and awards from Standard & Poor's for the management of various of the Appleton range of offshore funds. In April 2002 Scott set up his own offshore fund management company, Optimal Fund Management. In 2005 Optimal Fund Management merged with Miton Investments in the UK and Scott became Joint Managing Director of MitonOptimal whilst continuing his role as a fund manager. In 2007 MitonOptimal was sold to Midas Capital plc which is listed on the London Stock Exchange plc where he is currently Head of International Fund Management and lead fund manager of the Offshore Core Diversified Fund. In his position as non-executive director of Conduit Capital, Scott has also chaired Conduit's group investment committee.

4. Ordinary Resolution Number 3 – Re-election of G Z Steffens as a director

"To re-elect Günter Z Steffens who, in terms of Article 68 of the company's articles of association, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election."

The occupation and relevant business experience of Günter Z Steffens is set out below:

Name: Günter Zeno Steffens

Age: 72

Nationality: German

Role: Non-executive director (Independent)

Günter is a director of a number of listed companies, both in South Africa and abroad. Over the last 38 years Günter gained extensive experience in the financial services industry. During this time he spent five years with international banks in Montreal, Zurich and Paris, most notably with Dresdner Bank AG, whereafter he established and managed Dresdner Bank AG in London and later represented the bank in the capacity of Geographic Head for Southern Africa. Günter was recently appointed as a non-executive director of JD Group Limited and Astrapak Limited.

5. Ordinary Resolution Number 4 – Re-election of G Toet as a director

"To re-elect Gavin Toet who, in terms of Article 80 of the company's articles of association, retires at this annual general meeting but, being eligible to do so, offers himself for re-election."

The occupation and relevant business experience of Gavin Toet is set out below:

Name: Gavin Toet

Age: 35

Role: Executive director

In June 2005 Gavin joined Conduit Capital in the position of General Manager: Corporate Services. Gavin carries a broad range of responsibilities, mainly operational in nature, and currently serves on numerous boards and executive management committees within the group. He was appointed as an executive director of Conduit Capital with effect from 8 September 2009.

6. Ordinary Resolution Number 5 – Ratification of non-executive directors' remuneration

"To ratify the non-executive directors' remuneration for the year ended 31 August 2009 as reflected in note 30 to the annual financial statements."

7. Ordinary Resolution Number 6 – Control of authorised but unissued ordinary shares

"**Resolved,** by way of a general authority, that the authorised but unissued ordinary shares in the capital of Conduit Capital Limited ("the company") be and are hereby placed under the control and authority of the directors of the company ("directors") and that the directors be and are hereby authorised and empowered to allot and issue all or any such ordinary shares to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 221 and 222 of the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and the Listings Requirements of JSE Limited from time to time."

8. Ordinary Resolution Number 7 – Approval to issue ordinary shares, and to sell treasury shares, for cash

"**Resolved that** the directors of Conduit Capital Limited ("the company') and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

- allot and issue, or to issue any options in respect of, the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE Listings Requirements") from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

(a) the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

(b) any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;

(c) the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 15% (fifteen percent) of the number of issued ordinary shares. The number of ordinary shares which may be issued shall be based, *inter alia*, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;

(d) this general authority will be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;

(e) an announcement giving full details, including the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;

(f) in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and

(g) whenever the company wishes to use ordinary shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

Voting

Under the JSE Listings Requirements, Ordinary Resolution Number 7 must be passed by a 75% (seventy-five percent) majority of the votes cast in favour of the resolution by all members present or represented by proxy at the annual general meeting.

9. Ordinary Resolution Number 8 – Signature of documents

"**Resolved that** each director of Conduit Capital Limited be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and registered by the Companies and Intellectual Property Registration Office, in the case of special resolutions."

OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting of the company.

Voting and proxies

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend and act in his/her stead. A proxy need not be a member of the company. For the convenience of registered members of the company, a form of proxy is attached hereto.

The attached form of proxy is only to be completed by those ordinary shareholders who:
- hold ordinary shares in certificated form; or
- are recorded on the sub-register in "own name" dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without "own name" registration and who wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Forms of proxy should be forwarded to reach the transfer secretaries, Computershare Investor Services (Proprietary) Limited, at least 48 hours, excluding Saturdays, Sundays and official South African public holidays, before the time of the annual general meeting.

By order of the Board

CONDUIT CAPITAL LIMITED

Probity Business Services (Proprietary) Limited
Company Secretary

Randburg
6 November 2009

Registered Office
Unit 7 Tulbagh
360 Oak Avenue
Randburg, 2194
(PO Box 97, Melrose Arch, 2076)

Transfer secretaries
Computershare Investor Services (Proprietary) Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

FORM OF PROXY

CONDUIT CAPITAL LIMITED
Incorporated in the Republic of South Africa
(Registration number 1998/017351/06)
Share code: CND ISIN: ZAE000073128
("Conduit Capital" or "the company" or "the group")

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with "own-name" registration,

at the annual general meeting of shareholders of the company to be held in the boardroom of the company at Tulbagh, 360 Oak Avenue, Randburg, 2194, at 08:00 on Wednesday, 17 February 2010 and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own name" registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary Letter of Representation to attend the annual general meeting in person and vote. If they do not wish to attend the the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP of broker. **These ordinary shareholders must *not* use this form of proxy.**

I/We (BLOCK LETTERS please)

of (address)

Telephone work ( ) Telephone home ( )

being the holder/custodian of [ ] ordinary shares in the company, hereby appoint (see note 3):

1. or failing him/her;

2. or failing him/her;

3. the Chairperson of the annual general meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the annual general meeting of the company convened for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

Resolutions	**Number of ordinary shares**		
	For*	**Against***	**Abstain***
1. **Special Resolution Number 1** General authority to acquire shares			
2. **Ordinary Resolution Number 1** To confirm the re-appointment of Grant Thornton, with Ms Serena Ho as the responsible partner, as auditors for the ensuing financial year			
3. **Ordinary Resolution Number 2** To approve the re-election as director of S M Campbell who retires by rotation			
4. **Ordinary Resolution Number 3** To approve the re-election as director of G Z Steffens who retires by rotation			
5. **Ordinary Resolution Number 4** To approve the re-election as director of G Toet			
6. **Ordinary Resolution Number 5** To ratify and approve the non-executive directors' remuneration for the financial year ended 31 August 2009			
7. **Ordinary Resolution Number 6** Control of authorised but unissued ordinary shares			
8. **Ordinary Resolution Number 7** Approval to issue ordinary shares, and to sell treasury shares, for cash			
9. **Ordinary Resolution Number 8** Signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the company.

SIGNED at on 2009/2010

SIGNATURE

Assisted by (where applicable):

NOTES:

1. This form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the annual general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the annual general meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the annual general meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 hours before the commencement of the annual general meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The Chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the Chairperson of the annual general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the annual general meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the Chairperson of the annual general meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
12. Where there are joint holders of ordinary shares:
    - any one holder may sign this form of proxy;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. **Forms of proxy should be lodged with or mailed to Computershare Investor Services (Proprietary) Limited:**

    Hand deliveries to:
    Computershare Investor Services (Proprietary) Limited
    Ground Floor, 70 Marshall Street
    Johannesburg, 2001

    Postal deliveries to:
    Computershare Investor Services (Proprietary) Limited
    PO Box 61051
    Marshalltown, 2107

    to be received by no later than 08:00 on Monday, 15 February 2010 (or 48 hours before any adjournment of the annual general meeting which date, if necessary, will be notified on SENS).
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

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CONDUIT CAPITAL

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