2007

CONDUIT CAPITAL LIMITED

(Registration number 1998/017351/06)

ANNUAL FINANCIAL STATEMENTS

31 August 2007

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CHAIRMAN'S REVIEW

In the two and half years that I have served as Chairman of the group I have had the pleasure of witnessing a business emerge from what was essentially a small cash shell into a diversified group poised for notable growth in the years ahead.

Focus on operations and future prospects

The group has not been without its fair share of challenges as it integrates its assets and establishes itself as a leader in its respective disciplines. The board and management are committed to steadily growing the business whilst ensuring that short-term motives do not override long-term objectives.

The group is now focused on extracting maximum value from its interests and is not actively pursuing acquisitions outside of its core areas of focus. Management continues to demonstrate admirable discipline in this regard and remains intent on building its team of professional managers to enhance organic growth and capitalise on acquisitive opportunities in due course.

We remain optimistic that the recent market volatility will pass. In the meanwhile, we have elected to adopt a conservative approach to management of our cash resources and are well placed to take advantage of opportunities as they arise.

Appreciation

I would like to extend my warm thanks to the Board of Directors for their commitment and support in 2007 and extend a warm welcome to Mr. Günter Steffens OBE who joined the Board in April of 2007.

To the Chief Executive, management and staff of the group, I convey my sincere gratitude for their tireless efforts in building the organisation. My thanks also go out to our shareholders who have and continue to support our efforts in returning value and developing a company that they can proudly say they have been part of creating.

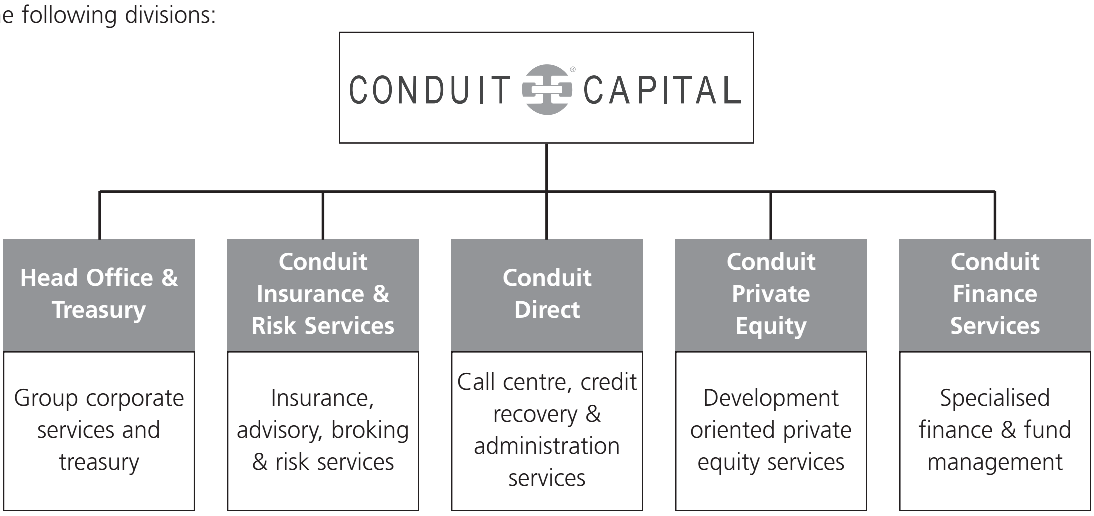
Reginald S Berkowitz
Chairman

Johannesburg
29 November 2007

CHIEF EXECUTIVE OFFICER'S REVIEW

GROUP STRUCTURE

Conduit Capital Limited and its subsidiaries ("Conduit Capital" or "the group" or "the company") have been structured into the following divisions:



REVIEW OF OPERATIONS

Conduit Insurance & Risk Services

Insurance and risk services activities are categorised into three areas of focus: insurance, investments and risk services – each of which plays an important role in overall group return. Prior to acquisition the entities within this division had positioned themselves as the "quiet insurer", growing their capital and premium income base through prudent underwriting and somewhat conservative investment philosophies. With a slightly different approach, it is our objective to see this division emerge as the pre-eminent, focused short term insurance entity in South Africa.

Effective 1 October 2007 Mark Paton was appointed Chief Executive Officer of Conduit Risk and Insurance Holdings (Proprietary) Limited (formerly CICL Investment Holdings (Proprietary) Limited) ("CRIH") and Constantia Insurance Company Limited ("CICL"). Whilst CICL and CRIH's other insurance operating units have undergone positive design and brand image transformation, the names remain unchanged.

Management is conducting a group wide restructuring exercise in order to maximise efficiencies and eliminate duplicate and unnecessary costs. The restructuring entails the unbundling of certain holding company structures and the disposal of certain non-core assets.

Insurance

Whilst certain of CRIH's underwriting managers produced favourable results for the period under review, motor underwriting results in the last quarter of the year had a severe negative impact on overall underwriting profit. Appropriate corrective action has been taken, resulting in an extensive review, re-rating and, in some instances, termination of non-performing books in specific classes of business. These changes will positively impact the results of CICL in the second half of the 2008 financial year.

Investments

The volatility of financial markets in the last six months of the reporting period resulted in CRIH limiting further exposure to equity markets and maintaining a conservative investment strategy. Enhanced treasury and investment expertise within CRIH has and will continue to ensure balanced returns for the combined investment portfolio going forward.

Risk Services

Apart from existing and any new investment in underwriting managers, CRIH's general risk services activities remain a small part of its focus. Importantly, the well-established guarantee business did not succumb to rate pressures brought about by new entrants to the market. History shows that heightened activity in the guarantee market is cyclical and a consolidation of existing and new entrants will likely follow. Patience and the disciplined rating of premiums will be rewarded.

Improved solvency and retention of profitable business

Conduit Capital's recent injection of capital into CICL has served to boost the capital base of the insurer, providing it with the ability to write additional premium and retain existing profitable premium that was previously re-insured for solvency purposes. Solvency margins are currently well in excess of statutory requirements.

Conduit Direct

Conduit Direct's call centre expertise in the credit recovery and tracing arena has been put to work in the establishment of a dedicated "Outbound Sales" call centre operation, selling products ranging from legal expenses insurance to cellular airtime. Particular attention is being given to utilising Conduit Direct as a channel for the sale of the group's insurance products. The division also provides inbound call centre capacity and administration services in relation to insurance policies sold by or on behalf of blue chip retail clients. The services extend to the management of regulatory requirements and administration of claims. The intention is to extend the division's services to the group and the general market, providing inbound administration and call centre facilities.

Anthony Richards & Associates (Proprietary) Limited continues to produce pleasing results in its credit recovery and tracing operations, benefiting from the positive inflows arising out of heightened pre-National Credit Act activity and credit grantors' customer volumes exceeding their internal capacity. The continuing shift to outsourcing has proved positive for the outbound sales division, as it is turning profitable in line with management's expectations.

Conduit Financial Services

Conduit Financial Services is an innovator in the short-term commercial specialised finance industry, offering secured commercial, asset and property finance. In addition, the division will focus on the establishment and management of a range of mainstream and alternative investment funds, with the ultimate intention to attract investments from third parties.

Gateway Capital Limited ("Gateway") has assumed a respected position in the specialised structured finance sector. Joint venture relationships and associations with other leading organisations in the alternative finance industry have proved fruitful and trading targets have been comfortably achieved. Gateway's finance book is competently managed and is performing well within expected tolerances. Going forward, Gateway's prospects remain exceptionally positive with the planned launch of several new and innovative niche financial products.

Conduit Fund Managers (Proprietary) Limited has received approval from the Financial Services Board to manage third party funds. It will now actively seek opportunities to grow assets under management.

Conduit Private Equity

Conduit Private Equity focuses on investments in small to medium sized industrial, telecommunications and e-commerce enterprises capable of becoming meaningful profit centres for the group. It is paramount that, apart from the obvious financial requirements, all private equity investment decisions centre on the strength, expertise and depth of management in the target company. The private equity division's mandate is not venture capital in nature and it seeks to invest in established businesses with proven track records and where there is opportunity to unlock value through organic and acquisitive means.

Recapitalisation

The authorised share capital of the company was increased from 200 000 000 ordinary shares to 500 000 000 ordinary shares. This was done in order to facilitate acquisitions, as well as to help with the raising of working capital.

The group was successful in raising R119,73 million of capital during the 18 months under review by way of the general issue of a total of 91,544 million shares for cash. Some of the cash was used to fund the acquisition of businesses, while the rest was used to recapitalise the company, as well as some of the newly acquired subsidiaries.

An additional 36,865 million shares were issued in part payment for acquisitions.

Acquisitions

The 100% investment in Constantia Risk and Insurance Holdings (Proprietary) Limited ("CRIH"), the holding company of a diversified insurer and risk services group, was acquired through a series of transactions during the period under review with an initial 72,5% interest being acquired with effect from 16 October 2006. The total consideration for the acquisition was R118,949 million. In addition, a 50,05% interest in Gateway Capital Limited, a company that provides short-term commercial bridging finance, offering specialised commercial, asset and property finance was acquired on 1 March 2007 for a consideration of R14,073 million.

The original purchase consideration for CRIH has been reduced by R27,89 million as a result of the final determination of the fair value of the assets and liabilities of CRIH on acquisition. This adjustment has been included in the numbers reported above.

The acquisitions were settled through the issue of 23,926 million ordinary shares for R31,345 million, the issue of R2,09 million in redeemable preference shares, the capitalisation of investment profits of R4,382 million, entering into deferred payment agreements to the value of R5,323 million and payment in cash of R89,882 million. Intangible assets, primarily goodwill, arising from the acquisitions amount to R62,969 million. No goodwill associated with these acquisitions was impaired.

Interests in a number of smaller companies have also been purchased for an aggregate cash consideration of R3,269 million. Intangible assets, primarily goodwill, arising from these acquisitions amounted to R2,79 million. R17 000 of this goodwill was eventually impaired.

Results

Below are some key indicators for the period under review. As previously announced, the group has changed its year-end to 31 August, with the result that the current reporting period includes 18 months of earnings, compared to the comparative 12 months:

	2007	2006
Net asset value	**R 190 315 million**	R20 092 million
Tangible net asset value	**R 111 769 million**	R9 292 million
Total assets	**R1 189 484 million**	R29 631 million
Tangible assets	**R1 110 938 million**	R19 212 million
Total revenue	**R1 566 513 million**	R8 992 million
Operating profit (loss) before tax	**R48 141 million**	(R1 801 million)
Headline earnings	**R18 373 million**	R0 142 million
	'000	'000
Number of shares in issue (net of treasury shares)	**221 777**	94 782
Weighted average number of shares	**157 463**	85 901
Fully diluted number of shares	**182 294**	122 840
	Cents	Cents
Net asset value per share	**85,81**	21,20
Tangible net asset value per share	**50,40**	9,80
	18 months 2007	12 months 2006
	Cents	Cents
Profit (loss) before tax per share	**30,58**	(2,10)
Total earnings (loss) per share	**13,54**	(25,71)
Headline earnings per share	**11,67**	0,17
Fully diluted earnings (loss) per share	**11,70**	(25,71)
Fully diluted headline earnings (loss) per share	**10,08**	0,12

POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

J D Druian
Chief Executive Officer

Johannesburg
29 November 2007

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 and have complied with the Code in all material respects:

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 its operation for the foreseeable future.

STRUCTURE OF THE BOARD

The board of directors consists of 9 members. The capacity of the directors can be categorised as follows:

• Reginald Berkowitz*	Non-executive director and chairman
• Jason Druian	Chief executive officer
• Megan Kruger*	Non-executive director
• Scott Campbell #*	Non-executive director
• Günter Steffens ##*	Non-executive director
• Paul Diamond	Executive director
• Lourens Louw	Executive director
• Stanley Shane	Executive director
• Robert Shaw	Executive director

New Zealander ## German * Independent

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. At least four board meetings are held per annum. In addition to these, monthly management meetings are held and attended by the majority of members of the board.

ATTENDANCE OF BOARD MEETINGS

The table below summarises the attendance of board meetings by individual board members during the financial period that ended on 31 August 2007:

Name	23 May 2006	3 Nov 2006	27 Feb 2007	28 May 2007	16 Aug 2007
Berkowitz, R S	P	P	P	P	P
Campbell, S M	P	A	P	P	A
Diamond, P	P	P	P	P	P
Druian, J D	P	P	P	P	P
Kruger, M	P	P	P	P	P
Louw, L E	P	P	P	P	P
Shane, S D	P	P	P	P	P
Shaw, R L	*	P	P	A	P
Steffens, G Z	*	*	*	P	P
Number of board members	7	8	8	9	9
Number present	7	7	8	8	8

Key: P = Present
A = Absent
* = Not a board member at the time

AUDIT COMMITTEE

The audit committee comprises of the chairman of the board and one other non-executive director, Mr Günter Steffens, who is the chairman of the committee. 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.

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

The audit committee will set the principles for recommending the use of the external auditors for non-audit services.

The table below summarises the attendance of audit committee meetings by individual committee members during the financial period that ended on 31 August 2007:

	23 May 2006	3 Nov 2006	27 Feb 2007	28 May 2007	16 Aug 2007
Berkowitz, R S	P	P	P	P	P
Campbell, S M	P	A	P	P	*
Steffens, G Z	*	*	*	P	P
Number of committee members	2	2	2	3	2
Number present	2	1	2	3	2

Key: P = Present
A = Absent
* = Not a committee member at the time

REMUNERATION COMMITTEE

The group's remuneration 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 two independent non-executive directors (including the chairman of the board) and the chief executive officer and it meets three times per year.

The table below summarises the attendance of remuneration committee meetings by individual committee members during the financial period that ended on 31 August 2007:

	23 May 2006	3 Nov 2006	27 Feb 2007	28 May 2007	16 Aug 2007
Berkowitz, R S	P	P	P	–	P
Campbell, S M	P	A	P	–	A
Druian, J D	P	P	P	–	P
Steffens, G Z (Alt)	*	*	*	–	P
Number of committee members	3	3	3	–	3
Number present	3	2	3	–	3

Key: P = Present
A = Absent
* = Not a committee member at the time

RISK MANAGEMENT

The focus of risk management in the group is on identifying, assessing, managing and monitoring all 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 and the General Manager: Corporate Services.

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;
- the assets of the group are safeguarded and appropriately insured.

INTERNAL CONTROL

The effectiveness of the internal control system is monitored through management overview. 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 statement preparation and asset safeguarding. Furthermore, the effectiveness of an internal control system can change with circumstances.

The controls throughout the group concentrate on critical risk, and these areas are closely monitored. Continued reviews and reporting structures enhance the control environment.

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 the group's employment philosophy. 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

as at 31 August 2007

The directors are required by the South African Companies Act, 1973, 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 the company as at the end of the financial period and the results of its 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 company 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 company's cash flow forecast for the year to 31 August 2008 and, in the light of this review and the current financial position, they are satisfied that the company 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 81, which have been prepared on the going concern basis, were approved by the Board on 29 November 2007 and were signed on its behalf by:

R S Berkowitz
Chairman

J D Druian
Chief Executive Officer

Johannesburg
29 November 2007

COMPANY SECRETARY'S CERTIFICATE

We certify, to the best of our knowledge and belief, that in terms of section 268G(d) of the Companies Act, 1973, as amended, the company has lodged with the Register of Companies all such returns as are required of a public company 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
29 November 2007

INDEPENDENT AUDITOR'S 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 2007, 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 period 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 81.

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.

AUDITOR'S 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 auditor's 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 2007, and its consolidated and separate financial performance and consolidated and separate cash flows for the period 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 M Z Sadek
Chartered Accountant (SA)
Registered Auditor

29 November 2007

The directors have pleasure in presenting their report for the eighteen months ended 31 August 2007.

NATURE OF THE BUSINESS

Conduit Capital Limited ("Conduit Capital" or "the company" or "the group") was incorporated on 2 September 1998. The company was listed on the stock exchange operated by JSE Limited on Wednesday, 3 March 1999.

Conduit Capital is an investment holding company that holds listed and unlisted equities and cash resources.

SHARE CAPITAL

The authorised share capital of the company has increased to 500 000 000 ordinary shares of one cent each in terms of a special resolution passed by shareholders at a general meeting held on 30 August 2006 (2006: 200 000 000). In order to recapitalise the company and to fund acquisitions, the issued share capital was increased as follows:

- 5 866 666 shares were issued on 1 March 2006 at a premium of 78,39 cents per share for a total consideration of R4 657 341 in order to settle a portion of the purchase consideration of an acquisition made in the previous year;
- 65 000 000 (*) shares were issued on 16 October 2006 at a premium of 99 cents per share for a total consideration of R65 000 000 in order to increase working capital and to fund acquisitions;
- 14 887 273 (*) shares were issued on 16 October 2006 at a premium of 120 cents per share for a total consideration of R18 013 600 in order to settle a portion of an acquisition's purchase consideration;
- 5 181 818 (*) shares were issued on 31 October 2006 at a premium of 126 cents per share for a total consideration of R6 580 909 in order to settle a portion of an acquisition's purchase consideration
- 11 100 000 shares were issued on 1 December 2006 at a premium of 179 cents per share for a total consideration of R19 980 000 in order to increase working capital;
- 3 857 143 shares were issued on 31 March 2007 at a premium of 174 cents per share for a total consideration of R6 750 000 in order to settle a portion of an acquisition's purchase consideration;
- 7 072 002 shares were allotted on 31 May 2007 at a premium of 96,80 cents per share for a total consideration of R6 916 623 in order to settle a portion of the purchase consideration of an acquisition made in the previous year; and
- 15 444 444 shares were allotted on 31 August 2007 at a premium of 224 cents per share for a total consideration of R34 750 000 in order to increase working capital.

The shares marked with (*) were issued in terms of a specific authority granted to the directors at a general meeting of shareholders that was held on 23 August 2006, while the rest of the shares were issued by way of a general issue of shares in terms of an authority granted to the directors by way of a resolution of shareholders that was passed at the previous annual general meeting of shareholders.

Treasury shares increased by 1 414 636 ordinary shares on 28 February 2007 when an associate company of Conduit Capital declared a dividend in specie by way of a distribution of ordinary shares that it held in Conduit Capital Limited. The total value of the dividend in specie so received was R2 362 442.

See note 14 of the annual financial statements for further details.

SHARE PREMIUM

After the issue of ordinary shares as described above, the share premium account amounted to R168,097 million (2006: R9,182 million) (see note 15 of the annual financial statements for further details).

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

The group made the following cash acquisitions and investments during the year:

1. Fixed assets and software of approximately R16,370 million (2006: R0,194 million);
2. Subsidiaries of R93,151 million (2006: R2,234 million);
3. Associates of approximately R51 000 (2006: R349 000).

In addition to the cash amount of R93,151 million paid in 2 above, the group is expected to pay an additional R7,525 million in cash in order to pay for its acquisition of the entire share capital of Conduit Risk and Insurance Holdings (Proprietary) Limited, Black Ginger 92 (Proprietary) Limited and Anthony Richards and Associates (Proprietary) Limited. Full details of the acquisitions are disclosed in note 9.2 of the annual financial statements.

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

1. Fixed assets with a book value of approximately R215 000 were sold for R202 000 (2006: assets to the value of R6 000 were written off on discontinuation of usage);
2. An investment in an associate company was impaired through the income statement at a loss of approximately R8 000 (2006: R78 000);
3. Loans were impaired through the income statement at a loss of approximately R471 000 (2006: R845 000), while previous period impairments to the value of approximately R116 000 were reversed through the income statement (2006: Nil); and
4. Goodwill of R17 000, resulting from the reclassification of a loan in a subsidiary, was impaired through the income statement (2006: R22,219 million).

INTEREST IN SUBSIDIARIES

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

	2007 R'000	2006 R'000
Profits	**67 802**	1 928
Losses	**(34 381)**	(1 164)

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**	**Resigned**
Reginald S Berkowitz	(Chairman)	# * R	24 May 2005	
Jason D Druian	(Chief Executive Officer)	R	24 May 2005	
Scott M Campbell +++		* R	9 April 2000	
Paul Diamond			24 May 2005	
Armin H Diem +		*	6 July 1999	24 May 2005
Megan Kruger		*	24 May 2005	
Lourens E Louw	(Financial Director)		25 August 2004	
Jason M Schmulian		^	31 August 2002	24 May 2005
Stanley D Shane			21 January 1999	
Robert L Shaw			31 October 2006	
Günter Z Steffens ++		#	27 April 2007	

Key: * Non-executive (Independent)
^ Non-executive (Non-independent)
# Audit committee
R Remuneration committee
+ Austrian ++ German +++ New Zealander

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

DIRECTORS' SHAREHOLDING

As at 31 August 2007 certain directors beneficially owned 60 725 096 ordinary shares (2006: 58 137 362). The directors held rights to a further 1 950 000 share options under the IMR Share Trust (2006: Nil). Full details of these holdings are disclosed in note 35 to the annual financial statements.

DIRECTORS' INTEREST IN CONTRACTS

Other than their letters of employment with the company and their interests in the company's acquisitions of Conduit Risk and Insurance Holdings (Proprietary) Limited, as described above and elsewhere in these annual financial statements, 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 2007 and 28 February 2006 the company's borrowings totalled as follows:

	2007 **R'000**	2006 R'000
– Borrowings from other group companies	**34 906**	1 612
– Borrowings from external sources	**45**	25
– Total borrowings	**34 951**	1 637

DIVIDENDS

No dividend payment to ordinary shareholders was recommended by the directors for the 18 months ended 31 August 2007 (2006: R Nil).

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.

SPECIAL RESOLUTIONS

- As detailed above, shareholders on 30 August 2006 approved a special resolution to increase the authorised share capital for ordinary shares from 200 000 000 shares of 1 cent each to 500 000 000 shares of 1 cent each. The special resolution was registered with the Registrar of Companies on 18 September 2006.
- 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 1 November 2006. The special resolution was registered with the Registrar of Companies on 4 December 2006.

BALANCE SHEETS

as at 31 August 2007

		GROUP		COMPANY	
		31 August 2007	28 February 2006	**31 August 2007**	28 February 2006
	Note	**R'000**	R'000	**R'000**	R'000
ASSETS					
Non-current assets		**194 060**	16 703	**193 122**	23 277
– Property, vehicles and equipment	2	**26 526**	1 315	**266**	261
– Intangible assets	3	**78 546**	10 800	**35**	25
– Loans receivable	4	**739**	–	**–**	–
– Deferred taxation	5	**4 534**	569	**–**	–
– Investment property	6	**11 433**	–	**–**	–
– Investment in associates	8	**3 478**	181	**–**	–
– Investment in subsidiaries	9	**–**	–	**192 821**	22 991
– Investments held at fair value	10	**68 804**	3 838	**–**	–
Current assets		**995 424**	12 928	**8 139**	2 866
– Insurance assets	11	**652 791**	–	**–**	–
– Investments held at fair value	10	**4 723**	1 194	**–**	–
– Trade and other receivables	12	**151 151**	6 468	**1 431**	1 177
– Taxation		**7 117**	–	–	–
– Funds at call, bank balances and cash	13	**179 642**	5 266	**6 708**	1 689
Total assets		**1 189 484**	29 631	**201 261**	26 143
EQUITY AND LIABILITIES					
Capital and reserves		**230 509**	21 805	**163 117**	21 728
– Ordinary share capital	14	**2 218**	948	**2 279**	995
– Share premium	15	**168 097**	9 182	**194 922**	33 660
– Retained earnings (Accumulated losses)		**807**	(20 517)	**(53 277)**	(43 406)
– Share based payment reserve	17	**288**	–	**288**	–
– Vendors for equity	18	**18 905**	30 479	**18 905**	30 479
		190 315	20 092	**163 117**	21 728
– Minority shareholders' interest		**40 194**	1 713	**–**	–
Non-current liabilities		**77 800**	1 767	**–**	1 767
– Policyholder liabilities under insurance contracts	19	**22 587**	–	**–**	–
– Interest bearing borrowings	20	**45 968**	–	**–**	–
– Deferred taxation	5	**6 545**	–	**–**	–
– Vendors for cash	21	**2 700**	1 767	**–**	1 767
Current liabilities		**881 175**	6 059	**38 144**	2 648
– Insurance liabilities	11	**726 664**	–	**–**	–
– Vendors for cash	21	**4 825**	–	**1 767**	–
– Loans payable		**–**	–	**34 906**	1 612
– Trade and other payables	22	**110 283**	4 624	**1 426**	1 011
– Current portion of interest bearing borrowings	20	**36 865**	500	**–**	–
– Taxation		**2 370**	910	**–**	–
– Bank overdraft	13	**168**	25	**45**	25
Total equity and liabilities		**1 189 484**	29 631	**201 261**	26 143

INCOME STATEMENTS

for the period ended 31 August 2007

		GROUP		COMPANY	
	Note	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
Gross revenue	23	**1 566 513**	6 545	**4 153**	3 993
Net insurance revenue	24	**241 137**	–	**–**	–
Other operating revenue		**87 288**	6 545	**4 153**	3 993
Net revenue		**328 425**	6 545	**4 153**	3 993
Operating expenses		**(310 595)**	(10 559)	**(16 347)**	(6 127)
– Administration and other expenses		**(48 185)**	(5 872)	**(3 876)**	(2 436)
– Direct expenses (Insurance and risk services)	25	**(193 493)**	–	**–**	–
– Depreciation and amortisation		**(2 681)**	(307)	**(133)**	(165)
– Employee costs		**(66 236)**	(4 380)	**(12 338)**	(3 526)
Operating profit (loss)		**17 830**	(4 014)	**(12 194)**	(2 134)
Income (loss) from associates		**918**	(152)	**–**	–
Investment income (loss)	26	**37 675**	2 447	**2 366**	(21 729)
Other income		**360**	–	**–**	46
Finance charges		**(8 625)**	(82)	**(43)**	(49)
Impairment of goodwill		**(17)**	(22 219)	**–**	–
Profit (loss) before taxation	27	**48 141**	(24 020)	**(9 871)**	(23 866)
Taxation	30	**(16 060)**	2 072	**–**	–
Profit (loss) for the period		**32 081**	(21 948)	**(9 871)**	(23 866)
Attributable to:					
Equity holders of the parent		**21 324**	(22 083)		
Minority interest		**10 757**	135		
Profit (loss) for the period		**32 081**	(21 948)		

STATEMENTS OF CHANGES IN EQUITY

for the period ended 31 August 2007

GROUP	Ordinary share capital R'000	Share premium R'000	Retained earnings (Accumulated losses) R'000	Share based payment reserve R'000	Vendors for equity R'000	Minority shareholders' interest R'000	Total R'000
Balance at 1 March 2005	819	3 529	1 566	–	–	–	5 914
Proceeds from issue of shares	129	5 713	–	–	–	–	5 842
Cost of issue of shares	–	(60)	–	–	–	–	(60)
Acquisition of interest in subsidiaries	–	–	–	30 479	1 578	32 057	
Loss for the year	–	–	(22 083)	–	–	135	(21 948)
Balance at 28 February 2006	948	9 182	(20 517)	–	30 479	1 713	21 805
Issue of shares to vendors	130	11 444	–	–	(11 574)	–	–
Proceeds from issue of shares	915	118 815	–	–	–	–	119 730
Proceeds from issue of shares on acquisition of interest in subsidiaries	239	31 105	–	–	–	16 302	47 646
Cost of issue of shares	–	(102)	–	–	–	–	(102)
Acquisition of treasury stock	(14)	(2 347)	–	–	–	–	(2 361)
Profit for the year	–	–	21 324	–	–	10 757	32 081
Equity options issued to executives	–	–	–	288	–	–	288
Loans advanced	–	–	–	–	–	13 517	13 517
Dividends paid	–	–	–	–	–	(2 095)	(2 095)
Balance at 31 August 2007	2 218	168 097	807	288	18 905	40 194	230 509

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	Minority share-holders' interest R'000	Total R'000
Balance at 1 March 2005	866	28 007	(19 540)	–	–	–	9 333
Proceeds from issue of shares	129	5 713	–	–	–	–	5 842
Cost of issue of shares	–	(60)	–	–	–	–	(60)
Acquisition of interest in subsidiaries	–	–	–		30 479	–	30 479
Loss for the year	–	–	(23 866)	–	–	–	(23 866)
Balance at 28 February 2006	995	33 660	(43 406)	–	30 479	–	21 728
Issue of shares to vendors	130	11 444	–	–	(11 574)	–	–
Proceeds from issue of shares	915	118 815	–	–	–	–	119 730
Proceeds from issue of shares on acquisition of interest in subsidiaries	239	31 105	–	–	–	–	31 344
Cost of issue of shares	–	(102)	–	–	–	–	(102)
Acquisition of treasury stock	–	–	–	–	–	–	–
Loss for the year	–	–	(9 871)	–	–	–	(9 871)
Equity options issued to executives	–	–	–	288	–	–	288
Dividends paid	–	–	–	–	–	–	–
Balance at 31 August 2007	2 279	194 922	(53 277)	288	18 905	–	163 117

CASH FLOW STATEMENTS

for the period ended 31 August 2007

	Note	GROUP 18 months ended 31 August 2007 R'000	GROUP Year ended 28 February 2006 R'000	COMPANY 18 months ended 31 August 2007 R'000	COMPANY Year ended 28 February 2006 R'000
Cash flows from operating activities		(71 679)	(2 706)	(9 289)	(2 212)
Cash absorbed by operations	33.2	(51 091)	(4 763)	(11 612)	(2 473)
Interest received		11 081	437	1 966	310
Interest paid		(8 100)	(82)	(43)	(49)
Dividends received		3 693	107	400	–
Dividends paid		(2 095)	–	–	–
Taxation (paid) received	33.3	(25 167)	1 595	–	–
Cash flows from investing activities		(118 293)	(893)	(14 503)	(2 173)
Acquisition of subsidiaries	33.4	(93 151)	(2 234)	(14 355)	(2 054)
Acquisition of associates		(51)	(349)	–	–
Acquisition of property, vehicles and equipment		(15 554)	(171)	(124)	(95)
Disposal of property, vehicles and equipment		202	–	–	–
Acquisition of investment properties		(1 279)	–	–	–
Disposal of investment properties		1 280	–	–	–
Acquisition of other intangible assets		(816)	(23)	(24)	(24)
Acquisition of financial investments		(104 183)	(3 715)	–	–)
Disposal of financial investments		95 259	5 599	–	–
Cash flows from financing activities		193 367	5 782	28 791	5 782
Proceeds from new share issue		150 972	5 782	150 972	5 782
Proceeds from loans from minorities		13 517	–	–	–
Movement in interest bearing borrowings		28 742	–	(1 767)	–
Movement in loans payable		(498)	–	35 061	–
Movement in loans receivable		634	–	(155 475)	–
Increase in funds at call, bank balances and cash		3 395	2 183	4 999	1 397
At the beginning of the year		5 241	1 737	1 664	267
Cash acquired		170 838	1 321	–	–
Funds at call, bank balances and cash at the end of the year	13	179 474	5 241	6 663	1 664

SEGMENTAL ANALYSIS OF EARNINGS

for the period ended 31 August 2007

	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
18 months ended 31 August 2007						
Gross revenue	513	1 508 655	42 283	12 173	2 889	1 566 513
Net revenue	513	270 567	42 283	12 173	2 889	328 425
Profit (loss) before taxation	(10 714)	43 194	10 038	3 986	1 637	48 141
Depreciation	133	1 739	654	35	120	2 681
Total assets	22 561	1 047 965	24 397	93 620	941	1 189 484
Total liabilities	(3 064)	(907 702)	(10 359)	(77 303)	(741)	(999 169)
Capital expenditure	148	12 835	2 818	567	2	16 370
12 months ended 28 February 2006						
Gross revenue	3 121	–	1 614	–	1 810	6 545
Net revenue	3 121	–	1 614	–	1 810	6 545
Loss before taxation	(20 584)	–	(3 146)	–	(290)	(24 020)
Depreciation	165	–	30	–	112	307
Total assets	11 270	–	16 740	–	1 621	29 631
Total liabilities	(3 500)	–	(3 145)	–	(911)	(7 556)
Capital expenditure	119	–	49	–	3	171

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's Listing 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.

Investment properties

The fair value of investment properties have been determined by the directors based on information provided by professional valuators and property professionals.

Insurance liabilities

Insurance contract accounting requires the use of estimates and judgements. In particular, judgement is required in the determination of the Incurred But Not Reported ("IBNR") provision (refer to note 11).

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

Additional judgements include:

– the determination of the fair value of the share options that were issued to executive directors and senior management (note 17); and

– the valuation of unlisted shares (notes 8, 9 and 10.1.2).

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, its subsidiaries and 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 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, VEHICLES 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; and

– 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 continuously reassessed 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 as follows:

Category	*Expected useful life*
Motor vehicles	5 years
Computer hardware	3 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 and liabilities of a subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets, while goodwill on acquisitions 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 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, mastheads, publishing titles, 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 depreciation 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 – 3 years
Broker relationships	Infinite

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 production and administration purposes. This distinguishes owner-occupied properties from investment properties.

Investment properties are initially recognised at cost. At the balance sheet date, investment property is measured at fair value based on valuations performed annually by the directors based on input received from independent valuation experts. When investment properties become owner occupied, the group reclassifies it to property and equipment, using the fair value at the date of reclassification as the cost, and depreciates it on a straight line basis at rates calculated to reduce the book value of these assets to estimated residual values over the expected useful lives. A gain or loss arising from a change in fair value is included in net profit for the period in which it arises.

8. JOINT VENTURES

Joint ventures are those enterprises over which the group exercises joint control in terms of a contractual agreement. Joint ventures are proportionately consolidated, whereby the group's share of the joint venture's assets, liabilities, income, expenses and cash flows are combined with similar items, on a line-by-line basis, in the group's financial statements from the date the joint control commences until the date the joint control ceases.

Profits and losses resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturer's interests in the joint venture. The company's share of profits or losses, resulting form purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interest in jointly controlled assets, the company recognises in its annual financial statements:

- the assets that it controls and the liabilities that it incurs;
- the expenses that it incurs and its share of the income that it earns form the sale of goods or services by the joint venture;
- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with other venturers in relation to the joint venture;
- any income for the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

9. 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 recognising only to the extent of unrelated investors' interests in the associate.

The excess of the cost of the investment over the group's interests in the net fair value of an associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill, which is included in the carrying amount of the associate.

The excess of the group's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income during the period in which the investment is acquired.

Company

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

10. INVESTMENT IN SUBSIDIARIES

Company

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

The cost of an investment in a subsidiary is the 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.

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 group balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially recognised at fair value. Where financial assets or liabilities are not recognised at fair value through the income statement, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value. Any change in fair value shall be recognised in the income statement or in equity, as appropriate.

11.2 Subsequent measurement

After initial recognition, these instruments are measured as follows:

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost, which includes directly attributable transaction costs. At subsequent reporting dates investments in 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 the Black-Scholes pricing model for European-type options, with the fair value of the underlying investment being used as the basis for the valuation. Gains and losses are settled daily against the cash margin deposits and are included in the profit and losses 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 measured at amortised cost using the effective interest method.

Trade and other payables

Trade and other payables are stated at their nominal values, which approximates their fair value.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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;
- a gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity, is recognised in profit and loss;
- 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 Loans to/from group companies

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates, are classified as held to maturity and are carried at amortised cost.

11.5 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, deposits held on call with banks and bank overdrafts, where these amounts are held for the benefit of the group.

Cash and cash equivalents are measured at fair value.

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.

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 and management fees payable to underwriting managers 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 other recoveries.

The provision for outstanding claims comprises the company'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.

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 company 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 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.

13.2.5 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 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 provided for 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.

13.2.7 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.

13.2.8 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 twelve months and the reserve held at the previous year end. Transfers to and from this reserve are taken directly to or from retained income.

13.2.9 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 cashflow 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. PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

The amount of a provision is the present value of the expenditure that is expected to be required to settle the obligation.

Where some or all of the expenditure is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principle locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately, are subsequently measured at a higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised, less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

15. 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.

16. 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.

17. 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.

18. OPERATING LEASES

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

19. 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.

20. 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.

21. IMPAIRMENT OF ASSETS

Reinsurance assets

The company 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 contact, 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 company reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in the income statement. The company 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.

22. TAXATION

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.

Current taxation rates

Normal South African company tax rate that was used:	29,0%
Secondary taxation on companies (STC) rate that was used:	12,5%

Deferred taxation

Deferred taxation is accounted for using the balance sheet liability 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 basis used in the computation of taxable profits.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

– the initial recognition of goodwill; or

– goodwill for which amortisation is not deductible for tax purposes; 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).

A deferred tax liability is recognised for all taxable temporary differences associated with investment in subsidiaries, branches and associates, and interest in joint ventures, except to the extent that both of the following conditions are satisfied:

– 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, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction that:

– is not a business combination; and

– at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

– the temporary difference will reverse in the foreseeable future; and

– taxable profit will be available against which the temporary differences can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused 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.

Secondary Taxation 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 secondary tax on companies is applied against the difference between the dividends received and declared/paid. This tax amount is disclosed as part of the tax charge in the income statement and the notes to the financial statements.

Tax expenses

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.

Current tax and deferred tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

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.

23. 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.

Investments in subsidiaries, joint ventures and associates

The result and financial position of foreign operations are translated into the functional currency using the following procedures:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement item are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in the income statement.

Exchange differences arising on monetary items that form part of a net investment in a foreign operation are recognised initially in the translation reserve. It is recognised in profit or loss on disposal of the net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flow of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

24. 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:

24.1 Amendments to IAS1: Presentation of Financial Statement: Capital Disclosures

Effective 1 January 2007; the amendment to IAS 1 adds requirements for an entity to disclose:

(a) the entity's objectives, policies and processes for managing capital;
(b) quantitative data about what the entity regards as capital;
(c) whether the entity has complied with any capital requirements; and
(d) if it has not complied, the consequences of such non-compliance.

These disclosures provide information about the level of an entity's capital and how it manages capital, which are important factors for users to consider in assessing the risk profile of an entity and its ability to withstand unexpected adverse events. The impact of applying this standard is not reasonably known and cannot be estimated.

24.2 IAS 23: Borrowing Costs Revised

Effective 1 January 2009; this amendment does not affect the group.

24.3 IFRIC: 12 Service Concession Arrangements

Effective 1 January 2008; this standard does not apply to the activities of the group.

24.4 IFRIC 13: Customer Loyalty Programmes

Effective 1 July 2008; this standard does not apply to the activities of the group under current contracts.

24.5 IFRIC 14 and IAS19: Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction

Effective 1 January 2008; this standard does not apply to the activities of the group.

24.6 IFRS 7: Financial Instruments: Disclosures

Effective 1 January 2007; this standard will require an entity to provide disclosure in their financial statements that will enable users to evaluate the significance of financial instruments to which the entity is exposed during the period and at the reporting date and how the entity manages those risks. The group will apply this statement in the period beginning 1 September 2007.

1. CHANGE OF YEAR-END

Conduit Capital's board of directors passed a resolution on 1 November 2006 in terms whereof it changed its year-end from the last day of February to 31 August to bring it in line with the year-end of Conduit Risk and Insurance Holdings (Proprietary) Limited (previously CICL Investment Holdings (Proprietary) Limited) ("CRIH"), the Conduit group's largest subsidiary, which was acquired with effect from 16 October 2006. Accordingly, these audited financial statements are presented for the 18 months ended 31 August 2007 and care should be taken when comparing these results with the results for prior years, as the periods under comparison will differ. The first full year of results for Conduit Capital in its current format will be for the year ended 31 August 2008.

2. PROPERTY, VEHICLES AND EQUIPMENT

2.1 Group

	2007 Cost R'000	**2007 Accumulated depreciation R'000**	**2007 Net carrying value R'000**	2006 Cost R'000	2006 Accumulated depreciation R'000	2006 Net carrying value R'000
– Owner occupied properties (note A)	**16 796**	**–**	**16 796**	–	–	–
– Leasehold improvements	**881**	**(374)**	**507**	363	(311)	52
– Computer hardware	**3 535**	**(927)**	**2 608**	698	(169)	529
– Office equipment	**1 992**	**(541)**	**1 451**	404	(32)	372
– Furniture and fittings	**4 857**	**(556)**	**4 301**	397	(55)	342
– Motor vehicles (note B)	**1 049**	**(186)**	**863**	32	(12)	20
	29 110	**(2 584)**	**26 526**	1 894	(579)	1 315

	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
2007							
Movement for the year							
– Opening carrying value	–	52	529	372	342	20	1 315
– Additions	10 937	462	2 073	1 067	770	245	15 554
– Reclassification to investment property	(1 071)	–	–	–	–	–	(1 071)
– Disposals	–	–	(170)	(7)	(19)	(19)	(215)
– Depreciation	–	(63)	(759)	(512)	(509)	(174)	(2 017)
– Acquired as part of business combination	6 930	56	935	531	3 717	791	12 960
	16 796	507	2 608	1 451	4 301	863	26 526
2006							
Movement for the year							
– Opening carrying value	–	122	116	32	84	29	383
– Additions	–	5	35	45	86	–	171
– Write-offs	–	–	–	–	(6)	–	(6)
– Depreciation	–	(75)	(92)	(15)	(27)	(9)	(218)
– Acquired as part of business combination	–	–	470	310	205	–	985
	–	52	529	372	342	20	1 315

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

Note B: Included in motor vehicles are capitalised leased assets with a cost of R840 169 and accumulated depreciation of R238 860, giving a net book value of R601 309 (2006: Nil) – also see note 20.

2. PROPERTY, VEHICLES AND EQUIPMENT (continued)

2.2 Company

	2007			2006		
	Cost R'000	**Accumulated depreciation R'000**	**Net carrying value R'000**	Cost R'000	Accumulated depreciation R'000	Net carrying value R'000
– Leasehold improvements	**363**	**(336)**	**27**	363	(312)	51
– Computer hardware	**174**	**(123)**	**51**	140	(91)	49
– Office equipment	**54**	**(32)**	**22**	49	(19)	30
– Furniture and fittings	**239**	**(85)**	**154**	159	(48)	111
– Motor vehicles	**32**	**(20)**	**12**	32	(12)	20
	862	**(596)**	**266**	743	(482)	261

	Leasehold improvements R'000	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
2007						
Movement for the year						
– Opening carrying value	51	49	30	111	20	261
– Additions	–	34	5	85	–	124
– Depreciation	(24)	(32)	(13)	(42)	(8)	(119)
	27	51	22	154	12	266
2006						
Movement for the year						
– Opening carrying value	121	78	26	78	29	332
– Additions	5	19	11	60	–	95
– Write-offs	–	–	–	(6)	–	(6)
– Depreciation	(75)	(48)	(7)	(21)	(9)	(160)
	51	49	30	111	20	261

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
3. INTANGIBLE ASSETS				
– Goodwill (note 3.1)	**76 161**	10 419	**–**	–
– Broker relationships (note 3.2)	**777**	–	**–**	–
– Computer software (note 3.3)	**1 608**	381	**35**	25
	78 546	10 800	**35**	25
3.1 Goodwill				
3.1.1 Net carrying value				
– Cost	**98 397**	32 638	**–**	–
– Impairment	**(22 236)**	(22 219)	**–**	–
– Net carrying value	**76 161**	10 419	**–**	–
3.1.2 Movement for the year				
At beginning of year	**10 419**	–	**–**	–
Goodwill on the acquisition of:				
– Anthony Richards & Associates (Proprietary) Limited	**97**	13 885	**–**	–
– Black Ginger 92 (Proprietary) Limited	**1 992**	–	**–**	–
– Conduit Risk and Insurance Holdings (Proprietary) Limited	**31 919**	–	**–**	–
– Conduit Fund Managers (Proprietary) Limited	**185**	–	**–**	–
– Gateway Capital Limited	**29 058**	–	**–**	–
– the Lotto Manager business	**17**	180	**–**	–
– Marble Gold 213 (Proprietary) Limited	**–**	18 573	**–**	–
– Sureline Administrators (Proprietary) Limited	**2 491**	–	**–**	–
Impairment	**(17)**	(22 219)	**–**	–
	76 161	10 419	**–**	–
3.2 Broker relationships				
3.2.1 Net carrying value				
Cost	**777**	–	**–**	–
3.2.2 Movement for the year				
At beginning of year	**–**	–	**–**	–
Acquired as part of business combination	**777**	–	**–**	–
	777	–	**–**	–

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
3. INTANGIBLE ASSETS (continued)				
3.3 Computer software				
3.3.1 Net carrying value				
Cost	**2 558**	667	**90**	66
Amortisation	**(950)**	(286)	**(55)**	(41)
Net carrying value	**1 608**	381	**35**	25
3.3.2 Movement for the year				
At beginning of year	**381**	240	**25**	6
Additions	**816**	23	**24**	24
Acquired as part of business combination	**1 075**	207	**–**	–
Amortisation	**(664)**	(89)	**(14)**	(5)
	1 608	381	**35**	25

3.4 Impairment testing of intangible assets

3.4.1 Impairment testing of goodwill

Goodwill acquired through business combinations have 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;
- Conduit Risk and Insurance Holdings (Proprietary) Limited ('CRIH');
- Conduit Fund Managers (Proprietary) Limited;
- Gateway Capital Limited;
- On Line Lottery Services (Proprietary) Limited and the Lotto Manager business; and
- Sureline Administrators (Proprietary) Limited.

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 10% and 20% 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 an after tax rate of 20%.

These calculations indicate that, apart from the immaterial impairment in respect of the Lotto Manager business, there is no impairment in 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.

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	31 August 2007 R'000	28 February 2006 R'000
3. INTANGIBLE ASSETS (continued)				
3.4 Impairment testing of intangible assets (continued)				
3.4.2 Impairment testing of other intangible assets				
The useful life and residual value of each asset is continuously reassessed and its carrying value is restated by applying the appropriate impairment or depreciation charge against the income statement.				
4. LOANS RECEIVABLE				
Loans advanced	**739**	–	–	–
These loans are unsecured, interest free and there are no fixed repayment terms.				
5. DEFERRED TAXATION				
Balance at beginning of year	**569**	–	–	–
Charge against the income statement	**(3 758)**	569	–	–
Acquired as part of business combination	**1 178**	–	–	–
Balance at end of year	**(2 011)**	569	–	–
Relating to:	**(2 011)**	569	–	–
Provisions and accruals	**650**	19	–	–
Accelerated capital allowances	**(639)**	–	–	–
Fair valuing of long term loans	**(265)**			
Unrealised gains on investment properties	**(2 452)**	–	–	–
Unrealised (gains) losses on investments	**(2 548)**	550	–	–
Estimated tax losses	**3 243**	–	–	–
Comprising:	**(2 011)**	569	–	–
Deferred tax assets	**4 534**	569	–	–
Deferred tax liabilities	**(6 545)**	–	–	–
6. INVESTMENT PROPERTY				
6.1 Net carrying value				
Cost	**8 014**	–	–	–
Fair value adjustment	**3 419**	–	–	–
Net carrying value	**11 433**	–	–	–

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	31 August 2007 R'000	28 February 2006 R'000

6. INVESTMENT PROPERTY (continued)

6.2 Movement for the year

At beginning of year	**–**	–	–	–
Additions	**1 279**	–	–	–
Reclassification	**1 071**			
Disposals	**(1 280)**	–	–	–
Fair value adjustment	**3 419**			
Acquired as part of business combination	**6 944**	–	–	–
	11 433	–	–	–

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

The fair value of the investment property has been determined by the directors and has been based on the opinions of professional valuators and property professionals.

7. INVESTMENT IN JOINT VENTURE

The group has, through its shareholding in Gateway Capital Limited, a 49% interest in unlisted shares issued by Mettle Secured Property Finance (Proprietary) Limited ("MSPF"), a company involved in the arranging and offering of financial services. The group's share of income, expenses, assets and liabilities in the joint venture has been included in these financial statements on a proportional basis.

The aggregate assets, liabilities, revenue and profits of the joint venture were as follows:

	Assets R'000	Liabilities R'000	Revenue R'000	Profit R'000
2007	75 226	(70 319)	14 255	4 906

The reporting date of the financial statements of the joint venture differs from the group in that it will be 31 March 2008. The aforementioned information has been based on management accounts at 31 August 2007.

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000

8. INVESTMENT IN ASSOCIATES

At beginning of year	**181**	–	**–**	–
Additions	**75**	–	**–**	–
Acquired as part of business combination	**2 388**	–	**–**	–
Transferred from investments	**1 990**	–	**–**	–
Attributable portion of earnings (losses)	**918**	(152)	**–**	–
Loans	**(24)**	411	**–**	–
Dividend received	**(2 362)**	–	**–**	–
Transferred to subsidiaries	**320**	–	**–**	–
Impairment	**(8)**	(78)	**–**	–
Balance at end of year	**3 478**	181	**–**	–

Details of the investments are set out in notes 34.3 and 34.4

8. INVESTMENT IN ASSOCIATES (continued)

	Assets R'000	Liabilities R'000	Revenue R'000	Profit (loss) R'000
Associates' summary information				
The aggregate assets, liabilities, revenue and profits (losses) of the associates, all of which are unlisted, were as follows:				
2007				
Various, as listed in note 34	18 072	(17 223)	23 540	2 508
2006				
Various, as listed in note 34	428	(4 362)	103	(394)

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
9. INVESTMENT IN SUBSIDIARIES				
9.1 Total investment in subsidiaries				
Unlisted shares at cost, less amounts written off	**–**	–	**27 104**	12 749
Amounts due by subsidiaries	**–**	–	**165 717**	10 242
Net carrying value (refer notes 34.1 and 34.2)	**–**	–	**192 821**	22 991
Directors' valuation	**–**	–	**192 821**	22 991

9.2 Business combinations

9.2.1 Conduit Risk and Insurance Holdings (Proprietary) Limited ("CRIH") (previously CICL Investment Holdings (Proprietary) Limited)

As announced on 16 March 2006, Conduit Capital has concluded a number of agreements to acquire 75,5% of the equity in CRIH, the holding company of a diversified insurer and risk services group, which derives its revenue from both risk and non-risk bearing activities.

Shareholders' approval for the transaction was granted at a general meeting of shareholders that was held on 23 August 2006. Competition Commission approval was granted on 28 June 2006 and the Financial Services Board's approval was received on 9 October 2006. The implementation date of the transaction was 16 October 2006.

The purchase consideration of R117 813 892, which resulted in goodwill of R31 919 487, was paid as follows:

a) R10 235 000 by way of an issue of 14 887 273 ordinary shares in Conduit Capital at a price of 68,75 cents per share (these shares were accounted for in the financial statements at a price of 121 cents per share or an aggregate of R18 013 600, which was the 30-day volume weighted average price as at the implementation date);

b) R3 562 500 by way of an issue of 5 181 818 ordinary shares in Conduit Capital at a price of 68,75 cents per share (these shares were accounted for in the financial statements at a price of 127 cents per share or an aggregate of R6 580 909, which was the 30-day volume weighted average price as at the issue date);

9. INVESTMENT IN SUBSIDIARIES (continued)

c) R2 750 000 in cumulative redeemable preference shares that accrues dividends at 5% per year (these shares were fair valued to R2 090 000 as at the implementation date);

d) R4 701 837 through the reclassification of an investment in Black Ginger 92 (Proprietary) Limited (one of the vendors);

e) R81 207 546 (which included transaction costs of R3 273 796) in cash; and

f) R6 000 000 payable in cash in two deferred tranches – R3 000 000 payable on 1 November 2007 and the final R3 million payable on 1 November 2008 (these payment were fair valued to R5 220 000 as at the implementation date).

The purchase consideration that was originally negotiated was reduced by R27 890 399 as a result of the final determination of the fair value of the assets and liabilities of CRIH on acquisition. The adjustment has been included in the numbers reported above.

9.2.2 Black Ginger 92 (Proprietary) Limited ("Black Ginger")

On 15 November 2006 the group exercised an option to acquire 17,3% of the ordinary shares in Black Ginger, a holding company that owns 24,5% of the issued ordinary share capital in CRIH, thereby increasing the group's total shareholding in Black Ginger to 27,3%.

On 28 February 2007 the group concluded an agreement with the other shareholders of Black Ginger to acquire the remaining 72,7% of the shares in Black Ginger for a total consideration of R1 454 000, or at a premium to net asset value of R1 991 752.

The purchase price was payable in cash.

This transaction resulted in the group owning 100% of the issued share capital in CRIH with effect from 28 February 2007.

9.2.3 Gateway Capital Limited ("Gateway")

The group acquired a 50,05% stake in Gateway, a company that provides short-term bridging finance by offering specialised commercial, asset and property finance, with effect from 1 March 2007. The purchase price was R14 000 000 and was paid as follows:

a) R6 750 000 by way of an issue of 3 857 143 ordinary shares in Conduit Capital at a price of 175 cents per share; and

b) R7 250 000 in cash.

The price is subject to a profit warranty in terms whereof the purchase consideration will be reduced by 180 cents for every 100 cents that the net profit after tax during the warranty period is below R7 500 000, subject to a maximum reduction in the purchase price of R13 500 000, on the basis that any reduction in the purchase consideration will:

a) be offset first against the share portion (with each share being given back being valued at 175 cents per share); and

b) to the extent necessary, thereafter be offset against the cash portion.

Based on the information on hand at the time of finalising the annual financial statements, the directors have accounted for the purchase consideration on the basis that the warranty will be achieved and that no reduction in the purchase price will be necessary.

9.2.4 Sureline Administrators (Proprietary) Limited ("Sureline")

The group acquired 90% of the business of Sureline, an insurance underwriting manager, for a net consideration of R2 970 000. The purchase price was paid in cash.

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
10. INVESTMENTS HELD AT FAIR VALUE				
10.1 Long term investments				
Listed investments (note 10.1.1)	**66 871**	1 622	**–**	–
– Listed equities	**63 293**	1 622	**–**	–
– Bonds	**3 578**	–	**–**	–
Unlisted investments (note 10.1.2)	**1 933**	2 216	**–**	–
	68 804	3 838	**–**	–
10.1.1 Listed equities and bonds at valuation				
Opening net book value	**1 622**	2 195	**–**	–
Additions	**100 834**	–	**–**	–
Disposals	**(86 584)**	–	**–**	–
Acquired as part of business combination	**43 815**	–	**–**	–
Fair value adjustment	**7 184**	(573)	**–**	–
Closing net book value	**66 871**	1 622	**–**	–
10.1.2 Unlisted shares at valuation				
Opening net book value	**2 216**	73	**–**	–
Acquired as part of business combination	**4 559**	792	**–**	–
Transferred to associates	**(1 990)**	–	**–**	–
Fair value adjustment	**(2 852)**	1 351	**–**	–
Closing net book value	**1 933**	2 216	**–**	–
Directors' valuation	**1 933**	2 216	**–**	–
10.2 Short term investments				
– Locally listed investments (note 10.2.1)	**4 162**	–	**–**	–
– Overseas listed investments (note 10.2.2)	**561**	1 194	**–**	–
	4 723	1 194	**–**	–
10.2.1 Locally listed shares at valuation				
Opening net book value	**–**	356	**–**	–
Additions	**3 349**	3 715	**–**	–
Disposals	**(346)**	(4 561)	**–**	–
Fair value adjustment	**1 159**	490	**–**	–
Closing net book value	**4 162**	–	**–**	–
10.2.2 Overseas listed shares at valuation				
Opening net book value	**1 194**	1 597	**–**	–
Disposals	**–**	(1 038)	**–**	–
Fair value adjustment	**(633)**	635	**–**	–
Closing net book value	**561**	1 194	**–**	–

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		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
11. INSURANCE ASSETS AND LIABILITIES				
11.1 Gross insurance liabilities				
Claims reported but not paid	**(97 078)**	–	**–**	–
Claims incurred but not reported	**(65 632)**	–	**–**	–
Unearned premiums, net of deferred acquisition costs	**(563 954)**	–	**–**	–
– Unearned premiums	**(795 883)**	–	**–**	–
– Deferred acquisition costs	**231 929**	–	**–**	–
Total insurance liabilities	**(726 664)**	–	**–**	–
11.2 Recoverable from reinsurers				
Claims reported but not paid	**45 165**	–	**–**	–
Claims incurred but not reported	**55 202**	–	**–**	–
Unearned premiums, net of deferred reinsurance commission revenue	**552 424**	–	**–**	–
– Unearned premiums	**771 000**	–	**–**	–
– Deferred reinsurance commission revenue	**(218 576)**	–	**–**	–
Reinsurers' share of insurance liabilities	**652 791**	–	**–**	–
11.3 Net insurance liabilities				
Claims reported but not paid	**(51 913)**	–	**–**	–
Claims incurred but not reported	**(10 430)**	–	**–**	–
Unearned premiums	**(11 530)**	–	**–**	–
Total net insurance liabilities	**(73 873)**	–	**–**	–

11.3 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 ("STIA"), is excessive in terms of the portfolio of business underwritten by the group. In light of this, the provision has been revised for the 2007 financial period and recalculated at a rate of 4%.

At the balance sheet date a detailed exercise was performed by the group in order to arrive at the rate of 4% 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% 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 STIA requirements for the statutory return ("ST Return") the IBNR provision has been calculated at the statutory 7%.

11. TECHNICAL ASSETS AND LIABILITIES – INSURANCE (continued)

11.3 Incurred But Not Reported ("IBNR") provision (continued)

R1 444 million of the contingent liabilities referred to in note 31.2.2 have been accounted for by way of an additional IBNR provision. This additional provision in respect of claims incurred but not reported on historical "long tail" business is included in the IBNR provision with the remainder of the contingent liabilities included in claims reported but not paid.

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
12. TRADE AND OTHER RECEIVABLES				
Deposits and prepaid expenses	**183**	204	**131**	150
Trade receivables	**150 811**	4 271	**580**	710
Loans – Secured	**538**	136	**375**	–
Loans – Unsecured	**1 190**	1 318	**907**	637
Other receivables	**–**	1 808	**–**	–
Less: Impairment	**(1 571)**	(1 269)	**(562)**	(320)
	151 151	6 468	**1 431**	1 177
Secured loans relate to a loan made by the IMR Share Trust to a director of the company and is secured by shares	**163**	136	**–**	–
Value of security relating to the above loan	**4 400**	1 600	**–**	–

Secured loans attract interest at prime. R375 000 of these loans is repayable in terms of a settlement agreement, while the rest is repayable by mutual agreement. R505 000 of unsecured loans attract interest at prime and is repayable in terms of a settlement agreement, while the rest attracts no interest and have no fixed repayment dates.

R375 000 of secured loans is secured by a guarantee that was received only after the reporting date.

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

13. FUNDS AT CALL, BANK BALANCES AND CASH

Comprising:

Cash	**7**	1	**2**	–
Call accounts	**137 245**	3 094	**6 284**	1 675
Current accounts – Local	**42 358**	2 147	**422**	14
Current accounts – Overseas	**32**	24	**–**	–
	179 642	5 266	**6 708**	1 689
Bank overdraft	**(168)**	(25)	**(45)**	(25)
Net funds at call, bank balances and cash	**179 474**	5 241	**6 663**	1 664

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

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
14. ORDINARY SHARE CAPITAL				
Authorised				
500 000 000 ordinary shares of 1c each (2006: 200 000 000)	**5 000**	2 000	**5 000**	2 000
Issued (see note A)				
227 879 818 ordinary shares of 1c each (2006: 99 470 472)	**2 279**	995	**2 279**	995
Treasury shares:				
– 3 509 760 ordinary shares of 1c each held by IMR 1 (Proprietary) Limited (2006: 3 038 215)	**(35)**	(30)	**–**	–
– 1 650 370 ordinary shares of 1c each held by the IMR Share Trust (2006: 1 650 370)	**(17)**	(17)	**–**	–
– 943 091 ordinary shares of 1c each held by Marble Gold 213 (Proprietary) Limited (2006: Nil)	**(9)**	–	**–**	–
	2 218	948	**2 279**	995

In terms of a resolution passed at the last 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	**94 781 887**	81 881 887	**99 470 472**	86 570 472
General issue of shares	**91 544 444**	12 900 000	**91 544 444**	12 900 000
Issue of shares to vendors of subsidiaries acquired	**36 864 902**	–	**36 864 902**	–
Acquisition of treasury stock by way of dividend in specie received by IMR 1 (Proprietary) Limited	**(471 545)**	–	**–**	–
Acquisition of treasury stock by way of dividend in specie received by Marble Gold 213 (Proprietary) Limited	**(943 091)**	–	**–**	–
	221 776 597	94 781 887	**227 879 818**	99 470 472

Shares under option

As at the reporting date, 2 050 000 shares in the company were under option in terms of the Group Senior Executive Option Scheme (2006: Nil) (also see note 17). There were no contracts in place for the sale of shares (2006: Nil).

Note A: The number of ordinary shares that were in issue per these financial statements differ from the shares in issue per the JSE as at the reporting date. This was due to the following entries that had been processed in these financial statements, but not by the JSE:

– 23 876 363 ordinary shares that were issued and listed on the JSE in part settlement of the acquisition of CRIH were cancelled with effect from the effective date in terms of a settlement agreement. This was done as a result of the final determination of the fair value of the assets and liabilities of CRIH (the JSE only processed the cancellation on 6 December 2007).

– 15 444 444 ordinary shares were to be issued to various shareholders who have subscribed and paid for the shares in terms of a general issue of shares for cash. Although all other conditions for the share issue have been met, the JSE's approval for the listing has only been received after the reporting date (the JSE processed the listing on 3 October 2007).

– 7 072 002 ordinary shares were to be issued to Mindfield Investments (Proprietary) Limited in part settlement of the purchase consideration for a 40% equity investment in Anthony Richards and Associates (Proprietary) Limited after the completion of an audit in May 2007. Although shareholders have approved the transaction, they still need to approve the issuing of the shares at the next Annual General Meeting, as the number of shares to be issued would exceed the number that the directors would be allowed to issue under the existing general authority.

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
15. SHARE PREMIUM				
Reconciliation of movement in share premium:				
Opening balance	**9 182**	3 529	**33 660**	28 007
General issue of shares (less share issue costs)	**118 713**	5 653	**118 713**	5 653
Issue of shares to vendors of subsidiaries acquired	**42 549**	–	**42 549**	–
Acquisition of treasury stock by way of dividend in specie received by IMR 1 (Proprietary) Limited	**(782)**	–	**–**	–
Acquisition of treasury stock by way of dividend in specie received by Marble Gold 213 (Proprietary) Limited	**(1 565)**	–	**–**	–
	168 097	9 182	**194 922**	33 660

16. 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 R26 075 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 period that ended on 31 August 2007.

17. SHARE BASED PAYMENT RESERVE

Conduit's executive share incentive scheme is in the form of a share option scheme, which is being managed in the IMR Share Trust. Share options were awarded to executive directors and senior management during the year, with the following conditions attached:

- The employee has to remain in service until the exercise date;
- 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
2007	27 Feb 2007	28 Feb 2011	145.50	2 050 000

	Date awarded	Last day of exercise	Exercise price (cents)	Number of underlying shares

17. SHARE BASED PAYMENT RESERVE (continued)

2006	No options were outstanding at the end of the period and there was no movement during the period

The fair value of options granted during the period has been calculated as R1,7 million (2006: Nil), of which R288 000 has been accounted for at the financial reporting date (2006: Nil), using a model that is based on the American binomial method. The significant inputs into this model is:

– 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 2½ 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.

18. VENDORS FOR EQUITY

The equity based consideration payable to vendors of subsidiaries relate to the acquisition of Marble Gold 213 (Proprietary) Limited ("Marble Gold") and Anthony Richards and Associates (Proprietary) Limited ("ARA") and has been made up as follows:

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
Opening balance	**30 479**	–	**30 479**	–
Consideration for Marble Gold	**–**	18 905	**–**	18 905
Initial consideration for ARA	**–**	4 657	**–**	4 657
Deferred consideration for ARA	**–**	6 917	**–**	6 917
Shares issued to ARA vendors	**(11 574)**	–	**(11 574)**	–
	18 905	30 479	**18 905**	30 479

The group has treated the consideration shares as equity instruments and has accounted for such on the respective acquisitions' implementation dates at the estimated fair values on the future dates of issue, calculated by using the Black-Scholes option pricing model for European-type call options, and discounted to a net present value. As the amount has been classified as equity, the fair value has been determined at initial recognition and will not be adjusted for changes in the fair value of the consideration shares as would be the case had the amount been classified as a liability.

Based on initial information at hand, the directors have originally accounted for the purchase consideration of Marble Gold on the basis that it will be settled by the issue of 24 million shares in Conduit Capital in May 2008. Nothing has come to the directors' attention to indicate that the original estimates should be revised.

The equity based consideration due to ARA's vendors have been settled as at the reporting date (also see note 14).

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
19. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Opening balance	**–**	–	**–**	–
Acquired as part of business combination	**24 449**	–	**–**	–
Transfer to income statement	**(1 862)**	–	**–**	–
	22 587	–	**–**	–

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.

19.1 Analysis of policyholder liabilities

Individual funeral cover	**18 747**	–	**–**	–
Group funeral cover	**3 840**	–	**–**	–
	22 587	–	**–**	–

19.2 Maturity analysis of policyholder liabilities

Policyholder liabilities are expected to become payable as follows:

Up to one year	**3 931**	–	**–**	–
One year to five years	**578**	–	**–**	–
More than five years	**18 078**	–	**–**	–
	22 587	–	**–**	–

19.3 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	6,5%
– Interest rate	7,6%
– 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.

19. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

19.4 Sensitivities

Policyholder liabilities have been calculated at R22 587 279 by the statutory actuary at 31 August 2007. 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	22 587	0,00
Mortality (and other claims)	10% increase	24 110	6,74
Expenses	10% increase	25 347	12,22
Investment returns	1% reduction	24 048	6,47
Withdrawals	10% increase	22 282	(1,35)
Inflation	1% increase	23 761	5,20

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
20. INTEREST BEARING BORROWINGS				
Non-current	**45 968**	–	**–**	–
– Secured	**26 044**	–	**–**	–
– Unsecured	**19 924**	–	**–**	–
Current	**36 865**	500	**–**	–
– Secured	**4 795**	–	**–**	–
– Unsecured	**32 070**	500	**–**	–
	82 833	500	**–**	–
20.1 Non-current borrowings				
Secured				
Finance lease obligations (Note A)	**501**	–	**–**	–
Mortgage loan obligations (Note B)	**6 843**	–	**–**	–
Cumulative preference shares (Note C)	**23 495**	–	**–**	–
	30 839	–	**–**	–
Less: Current portion of obligation	**(4 795)**	–	**–**	–
Finance lease obligations	**(124)**	–	**–**	–
Mortgage loan obligations	**(226)**	–	**–**	–
Preference shares	**(4 445)**	–	**–**	–
	26 044	–	**–**	–
Unsecured				
Hannover Re Limited (Note D)	**3 000**	–	**–**	–
Cumulative preference shares (Note E)	**2 180**	–	**–**	–
– Face value	**2 750**	–	**–**	–
– Fair value adjustment	**(570)**	–	**–**	–
Other (Note F)	**14 744**	–	**–**	–
	19 924	–	**–**	–

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000

20. INTEREST BEARING BORROWINGS (continued)

20.2 Current portion of borrowings

Secured				
Finance lease obligations (Note A)	**124**	–	**–**	–
Mortgage loan obligations (Note B)	**226**	–	**–**	–
Cumulative preference shares (Note C)	**4 445**	–	**–**	–
	4 795	–	**–**	–
Unsecured				
Mindfield Investments (Proprietary) Limited (Note G)	**–**	500	**–**	–
Other (Note H)	**32 070**	–	**–**	–
	32 070	500	**–**	–

Note A:
Finance leases are for periods up to five years and bear interest at rates between 9% p.a. and 16% p.a. Finance lease obligations are secured by motor vehicles with a book value of R601 309.

Note B:
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 R4,96 million.

Note C:
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 R120 million.

Note D:
The loan bears interest at the prime bank overdraft rate and is repayable within 14 days after the conclusion of the claims run-off in respect of a subsidiary of CRIH.

Note E:
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 F:
R1 908 million of this loan is interest free and payable by 2009. The remaining balance bears interest at rates between 2% and 4% above the prime bank overdraft rate rate and, although no terms of repayment have been set, is repayable only after 31 August 2008.

Note G:
The loan bears interest at fluctuating rates linked to bank call rates and no fixed terms of repayment has been set.

Note H:
The loans bear interest at rates between 2% and 4% above the prime bank overdraft rate rate and is repayable in terms of the various lenders' agreements.

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
21. 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 (note 21.1)	**4 825**	–	**1 767**	–
Payable after one year (note 21.2)	**2 700**	1 767	**–**	1 767
	7 525	1 767	**1 767**	1 767
21.1 Payable within one year				
Anslow Management Consultants (Proprietary) Limited for CICL Investment Holdings (Proprietary) Limited	**2 955**	–	**–**	–
– Original value	**3 000**	–	**–**	–
– Fair value adjustment	**(45)**	–	**–**	–
Various for Black Ginger 92 (Proprietary) Limited	**103**	–	**–**	–
Mindfield Investments (Proprietary) Limited for Anthony Richards & Associates (Proprietary) Limited	**1 767**	–	**1 767**	–
	4 825	–	**1 767**	–
21.2 Payable after one year				
Anslow Management Consultants (Proprietary) Limited for CICL Investment Holdings (Proprietary) Limited	**2 700**	–	**–**	–
– Original value	**3 000**	–	**–**	–
– Fair value adjustment	**(300)**	–	**–**	–
Mindfield Investments (Proprietary) Limited for Anthony Richards & Associates (Proprietary) Limited	**–**	1 767	**–**	1 767
	2 700	1 767	**–**	1 767
22. TRADE AND OTHER PAYABLES				
Accruals	**2 997**	1 286	**446**	580
Trade payables	**106 344**	3 324	**966**	417
Dividends payable	**942**	14	**14**	14
– Ordinary shares	**14**	14	**14**	14
– Preference shares	**928**	–	**–**	–
	110 283	4 624	**1 426**	1 011

	GROUP		COMPANY	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
23. REVENUE				
Gross insurance premiums	**1 479 225**	–	**–**	–
Advisory, consulting and management fees received from group companies	**–**	–	**3 432**	918
Advisory, consulting, management and other fees fees received from third parties	**28 934**	2 645	**209**	2 635
Commissions	**41 883**	3 300	**–**	–
Structural finance income	**11 200**	–	**–**	–
Other revenue	**5 271**	600	**512**	440
	1 566 513	6 545	**4 153**	3 993
24. NET INSURANCE REVENUE				
Gross premiums written	**1 479 225**	–	**–**	–
Reinsurance premiums paid	**(1 239 597)**	–	**–**	–
Other	**1 509**	–	**–**	–
	241 137	–	**–**	–
25. DIRECT EXPENSES – INSURANCE AND RISK SERVICES				
Gross claims paid, change in provision for outstanding claims and IBNR	**424 315**	–	**–**	–
Reinsurers' share of claims paid and change in provision for outstanding claims	**(256 090)**	–	**–**	–
Net claims paid	**168 225**	–	**–**	–
Net expenses for the acquisition of insurance contracts, including commissions and profit commissions	**27 130**	–	**–**	–
Transfer from policyholder liabilities	**(1 862)**	–	**–**	–
	193 493	–	**–**	–
26. INVESTMENT INCOME (LOSS)				
Interest received	**11 081**	437	**1 966**	310
Investment income (Listed shares and bonds)	**24 807**	654	**400**	–
– Dividend income	**3 693**	107	**–**	–
– Dividend income (Subsidiaries)	**–**	–	**400**	–
– Unrealised gains	**7 710**	79	**–**	–
– Net profit on sale of investments	**13 404**	468	**–**	–
Balance c/f	**35 888**	1 091	**2 366**	310

	GROUP		COMPANY	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
26. INVESTMENT INCOME (LOSS) (continued)				
Balance b/f	**35 888**	1 091	**2 366**	310
Fair value adjustments (Unlisted shares)	**(2 852)**	1 356	**–**	(22 039)
Investment income (Other)	**4 639**	–	**–**	–
– Derivatives income	**1 054**	–	**–**	–
– Revaluation of properties	**3 419**	–	**–**	–
– Other	**166**	–	**–**	–
	37 675	2 447	**2 366**	(21 729)
27. PROFIT (LOSS) BEFORE TAXATION				
The net operating profit (loss) incudes:				
Income				
Profit on acquisition of minorities	**360**	–	**–**	–
Foreign exchange translation profit	**–**	6	**–**	–
Expenses				
Auditors' remuneration	**2 935**	583	**175**	398
– Current year	**2 352**	516	**332**	420
– Prior year under (over) provision	**381**	39	**(145)**	(33)
– Other services	**202**	28	**(12)**	11
Consulting fees paid	**1 629**	423	**196**	333
Depreciation and amortisation	**2 681**	307	**133**	165
Foreign exchange translation loss	**29**	–	**–**	–
Impairment of financial assets	**363**	923	**292**	(267)
– Impairment of associates	**8**	78	**–**	–
– Impairment of loans	**471**	845	**408**	403
– Impairments reversed	**(116)**	–	**(116)**	(670)
Impairment of goodwill	**17**	22 219	**–**	–
Loss on disposal of equipment	**13**	6	**–**	6
Management fees paid to third parties	**1 032**	–	**–**	–
Operating lease charges	**9 344**	905	**953**	786
– Equipment	**2 273**	34	**29**	21
– Premises	**7 071**	871	**924**	765
Profit commissions paid	**6 072**	–	**–**	–
Secretarial fees	**274**	62	**40**	12
Staff costs	**54 686**	1 905	**2 907**	1 051
– Salaries and wages	**53 135**	1 905	**2 907**	1 051
– Provident fund (Defined contribution plan)	**1 551**	–	**–**	–

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Cost of share options R'000	Other benefits R'000	Total R'000
28. DIRECTORS' EMOLUMENTS						
28.1 2007 – 18 months						
Non-executive						
Berkowitz, R S	180	–	–	–	–	180
Campbell, S M	60	–	–	–	–	60
Kruger, M	60	–	–	–	–	60
Steffens, G Z	67	–	–	–	–	67
Executive						
Diamond, P	–	1 800	600	84	27	2 511
Druian, J D	–	2 040	600	84	–	2 724
Louw, L E	–	1 113	150	21	43	1 327
Shane, S D	–	1 735	600	84	83	2 502
Shaw, R L	238	1 370	500	–	11	2 119
	605	8 058	2 450	273	164	11 550

During the year:

Mr Robert L Shaw became an executive director of the group on 31 October 2006.

Mr Günter Z Steffens became a non-executive director of the group on 27 April 2007.

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Cost of share options R'000	Other benefits R'000	Total R'000
28.2 2006 – 12 months						
Non-executive						
Berkowitz, R S	90	–	–	–	–	90
Campbell, S M	35	–	–	–	–	35
Diem, A H	15	–	–	–	–	15
Kruger, M	20	–	–	–	–	20
Schmulian, J M	8	–	–	–	–	8
Executive						
Diamond, P	–	555	–	–	–	555
Druian, J D	–	555	–	–	–	555
Louw, L E	–	481	–	–	32	513
Shane, S D	–	658	–	–	26	684
	168	2 249	–	–	58	2 475

28.3 Directors' service contracts

In order to facilitate a smooth handover upon an executive director's resignation from the group, all executive directors' service contracts were amended to the effect that the 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.

29. RETIREMENT BENEFITS

The Insurance and Risk Services division contributes 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 period under consideration amounted to R1 550 757 (2006: Nil). 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	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
30. TAXATION				
30.1 Taxation				
South African normal taxation	**(11 206)**	1 503	**–**	–
– Current year	**(11 294)**	(92)	**–**	–
– Previous year overprovision	**88**	1 595	**–**	–
Deferred tax	**(3 758)**	569	**–**	–
Secondary Tax on Companies	**(1 096)**	–	**–**	–
Taxation per income statement	**(16 060)**	2 072	**–**	–
30.2 Taxation reconciliation				
Profit (loss) before tax	**48 141**	(24 020)	**(9 871)**	(23 866)
Standard South African normal taxation	**(13 961)**	6 966	**2 863**	6 921
Non-taxable income	**1 990**	1 276	**248**	13
Non-deductible expenses	**(1 288)**	(6 977)	**(135)**	(85)
Previous years overprovision	**88**	1 595	**–**	–
Deferred tax asset not raised in companies with losses	**(3 031)**	(811)	**(2 976)**	(6 849)
Utilisation of previously unrecognised tax losses	**1 238**	23	**–**	–
Secondary Tax on Companies	**(1 096)**	–	**–**	–
Taxation per income statement	**(16 060)**	2 072	**–**	–

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 R31 238 377 (2006: R20 786 653).

The group has unutilised credits that arose in respect of Secondary Tax on Companies of R5 992 745 (2006: R136 713). This credit is not recognised as an asset unless it is expected to be realised within a year.

	GROUP		COMPANY	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000

31. COMMITMENTS AND CONTINGENT LIABILITIES

31.1 Commitments: Operating leases

At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:				
– Within one year	**8 149**	997	**520**	175
– In second to fifth years	**15 467**	1 732	**19**	–
	23 616	2 729	**539**	175

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

31.2 Contingent liabilities

31.2.1 In the matter between Uthingo Management (Proprietary) Limited ("Uthingo"), the National Lotteries Board ("the NLB") and On Line Lottery Services (Proprietary) Limited ("Lottofun"), in relation to the business of Lottofun and the use of the word "Lotto", judgement has been given in favour of Uthingo and the NLB. Lottofun has applied for leave to appeal and will continue to operate until either the leave to appeal is dismissed, or until the appeal is heard. Neither the appeal nor its outcome will have a material impact on the group's earnings going forward.

31.2.2 Claims provisions include an amount of R1 895 491 in respect of claims reported under certain "long tail" reinsurance inwards treaties. These treaties were entered into a number of years ago and a reliable estimate of the provision required for claims not yet reported under these treaties cannot be exactly ascertained. Based on the available information and the quantum of claims reported to date, the directors are however satisfied as to the adequacy of the provisions maintained by the group in respect of claims incurred, but not yet reported.

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

– Southern Palace Investments 134 (Proprietary) Limited for office rent	R178 000
– CBS Property Portfolio Limited for office rent	R195 808
– South African Post Office Limited for postage	R75 000

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

31.2.4 R135 000 in cash (included in cash balances) have been pledged and ceded to Econet Wireless (Proprietary) Limited (the landlord of a subsidiary) in lieu of a deposit.

		GROUP	
		18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000

32. EARNINGS (LOSS) PER SHARE

32.1 Reconciliation between profit (loss) attributable to equity holders of the parent and headline earnings

Profit (loss) attributable to equity holders of the parent		**21 324**	(22 083)
Add:	Impairment of goodwill	**17**	22 219
	Loss on disposal of fixed assets	**13**	6
Less:	After tax profit on revaluation of investment properties	**(2 621)**	–
	Profit on acquisition of subsidiary	**(360)**	–
Headline earnings		**18 373**	142

32.2 Number of shares

– Shares in issue	**227 880**	99 470
– Shares held as treasury shares	**(6 103)**	(4 688)
	221 777	94 782

32.3 Weighted average number of shares

– Shares in issue	**162 628**	90 589
– Shares held as treasury shares	**(5 165)**	(4 688)
	157 463	85 901

32.4 Fully diluted weighted average number of shares

– Shares in issue	**187 459**	127 528
– Shares held as treasury shares	**(5 165)**	(4 688)
	182 294	122 840

32.5 Earnings (loss) per share (cents)

Earnings (loss) per share	**13,54**	(25,71)
Headline earnings per share	**11,67**	0,17
Fully diluted earnings (loss) per share	**11,70**	(25,71)
Fully diluted headline earnings per share	**10,08**	0,12

33. NOTES TO THE CASH FLOW STATEMENTS

33.1 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.

33.2 Reconciliation of profit (loss) before taxation to cash generated (absorbed) by operations

	GROUP		COMPANY	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
Profit (loss) before taxation	**48 141**	(24 020)	**(9 871)**	(23 866)
Adjustments:	**(25 912)**	21 257		21 682
– Depreciation and amortisation	**2 681**	307		165
– Dividends received	**(3 693)**	(107)		–
– Impairments	**363**	938		(267)
– Impairment of goodwill	**17**	22 219		–
– Profit on acquisition of shares in subsidiary	**(360)**	–		–
– Interest expense	**8 625**	82		49
– Interest income	**(11 081)**	(437)		(310)
– Loss on disposal of equipment	**13**	6		6
– Share based payment reserve	**288**	–		–
– Revaluation of investment property	**(3 419)**	–		–
– (Profit) loss on investments	**(18 248)**	(1 903)		22 039
– (Income) loss from associates	**(918)**	152		–
Operating cash flows before working capital changes	**22 229**	(2 763)		(2 184)
Working capital changes	**(73 320)**	(2 000)		(289)
– (Increase) decrease in trade and other receivables	**(61 692)**	(2 152)		50 649
– (Decrease) increase in trade and other payables	**(5 158)**	152		(50 938)
– Policyholder liabilities	**(1 862)**	–		–
– Increase in insurance assets	**(52 466)**	–		–
– Increase in insurance liabilities	**47 858**	–		–
Cash absorbed by operations	**(51 091)**	(4 763)		(2 473)

	GROUP		COMPANY	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
33. NOTES TO THE CASH FLOW STATEMENTS (continued)				
33.3 Taxation received (paid)				
Opening balance	**(910)**	–	**–**	–
Acquisition of subsidiaries	**(7 208)**	(818)	**–**	–
Income statement movement	**(11 206)**	1 503	**–**	–
Secondary Tax on Companies	**(1 096)**	–	**–**	–
Closing balance	**(4 747)**	910	**–**	–
	(25 167)	1 595	**–**	–
33.4 Cash paid on acquisition of subsidiaries				
Anthony Richards & Associates (Proprietary) Limited	**(97)**	(1 596)	**–**	–
Black Ginger 92 (Proprietary) Limited	**(1 352)**	–	**–**	–
Conduit Risk and Insurance Holdings (Proprietary) Limited	**(81 207)**	–	**–**	–
Conduit Fund Managers (Proprietary) Limited	**(185)**	–	**–**	–
Gateway Capital Limited	**(7 323)**	–	**–**	–
Lotto Manager business	**(17)**	(180)	**–**	–
Marble Gold 213 (Proprietary) Limited	**–**	(458)	**–**	–
Newbridge Reinsurance Brokers (Proprietary) Limited	**–**	–	**–**	–
Sureline Administrators (Proprietary) Limited	**(2 970)**	–	**–**	–
	(93 151)	(2 234)	**–**	–

	GROUP		COMPANY	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
33. NOTES TO THE CASH FLOW STATEMENTS (continued)				
33.5 Reconciliation of assets acquired in subsidiaries to cash paid				
– Property, vehicles and equipment	**(12 960)**	(985)	**–**	–
– Other intangible assets	**(1 852)**	(207)	**–**	–
– Investment property	**(6 944)**	–	**–**	–
– Investment in associates	**(2 388)**	(63)	**–**	–
– Investment in subsidiaries	**(31 660)**	–	**–**	–
– Other investments	**(48 374)**	(791)	**–**	–
– Loans receivable	**(1 373)**	–	**–**	–
– Trade and other receivables	**(83 346)**	(3 611)	**–**	–
– Funds at call, bank balances and cash	**(170 838)**	(1 321)	**–**	–
– Policyholder liabilities	**24 449**	–	**–**	–
– Interest bearing borrowings	**29 248**	–	**–**	–
– Deferred taxation	**(1 178)**	–	**–**	–
– Loans payable	**23 186**	–	**–**	–
– Net technical liabilities	**78 481**	–	**–**	–
– Trade and other payables	**110 817**	2 740	**–**	–
– Tax payable	**7 208**	818	**–**	–
– Minority interest	**16 302**	1 578	**–**	–
– Net asset value acquired	**(71 222)**	(1 842)	**–**	–
– Goodwill on acquisition	**(65 759)**	(32 638)	**–**	–
– Purchase price	**(136 981)**	(34 480)	**–**	–
– Transferred from associates	**(320)**	–	**–**	–
– Transferred from investments	**4 702**	–	**–**	–
– Profit on acquisition of minorities	**360**	–	**–**	–
– Shares issued to minority shareholder	**330**	–	**–**	–
– Future cash payment	**5 323**	1 767	**–**	–
– Preference shares issued	**2 090**	–	**–**	–
– Equity shares issued	**31 345**	30 479	**–**	–
– Purchase price	**(93 151)**	(2 234)	**–**	–

34. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

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

	Nature of business	Country of incorporation
Directly owned		
AIIM Capital Investments Limited	Inactive	Guernsey, Channel Islands
Appleton Portfolio Managers International Limited	Inactive	Guernsey, Channel Islands
Anthony Richards & Associates (Proprietary) Limited *	Credit recovery and call centre services	RSA
Before the Wind Investments (Proprietary) Limited	Inactive	RSA
Conduit Fund Managers (Proprietary) Limited	Asset manager	RSA
Copper Sunset Trading 186 (Proprietary) Limited	Holding company	RSA
Gateway Capital Limited *	Specialised structured finance	RSA
IMR 2 (Proprietary) Limited	Inactive	RSA
IMR 5 (Proprietary) Limited	Inactive	RSA
IMR 9 Holdings Limited	Holding company	RSA
IMR 10 Holdings Limited	Holding company	RSA
Marble Gold 213 (Proprietary) Limited	Holding company	RSA

* (Also refer to note 9.2)

	Nature of business	Country of incorporation
Held through a subsidiary		
Ambledown Risk & Underwriting Solutions (Proprietary) Limited	Underwriting Manager	RSA
Black Ginger 92 (Proprietary) Limited *	Holding company	RSA
Cherry Creek Trading 88 (Proprietary) Limited	Property company	RSA
CICL Intermediate Holdings (Proprietary) Limited	Holding company	RSA
Combined Automotive Services (Proprietary) Limited	Inactive	RSA
Conduit Risk and Insurance Holdings Limited	Holding company	RSA
Constantia Insurance Company Limited	Short term insurer	RSA
Constantia Life & Health Assurance Company Limited	Long term insurer	RSA
CPE Underwriting Managers (Proprietary) Limited	Inactive	RSA
D&O Liability Underwriters (Proprietary) Limited	Inactive	RSA
Freshfields Insurance Brokers (Proprietary) Limited	Broker	RSA
Goodall and Bourne (South Western Districts) (Proprietary) Limited	Inactive	RSA

*(Also refer to note 9.2)

Issued ordinary share capital		Interest		Shares at cost less amounts written off		Indebtedness to (by) Conduit Capital	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
		%	%	**R'000**	R'000	**R'000**	R'000
989	989	**100**	100	**–**	–	**–**	–
574	574	**100**	100	**–**	–	**–**	–
100	100	**40**	40	**11 568**	11 471		3
1 000	–	**100**	–	**–**	–	**3**	–
1	–	**100**	–	**185**	–	**1 098**	–
100	100	**100**	100	**–**	–	**107 264**	–
1 001	–	**50**	–	**14 073**	–	**–**	–
50 000	50 000	**100**	100	**–**	–	**2 886**	–
14	14	**100**	100	**–**	–	**6 343**	–
3 000 000	3 000 000	**100**	100	**488**	488	**34 019**	–
1 000	1 000	**100**	100	**–**	–	**404**	–
100	100	**100**	100	**790**	790	**18**	1
1 000	–	**50**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**5 218**	–
100	–	**100**	–	**–**	–	**–**	–
120	–	**100**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–
200	–	**100**	–	**–**	–	**22**	–
2 244 500	–	**100**	–	**–**	–	**–**	–
13 772 380	–	**100**	–	**–**	–	**–**	–
120	–	**100**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–
100	–	**90**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–

34. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

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

	Nature of business	Country of incorporation
Held through a subsidiary (continued)		
Goodall and Bourne Assurance (Proprietary) Limited	Long term insurer	RSA
Goodall and Bourne Credit (Proprietary) Limited	Inactive	RSA
Goodall and Bourne Properties (Proprietary) Limited	Property company	RSA
Goodall and Bourne Properties (Wale Street) (Proprietary) Limited	Property company	RSA
Goodall and Bourne Property Holdings (Proprietary) Limited	Holding company	RSA
Goodall and Bourne Trust Company Limited	Holding company	RSA
Goodall and Company Funeral Assurance Society (Proprietary) Limited	Long term insurer	RSA
Goodall and Company Undertakers (Proprietary) Limited	Holding company	RSA
IMR (CI) Limited	Inactive	Guernsey, Channel Islands
IMR 1 (Proprietary) Limited	Equities and derivatives trading	RSA
IMR 4 (Proprietary) Limited	Inactive	RSA
IMR 6 (Proprietary) Limited	Inactive	RSA
IMR 7 (Proprietary) Limited	Holding company	RSA
IMR 11 (Proprietary) Limited	Holding company	RSA
IMR Share Trust	Share trust	RSA
Intellect-On-Line (Proprietary) Limited	Inactive	RSA
International Gaming Technologies (Proprietary) Limited	Holding company	RSA
Inventory & Risk Surveys (Proprietary) Limited	Risk surveyor	RSA
Motor Liability Acceptances (Proprietary) Limited	Inactive	RSA
MTR Underwriting Agency (Proprietary) Limited	Underwriting manager	RSA
Newbridge Reinsurance Brokers (Proprietary) Limited	Reinsurance broker	RSA
On Line Lottery Services (Proprietary) Limited	E-commerce agent	RSA
Pendulum Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA
Periculum Enterprise Risk Management Services (Proprietary) Limited	Inactive	RSA
SGI Guarantee Acceptances (Proprietary) Limited	Underwriting manager	RSA
Shavian Management Consultants (Proprietary) Limited	Insurance consultant	RSA

Issued ordinary share capital		Interest		Shares at cost less amounts written off		Indebtedness to (by) Conduit Capital	
2007	2006	**2007 %**	2006 %	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000
646 000	–	**100**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–
2 000	–	**100**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–
4 000	–	**100**	–	**–**	–	**–**	–
50 000	–	**100**	–	**–**	–	**–**	–
2 000	–	**100**	–	**–**	–	**–**	–
995	995	**100**	100	**–**	–	**40**	(47)
140 000	140 000	**100**	100	**–**	–	**(31 525)**	8 278
500	500	**100**	100	**–**	–	**210**	–
100	100	**100**	100	**–**	–	**1 148**	–
100	100	**100**	100	**–**	–	**5 849**	–
100	100	**100**	100	**–**	–	**(1 836)**	–
–	–	**100**	100	**–**	–	**(1 545)**	(1 565)
10 000	–	**100**	–	**–**	–	**–**	–
100	100	**100**	100	**–**	–	**652**	–
100	–	**61**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–
100 000	–	**52**	–	**–**	–	**–**	–
760	–	**66**	–	**–**	–	**–**	–
150	150	**80**	80	**–**	–	**543**	1 960
100	–	**80**	–	**–**	–	**–**	–
100	–	**51**	–	**–**	–	**–**	–
500 000	–	**100**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–

34. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

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

	Nature of business	Country of incorporation
Held through a subsidiary (continued)		
Siyaya Underwriting Managers (Proprietary) Limited	Inactive	RSA
Sureline Administrators (Proprietary) Limited	Underwriting manager	RSA
TGI Investment Holdings (Proprietary) Limited	Holding company	RSA
The Oakwood Financial Services Group (Proprietary) Limited	Holding company	RSA
The Peoples' Industrial Advice Centre (Proprietary) Limited	Underwriting manager	RSA
Transqua Administrative Services (Proprietary) Limited	Underwriting manager	RSA
Watermark Risk Management Services (Proprietary) Limited	Underwriting manager	RSA
Yellow Metal Insurance Administrators (Proprietary) Limited	Inactive	RSA
Zizwe Risk Academy (Proprietary) Limited	Underwriting manager	RSA

Notes:
- All subsidiaries in the group are unlisted companies.
- The loan to On Line Lottery Services (Proprietary) Limited is unsecured, attracts interest at one percent below prime and has no fixed repayment date.
- The loan to Black Ginger 92 (Proprietary) Limited is unsecured, attracts interest at prime and has no fixed repayment date.
- Loans receivable from all other subsidiary companies are unsecured, attract no interest and have no fixed repayment dates.
- Loans payable to subsidiary companies are unsecured, attract no interest and have no fixed repayment dates.

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
34.2 Allocated as follows:				
– Investment in subsidiaries (note 9)	**–**	–	**192 821**	22 991
– Trade and other payables (note 22)	**–**	–	**(34 906)**	(1 612)
	–	–	**157 915**	21 379

Issued ordinary share capital		Interest		Shares at cost less amounts written off		Indebtedness to (by) Conduit Capital	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
		%	%	**R'000**	R'000	**R'000**	R'000
100	–	**74**	–	**–**	–	**–**	–
90	–	**90**	–	**–**	–	**–**	–
16 133 292	–	**60**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–
500 000	–	**100**	–	**–**	–	**–**	–
352 000	–	**100**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–
100	–	**100**	–	**–**	–	**–**	–
				27 104	12 749	**130 811**	8 630

34. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

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

	Nature of business	Country of incorporation
Held through a subsidiary		
Autotrade Underwriters (Proprietary) Limited	Underwriting manager	RSA
Bloemfontein Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA
Emerald Claims Services (Proprietary) Limited	Claims recovery services	RSA
EVB Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA
Fidfin Insurance Brokers (Proprietary) Limited	Insurance broker	RSA
General and Professional Liability Acceptances (Proprietary) Limited	Underwriting manager	RSA
Health Finance Corporation (Proprietary) Limited	Designer, provider and administrator of healthcare	RSA
Icon Retail Information Systems (Proprietary) Limited	Software company (in liquidation)	RSA
Issue Software (Proprietary) Limited	Software company	RSA
Mail Credit Management (Proprietary) Limited	Debt recovery	RSA
Maruapula Brokers (Proprietary) Limited	Inactive	RSA
Maruapula Capital (Proprietary) Limited	Holding company	RSA
Record Edge Investment Management (Proprietary) Limited	Investment manager	RSA
Third Degree Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA

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.

	GROUP		COMPANY	
	31 August 2007 R'000	28 February 2006 R'000	**31 August 2007 R'000**	28 February 2006 R'000
34.4 Allocated as follows:				
– Book value of shares	**631**	(2 690)	**–**	–
– Indebtedness to the group	**2 847**	2 871	**–**	–
– Investment in associates (note 8)	**3 478**	181	**–**	–

Number of shares held		Interest		Book value of shares		Indebtedness to (by) Group	
2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
		%	%	**R'000**	R'000	**R'000**	R'000
30	–	**30**	–	**108**	–	**–**	–
325	–	**32,50**	–	**233**	–	**–**	–
26	–	**26**	–	**–**	–	**–**	–
25	–	**25**	–	**231**	–	**–**	–
40	–	**40**	–	**–**	–	**–**	–
1 000	–	**25**	–	**–**	–	**–**	–
34	–	**34**	–	**2 327**	–	**–**	–
39	39	**39**	39	**(2 608)**	(2 608)	**2 608**	2 608
44	–	**44**	–	**–**	–	**–**	–
40	40	**33**	33	**24**	(5)	**71**	102
26	–	**26**	–	**–**	–	**–**	–
40	40	**40**	40	**(99)**	(77)	**168**	161
35	–	**35**	–	**374**	–	**–**	–
2 250	–	**27**	–	**41**	–	**–**	–
				631	(2 690)	**2 847**	2 871

35. RISK MANAGEMENT

35.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group is exposed to currency risk with regard to its provisions for claims denominated in foreign currencies under "long tail" reinsurance inwards treaties in Constantia Insurance Company Limited.

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

Currency conversion guide

Approximate value of the British Pound ("GBP") relative to the Rand ("ZAR") at:

	31 August 2007	28 February 2006
Spot rate (ZAR per GBP)	**14,4422**	10,8091
Weighted average rate during the period (ZAR per GBP)	**13,4392**	11,4804

Currency risk is deemed to be not material.

35.2 Interest rate risk

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

The group has material borrowings that are subject to interest rate risk. Details of borrowings and cash resources are set out in notes 4, 12 and 13. Additional exposure to interest rate risk is in the form of cash balances held at call with banks, which earn interest at rates that vary on a daily basis, as well as the effect that interest rate fluctuations have on the value of the gilts and bonds held by the group.

The group monitors and manages this risk through its Investment Committee.

35.3 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the company to incur a financial loss. Reinsurance risk is credit risk with particular reference to reinsurance receivables. Potential areas of credit risk consist of trade accounts receivable and short term cash investments.

Trade accounts receivable consist mainly of accounts receivable from the group's customer base. Group companies monitor the financial position of their customers on an ongoing basis. Credit, other than in the structured finance and the insurance divisions, is extended in terms of an agreement and provision is made for both specific and general bad debts.

Credit risk in the structured finance division is mitigated by taking security, usually in the form of a bond over property, against outstanding balances.

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.

35.4 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Investments in listed shares and derivatives are valued at market value and are therefore susceptible to market fluctuations.

Management monitors and manages market risk closely through daily fair valuing of the trading portfolios. The trading portfolios have been presented on a fair value basis in the annual financial statements.

In the case of the insurance division, investments in derivatives are only made in respect of assets that are in excess of the assets required to meet the company's liabilities under its short-term insurance business and for the purposes of efficient portfolio management, which includes holding derivatives for purposes of trading and hedging. Investment in derivative instruments is done through a designated portfolio and is carefully monitored and controlled with strict guidelines and investment parameters being adhered to.

35. RISK MANAGEMENT (continued)

35.5 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 in order to ensure that:

– the granting of credit to clients and the acquisition of non-cash investments do not place an unnecessary strain on the group’s cash resources; and

– sufficient short term investments are timeously converted back to cash, as and when it is needed to repay creditors or to settle expected and/or unexpected insurance claims.

35.6 Insurance risk

The insurance division's Risk and Compliance Committee has, together with its sub-committees, the Underwriting- and the Catastrophe Risk committees, as its mandate the identification, monitoring and management of risk in the group.

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 above committees.

35.6.1 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.

Liability:
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 both light vehicles used for 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.

35. RISK MANAGEMENT (continued)

35.6 Insurance risk (continued)

35.6.2 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.

35.6.3 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 and of each risk class are monitored on a regular basis by the Portfolio Management function and the Underwriting Committee and corrective measures are actioned where applicable, which 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 or the cancellation of contracts with Underwriting Managers when justified. There are clearly defined limits within which Underwriting Managers may write business.

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, incorporating both proportional and non-proportional reinsurance programmes, which is reviewed and monitored by the Underwriting and Catastrophe Risk Committees, by individual line of business. As part of the group's risk management regime, the group annually reviews it reinsurance program to ensure that an appropriate level of risk is retained in the group.

The group's insurance risks are spread amongst various lines of business, both personal and commercial, including guarantee, liability, motor, accident and health, funeral, and property cover and across various geographical areas.

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.

35.7 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. In principle, there is little credit risk posed by customers as no cover is provided where premiums are not paid. Further, it is expected that there will be little build-up of actuarial liability on the reinsurer's side. Liabilities under reinsurance contracts are primarily premiums payable on reinsurance contracts covering lapse risk. The risk thus mainly arises following a period of higher than expected claims.

35. RISK MANAGEMENT (continued)

35.7 Reinsurance credit risk (continued)

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

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

35.8 Claims risk

Claims risk is the risk that the company may pay claims not intended to be incurred. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims.

35.9 Lapse risk

Lapse risk relates to the risk of financial loss due to negative lapse experience. Lapse experience is monitored to ensure that negative experience is timeously identified and corrective action taken. The group's reserving policy is based on actual experience to ensure that adequate provision is made for lapses.

35.10 Expense risk

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

36. DIRECTORS' INTEREST IN SHARES AND SHARE OPTIONS

36.1 Interest in shares

	Direct	Indirect	Total
31 August 2007			
– Berkowitz, R S	–	–	–
– Campbell, S M	1 648 000	923 000	2 571 000
– Diamond, P	20 023 316	–	20 023 316
– Druian, J D	17 023 316	2 587 734	19 611 050
– Kruger, M	–	–	–
– Louw, L E	–	2 000 000	2 000 000
– Shane, S D	13 516 143	3 003 587	16 519 730
– Shaw, R L	–	–	–
– Steffens, G Z	–	–	–
	52 210 775	8 514 321	60 725 096

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

	Direct	Indirect	Total
28 February 2006			
– Berkowitz, R S	–	–	–
– Campbell, S M	1 648 000	923 000	2 571 000
– Diamond, P	20 023 316	–	20 023 316
– Druian, J D	17 023 316	–	17 023 316
– Kruger, M	–	–	–
– Louw, L E	–	2 000 000	2 000 000
– Shane, S D	13 516 143	3 003 587	16 519 730
	52 210 775	5 926 587	58 137 362

36.2 Interest in share options

31 August 2007		
– Berkowitz, R S	–	–
– Campbell, S M	–	–
– Diamond, P	600 000	600 000
– Druian, J D	600 000	600 000
– Kruger, M	–	–
– Louw, L E	150 000	150 000
– Shane, S D	600 000	600 000
– Shaw, R L	–	–
– Steffens, G Z	–	–
	1 950 000	1 950 000

No share options were in issue during the 12 months ended 28 February 2006.

37. RELATED PARTY TRANSACTIONS

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

37.1 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 37.3.

37.2 Companies within the group

37.2.1 Subsidiaries

Details of investments in and loans to/from subsidiary companies are disclosed in notes 34.1 and 34.2. Additional information about the impact that these balances have on the group and the company's annual financial statements are disclosed in notes 9 and 37.5.1.

37.2.2 Joint ventures

Details of joint ventures are disclosed in note 7. Loans to joint ventures carry interest at the prime bank overdraft rate.

Details of trading transactions with joint venture companies are reflected in note 37.5.2.

37.2.3 Associates

Details of investments in associate companies are disclosed in notes 34.3 and 34.4. 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 8 and 37.5.3.

37.2.4 Investments

Details of investments other than investments in subsidiary and associate companies and joint ventures are disclosed in note 10. 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.

Listed investments dealt with in a capacity other than as a shareholder

– Labat Africa Limited ("Labat"):	The group has offered corporate advisory services to Labat. No income has been derived from these services during the periods under review.

Unlisted investments dealt with in a capacity other than as a shareholder

– Black Ginger 92 (Proprietary) Limited ("Black Ginger):	Prior to acquiring Black Ginger, the group has offered corporate advisory services and administrative services to the company. Stanley Shane, a group director, also served on Black Ginger's board during that period. No income has been derived from these services during the periods under review.

37.3 Directors

37.3.1 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 28), shareholdings (note 36) and share options in the company (notes 14 and 36).

The directors named in the directors' report each held office as a director of the company during the year ended 28 February 2006 and the 18 months ended 31 August 2007. Resignations and additions to the board of directors have also been disclosed.

37. RELATED PARTY TRANSACTIONS (continued)

37.3 Directors (continued)

37.3.2 Dealings in capacities other than as a director of the company

During the 18 months ended 31 August 2007 the group has had the following dealings with directors other than in their capacity as directors:

– Prior to Robert Shaw ("Shaw") becoming a director of the company, the group acquired a 75,5% stake in Conduit Risk and Insurance Holdings (Proprietary) Limited ("CRIH"). Shaw was the CEO of CRIH and he was also the controlling shareholder of Anslow Management Consultants (Proprietary) Limited, a company that owned and sold 20% of the equity in CRIH.

During the 12 months ended 28 February 2006 the group has had the following dealings with directors other than in their capacity as directors:

– Prior to Jason Druian ("Druian") and Paul Diamond ("Diamond") becoming directors of the company, they have acted as consultants to the group during the period from 1 March 2005 to 23 May 2005.

– The group acquired the entire share capital of Marble Gold 213 (Proprietary) Limited ("Marble Gold") from Druian and Diamond. Furthermore, Stanley Shane ("Shane"), Druian, Diamond and their associates have concluded a voting pool agreement that includes an option in favour of Shane to acquire one-third of any consideration shares issued by the company to Druian and Diamond pursuant to the acquisition of Marble Gold at the same price at which the shares are issued to Druian and Diamond.

– The group acquired a 40% interest in the share capital of Anthony Richards & Associates (Proprietary) Limited ("ARA") from Mindfield Investments (Proprietary) Limited ("Mindfield"). Druian is a 20% equity shareholder in Mindfield.

Further details of all these transactions are disclosed in note 37.5.4.

37.4 Other parties and person with/reason for relationship

– 34 Ebury Investments (Proprietary) Limited	– R L Shaw
– Aikona Media (Proprietary) Limited	– J D Druian
– Anslow Management Consultants (Proprietary) Limited	– R L Shaw
– Born Free Investments 78 (Proprietary) Limited	– R L Shaw
– Conpret Investments (Proprietary) Limited	– R L Shaw
– Emerald Island Investments (Proprietary) Limited	– R L Shaw (close family member)
– Indiza Capital (Proprietary) Limited	– Subsidiary until April 2005
– Indiza Infrastructure Solutions (Proprietary) Limited	– Subsidiary of Indiza Capital
– Lezmin 104 CC trading as PH Lifestyle	– R L Shaw
– Mamba Media (Proprietary) Limited	– J D Druian
– Section 7 Tulbagh (Proprietary) Limited	– R L Shaw
– Shine Agencies (Proprietary) Limited	– P Diamond and M Kruger
– Stellenberg 1 Investments (Proprietary) Limited	– R L Shaw
– Stellenberg 3 Investments (Proprietary) Limited	– R L Shaw
– The Elmwood Media Group (Proprietary) Limited	– R L Shaw
– Umzingazi Mineral Consortium (Proprietary) Limited	– P Diamond and S D Shane
– You&Me Digital Media (Proprietary) Limited	– R L Shaw (close family member)

Details of trading transactions with the above parties are reflected in note 37.5.5.

	GROUP		COMPANY	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
37. RELATED PARTY TRANSACTIONS (continued)				
37.5 Trading transactions				
37.5.1 Subsidiaries				
Anthony Richards & Associates (Proprietary) Limited				
– Rent received	**–**	–	**99**	–
Black Ginger 92 (Proprietary) Limited				
– Interest received	**–**	–	**259**	–
Conduit Risk and Insurance Holdings (Proprietary) Limited				
– Administrative fees received	**–**	–	**1 800**	–
Constantia Insurance Company Limited				
– Interest received	**–**	–	**12**	–
Gateway Capital Limited				
– Commission received	**–**	–	**9**	–
IMR 1 (Proprietary) Limited				
– Consulting fees received	**–**	–	**1 332**	632
On Line Lottery Services (Proprietary) Limited				
– Administrative fees received	**–**	–	**292**	284
– Interest received	–	–	**133**	161
– Rent received	–	–	**107**	8
37.5.2 Joint ventures				
Mettle Secured Property Finance (Proprietary) Limited				
– Interest received	**212**	–	**–**	–
37.5.3 Associates				
Black Ginger 92 (Proprietary) Limited				
– Interest received	**190**	–	**190**	–
Icon Retail Information Systems (Proprietary) Limited				
– Administrative fees received	**–**	3	**–**	3
– Interest received	**–**	12	**–**	12
– Rent received	**–**	33	**–**	33
– Impairment of investment	**–**	(78)	**–**	514
Maruapula Capital (Proprietary) Limited				
– Interest received	**45**	–	**45**	–
– Rent received	**73**	55	**73**	55

	GROUP		COMPANY	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
37. RELATED PARTY TRANSACTIONS (continued)				
37.5 Trading transactions (continued)				
37.5.4 Directors and directors' companies				
Paul Diamond				
– Consulting fee paid	**–**	165	**–**	165
Jason Druian				
– Consulting fee paid	**–**	165	**–**	165
Paul Diamond, Jason Druian and Stanley Shane				
– Expected value of consideration shares payable for entire share capital of Marble Gold	**(18 905)**	(18 905)	**(18 905)**	(18 905)
Anslow Management Consultants (Proprietary) Limited				
– Cash payment made as part consideration for acquisition of 20% shareholding in CRIH	**(2 000)**	–	**–**	–
– Fair value of expected future cash payment to be made as part consideration for acquisition of 20% shareholding in CRIH	**(5 220)**	–	**–**	–
Mindfield Investments (Proprietary) Limited				
– Cash payment made as part consideration for acquisition of 40% shareholding in ARA	**–**	(1 464)	**–**	(1 464)
– Interest paid on cash amount paid as part consideration for acquisition of 40% shareholding in ARA	**–**	(42)	**–**	(42)
– Consideration shares paid as part consideration for acquisition of 40% shareholding in ARA	**(11 574)**	–	**(11 574)**	–
– Expected future cash payment to be made as part consideration for acquisition of 40% shareholding in ARA	**(1 767)**	(1 767)	**(1 767)**	(1 767)
– Expected value of consideration shares payable as part consideration for acquisition of 40% shareholding in ARA	**–**	(11 574)	**–**	(11 574)
– Value of working capital loan advanced to Anthony Richards and Associates (Proprietary) Limited (also refer to note 20)	**–**	500	**–**	–

	GROUP		COMPANY	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
37. RELATED PARTY TRANSACTIONS (continued)				
37.5 Trading transactions (continued)				
37.5.5 Other parties				
34 Ebury Investments (Proprietary) Limited				
– Expenses paid	**(9)**	–	**–**	–
Aikona Media (Proprietary) Limited				
– Administrative fees received	**–**	135	**–**	135
– Rent received	**–**	16	**–**	16
Anslow Management Consultants (Proprietary) Limited				
– Administrative fees received	**9**	–	**–**	–
– Expenses paid	**(1)**	–	**–**	–
– Rent paid	**(395)**	–	**–**	–
– Amount receivable	**3**	–	**–**	–
Born Free Investments 78 (Proprietary) Limited				
– Administrative fees received	**9**	–	**–**	–
– Rent paid	**(3 644)**	–	**–**	–
Conpret Investments (Proprietary) Limited				
– Rent paid	**(95)**	–	**–**	–
Emerald Island Investments (Proprietary) Limited				
– Rent paid	**(188)**	–	**–**	–
Indiza Infrastructure Solutions (Proprietary) Limited				
– Advisory fees received	**–**	2 450	**–**	2 450
– Rent received	**–**	33	**–**	33
Lezmin 104 CC trading as PH Lifestyle				
– Administrative fees received	**23**	–	**–**	–
– Rent paid	**(49)**	–	**–**	–
– Amount receivable	**12**	–	**–**	–
Mamba Media (Proprietary) Limited				
– Administrative fees received	**119**	50	**119**	50
Section 7 Tulbagh (Proprietary) Limited				
– Rent paid	**(133)**	–	**–**	–
Shine Agencies (Proprietary) Limited				
– Administrative fees received	**90**	–	**90**	–
Stellenberg 1 Investments (Proprietary) Limited				
– Rent paid	**(164)**	–	**–**	–

	GROUP		COMPANY	
	18 months ended 31 August 2007 R'000	12 months ended 28 February 2006 R'000	**18 months ended 31 August 2007 R'000**	12 months ended 28 February 2006 R'000
37. RELATED PARTY TRANSACTIONS (continued)				
37.5 Trading transactions (continued)				
37.5.5 Other parties (continued)				
Stellenberg 3 Investments (Proprietary) Limited				
– Rent paid	**(211)**	–	**–**	–
The Elmwood Media Group (Proprietary) Limited				
– Administrative fees received	**2**	–	**–**	–
– Expenses paid	**(5)**	–	**–**	–
– Amount receivable	**3**	–	**–**	–
Umzingazi Mineral Consortium (Proprietary) Limited				
– Rent received	**–**	–	**–**	–
– Impairment of loans	**–**	(536)	**–**	–
You&Me Digital Media (Proprietary) Limited				
– Expenses paid	**(315)**	–	**–**	–
– Amount receivable	**1**	–	**–**	–

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	477	50,05	156 798	0,07
1 001 – 10 000 shares	185	19,41	934 361	0,41
10 001 – 100 000 shares	205	21,51	7 124 666	3,13
100 001 – 1 000 000 shares	45	4,72	14 541 956	6,38
1 000 001 shares and over	41	4,30	205 122 037	90,01
	953	100,00	227 879 818	100,00

DISTRIBUTION OF SHAREHOLDERS

Close corporations	17	1,78	2 447 650	1,07
Individuals	776	81,43	88 803 435	38,97
Nominees and trusts	83	8,71	22 538 565	9,89
Other persons and corporations	31	3,25	15 483 594	6,79
Private companies	37	3,88	76 600 114	33,61
Public companies	7	0,73	18 356 090	8,06
Share trust	2	0,21	3 650 370	1,60
	953	100,00	227 879 818	100,00

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholdings	%	Number of shares	%
Non-public shareholders	14	1,47	85 182 838	37,38
Directors and associates' holdings	10	1,05	77 079 617	33,82
Own holdings	2	0,21	4 452 851	1,95
Share trust	2	0,21	3 650 370	1,60
Public shareholders	939	98,53	142 696 980	62,62
	953	100,00	227 879 818	100,00

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	Number of shares	%
Diamond, P	20 023 316	8,79
Druian, J D	19 611 050	8,61
Shane, S D	16 519 730	7,25
Morning Tide Investments 82 (Proprietary) Limited	13 000 000	5,70
First National Investors (Proprietary) Limited	12 181 818	5,35
Druian, W A	11 450 934	5,02
Ellerine Bros (Proprietary) Limited	10 000 000	4,39
	102 786 848	45,11

DIRECTORATE, ADMINISTRATION AND CORPORATE INFORMATION

DIRECTORS INFORMATION

Reginald S Berkowitz (70) – LLB
Chairman and non-executive director

Jason D Druian (35)
Chief executive officer

Scott M Campbell** (39) – BBS; Dip Bus Studies
Non-executive director

Paul Diamond (36)
Executive director

Megan Kruger (51)
Non-executive director

Lourens Louw (38) – B Comm
Financial Director

Stanley D Shane (37) – B Com
Member – SA Institute of Stockbrokers
Executive director

Robert L Shaw (57)
Executive director

Günter Z Steffens* (70)
Member – The Guild of International Bankers, London Brooks, London
Non-executive director

* German
** New Zealander

ADMINISTRATION

Registered office
1st Floor
3 Melrose Square
Melrose Arch, 2076

PO Box 97, Melrose Arch, 2076
Tel: (+27 11) 684 1055
Fax: (+27 11) 684 1058

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, JHI House
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
Merchant Sponsors (Proprietary) Limited
(Registration number: 2003/005493/07)

North Block, Hyde Park Office Tower
Corner 6th Road and Jan Smuts Avenue
Hyde Park, Johannesburg, 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")

Directors	**Company Secretary**	
Reginald S Berkowitz *	Probity Business Services (Proprietary) Limited	* Non-executive
Scott M Campbell *++		+ German
Paul Diamond		++ New Zealander
Jason D Druian		
Megan Kruger *		
Lourens Louw		
Stanley D Shane		
Robert L Shaw		
Günter Z Steffens *+		

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 sixth annual general meeting of members of Conduit Capital will be held in the company's boardroom, 1st Floor, 3 Melrose Square, Melrose Arch, Melrose North, Johannesburg, 2076, at 10:00 on Monday, 31 March 2008, for the following purposes:

ANNUAL FINANCIAL STATEMENTS

To receive, consider and adopt the annual financial statements of the group and the company for the 18-month period ended 31 August 2007.

RESOLUTIONS

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

1. Special Resolution Number 1 – General authority for share buy-backs

"Resolved that the directors be authorised pursuant, *inter alia,* to the company's Articles of Association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company and provided that this authority shall not extend beyond 15 (fifteen) months from date of passing this special resolution, for the company or any subsidiary of the company to acquire shares of the company, subject to the Listings Requirements of JSE Limited ("the JSE") and the Companies Act, 61 of 1973, on the following bases:

- repurchases of shares must be effected through the order book operated by the JSE trading system, and done without any prior arrangement between the company and the counter-party;
- the company (or its subsidiary) may only appoint one agent to effect repurchases on its behalf;

- the number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 September 2007) may not in the aggregate exceed 20% (twenty percent) of the company's share capital as at the date of this notice of annual general meeting;
- repurchases of shares may not be made at a price more than 10% (ten percent) above the weighted average of the market value on the JSE of the shares in question for the five business days immediately preceding the repurchase;
- repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless the dates and quantities of shares to be repurchased during the prohibited period have been determined and full details thereof announced on SENS prior to commencement of the prohibited period;
- repurchases may only take place if, after such repurchase, the shareholder spread of the company still complies with paragraphs 3.37 to 3.41 of the JSE Listings Requirements;
- after the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time; and
- the company's sponsor shall confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase."

In accordance with the JSE Listings Requirements, the directors record that:

Although there is no immediate intention to effect a repurchase of securities of the company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors, after considering the maximum number of securities which may be purchased and the price at which the repurchases may take place pursuant to the buy-back general authority, are of the opinion that for a period of 12 (twelve) months after the date of notice of this annual general meeting:

– the company and the group will be able to pay their debts in the ordinary course of business;

– the assets of the company and of the group will be in excess of the liabilities of the company and of the group. For this purpose, the assets and liabilities have been recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements; and

– the working capital, share capital and reserves of the company and of the group will be adequate for the purposes of the business of the company and its subsidiaries.

Disclosure

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of paragraph 11.26 of the JSE Listings Requirements for purposes of this general authority:

Directors and management – refer page 12.
Major beneficial shareholders – refer page 81.
Directors' interests in ordinary shares – refer page 74.
Share capital of the company – refer 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, collectively and individually, accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in terms of the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company or its subsidiaries since the date of signature of the audit report for the period ended 31 August 2007 and up to the date of this notice.

Reason for and effects of Special Resolution Number 1

The reason for Special Resolution Number 1 is to afford the directors of the company, or a subsidiary of the company, a general authority to effect a buy-back of the company's shares on the JSE, which authority shall be used at the directors' discretion during the course of the period so authorised. The effect of the resolution will be that the directors will have the authority, subject to the Rules and Requirements of the JSE, to effect acquisitions of the company's shares on the JSE.

2. Ordinary Resolution Number 1 – Re-appointment and remuneration of auditors

"Resolved that Grant Thornton be re-appointed as the auditors of the company and that the Board be authorised to determine the remuneration of the auditors."

3. Ordinary Resolution Number 2 – Ratification of director's appointment

"Resolved that the appointment of Günter Zeno Steffens as a non-executive director of the company be ratified."

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

Name:	Günter Zeno Steffens
Age:	70
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, most notably with Dresdner Bank AG. During this time he established and managed Dresdner Bank AG in London and later represented the bank in the capacity of Geographic Head for Southern Africa.

4. Ordinary Resolution Number 3 – Re-election of a non-executive director

"Resolved that Reginald Selwyn Berkowitz, who retires in accordance with the provisions of the Company's Articles of Association and who offers himself (being eligible) for re-election as a non-executive director of the company, be re-elected."

The occupation and relevant business experience of Reginald Selwyn Berkowitz is set out below:

Name: Reginald Selwyn Berkowitz
Age: 70
Role: Non-executive director (Independent)

Reggie studied for his Natal Law Certificate at the University of Natal, and won the Connor Memorial Prize as top student in the final exam in 1956. He was admitted as an Attorney and a Notary Public and Conveyancer to the Natal Supreme Court in 1959. Reggie established the law practice Berkowitz Kirkel Cohen Wartski Greenberg in 1965. In 1992 he joined Investec and became Group Legal Advisor. He retired in 2003 and was retained as a consultant until May 2005. He is non-executive Chairman of Business Connexion Group, 3 Cities Hotels Ltd, Oceanair Travel (Pty) Ltd (and is on the board of numerous private companies in a non-executive capacity). In addition, he is the Chairman and a trustee of the Beare Foundation and a member of the Securities Regulation Panel.

5. Ordinary Resolution Number 4 – Re-election of a non-executive director

"Resolved that Scott MacGibbon Campbell, who retires in accordance with the provisions of the Company's Articles of Association and who offers himself (being eligible) for re-election as a non-executive director of the Company, be re-elected."

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

Name: Scott MacGibbon Campbell
Age: 39
Nationality: New Zealander
Role: Non-executive director (Independent)

In 1989 Scott commenced his career in New Zealand with AMP Group. He joined Appleton in 1996 and was appointed Managing Director of Appleton International in 1997. He relocated the operation to London in 2000 and successfully developed the business as CEO whilst simultaneously acting as Chief Investment Officer. He resigned from Appleton in April 2002 to establish an institutional offshore fund management company, this resulted in the creation of Optimal Fund Management in July 2002. Scott has achieved a five-star ranking and awards from Standard & Poor's for the management of several of the Appleton range of offshore funds. Currently Scott is Managing Director MitonOptimal – Fund Management which is the result of a merger (in 2005) of Optimal and Miton Investments of the UK.

6. Ordinary Resolution Number 5 – Approval of non-executive directors' fees

"Resolved that the directors' fees paid by the company for the financial period ended 31 August 2007 (as disclosed in the Annual Financial Statements) be confirmed."

7. Ordinary Resolution Number 6 – Authority placing shares under directors' control

"Resolved that, until the following annual general meeting of shareholders, the remaining authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control of the directors of the company as an unconditional general authority in terms of section 221(2) of the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), with power to allot and issue all or any of such shares at their discretion, subject to sections 221 and 222 of the Act, the JSE Listings Requirements and the Articles of Association of the company."

8. Ordinary Resolution Number 7 – General issue of shares for cash

"Resolved that the directors of the company be and are hereby authorised, by way of general authority, to allot and issue the authorised but unissued ordinary shares in the capital of the company for cash, as they in their discretion deem fit, subject to the following limitations:

- the securities must be of a class already in issue;
- the securities must be issued to public shareholders and not to related parties;
- the general issues of shares for cash in the aggregate in any one financial year may not exceed 15% of the company's issued share capital of that class;
- the maximum discount at which securities may be issued is 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities;
- after the company has issued securities representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to that issue, the company shall publish an announcement containing full details of the issue and the impact of the issue on net asset value and earnings per share; and
- subject to the requirements of the JSE, this authority will be valid until the company's next annual general meeting or for 15 months from the date of the resolution, whichever period is shorter."

Voting

In terms of the JSE Listings Requirements, the approval of a 75% majority of the votes of all shareholders, present or represented by proxy and entitled to vote at the annual general meeting at which this ordinary resolution is proposed, is required to approve Ordinary Resolution Number 7.

9. Ordinary Resolution Number 8 – Authority to directors or company secretary to implement resolutions

"Resolved that any director of the company or the company secretary be and is hereby authorised to do all things and sign all such documents as may be necessary for and incidental to the implementation of the resolutions proposed at the meeting convened to consider the abovementioned resolutions."

OTHER BUSINESS

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

Voting and proxies

Certificated shareholders and dematerialised shareholders who have elected "own-name" registration in a sub-register of Conduit Capital maintained by a CSDP may attend, speak and vote at the annual general meeting. These shareholders who are unable to attend the annual general meeting but who wish to be represented thereat, are requested to complete and return the enclosed form of proxy in accordance with the instructions contained therein. The duly completed forms of proxy must be received by the transfer secretaries by no later than 48 hours before the appointed time of the annual general meeting.

Dematerialised shareholders who have not elected "own-name" registration in a sub-register of Conduit Capital maintained by a CSDP and who wish to attend the annual general meeting, must instruct their CSDP or broker timeously in order that such CSDP or broker may issue them with the necessary letter of representation or equivalent authority to attend.

Dematerialised shareholders who have not elected "own-name" registration in a sub-register of Conduit Capital maintained by a CSDP and who do not wish to attend the annual general meeting, must provide their CSDP or broker with their instruction for attendance or voting at the general meeting in the manner stipulated in the agreement between the shareholder concerned and the CSDP governing the relationship between such shareholder and his CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.Conduit Capital does not accept responsibility and will not be held liable for any failure on the part of the CSDP of a dematerialised shareholder to notify such shareholder of the annual general meeting or any business to be conducted thereat.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

A proxy form is attached for use by members holding certificated ordinary shares in the company or dematerialised ordinary shares in the company through a CSDP and who have selected "own name" registration. Such form of proxy, duly completed, should be forwarded to reach the company's transfer secretaries by not less than 48 hours before the appointed time of the annual general meeting.

By order of the Board

CONDUIT CAPITAL LIMITED

Probity Business Services (Proprietary) Limited
Company secretary

Melrose Arch
25 February 2008

Registered office

1st Floor
3 Melrose Square
Melrose Arch, 2076

PO Box 97, Melrose Arch, 2076

Transfer secretaries

Computershare Investor Services (Proprietary) Limited
(Registration number: 2004/003647/07)
Ground Floor, 70 Marshall Street
Johannesburg, 2001

PO Box 61051, Marshalltown, 2107

Designed by motiv
Printed by INCE

CONDUIT CAPITAL LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1998/017351/06)
Share code: CND ISIN: ZAE000073128
("the company")

Directors

Reginald S Berkowitz *
Scott M Campbell *++
Paul Diamond
Jason D Druian
Megan Kruger *
Lourens Louw
Stanley D Shane
Robert L Shaw
Günter Z Steffens *+

Company Secretary

Probity Business Services
(Proprietary) Limited

* Non-executive
+ German
++ New Zealander

For use by Conduit Capital shareholders holding certificated shares or dematerialised shareholders who have elected "own-name" registration only, at the annual general meeting of shareholders to be held at 10:00 on Monday, 31 March 2008 in the boardroom of the company, 1st Floor, 3 Melrose Square, Melrose Arch, Johannesburg, 2076.

Dematerialised shareholders holding shares other than with "own name" registration must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting. They must request their CSDP or broker to issue them with the necessary Letter of Representation to attend the annual general meeting in person and vote, or they must provide their CSDP or broker with their voting instructions, should they not wish to attend the annual general meeting in person but wish to be represented thereat. These shareholders must **not** use this form of proxy.

I/We ______________________________
(NAME/S IN BLOCK LETTERS)

of ______________________________
(ADDRESS IN BLOCK LETTERS)

TELEPHONE (W) (   ) ______________ TELEPHONE (H) (   ) ______________

being the registered holder of [   ] ordinary shares of 1 cent each in the issued share capital of the company, hereby appoint:

1. ______________________________ of

______________________________ ; or failing him/her

2. ______________________________ of

______________________________ ; or failing him/her

3. the Chairman of the annual general meeting as my/our proxy to vote or abstain from voting on my/our behalf at the annual general meeting of the company to be held at 10:00 on Monday, 31 March 2008 in the boardroom of the company, 1st Floor, 3 Melrose Square, Melrose Arch, Johannesburg, 2076 (and at any adjournment thereof), for the purpose of considering, and if deemed fit, passing, with or without modification, the following resolutions:

FORM OF PROXY

Resolutions		For*	Against*	Abstain*
1.	Special Resolution Number 1 General authority for share buy-backs			
2.	Ordinary Resolution Number 1 Re-appointment and remuneration of auditors			
3.	Ordinary Resolution Number 2 Ratification of G Z Steffens's appointment as a non-executive director			
4.	Ordinary Resolution Number 3 Re-election of R S Berkowitz as a non-executive director			
5.	Ordinary Resolution Number 4 Re-election of S M Campbell as a non-executive director			
6.	Ordinary Resolution Number 5 Approval of non-executive directors' fees			
7.	Ordinary Resolution Number 6 Authority placing shares under directors' control			
8.	Ordinary Resolution Number 7 General issue of shares for cash			
9.	Ordinary Resolution Number 8 Authority to directors or company secretary to implement resolutions			

* Mark "for", "against" or "abstain" by means of a tick or a cross in the appropriate box provided, as required. If no options are marked the proxy will be entitled to vote as he/she thinks fit.

Except as instructed overleaf, or if no instructions are inserted above, my proxy may vote as he/she thinks fit.

SIGNED at ______________________ this ______________ day of ______________ 2008

....

MEMBER'S NAME (in full) MEMBER'S SIGNATURE

Assisted by (where applicable):

....

NAME (in full) SIGNATURE

A shareholder entitled to attend and vote at the abovementioned annual general meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a member of the company.

Forms of proxy must be deposited at Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001or posted to PO Box 61051, Marshalltown, 2107 so as to arrive by not less than 48 hours before the appointed time of the annual general meeting.

NOTES

1. A shareholder who holds shares that are not dematerialised or who holds dematerialised shares in their "own name" may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting the words "the Chairman 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 of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. Failure to comply with the above 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 relating to the resolutions proposed in this form of proxy.
3. The forms of proxy should be lodged at Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to PO Box 61051, Marshalltown, 2107 so as to be received by no less than 48 hours before the appointed time of the annual general meeting.
4. 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, should such shareholder wish to do so.
5. The Chairman 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, provided that the Chairman is satisfied as to the manner in which a member wishes to vote.
6. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.
7. 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.
8. Where there are joint holders of shares:
   - 8.1 any one holder may sign this form of proxy; and
   - 8.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
9. Every holder of ordinary shares present in person or by proxy at the annual general meeting of the company shall be entitled to vote on a show of hands and on a poll, every holder of ordinary shares present in person or by proxy shall been entitled to one vote for every ordinary share held by him/her, subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the company's articles.
10. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held.
11. A vote in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death of the principal, or revocation of the power or transfer of the shares in respect of which the vote is given, provided no intimation in writing of the death, revocation or transfer shall have been received at the registered office of the company or by the Chairman of the annual general meeting before the vote is given.

CONDUIT CAPITAL

1st Floor 3 Melrose Square Melrose Arch
T +27 11 684 1055 F +27 11 684 1058