2010

CONDUIT CAPITAL LIMITED

(Registration number 1998/017351/06)

ANNUAL FINANCIAL STATEMENTS

31 August 2010

CONTENTS

CHIEF EXECUTIVE OFFICER'S REVIEW

REVIEW OF OPERATIONS

General

Notwithstanding the overall reduction in group profitability for the year ended 31 August 2010, all operating segments were profitable and net asset value advanced to 97.15 cents per share (2009: 92.65 cents).

A material change to attributable earnings relates to an R8.3 million reduction in interest earned on cash balances. Average daily cash held on deposit in the 2010 financial year amounted to R240.5 million (2009: R245.5 million), which earned interest at an average of 6.03% compared with 9.31% in the 2009 financial year. Maintaining appropriate levels of cash reflects the importance that the group places on maintaining the A– credit rating in the Insurance division.

Conduit Insurance and Risk Services

Underwriting

Higher retentions led to a 37.20% increase in net written premium and a 6.50% overall increase in underwriting profitability, before group overhead. A controlled claims and underwriting management regime made a valuable contribution to performance in the individual classes of business, the majority of which produced positive underwriting results.

Marketing and distribution

The current growth and diversification in the portfolio is very encouraging and will over time serve to reduce concentration risk, negate volatility and bring to bear the benefits of scale. In this regard marketing and distribution initiatives are proving successful and are expected to result in further advances in premium growth, underwriting profitability and return on capital. The appointment and acquisition of a number of intermediaries in both the long and short-term operations will establish pivotal distribution channels for penetration into targeted but previously inaccessible markets.

Insurance float

The insurance "float" which comprises cash generated from technical insurance reserves and timing differences between premium inflows and claims outflows amounted to R101.1 million (2009: R86.8 million).

Solvency and global credit rating

The increase in net written premium had the effect of moving the local solvency measure to a more realistic level of 37% (or 48% on an international basis). Management anticipates sustaining this level throughout the 2011 financial year. Constantia Insurance Company Limited's credit rating has been maintained at A–.

Conduit Direct

Anthony Richards and Associates (Proprietary) Limited (40% held) once again produced outstanding results, increasing profitability by 20% over the comparable period. Staff count swelled to over 900 people servicing an admirable spread of blue chip clients across multiple sectors. Additional organic growth spurred on by performance in existing and new portfolios has further diversified revenue streams and bodes well for future earnings.

Conduit Private Equity

On 11 November 2010 it was announced that Conduit Capital had acquired a 20.5% interest in Amalgamated Electronics Corporation Limited ("Amecor"), a company listed in the "Electronic and Electrical Equipment" sector of the main board of the JSE, for a total purchase consideration of R21.29 million. Amecor holds a number of businesses specialising in the design, manufacture and distribution of electronic security solutions, radio frequency networks, alternative power and power optimisation machinery to the domestic, corporate and industrial sectors in South Africa, neighbouring territories and the overseas market.

The acquisition signifies an important development in furthering Conduit's private equity interests and diversifying the group's activities into pertinent sectors of the economy.

Results

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

	2010	2009
Net asset value (R'000)	**243 144**	231 888
Tangible net asset value (R'000)	**196 867**	185 448
Total revenue (R'000)	**771 207**	816 394
Net revenue after direct insurance expenses (R'000)	**384 030**	314 812
Profit before tax (R'000)	**29 595**	36 080
Headline earnings (R'000)	**11 392**	14 464
Number of shares in issue (net of treasury shares) ('000)	**250 277**	250 277
Weighted average number of shares ('000)	**250 277**	250 277
Diluted number of shares ('000)	**254 258**	251 449
Net asset value per share (cents)	**97.15**	92.65
Tangible net asset value per share (cents)	**78.66**	74.10
Profit before tax per share (cents)	**11.82**	14.42
Basic earnings per share (cents)	**4.55**	6.29
Headline earnings per share (cents)	**4.55**	5.78
Diluted earnings per share (cents)	**4.48**	6.26
Diluted headline earnings per share (cents)	**4.48**	5.75

CONCLUSION

The footing gained in the "… measured product, marketing, technology and distribution development initiatives" referred to in the 2009 annual report continues into 2011. Many of these undertakings were implemented successfully and are expected to steadily mature and make a meaningful contribution to the group's overall growth and development objectives. We are confident that as these initiatives ripen and our strategies to counter the negative interest rate cycle and improve return on capital gain traction, Conduit will emerge poised for aggressive expansion. From an adventurous 2010 we look forward to an exciting 2011.

Jason D Druian
Chief Executive Officer

Johannesburg
15 November 2010

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 II Report on corporate governance and are committed to the implementation thereof. During the year under review, there has been compliance with the Code in all material aspects.

FINANCIAL STATEMENTS

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

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

GOING CONCERN

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

STRUCTURE OF THE BOARD

The board of directors consists of eight members. The directors have a wide range of skills and the majority have financial services experience. Any changes to the composition of the board are approved by the board as a whole. All executive directors and non-executive directors are subject to re-election in accordance with the provisions of the Articles of Association.

New directors will be nominated and appointed by the board, as and when required. All directors so appointed are required to step down at the next annual general meeting (“AGM”) in order for them to be re-elected by the shareholders. An abridged CV of the nominated director is sent to shareholders with the notice 21 days before the AGM. At the AGM shareholders vote by separate resolution to determine whether the director will be re-elected.

The capacity of the directors can be categorised as follows:

- Reginald Berkowitz — *Independent non-executive director and Chairman*
- Jason Druian — *Executive director – Chief Executive Officer*
- Scott Campbell # — *Independent non-executive director*
- Lourens Louw — *Financial director*
- Larry Prosser — *Executive director*
- Stanley Shane — *Non-executive director*
- Günter Steffens ## — *Independent non-executive director*
- Gavin Toet — *Executive director*

New Zealander ## German

Gavin Toet was appointed as a director on 8 September 2009 and stepped down and was duly re-elected by the shareholders at the AGM held on 17 February 2010.

Larry Prosser was appointed as a director on 2 March 2010.

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

- Reginald Berkowitz — *Independent non-executive director and Chairman*
- Jason Druian — *Executive director – Chief Executive Officer*
- Larry Prosser — *Executive director*
- Stanley Shane — *Non-executive director*

The board is aware that during the year under review there were more executive than non-executive directors. The board's independence will however be maintained by:

- keeping the roles of the Chairman and the Chief Executive Officer separate;
- ensuring functioning board committees are comprised mainly of non-executive directors;
- all directors, with permission of the board, being entitled to seek independent professional advice on the group's affairs at the group's expense;
- all directors having access to the advice and the services of the company secretary; and
- the appointment or dismissal of the company secretary being decided by the board as a whole and not by one individual director.

ATTENDANCE AT BOARD MEETINGS

At least four board meetings are held each year.

Name	3 November 2009	17 February 2010	22 April 2010	16 September 2010
Berkowitz, R S	P	P	P	P
Campbell, S M	P	P	P	P
Druian, J D	P	P	P	P
Louw, L E	P	P	P	P
Prosser, H L	–	–	P	P
Shane, S D	P	P	P	P
Steffens, G Z	P	A	P	P
Toet, G	P	P	P	P
Number of board members	7	7	8	8
Number present	7	6	8	8

Key: P = Present/Participated
A = Apology/Absent
– = Not a director at the time

AUDIT COMMITTEE

The audit committee consists of three independent non-executive directors, Messrs Günter Steffens (the Chairman of the committee), Reginald Berkowitz and Scott Campbell. 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 is maintained in the group. The committee also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses the accounting implications of major transactions.

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

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Name	3 November 2009	22 April 2010	16 September 2010
Steffens, G Z	P	P	P
Berkowitz, R S	P	P	P
Campbell, S M	P	P	P
Druian, J D	*	*	*
Louw, L E	*	*	*
Number of committee members	3	3	3
Number present	3	3	3

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

REVIEW OF MANAGEMENT AND FINANCIAL CONTROLS

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

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

INTERNAL CONTROL

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

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

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

RISK MANAGEMENT

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

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

ATTENDANCE AT FORMAL RISK COMMITTEE MEETINGS

Name	8 February 2010	15 April 2010	5 August 2010
Steffens, G Z	P	P	P
Alberts, R	A	P	P
Louw, L E	P	P	P
Toet, G	P	P	P
Number of committee members	4	4	4
Number present	3	4	4

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

REMUNERATION COMMITTEE

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

During the year under review the remuneration committee comprised the independent Chairman of the board, two independent non-executive directors and the Chief Executive Officer. Going forward, the Chief Executive Officer will attend Remuneration Committee meetings by invitation, but he will not be a committee member. The committee meets three times per year.

ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS

Name	22 October 2009	17 February 2010	16 September 2010
Berkowitz, R S	P	P	P
Campbell, S M	P	P	P
Druian, J D	P	P	*
Steffens, G Z	A	A	P
Number of committee members	4	4	4
Number present	3	3	4

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

EMPLOYMENT EQUITY AND PRACTICES

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

The directors are of the view that affirmative action, structured in an economically viable and self-sustaining manner, is an essential and integral part of a sound employment strategy. 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 2010

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

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

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

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

The directors have reviewed the group's cash flow forecasts for the year to 31 August 2011 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 12 to 80, which have been prepared on the going concern basis, were approved by the Board on 15 November 2010 and were signed on its behalf by:

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

Johannesburg
15 November 2010

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, Conduit Capital Limited and its subsidiaries have lodged with the Registrar of Companies all such returns as are required in terms of the Act and that all such returns are true, correct and up to date.

Probity Business Services (Proprietary) Limited
Company Secretary

Johannesburg
15 November 2010

REPORT OF THE AUDIT COMMITTEE

This report is issued to the shareholders of Conduit Capital Limited ("Conduit" or "the company") pursuant to the Audit Committee's duty to report in terms of s270A(1)(f) the Companies Act, No. 61 of 1973, as amended, specifically by the Corporate Laws Amendment Act, No. 24 of 2006.

Role and mandate of the Audit Committee

The Audit Committee is a committee of the Board of Directors of Conduit and, in addition to having specific statutory responsibilities to the shareholders in terms of the Companies Act, it assists the Company and its subsidiaries' ("the group") boards through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the group. Its duties and terms of reference are set out in a formal Charter, approved by the board of directors of the company.

Composition of meetings

The Audit Committee comprises three independent non-executive directors: Mr G Z Steffens (Chairman), Mr R S Berkowitz and Mr S M Campbell.

The Chief Executive, the Financial Director, senior financial executives and representatives from the external auditors attended the meetings by invitation only.

The external auditors enjoy unrestricted access to the Audit Committee and its Chairman and during the year time was allotted for the committee and the external audit representatives to meet without the management team present.

Frequency of meetings

Meetings were held in November 2009, April 2010 and September 2010. All members attended each meeting.

Statutory responsibilities

In fulfilment of its statutory duties the Audit Committee during the year:

1. nominated Grant Thornton for appointment at the AGM as the group's external auditors for the 2010 financial year;
2. agreed the fees to be paid to the external auditors and reviewed the other terms of their engagement;
3. ensured that the appointment of the external auditors complied with all applicable legislation;
4. determined the nature and extent of non-audit work to be performed by Grant Thornton and pre-approved any non-audit engagements; and
5. made itself available to deal with any complaints relating to the accounting practices or the internal audit of the group or relating to the content or audit of the financial statements of the group or any related matters. No such matters were, however, referred to the committee.

Independence of the external auditors

The committee has satisfied itself that Grant Thornton is independent.

Other responsibilities

In addition to its statutory responsibilities, the Audit Committee has executed its duties over the past financial year in accordance with its Charter. These duties included:

1. recommending the half-year and annual financial results of the group to the Board after reviewing the results and the accounting policies applied, considering the external auditors' comments and reviewing any significant estimates or assumptions included in the results;
2. considering the going concern status of the group and making a recommendation to the Board on such;
3. monitoring the internal control environment;
4. overseeing the development of the internal audit function;
5. overseeing the performance of the risk management function; and
6. satisfying itself that the Financial Director is adequately experienced and qualified.

G Z Steffens
Audit Committee Chairman

Johannesburg
15 November 2010

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CONDUIT CAPITAL LIMITED

We have audited the group annual financial statements and company annual financial statements of Conduit Capital Limited, which comprise the consolidated and separate statements of financial position as at 31 August 2010, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 12 to 80.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Grant Thornton

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

Per **S Ho**
Chartered Accountant (SA)
Registered Auditor

137 Daisy Street, Sandown, Johannesburg, 2196
15 November 2010

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 31 August 2010.

NATURE OF THE BUSINESS

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

SHARE CAPITAL

The authorised share capital of the company is 500 000 000 ordinary shares of one cent each (2009: 500 000 000).

There were no changes to the issued share capital or to treasury shares during the year. See note 16 of the annual financial statements for further details.

SHARE PREMIUM

The group's share premium account amounted to R196.65 million (2009: R196.65 million). See note 17 of the annual financial statements for further details.

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

1. The group acquired property, plant and equipment, software and other intangible assets of approximately R3.1 million (2009: R5.6 million) during the year.

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

1. The business of Truck and General Insurance Company Limited, a 60% subsidiary with an attributable asset value of approximately R2.08 million was sold for R6.75 million, resulting in a net profit on sale of R4.67 million;
2. Assets held for sale with a book value of approximately R3.16 million were sold for a net consideration of R3.84 million;
3. Investments in associate companies were impaired through the statement of comprehensive income at a loss of approximately R1.37 million (2009: R1.2 million, which excludes a net profit on disposal and revaluation of R2.74 million); and
4. Insurance receivables of R2.85 million and debtors of R0.09 million were written off through the statement of comprehensive income at a total loss of approximately R2.94 million (2009: R0.12 million impaired). No previous period impairments were reversed through the statement of comprehensive income (2009: R5.22 million).

INTEREST IN SUBSIDIARIES

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

	2010 R'000	2009 R'000
Profits	**27 551**	27 146
Losses	**(15 432)**	(7 279)

SUBSEQUENT EVENTS

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

DIRECTORS AND OFFICERS

The following persons acted as directors:

Name			Appointed
Berkowitz, Reginald S	*(Chairman)*	# * R	24 May 2005
Campbell, Scott M ++		# * R	9 April 2000
Druian, Jason D	*(Chief Executive Officer)*		24 May 2005
Louw, Lourens E	*(Financial Director)*		25 August 2004
Prosser, Harold L			2 March 2010
Shane, Stanley D		**	21 January 1999
Steffens, Günter Z +		# * R	26 April 2007
Toet, Gavin			8 September 2009

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

With effect from 1 September 2010, the status of Mr Stanley David Shane changed from that of executive director to non-executive director. Mr Shane retains various directorships in subsidiary companies of the group.

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

DIRECTORS' SHAREHOLDING

As at 31 August 2010 certain directors beneficially owned 62 211 575 ordinary shares in Conduit Capital (2009: 56 120 839). The directors held rights to a further 8 000 000 share options under the IMR Share Trust (2009: 1 350 000). Full details of these holdings are disclosed in note 38 to the annual financial statements.

DIRECTORS' INTEREST IN CONTRACTS

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

BORROWING LIMITATIONS OF DIRECTORS

In terms of the Articles of Association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate. At 31 August 2010 and 31 August 2009 the company's borrowings totalled as follows:

	2010 R'000	2009 R'000
– Borrowings from other group companies	**3 346**	7 393
– Borrowings from external sources	**–**	14
– Total borrowings	**3 346**	7 407

DIRECTORS' REPORT (continued)

DIVIDENDS

The board has not recommended a dividend payment to ordinary shareholders for the 2010 financial year (2009: Nil).

AUDIT COMMITTEE

The Audit Committee 's report appears on page 10.

AUDITORS

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

SPECIAL RESOLUTIONS

A special resolution that extended the mandate given to the company (or one of its wholly-owned subsidiaries), by way of a general approval, to acquire the company's own securities upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Companies Act, 1973, as amended, and the Listings Requirements of JSE Limited and subject to certain terms and conditions, was approved by shareholders at the company's annual general meeting that was held on 17 February 2010. The special resolution was registered by the Registrar of Companies on 5 March 2010.

STATEMENTS OF FINANCIAL POSITION

	Notes	GROUP 31 August 2010 R'000	GROUP 31 August 2009 R'000	COMPANY 31 August 2010 R'000	COMPANY 31 August 2009 R'000
ASSETS					
Non-current assets		**107 229**	91 911	**153 762**	153 102
– Property, plant and equipment	4	**14 998**	15 648	**240**	248
– Intangible assets	5	**46 277**	46 440	**53**	72
– Loans receivable	6	**6 884**	5 917	**–**	–
– Deferred taxation	7	**7 976**	6 830	**–**	–
– Investment properties	8	**3 403**	8 545	**–**	–
– Investment in associates	9	**756**	2 469	**49**	–
– Investment in subsidiaries	10	**–**	–	**153 420**	152 782
– Investments held at fair value	11	**26 935**	6 062	**–**	–
Current assets		**595 334**	644 673	**13 295**	10 111
– Insurance assets	12	**228 542**	269 744	**–**	–
– Investments held at fair value	11	**3 858**	858	**–**	–
– Trade and other receivables	13	**91 519**	87 209	**105**	166
– Taxation		**1 160**	12 012	**–**	–
– Cash and cash equivalents	14	**270 255**	274 850	**13 190**	9 945
Non-current assets held for sale	15	**15 050**	14 900	**–**	–
Total assets		**717 613**	751 484	**167 057**	163 213
EQUITY AND LIABILITIES					
Capital and reserves		**259 563**	246 511	**163 193**	155 347
– Ordinary share capital	16	**2 503**	2 503	**2 564**	2 564
– Share premium	17	**196 652**	196 652	**223 477**	223 477
– Retained earnings (Accumulated losses)		**43 626**	31 729	**(63 211)**	(71 698)
– Share-based payment reserve	19	**363**	1 004	**363**	1 004
Equity attributable to equity holders of the parent		**243 144**	231 888	**163 193**	155 347
Non-controlling interest		**16 419**	14 623	**–**	–
Non-current liabilities		**40 054**	52 245	**–**	–
– Policyholder liabilities under insurance contracts	20	**21 837**	24 548	**–**	–
– Interest-bearing borrowings	21	**12 661**	18 873	**–**	–
– Deferred taxation	7	**5 556**	8 824	**–**	–
Current liabilities		**417 996**	452 728	**3 864**	7 866
– Insurance liabilities	12	**307 848**	332 031	**–**	–
– Vendors for cash	22	**90**	90	**–**	–
– Loans payable	36.2	**–**	–	**3 346**	7 393
– Trade and other payables	23	**102 178**	111 036	**518**	459
– Current portion of interest-bearing borrowings	21	**6 235**	5 566	**–**	–
– Taxation		**1 636**	3 991	**–**	–
– Bank overdraft	14	**9**	14	**–**	14
Total equity and liabilities		**717 613**	751 484	**167 057**	163 213

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	GROUP 31 August 2010 R'000	GROUP 31 August 2009 R'000	COMPANY 31 August 2010 R'000	COMPANY 31 August 2009 R'000
Gross revenue	24	**771 207**	816 394	**3 788**	6 334
Net insurance revenue	25	**296 457**	216 000	**–**	–
Other operating revenue	24.2	**87 573**	98 812	**3 788**	6 334
Net revenue		**384 030**	314 812	**3 788**	6 334
Operating expenses		**(374 304)**	(299 150)	**(2 329)**	(7 188)
– Direct expenses: Insurance and risk services	26	**(246 314)**	(168 928)	**–**	–
– Administration and other expenses		**(54 963)**	(52 926)	**(1 137)**	(1 990)
– Depreciation and amortisation		**(3 152)**	(3 019)	**(68)**	(130)
– Employee costs		**(69 875)**	(74 277)	**(1 124)**	(5 068)
Operating profit (loss)		**9 726**	15 662	**1 459**	(854)
Income from associates		**57**	2 171	**–**	–
Investment income	27	**18 119**	18 607	**6 025**	5 717
Other income		**3 790**	3 208	**–**	–
Finance charges	28	**(2 097)**	(3 568)	**(1)**	(5)
Profit before taxation	29	**29 595**	36 080	**7 483**	4 858
Taxation	32	**(6 006)**	(11 454)	**–**	–
Profit for the year		**23 589**	24 626	**7 483**	4 858
Other comprehensive income		**–**	–	–	–
Total comprehensive income		**23 589**	24 626	**7 483**	4 858
Attributable to:					
Equity holders of the parent		**11 389**	15 740		
Non-controlling interest		**12 200**	8 886		
Profit for the year		**23 589**	24 626		
EARNINGS PER SHARE (CENTS)					
– Basic	34.4.1	**4.55**	6.29		
– Diluted	34.4.2	**4.48**	6.26		

STATEMENT OF CHANGES IN EQUITY

GROUP	Ordinary share capital R'000	Share premium R'000	Retained earnings R'000	Share-based payment reserve R'000	Non-controlling interest R'000	Total R'000
Balance at 1 September 2008	2 503	196 717	15 989	604	13 074	228 887
Cost of issue of shares	–	(65)	–	–	–	(65)
Disposal of interest in subsidiary	–	–	–	–	(2 248)	(2 248)
Total comprehensive income for the year	–	–	15 740	–	8 886	24 626
Equity options issued to executives	–	–	–	400	–	400
Dividends paid	–	–	–	–	(5 089)	(5 089)
Balance at 31 August 2009	2 503	196 652	31 729	1 004	14 623	246 511
Reversal of equity options	–	–	1 004	(1 004)	–	–
Transaction with owners	–	–	(496)	–	(4)	(500)
Total comprehensive income for the year	–	–	11 389	–	12 200	23 589
Equity options issued to executives	–	–	–	363	–	363
Dividends paid	–	–	–	–	(10 400)	(10 400)
Balance at 31 August 2010	2 503	196 652	43 626	363	16 419	259 563

COMPANY	Ordinary share capital R'000	Share premium R'000	Accumu-lated losses R'000	Share-based payment reserve R'000	Total R'000
Balance at 1 September 2008	2 564	223 542	(76 556)	604	150 154
Cost of issue of shares	–	(65)	–	–	(65)
Total comprehensive income for the year	–	–	4 858	–	4 858
Equity options issued to executives	–	–	–	400	400
Balance at 31 August 2009	2 564	223 477	(71 698)	1 004	155 347
Reversal of equity options	–	–	1 004	(1 004)	–
Total comprehensive income for the year	–	–	7 483	–	7 483
Equity options issued to executives	–	–	–	363	363
Balance at 31 August 2010	2 564	223 477	(63 211)	363	163 193

STATEMENTS OF CASH FLOWS

	Notes	GROUP 31 August 2010 R'000	GROUP 31 August 2009 R'000	COMPANY 31 August 2010 R'000	COMPANY 31 August 2009 R'000
Cash flows from operating activities		**17 339**	54 422	**8 034**	20 362
– Cash generated by operations	35.2	**14 871**	50 120	**2 010**	14 651
– Interest received		**15 527**	23 304	**1 625**	2 902
– Finance charges		**(2 097)**	(3 568)	**(1)**	(5)
– Dividends received		**1 169**	284	**4 400**	2 814
– Dividends paid		**(10 400)**	(5 089)	**–**	–
– Taxation paid	35.3	**(1 731)**	(10 629)	**–**	–
Cash flows from investing activities		**(14 116)**	18 885	**(728)**	(11 855)
– Acquisition of subsidiaries	35.4	**(500)**	–	**(638)**	(11 844)
– Disposal of subsidiaries	35.4	**6 755**	2 500	**–**	–
– Disposal of associates		**73**	4 362	**–**	–
– Loans repaid by (advanced to) associates		**(34)**	87	**(49)**	–
– Dividends received from associates		**360**	1 393	**–**	–
– Acquisition of property, plant and equipment		**(2 582)**	(3 304)	**(43)**	(13)
– Disposal of property, plant and equipment		**37**	1 301	**6**	3
– Acquisition of investment properties		**(17)**	(381)	**–**	–
– Disposal of property held for sale		**3 836**	–	**–**	–
– Acquisition of other intangible assets		**(511)**	(1 917)	**(11)**	(1)
– Disposal of other intangible assets		**47**	45	**7**	–
– Acquisition of financial investments		**(38 901)**	(1 092)	**–**	–
– Disposal of financial investments		**17 321**	15 891	**–**	–
Cash flows from financing activities		**(7 811)**	(10 046)	**(4 047)**	(3 044)
– Proceeds from new share issue		**–**	(65)	**–**	–
– Movement in interest bearing borrowings		**(5 543)**	(2 869)	**–**	–
– Movement in loans payable		**–**	(2 959)	**(4 047)**	(3 044)
– Movement in loans receivable		**(2 268)**	(4 153)	**–**	–
Net (decrease) increase in cash and cash equivalents		**(4 588)**	63 261	**3 259**	5 463
Cash and cash equivalents at the beginning of the year		**274 836**	212 997	**9 931**	4 468
Cash disposed of		**(2)**	(1 422)	**–**	–
Cash and cash equivalents at the end of the year		**270 246**	274 836	**13 190**	9 931

SEGMENTAL ANALYSIS OF EARNINGS

Segment reporting

In identifying its operating segments, management generally follows the group's product lines, which represent the main products and services provided by the group.

The group operates four main business segments: Insurance and risk services, Direct sales, Financial services and Private equity, while the Head office and treasury function is also reported as a separate business segment.

Each of these operating segments is managed separately as each one requires different technologies and other resources, as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

	Head office and treasury R'000	Insurance and risk services R'000	Direct R'000	Financial services R'000	Private equity R'000	Inter-segment eliminations R'000	Consoli-dation entries R'000	Total R'000
Year ended 31 August 2010								
Gross revenue	12 709	696 611	72 931	458	1 655	(13 157)	–	771 207
– External customers	10	696 611	72 931	–	1 655	–	–	771 207
– Other operating segments	12 699	–	–	458	–	(13 157)	–	–
Net insurance revenue	–	296 457	–	–	–	–	–	296 457
Other operating revenue	12 709	12 977	72 931	458	1 655	(13 157)	–	87 573
Net revenue	12 709	309 434	72 931	458	1 655	(13 157)	–	384 030
Operating expenses	(20 166)	(314 844)	(50 716)	(336)	(1 402)	13 160	–	(374 304)
– Direct expenses: Insurance and risk services	–	(246 314)	–	–	–	–	–	(246 314)
– Administration and other expenses	(5 297)	(39 043)	(22 445)	(112)	(1 205)	13 139	–	(54 963)
– Depreciation and amortisation	(113)	(1 737)	(1 284)	(9)	(9)	–	–	(3 152)
– Employee costs	(14 756)	(27 750)	(26 987)	(215)	(188)	21	–	(69 875)
Operating profit (loss)	(7 457)	(5 410)	22 215	122	253	3	–	9 726
Income (loss) from associates	–	91	–	–	(34)	–	–	57
Investment income	9 094	12 608	688	80	51	(2)	(4 400)	18 119
Other income	13	3 777	–	–	–	–	–	3 790
Finance charges	(1)	(2 095)	–	–	–	(1)	–	(2 097)
Profit before taxation	1 649	8 971	22 903	202	270	–	(4 400)	29 595
Taxation	1 373	214	(7 433)	(53)	(107)	–	–	(6 006)
Profit for the year	3 022	9 185	15 470	149	163	–	(4 400)	23 589
Non-controlling interest	–	(2 878)	(9 283)	–	(39)	–	–	(12 200)
Profit attributable to ordinary shareholders	3 022	6 307	6 187	149	124	–	(4 400)	11 389
Headline adjustments	–	3	–	–	–	–	–	3
Headline earnings	3 022	6 310	6 187	149	124	–	(4 400)	11 392
As at 31 August 2010								
Total assets [Note A]	176 919	642 754	42 546	5 177	1 417	(148 837)	(2 363)	717 613
Total liabilities	(2 785)	(575 460)	(21 052)	(5 783)	(1 804)	148 834	–	(458 050)
Non-controlling interest	–	(2 776)	(13 529)	–	(117)	3	–	(16 419)
Equity attributable to ordinary shareholders	174 134	64 518	7 965	(606)	(504)	–	(2 363)	243 144
Note A:								
Total assets include the following:								
– Investment in associates	*–*	*708*	*48*	*–*	*–*	*–*	*–*	*756*
– Additions to property, plant and equipment	*297*	*568*	*1 744*	*3*	*8*	*(38)*	*–*	*2 582*
– Additions to intangible assets (Computer software)	*10*	*211*	*287*	*3*	*–*	*–*	*–*	*511*
– Additions to investment property	*–*	*17*	*–*	*–*	*–*	*–*	*–*	*17*

SEGMENTAL ANALYSIS OF EARNINGS (continued)

	Head office and treasury R'000	Insurance and risk services R'000	Direct R'000	Financial services R'000	Private equity R'000	Inter-segment eliminations R'000	Consoli-dation entries R'000	Total R'000
Year ended 31 August 2009								
Gross revenue	7 190	752 039	63 298	189	1 922	(8 244)	–	816 394
Net revenue	7 190	250 457	63 298	189	1 922	(8 244)	–	314 812
Investment income	5 429	15 140	705	49	84	–	(2 800)	18 607
Profit (Loss) before taxation	(938)	20 132	19 054	47	585	–	(2 800)	36 080
Attributable earnings (loss)	626	12 374	5 190	47	303	–	(2 800)	15 740
Minority interest	–	1 040	7 784	–	62	–	–	8 886
Depreciation and amortisation	156	1 825	1 039	11	(12)	–	–	3 019
Total assets	173 896	694 054	35 705	5 121	1 470	(156 399)	(2 363)	751 484
Total liabilities	(3 147)	(631 645)	(18 681)	(5 876)	(2 020)	156 396	–	(504 973)
Capital expenditure	14	4 573	1 015	–	–	–	–	5 602

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.

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

Trade and other receivables

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

Investment properties

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

Insurance liabilities

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

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

2. SIGNIFICANT JUDGEMENTS (continued)

Investment in subsidiaries, associates and unlisted equities

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

Additional judgements include:

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

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

3. BASIS OF CONSOLIDATION

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

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

– it is probable that future economic benefits associated with the item will flow to the group; 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 reassessed on an annual basis and its carrying value is restated by applying an appropriate depreciation charge against the statement of comprehensive income, unless the depreciation charge is included in the carrying amount of another asset.

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

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Category	*Expected useful life*
Motor vehicles	5 years
Computer hardware	3 – 6 years
Furniture & fittings	6 – 10 years
Office equipment	5 – 10 years
Leasehold improvements	Over the lease term or the useful life, whichever is the lesser
Owner occupied property	20 years

5. GOODWILL

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

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

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

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

6. INTANGIBLE ASSETS

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

Intangible assets are initially recognised at cost.

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

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

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

7. INVESTMENT PROPERTIES

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

7. INVESTMENT PROPERTIES (continued)

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

8. ASSOCIATE COMPANIES

Group

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

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

Impairment losses reduce the carrying amount of investments in associates.

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

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

Company

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

9. INVESTMENT IN SUBSIDIARIES

Company

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

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

– the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the company; plus
– any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination is reported in equity and will no longer result in goodwill adjustments or gains and losses.

10. NON-CURRENT ASSETS HELD FOR SALE

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

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

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

10. NON-CURRENT ASSETS HELD FOR SALE (continued)

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

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 statement of financial position when the group or 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 subsequently recognised at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

11.2 Subsequent measurement

After initial recognition, these instruments are measured as follows:

Investments in securities

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

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.

Derivative financial instruments

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

Loans, trade and other receivables

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

Financial liabilities

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

11. FINANCIAL INSTRUMENTS (continued)

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

11.4 Cash and cash equivalents

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

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

11.5 Loans to/from group companies

These include loans to subsidiaries and associates and are carried at amortised cost.

12. SHARE CAPITAL AND EQUITY

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

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

13. INSURANCE CONTRACTS

13.1 Classification of insurance contracts

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

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

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

The group classifies financial guarantee contracts as insurance contracts.

13. INSURANCE CONTRACTS (continued)

13.2 Recognition and measurement of insurance contracts

13.2.1 Premiums

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

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

13.2.2 Acquisition costs and deferred acquisition costs

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

13.2.3 Claims

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

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

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

13.2.4 Profit commission

In terms of agreements entered into with the underwriting managers, whereby a profit commission will become due and payable if a loss ratio below a stipulated level is achieved, a provision is made to cover estimated profit commissions payable. The provision is based on the performance of the affected underwriting managers as at the reporting 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. INSURANCE CONTRACTS (continued)

13.2 Recognition and measurement of insurance contracts (continued)

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 the reporting 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 statement of comprehensive income.

13.2.6 Reinsurance commission

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

13.2.7 Statutory contingency reserve

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

13.2.8 Liquidity adequacy test and unexpired risk provision

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

13. INSURANCE CONTRACTS (continued)

13.2 Recognition and measurement of insurance contracts (continued)

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

14. OFFSETTING

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

15. REVENUE RECOGNITION

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised on an accrual basis in accordance with the substance of the relevant transaction and by reference to the stage of completion of the transaction at the statement of financial position 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 statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

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

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

16. INCOME FROM INVESTMENTS

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

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

17. OPERATING LEASES

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

18. FINANCE LEASES

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

19. EMPLOYEE BENEFITS

Short-term employee benefits

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

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

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

Defined contribution plans

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

Share-based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each statement of financial position 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 statement of comprehensive income and a corresponding adjustment to equity over the remaining vesting period.

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

20. IMPAIRMENT OF ASSETS

Reinsurance assets

The group assesses at each statement of financial position 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.

20. IMPAIRMENT OF ASSETS (continued)

Reinsurance assets (continued)

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

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. 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 statement of comprehensive income.

Receivables related to insurance contracts

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

Other assets

The group assesses at each statement of financial position 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 of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than 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 statement of comprehensive income.

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

21. TAXATION

Tax expenses and income

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

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

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

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

21. TAXATION (continued)

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 statement of financial position date.

Deferred taxation

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

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

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

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

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

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

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

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

22. FOREIGN CURRENCIES

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

At each statement of financial position date:

- foreign currency monetary items are translated using the closing rate;

22. FOREIGN CURRENCIES (continued)

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

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

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

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

23. CHANGES IN ACCOUNTING POLICY

23.1 Amendments to IAS1 – Presentation of Financial Statements

From the 2010 financial year, the group has adopted this amendment which introduces a Statement of Comprehensive Income. This statement distinguishes between changes in equity that arise from transactions with owners, which are excluded from comprehensive income, and other changes in equity. The group has elected to present items of income and expense and components of other comprehensive income in a single Statement of Comprehensive Income with subtotals. In addition, the new terminology for the Balance Sheet, being the Statement of Financial Position has been adopted. This amendment does not affect the financial position or results of the group.

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

From the 2010 financial year, the group has adopted these amendments which will impact the group's accounting policies for future business combinations and relevant ownership changes. These amendments include: (a) transaction costs incurred in a business combination will be expensed instead of being included in the cost of the investment; (b) an option is introduced to allow any non-controlling interest in the acquired entity to be measured at fair value, with a consequential impact of the calculation of goodwill; (c) once control is obtained, all other increases or decreases in ownership interest are reported in equity and will no longer result in goodwill adjustments or gains and losses. Changes only apply prospectively to future business combinations and do not have any impact on current reporting and disclosure.

23.3 IFRS 8 – Operating Segments

The group has adopted these amendments, which will impact how the group reports information about its operating segments in its financial statements, from the 2010 financial year. Financial information is now reported on a basis that is consistent with the internal reporting provided to the chief operating decision-maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. As goodwill is allocated to groups of cash-generating units based on segment level, the change also requires the reallocation of goodwill to the identified operating segments. Adoption of these amendments did not result in any impairment of goodwill.

23.4 Early adoption of IFRS 9 – Financial Instruments (First phase)

IFRS 9: Financial Instruments is the first stage in the replacement of the existing IAS 39 and, at this stage, only relates to financial assets. The statement simplifies the classification for financial assets, and classifies them as either subsequently measured at amortised cost or at fair value (through

23. CHANGES IN ACCOUNTING POLICY (continued)

23.4 Early adoption of IFRS 9 – Financial Instruments (First phase) (continued)

income) on the basis of the group's business model and contractual cashflow characteristics in respect of the financial assets.

The International Accounting Standards Board will introduce further additions to IFRS 9 over time to address the classification and measurement of liabilities, impairment methodology and hedge accounting.

The group has elected to early adopt this first phase of IFRS 9, the mandatory effective date of which is 1 January 2013. The adoption has no impact on the financial position or performance of the group.

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. The group has not early adopted any of these pronouncements. The new Standards, amendments and Interpretations that are expected to be relevant to the group's financial statements are provided below. Certain other new Standards and Interpretations have been issued, but are not expected to have a material impact on the group's annual financial statements.

24.1 Amendments to IAS24 – Related Party Disclosures

Effective 1 January 2011, the revisions to this standard aim to clarify the definition of a related party in order to simplify the identification of related party relationships, particularly in relation to significant influence and joint control.

Management does not anticipate that this will result in any material impairment on the group.

24.2 Amendments to IAS32 – Financial Instruments: Presentation – Classification of Rights Issues

Effective 1 February 2010, the definition of a financial liability has been amended to classify rights issues as equity instruments if certain requirements are met. The application of this amendment is retrospective.

Management does not expect this amendment to affect the group's results, nor its disclosures.

24.3 IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Effective 1 July 2010, this standard clarifies that equity instruments issued to a creditor to extinguish a financial liability are to be measured at their fair value, unless this cannot be reliably measured, in which case they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The application of this interpretation is retrospective.

Since the group has not settled any liabilities as envisaged in this interpretation, management expects neither the group's results nor its disclosures to be affected by this amendment.

24.4 Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transactions

Effective 1 January 2010, the amendment clarifies the accounting treatment for group cash-settled share-based payment transactions where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the group pays for those goods or services (replacing previous interpretations published on this issue).

Management expects neither the group's results nor its disclosures to be affected by this amendment.

24. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

24.5 Amendments to IFRS 9 – Financial Instruments

Effective 1 January 2013, the IASB intends to replace *IAS 39 – Financial Instruments: Recognition and Measurement* with IFRS 9, which is being prepared on a phased basis. The statement aims to simplify many of the aspects contained in IAS 39 and will be required to be applied retrospectively.

The group has early adopted the first phase (see item 23.4 above) and is in the process of determining the impact of the remainder of the standard on its results and disclosures.

24.6 The International Accounting Standards Board (IASB) has published two sets of improvements to IFRS, which are mostly effective for periods commencing on or after January 2010 (current year) and January 2011 (next year) respectively.

The improvements for the current year represent minor changes and the financial position and results of the group have not been affected as a result of their adoption. The improvements for the next year also represent minor changes and the financial position and results of the group are not expected to be materially impacted as a result of their adoption and are in the process of being assessed by the group.

The IASB has also published annual improvements to IFRS in May 2010 which will only be effective for the group in future years. The improvements represent minor changes and the financial position and results of the group and company are not expected to be materially impacted as a result of their adoption and are in the process of being assessed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

1.1 Assets

GROUP	**2010** Financial assets at amortised cost R'000	Fair value through profit and loss R'000	2009 Loans and receivables R'000	Fair value through profit and loss R'000
Non-current				
Loans receivable	**6 884**	**–**	5 917	–
Investments	**–**	**26 935**	–	6 062
Listed investments	**–**	**15 754**	–	4 196
Unlisted investments	**–**	**11 181**	–	1 866
Current				
Listed investments	**–**	**3 858**	–	858
Listed investments	**–**	**1 115**	–	858
Unlisted investments	**–**	**2 743**	–	–
Trade and other receivables	**91 519**	**–**	87 209	–
Cash and cash equivalents	**–**	**270 255**	274 850	–
	98 403	**301 048**	367 976	6 920

1.2 Liabilities

GROUP	**2010** Financial liabilities at amortised cost R'000	Fair value through profit and loss R'000	2009 Financial liabilities at amortised cost R'000
Non-current			
Interest bearing borrowings	**12 661**	**–**	18 873
Current			
Vendors for cash	**90**	**–**	90
Trade and other payables	**102 178**	**–**	111 036
Current portion of interest-bearing borrowings	**6 235**	**–**	5 566
Bank overdraft	**–**	**9**	14
	121 164	**9**	135 579

1. GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

1.3 Fair value hierarchy

The financial assets valued at fair value through profit and loss in the statement of financial position are grouped into the fair value hierarchy as follows:

	2010			
GROUP	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Assets				
Listed investments	16 869	–	–	16 869
Unlisted investments	10 234	2 743	947	13 924
	27 103	2 743	947	30 793

There have been no significant transfers between levels 1, 2 and 3 during the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period:

- Financial assets classified in Level 1 have been valued with reference to quoted prices and market rates (unadjusted) in active markets for identical assets or liabilities;
- Financial assets classified in Level 2 have been valued by an independent third party according to a formula (using the fair market values of the underlying assets in the investment) in terms of which the investment could have been liquidated as at the reporting date;
- The fair value of the financial assets classified in Level 3 has been determined by inputs that are not based on observable market data in that the future expected cash flows from the underlying unlisted entity have been discounted at market related rates. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Financial assets at fair value through profit and loss R'000
31 August 2010	
Opening balance	1 866
Losses recognised in profit and loss	(919)
Closing balance	947

Changing inputs to the Level 3 valuations to reasonable alternative assumptions would not significantly change amounts recognised in profit and loss, total assets, total liabilities or total equity.

In the first year of application comparative information need not be presented for the disclosures required by the amendment to IFRS 7: *Improving Disclosures about Financial Instruments*; accordingly no additional information is disclosed for 2009.

2. COMPANY FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

2.1 Assets

COMPANY	**2010** Financial liabilities at amortised cost R'000	**2010** Fair value through profit and loss R'000	2009 Loans and receivables R'000
Current			
Trade and other receivables	**105**	**–**	166
Cash and cash equivalents	**–**	**13 190**	9 945
	105	**13 190**	10 111

2.2 Liabilities

COMPANY	**2010 Financial liabilities at amortised cost R'000**	2009 Financial liabilities at amortised cost R'000
Current		
Loans payable	**3 346**	7 393
Trade and other payables	**518**	459
Bank overdrafts	**–**	14
	3 864	7 866

2.3 Fair value hierarchy

The financial assets and liabilities valued at fair value through profit and loss in the statement of financial position are grouped into the fair value hierarchy as follows:

GROUP	2010 Level 1 R'000	2010 Level 2 R'000	2010 Level 3 R'000	2010 Total R'000
Assets				
Cash and cash equivalents	13 190	–	–	13 190

There have been no significant transfers between levels 1, 2 and 3 during the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period:

– Financial assets and liabilities classified in Level 1 have been valued with reference to quoted prices and market rates (unadjusted) in active markets for identical assets or liabilities.

In the first year of application comparative information need not be presented for the disclosures required by the amendment to IFRS 7: *Improving Disclosures about Financial Instruments*; accordingly no additional information is disclosed for 2009.

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

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

3.1 Group

	Financial assets at amortised cost R'000	Loans and receivables R'000	Fair value through profit and loss R'000	Financial liabilities at amortised cost R'000	Total R'000
3.1.1 2010					
Interest received	488	–	15 264	–	15 752
Finance charges	–	–	–	(2 097)	(2 097)
Dividend income	–	–	1 187	–	1 187
Realised fair value adjustment of financial assets	–	–	2 382	–	2 382
Unrealised fair value adjustment of financial assets	–	–	(24)	–	(24)
Amounts written off	(2 938)	–	–	–	(2 938)
	(2 450)	–	18 809	(2 097)	14 262
3.1.2 2009					
Interest received	–	23 304	–	–	23 304
Finance charges	–	–	(128)	(3 440)	(3 568)
Dividend income	–	–	284	–	284
Realised fair value adjustment of financial assets	–	–	(2 527)	–	(2 527)
Unrealised fair value adjustment of financial assets	–	–	(979)	–	(979)
Impairment losses reversed	–	5 099	–	–	5 099
	–	28 403	(3 350)	(3 440)	21 613

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

3.2 Company

	Loans and receivables R'000	Fair value through profit and loss R'000	Financial liabilities at amortised cost R'000	Total R'000
3.2.1 2010				
Interest received	–	1 625	–	1 625
Finance charges	–	–	(1)	(1)
Dividend income	–	4 400	–	4 400
	–	6 025	(1)	6 024
3.2.2 2009				
Interest received	2 902	–	–	2 902
Finance charges	–	–	(5)	(5)
Dividend income	–	2 814	–	2 814
Impairment losses	(49)	–	–	(49)
	2 853	2 814	(5)	5 662

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Group

	2010 Cost R'000	**2010 Accumulated depreciation R'000**	**2010 Net carrying value R'000**	2009 Cost R'000	2009 Accumulated depreciation R'000	2009 Net carrying value R'000
– Owner occupied properties (note A)	**6 351**	**–**	**6 351**	6 356	–	6 356
– Leasehold improvements	**1 177**	**(575)**	**602**	935	(323)	612
– Computer hardware	**5 835**	**(3 665)**	**2 170**	5 398	(3 193)	2 205
– Office equipment	**4 452**	**(2 430)**	**2 022**	2 905	(1 354)	1 551
– Furniture and fittings	**6 656**	**(2 952)**	**3 704**	7 127	(2 484)	4 643
– Motor vehicles	**248**	**(99)**	**149**	548	(267)	281
	24 719	**(9 721)**	**14 998**	23 269	(7 621)	15 648

	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
2010							
Movement for the year							
– Opening carrying value	6 356	612	2 205	1 551	4 643	281	15 648
– Reclassification	–	–	–	213	(213)	–	–
– Additions	–	242	1 049	807	370	114	2 582
– Reclassified to investment properties	(5)	–	–	–	–	–	(5)
– Disposals	–	–	(12)	–	–	(8)	(20)
– Depreciation	–	(252)	(900)	(507)	(828)	(82)	(2 569)
– Disposed of as part of sale of business	–	–	(172)	(42)	(268)	(156)	(638)
	6 351	602	2 170	2 022	3 704	149	14 998
2009							
Movement for the year							
– Opening carrying value	14 052	335	2 526	1 943	4 609	487	23 952
– Additions	71	543	851	376	1 416	47	3 304
– Reclassified from investment properties	750	–	–	–	–	–	750
– Reclassified to held for sale	(7 050)	–	–	–	–	–	(7 050)
– Disposals	–	(21)	(160)	(361)	(675)	(124)	(1 341)
– Fair value adjustment	(1 467)	–	–	–	–	–	(1 467)
– Depreciation	–	(165)	(893)	(402)	(541)	(106)	(2 107)
– Disposed of as part of sale of subsidiary	–	(80)	(119)	(5)	(166)	(23)	(393)
	6 356	612	2 205	1 551	4 643	281	15 648

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.2 Company

	2010 **Cost** **R'000**	**Accumulated depreciation** **R'000**	**Net carrying value** **R'000**	2009 Cost R'000	Accumulated depreciation R'000	Net carrying value R'000
– Leasehold improvements	**67**	**(38)**	**29**	67	(43)	24
– Computer hardware	**196**	**(120)**	**76**	164	(111)	53
– Office equipment	**55**	**(42)**	**13**	55	(39)	16
– Furniture and fittings	**248**	**(126)**	**122**	248	(93)	155
	566	**(326)**	**240**	534	(286)	248

	Leasehold improvements R'000	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Total R'000
2010					
Movement for the year					
– Opening carrying value	24	53	16	155	248
– Additions	–	43	–	–	43
– Disposals	–	(6)	–	–	(6)
– Depreciation	5	(14)	(3)	(33)	(45)
	29	76	13	122	240
2009					
Movement for the year					
– Opening carrying value	57	69	17	190	333
– Additions	1	8	4	–	13
– Disposals	–	(3)	–	–	(3)
– Depreciation	(34)	(21)	(5)	(35)	(95)
	24	53	16	155	248

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
5. INTANGIBLE ASSETS				
– Goodwill (note 5.1)	**44 887**	44 887	**–**	–
– Computer software (note 5.2)	**1 380**	1 543	**53**	72
– Broker relationships and other (note 5.3)	**10**	10	**–**	–
	46 277	46 440	**53**	72
5.1 Goodwill				
5.1.1 Net carrying value				
– Cost	**67 308**	67 308	**–**	–
– Impairment	**(22 421)**	(22 421)	**–**	–
– Net carrying value	**44 887**	44 887	**–**	–
5.1.2 Goodwill per cash generating unit				
– Anthony Richards & Associates (Proprietary) Limited	10 516	10 516	–	–
– Black Ginger 92 (Proprietary) Limited	1 992	1 992	–	–
– Conduit Risk and Insurance Holdings (Proprietary) Limited	32 379	32 379	–	–
	44 887	44 887	**–**	**–**
5.2 Computer software				
5.2.1 Net carrying value				
Cost	**5 743**	5 475	**157**	164
Amortisation	**(4 363)**	(3 932)	**(104)**	(92)
Net carrying value	**1 380**	1 543	**53**	72
5.2.2 Movement for the year				
At beginning of year	**1 543**	1 712	**72**	106
Additions	**511**	1 907	**11**	1
Disposals	**(47)**	(45)	**(7)**	–
Disposal as part of sale of business/subsidiary	**(44)**	(1 119)	**–**	–
Amortisation	**(583)**	(912)	**(23)**	(35)
	1 380	1 543	**53**	72

The remaining expected useful life of computer software is expected to be 1 – 5 years.

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000

5. INTANGIBLE ASSETS (continued)

5.3 Broker relationships and other

5.3.1 Net carrying value

	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
Cost	**10**	10	**–**	–
Amortisation	**–**	–	**–**	–
Net carrying value	**10**	10	**–**	–

5.3.2 Movement for the year

	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
At beginning of year	**10**	47	**–**	–
Additions	**–**	10	**–**	–
Disposal as part of sale of subsidiary	**–**	(47)	**–**	–
	10	10	**–**	–

5.4 Impairment testing of intangible assets

5.4.1 Impairment testing of goodwill

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

- Anthony Richards & Associates (Proprietary) Limited;
- Black Ginger 92 (Proprietary) Limited; and
- Conduit Risk and Insurance Holdings (Proprietary) Limited ('CRIH').

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

- uses cash flow projections based on actual and budgeted results covering a one year period;
- adjusts such projections with a variable growth rate of between 5% and 15% in order to take account of future prospects in each unit for a period of five years;
- extrapolates cash flows beyond the fifth year by using a growth rate of 5%; and
- discounts cash flows at after tax rates ranging between 18% and 19.5%.

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

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

5.4.2 Impairment testing of other intangible assets

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

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
6. LOANS RECEIVABLE				
Secured loan	**–**	3 535	**–**	–
Unsecured loans	**6 884**	2 382	**–**	–
	6 884	5 917	**–**	–

Unsecured loans' repayment and interest terms are as follows:

- R0.34 million is repayable in monthly instalments of R50 000 each and carries interest at 10% p.a;
- R2.04 million carries interest at prime plus 1% and is repayable in quarterly instalments of R0.51 million plus interest;
- R3 million carries interest at prime and is repayable by 15 March 2015; and
- The remainder is interest free and there is no fixed repayment term.

7. DEFERRED TAX

Balance at beginning of year	**(1 994)**	(966)	**–**	–
Gain (Disposal) as part of sale of business/subsidiary	**192**	(144)	**–**	–
Charge against the statement of comprehensive income	**4 222**	(884)	**–**	–
Balance at end of year	**2 420**	(1 994)	**–**	–
Relating to:	**2 420**	(1 994)	**–**	–
Provisions and accruals	**486**	(3 405)	**–**	–
Accelerated capital allowances	**(1 025)**	(945)	**–**	–
Fair valuing of long-term loans	**–**	(56)	**–**	–
Unrealised gains on investment properties	**(1 853)**	(2 324)	**–**	–
Unrealised gains on investments	**(4 010)**	(3 785)	**–**	–
Unexpired risk reserve	**–**	325	**–**	–
Estimated tax losses	**8 822**	8 196	**–**	–
Comprising:	**2 420**	(1 994)	**–**	–
Deferred tax assets	**7 976**	6 830	**–**	–
Deferred tax liabilities	**(5 556)**	(8 824)	**–**	–

8. INVESTMENT PROPERTIES

8.1 Net carrying value

Cost	**2 001**	4 492	**–**	–
Fair value adjustment	**1 402**	4 053	**–**	–
Net carrying value	**3 403**	8 545	**–**	–

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000

8. INVESTMENT PROPERTIES (continued)

8.2 Movement for the year

	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
At beginning of year	**8 545**	15 791	**–**	–
Additions	**17**	381	**–**	–
Reclassification from (to) owner occupied properties	**5**	(750)	**–**	–
Reclassification to held for sale	**(4 800)**	(7 850)	**–**	–
Fair value adjustment (note 27)	**(364)**	973	**–**	–
	3 403	8 545	**–**	–

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

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

- Mills Fitchet Magnus Penny (Proprietary) Limited: Gibbons, R.A. (AEI (ZIM), FIV (SA))

9. INVESTMENT IN ASSOCIATES

	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
At beginning of year	**2 469**	4 602	**–**	–
Disposals	**(73)**	(4 362)	**–**	–
Attributable portion of earnings	**57**	2 171	**–**	–
Loans	**34**	(87)	**49**	(127)
Dividend received	**(360)**	(1 393)	**–**	–
(Impairment) Reversal of impairment	**(1 371)**	1 538	**–**	127
Balance at end of year	**756**	2 469	**49**	–

Details of the investments are set out in notes 36.3 and 36.4

9. INVESTMENT IN ASSOCIATES (continued)

Associates' summary information

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

	Assets R'000	Liabilities R'000	Revenue R'000	Profit R'000
_2010_				
Various, as listed in note 36.3	18 153	(9 265)	12 182	207
_2009_				
Various, as listed in note 36.3	12 076	(8 586)	27 698	903

	COMPANY	
	31 August 2010 R'000	31 August 2009 R'000
10. INVESTMENT IN SUBSIDIARIES		
Unlisted shares at cost, less amounts written off	**13 085**	13 085
Amounts due by subsidiaries	**140 335**	139 697
Net carrying value (refer notes 36.1 and 36.2)	**153 420**	152 782
Directors' valuation	**264 961**	249 095

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

The directors' valuation for the prior year has been amended in order to correct a duplication that came about as a result of a formula erroneously duplicating the result (previously shown as R498,190). The amendment had no impact on the group's results for the period.

11. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
11.1 Long-term investments				
Listed investments (note 11.1.1)	**15 754**	4 196	**–**	–
– Listed equities	**9 939**	1 034	**–**	–
– Bonds	**5 815**	3 162	**–**	–
Unlisted investments (note 11.1.2)	**11 181**	1 866	**–**	–
	26 935	6 062	**–**	–

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
11. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)				
11.1 Long-term investments (continued)				
11.1.1 Listed equities and bonds at valuation				
Opening net book value	**4 196**	22 625	**–**	–
Additions	**26 901**	376	**–**	–
Disposals	**(17 321)**	(15 846)	**–**	–
Fair value adjustment (note 27)	**1 978**	(2 959)	**–**	–
Closing net book value	**15 754**	4 196	**–**	–
11.1.2 Unlisted investments at valuation				
Opening net book value	**1 866**	1 639	**–**	–
Additions	**9 500**	–	**–**	–
Disposals	**–**	(45)	**–**	–
Fair value adjustment (note 27)	**(185)**	272	**–**	–
Closing net book value	**11 181**	1 866	**–**	–
Directors' valuation at net book value	**11 181**	1 866	**–**	–
11.2 Short-term investments				
– Listed investments (note 11.2.1)	**1 115**	858	**–**	–
– Unlisted investments (note 11.2.2)	**2 743**	–	**–**	–
	3 858	858	**–**	–
11.2.1 Listed equities at valuation				
Opening net book value	**858**	569	**–**	–
Additions	**–**	716	**–**	–
Fair value adjustment (note 27)	**257**	(427)	**–**	–
Closing net book value	**1 115**	858	**–**	–
11.2.2 Unlisted investments at valuation				
Additions	**2 500**	–	**–**	–
Accrued dividends (note 27)	**18**	–	**–**	–
Accrued interest (note 27)	**225**	–	**–**	–
Closing net book value	**2 743**	–	**–**	–

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 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
12. INSURANCE ASSETS AND LIABILITIES				
12.1 Gross insurance liabilities				
Claims reported but not paid	**(100 694)**	(104 256)	**–**	–
Claims incurred but not reported	**(31 272)**	(52 016)	**–**	–
Unearned premiums, net of deferred acquisition costs	**(175 882)**	(175 759)	**–**	–
– Unearned premiums	**(262 580)**	(262 114)	**–**	–
– Deferred acquisition costs	**86 698**	86 355	**–**	–
Total insurance liabilities	**(307 848)**	(332 031)	**–**	–
12.2 Recoverable from reinsurers				
Claims reported but not paid	**36 472**	62 849	**–**	–
Claims incurred but not reported	**19 741**	43 589	**–**	–
Unearned premiums, net of deferred reinsurance commission revenue	**172 329**	163 306	**–**	–
– Unearned premiums	**258 441**	163 643	**–**	–
– Deferred reinsurance commission revenue	**(86 112)**	(337)	**–**	–
Reinsurers' share of insurance liabilities	**228 542**	269 744	**–**	–
12.3 Net insurance liabilities				
Claims reported but not paid	**(64 222)**	(41 407)	**–**	–
Claims incurred but not reported	**(11 531)**	(8 427)	**–**	–
Unearned premiums	**(3 553)**	(12 453)	**–**	–
Total net insurance liabilities	**(79 306)**	(62 287)	**–**	–

12.4 Incurred But Not Reported ("IBNR") provision

The directors have estimated that the IBNR provision calculated at 7%, as required by the Short Term Insurance Act, is excessive in terms of the portfolio of business underwritten by the group. In light of this, the provision has been revised and calculated at an average rate of 4.3% for the 2010 financial year (2009: 4.3%).

Had the IBNR provision been calculated at the statutory rate of 7%, the net provision would have been R7.24 million greater than the net R11.53 million currently provided for (2009: R5.31 million).

At the reporting date the group performed a detailed exercise (that included the use of cumulative chainladder calculations in the three largest underwriting managers) in order to assess the required reserves and run-off assets in the insurance division. Although showing quite significant variances between the IBNR and asset levels in the various books, it was determined that overall levels of current reserving is sufficient when compared to the best estimate of what these reserves should be. IBNR on the remaining schemes continue to be raised on 4% as it has been found that sensitivity to IBNR is very low in many of these schemes – a move in reserving merely translates into a corresponding move in the commission payable. The average value across the division, determined as a result of this exercise, approximates 4.3% of the net insurance premium for the year.

12. INSURANCE ASSETS AND LIABILITIES (continued)

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

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

13. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
Deposits and prepaid expenses	**1 172**	358	**74**	91
Insurance receivables	**74 035**	68 966	**–**	–
Trade receivables	**12 935**	18 043	**409**	453
Loans –Secured	**240**	216	**–**	–
Loans – Unsecured	**614**	725	**–**	123
Other receivables – Unsecured	**3 826**	–	**–**	–
Less: Impairment	**(1 303)**	(1 099)	**(378)**	(501)
	91 519	87 209	**105**	166
Secured loans relating to a loan made by the IMR Share Trust to a director of the company and secured by shares	**240**	216	**–**	–
Value of security relating to the above loan	**1 040**	1 100	**–**	–

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

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

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

14. CASH AND CASH EQUIVALENTS

Comprising:

	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
Cash	**9**	21	**–**	3
Call accounts	**232 298**	222 530	**13 190**	9 920
Current accounts – Local	**37 948**	52 299	**–**	22
	270 255	274 850	**13 190**	9 945
Bank overdraft	**(9)**	(14)	**–**	(14)
Net cash and cash equivalents	**270 246**	274 836	**13 190**	9 931

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

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000

15. NON-CURRENT ASSETS HELD FOR SALE: PROPERTY

15.1 Net carrying value

	2010 Group	2009 Group	**2010 Company**	2009 Company
Cost	**10 824**	9 099	**–**	–
Fair value adjustment	**4 226**	5 801	**–**	–
Net carrying value	**15 050**	14 900	**–**	–

15.2 Movement for the year

	2010 Group	2009 Group	**2010 Company**	2009 Company
At beginning of year	**14 900**	–	**–**	–
Reclassification from investment properties	**4 800**	7 850	**–**	–
Reclassification from owner occupied properties	**–**	7 050	**–**	–
Disposals	**(3 836)**	–	**–**	–
Fair value adjustment (note 27)	**(814)**	–	**–**	–
	15 050	14 900	**–**	–

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

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

– Mills Fitchet Magnus Penny (Proprietary) Limited: Gibbons, R.A. (AEI (ZIM), FIV (SA))

16. ORDINARY SHARE CAPITAL

	2010 Group	2009 Group	**2010 Company**	2009 Company
Authorised				
500 000 000 ordinary shares of 1 cent each (2009: 500 000 000)	**5 000**	5 000	**5 000**	5 000
Issued				
256 379 818 ordinary shares of 1 cent each (2009: 256 379 818)	**2 564**	2 564	**2 564**	2 564
Treasury shares:				
– 3 509 760 ordinary shares of 1 cent each held by Conduit Management Services (Proprietary) Limited (2009: 3 509 760)	**(35)**	(35)		
– 1 650 370 ordinary shares of 1 cent each held by the IMR Share Trust (2009: 1 650 370)	**(17)**	(17)		
– 943 091 ordinary shares of 1 cent each held by Marble Gold 213 (Proprietary) Limited (2009: 943 091)	**(9)**	(9)		
	2 503	2 503	**2 564**	2 564

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
16. ORDINARY SHARE CAPITAL (continued)				
In terms of a resolution passed at the most recent annual general meeting, all authorised and unissued shares are placed under the control of the company's directors who are authorised, until the forthcoming annual general meeting, to issue all or any of the unissued shares at their discretion, subject to sections 221 and 222 of the Companies Act 1973, the Rules and Regulations of JSE Limited and the company's Articles of Association.				
Number of shares (net of treasury shares held):	**250 276 597**	250 276 597	**256 379 818**	256 379 818
Shares under option				
As at the reporting date, 9 000 000 shares in the company were under option in terms of the Group Senior Executive Option Scheme (2009: 1 450 000) (also see note 19). There were no contracts in place for the sale of shares (2009: Nil).				
17. SHARE PREMIUM				
Reconciliation of movement in share premium:				
Opening balance	**196 652**	196 717	**223 477**	223 542
Share issue costs	**–**	(65)	**–**	(65)
	196 652	196 652	**223 477**	223 477

18. INSURANCE CONTINGENCY RESERVE

In terms of the Short Term Insurance Act the group's short-term insurance subsidiary is required to hold a contingency reserve equivalent to 10% of its net premiums written during the year. The contingency reserve held by the group's short-term insurance subsidiary as a result of this requirement amounts to R26.815 million (2009: R19.624 million).

The annualised premiums written since acquisition have been less than the annualised premiums written prior to acquisition, which would have resulted in a net debit on the post-acquisition contingency reserve account. Consequently, and notwithstanding the fact that there is a contingency reserve in the short-term insurance subsidiary, no post-acquisition contingency reserve has been raised in the group for the year that ended on 31 August 2010 (2009: Nil).

19. 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. Two tranches of share options were awarded to and accepted by executive directors and senior management during the year, with the following conditions attached:

Tranche 1 – A total of 5 million options awarded on 20 November 2009:

- The options' strike price was 40 cents;
- The employee has to remain in service until the exercise date;
- The vesting period for 50% of the options is 30 November 2010 and any options not exercised one year thereafter, will lapse;
- The vesting period for the remaining 50% of the options is 30 November 2011 and any options not exercised one year thereafter, will lapse;
- Options can be exercised at any time after vesting, while the group is not in a closed period, for one year after the vesting date;
- Shares will be issued on receipt of payment therefor, which must be made by no later than five working days after the date on which the options were exercised;
- The group has no legal or constructive obligation to repurchase or settle the options in cash.

Tranche 2 – A total of 4 million options awarded on 2 March 2010:

- The options' strike price was 40 cents;
- The employee has to remain in service until the exercise date;
- The options will vest between 2 March 2011 and 31 May 2012 and any options not exercised by 28 February 2013, will lapse;
- Options can be exercised at any time after vesting, while the group is not in a closed period, until 28 February 2013;
- Shares will be issued on receipt of payment therefor, which must be made by no later than five working days after the date on which the options were exercised;
- The group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options that were awarded to executive directors and senior management during the 2007 financial period were cancelled. An amount of R1 003 752 in the share-based payment reserve, which accounted for the fair value of these options that was expensed through the income statement, was transferred directly to retained earnings, i.e. there was no corresponding credit to profit and loss.

The following share options were awarded in terms of Conduit's executive share incentive scheme and remained outstanding on the reporting date:

	Date awarded	Last day of exercise	Exercise price (cents)	Number of underlying shares
2010	**20 Nov 2009**	**30 Nov 2011**	**40.00**	**2 500 000**
	20 Nov 2009	**30 Nov 2012**	**40.00**	**2 500 000**
	2 Mar 2010	**28 Feb 2013**	**40.00**	**4 000 000**
2009	27 Feb 2007	28 Feb 2011	145.50	1 450 000

19. SHARE-BASED PAYMENT RESERVE (continued)

The fair value of options granted during 2009/10 is R0.99 million (2009: Nil), of which R0.36 million has been accounted for at the financial reporting date (2009: R1 million) using a model that is based on the American binomial method. The significant inputs into this model are:

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

Due to the new direction that the group has taken 5½ 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.

20. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
Opening balance	**24 548**	23 662	**–**	–
Transfer (to) from statement of comprehensive income	**(2 711)**	886	**–**	–
	21 837	24 548	**–**	–

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

20.1 Analysis of policyholder liabilities

Individual funeral cover	**20 246**	21 036	**–**	–
Group funeral cover	**1 591**	3 512	**–**	–
	21 837	24 548	**–**	–

20.2 Maturity analysis of policyholder liabilities

Policyholder liabilities are expected to become payable as follows:

Up to one year	**2 079**	3 790	**–**	–
One year to five years	**665**	774	**–**	–
More than five years	**19 093**	19 984	**–**	–
	21 837	24 548	**–**	–

20. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

20.3 Key assumptions

For the group funeral business an "IBNR" 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 4.92% (2009: 6.68%)
- Interest rate 7.02% (2009: 7.94%)
- Withdrawal rates 21% in the first year, reducing to 7.5% after the fourth year
- Mortality rates are derived from the SA8590 Heavy (2009: English Life Table 8)
- AIDS mortality rates are derived from the ASSA HA2M/F model

20.4 Sensitivities

Policyholder liabilities have been calculated at R21 837 329 by the statutory actuary as at 31 August 2010 (2009: R24 548 417). 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	21 837	0.00
Mortality (and other claims)	10% increase	22 176	1.55
Expenses	10% increase	23 846	9.20
Investment returns	1% reduction	23 714	8.60
Withdrawals	10% increase	21 406	(1.97)
Inflation	1% increase	23 422	7.26

21. INTEREST BEARING BORROWINGS

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
Non-current	**12 661**	18 873	**–**	–
– Secured	**10 001**	15 261	**–**	–
– Unsecured	**2 660**	3 612	**–**	–
Current				
– Secured	**6 235**	5 566	**–**	–
	18 896	24 439	**–**	–

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
21. INTEREST BEARING BORROWINGS (continued)				
21.1 Non-current borrowings				
Secured				
Mortgage loan obligations (Note A)	**7 346**	6 857	**–**	–
Cumulative preference shares (Note B)	**8 890**	13 970	**–**	–
	16 236	20 827	**–**	–
Less: Current portion of obligation	**(6 235)**	(5 566)	**–**	–
Mortgage loan obligations	**(520)**	(486)	**–**	–
Preference shares	**(5 715)**	(5 080)	**–**	–
	10 001	15 261	**–**	–
Unsecured				
Cumulative preference shares (Note C)	**2 660**	2 550	**–**	–
– Face value	**2 750**	2 750	**–**	–
– Fair value adjustment	**(90)**	(200)	**–**	–
Other	**–**	1 062	**–**	–
	2 660	3 612	**–**	–
21.2 Current portion of borrowings				
Secured				
Mortgage loan obligations (Note A)	**520**	486	**–**	–
Cumulative preference shares (Note B)	**5 715**	5 080	**–**	–
	6 235	5 566	**–**	–

Note A:

The mortgage loans bear interest at a variable rate of the prime bank overdraft rate less 1%. Final payment is due by 2015 and the loans are secured by property with a fair value of R10.8 million.

Note B:

The group's authorised preference share capital consists of 25 400 cumulative redeemable shares of one cent each (2009: 25 400) and 7 750 cumulative redeemable shares of R1 000.00 each (2009: 7 750).

The group's issued preference share capital consists of 8 890 cumulative redeemable shares of one cent each (2009: 13 970) and 2 750 cumulative redeemable shares of R1 000.00 each (2009: 2 750).

The dividend is calculated at a rate of 79% of the prime overdraft rate, as quoted by Nedbank Limited from time to time, and is cumulative in nature. The final payment is due by October 2012 and the cumulative preference shares are secured by the investment in Conduit Risk and Insurance Holdings (Proprietary) Limited with a directors' valuation of R186 million.

Note C:

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

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
22. VENDORS FOR CASH				
The estimated cash payable to the vendors of various subsidiaries as at the reporting date was as follows:				
Payable within one year:				
Various for Black Ginger 92 (Proprietary) Limited	**90**	90	**–**	–
	90	90	**–**	–
23. TRADE AND OTHER PAYABLES				
Accruals	**8 411**	4 477	**241**	18
Insurance payables	**54 434**	58 251	**–**	–
Trade payables	**38 977**	47 786	**277**	441
Dividends payable – Preference shares	**356**	522	**–**	–
	102 178	111 036	**518**	459
24. REVENUE				
24.1 Insurance revenue				
Gross insurance premiums	**683 634**	717 582	**–**	–
– Local	**679 604**	696 417	**–**	–
– Foreign	**4 030**	21 165	**–**	–
24.2 Other revenue (local)	**87 573**	98 812	**3 788**	6 334
Advisory, consulting and management fees received from group companies	**–**	–	**3 788**	6 294
Advisory, consulting, management and other fees, fees received from third parties	**14 250**	34 941	**–**	–
Commissions	**72 798**	63 159	**–**	–
Rental income	**525**	712	**–**	40
	771 207	816 394	**3 788**	6 334
25. NET INSURANCE REVENUE				
Gross premiums written	**683 634**	717 582	**–**	–
Reinsurance premiums paid	**(395 678)**	(500 889)	**–**	–
Unearned premium reserve movements	**8 501**	(693)	**–**	–
	296 457	216 000	**–**	–

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
26. DIRECT EXPENSES – INSURANCE AND RISK SERVICES				
Gross claims paid, change in provision for outstanding claims and IBNR	**(285 865)**	(387 506)	**–**	–
Reinsurers' share of claims paid and change in provision for outstanding claims	**63 173**	241 747	**–**	–
Net claims paid	**(222 692)**	(145 759)	**–**	–
Net expenses for the acquisition of insurance contracts, including commissions and profit commissions	**(26 333)**	(22 283)	**–**	–
Transfer to policyholder liabilities	**2 711**	(886)	**–**	–
	(246 314)	(168 928)	**–**	–
27. INVESTMENT INCOME				
Interest income	**15 752**	23 304	**1 625**	2 902
– Received	**15 527**	23 304	**1 625**	2 902
– Accrued (note 11.2.2)	**225**	–	**–**	–
Investment income (listed shares and bonds)	**3 422**	(3 102)	**4 400**	2 814
– Dividend income	**1 187**	284	**–**	14
Received	**1 169**	284	**–**	14
Accrued (note 11.2.2)	**18**	–	**–**	–
– Dividend income (subsidiaries)	**–**	–	**4 400**	2 800
– Fair value adjustment (unrealised)	**161**	(1 251)	**–**	–
– Fair value adjustment (realised)	**2 074**	(2 135)	**–**	–
Fair value adjustment (unlisted shares)	**(185)**	272	**–**	1
Investment losses (other)	**(870)**	(1 867)	**–**	–
– Derivatives profits (losses)	**308**	(392)	**–**	–
– Fair value adjustment (Investment properties and properties held for sale)	**(1 178)**	(494)	**–**	–
– Other	**–**	(981)	**–**	–
	18 119	18 607	**6 025**	5 717
28. FINANCE CHARGES				
Interest paid	**(953)**	(1 334)	**(1)**	(5)
– Finance leases	**–**	(8)	**–**	–
– Property finance	**(618)**	(906)	**–**	–
– Derivative trade finance	**–**	(128)	**–**	–
– Other	**(335)**	(292)	**(1)**	(5)
Preference dividends paid	**(1 034)**	(1 874)	**–**	–
Fair value adjustment (low interest loans and preference shares)	**(110)**	(360)	**–**	–
	(2 097)	(3 568)	**(1)**	(5)

	GROUP 31 August 2010 R'000	GROUP 31 August 2009 R'000	COMPANY 31 August 2010 R'000	COMPANY 31 August 2009 R'000
29. PROFIT BEFORE TAXATION				
The profit before taxation incudes:				
Income				
Profit on disposal of business/subsidiaries	**4 671**	1 711	**–**	–
Profit on disposal and revaluation of associates	**–**	2 856	**–**	–
Profit on disposal of property, plant and equipment	**17**	5	**–**	–
Expenses				
Auditors' remuneration	**(2 416)**	(2 608)	**(499)**	(441)
– Current year	**(1 662)**	(1 660)	**(258)**	–
– Prior year under provision	**(639)**	(761)	**(241)**	(422)
– Other services	**(115)**	(187)	**–**	(19)
Consulting fees paid	**(1 188)**	(1 955)	**(8)**	(136)
Depreciation and amortisation	**(3 152)**	(3 019)	**(68)**	(130)
Direct operating expenses in respect of investment properties	**(366)**	(767)	**–**	–
(Financial assets written off) impairment reversed	**(2 938)**	5 099	**–**	(49)
Forex losses	**(1)**	(139)	**–**	–
(Impairment of associates) impairment reversed	**(1 371)**	(1 201)	**–**	127
Loss on disposal of associates	**–**	(117)	**–**	–
Loss on disposal of property, plant and equipment	**–**	(45)	**–**	–
Management fees paid to third parties	**(2 874)**	(2 290)	**(24)**	–
Operating lease charges	**(8 824)**	(7 500)	**–**	(187)
– Equipment	**(2 067)**	(2 295)	**–**	(10)
– Premises	**(6 757)**	(5 205)	**–**	(177)
Secretarial fees	**(263)**	(222)	**(85)**	(81)
Staff costs	**(61 396)**	(67 501)	**(38)**	(769)
– Salaries and wages (excluding directors' emoluments)	**(59 254)**	(64 914)	**–**	(740)
– Share options	**(38)**	(29)	**(38)**	(29)
– Provident fund (defined contribution plan)	**(2 104)**	(2 558)	**–**	–

30. DIRECTORS' EMOLUMENTS

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Cost of share options R'000	Other benefits R'000	Total R'000
30.1 2010						
Paid for by company:						
Non-executive						
Berkowitz, R S	350	–	–	–	–	350
Campbell, S M	160	–	–	–	–	160
Steffens, G Z	250	–	–	–	–	250
Executive						
Louw, L E	–	–	–	78	–	78
Prosser, H L	–	–	–	169	–	169
Toet, G	–	–	–	78	–	78
	760	–	–	325	–	1 085
Paid for by subsidiaries:						
Executive						
Druian, J D	–	2 261	290	–	24	2 575
Louw, L E	–	1 231	121	–	53	1 405
Prosser, H L	–	476	–	–	–	476
Shane, S D	–	1 668	145	–	65	1 878
Toet, G	–	890	100	–	70	1 060
	–	6 526	656	–	212	7 394
	760	6 526	656*	325	212	8 479
30.2 2009						
Paid for by company:						
Non-executive						
Berkowitz, R S	350	–	–	–	–	350
Campbell, S M	160	–	–	–	–	160
Steffens, G Z	250	–	–	–	–	250
Executive						
Druian, J D	–	1 057	412	165	10	1 644
Louw, L E	–	583	163	41	17	804
Shane, S D	–	786	116	165	24	1 091
	760	2 426	691*	371	51	4 299
Paid for by subsidiaries:						
Executive						
Druian, J D	–	1 056	–	–	11	1 067
Louw, L E	–	581	–	–	19	600
Shane, S D	–	784	–	–	26	810
	–	2 421	–	–	56	2 477
	760	4 847	691*	371	107	6 776

* Bonuses provided for in 2008 and 2009 on a non-specific basis and subsequently allocated and paid to specific individuals in 2009 and 2010, respectively.

30. DIRECTORS' EMOLUMENTS (continued)

30.3 Directors' service contracts

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

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

31. RETIREMENT BENEFITS

9.25% of the group's employees, all employed by the Insurance and Risk Services division, contribute to the Conduit Risk and Insurance Holdings Provident Fund, which is a defined contribution plan. Once the contributions have been paid, the group has no further payment obligations. The regular contributions constitute net periodic costs for the period in which they are due and as such are included in staff costs.

Contributions for the year under consideration amounted to R2.1 million (2009: R2.6 million). The fund is registered in terms of and regulated by the Pension Funds Act.

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

32. TAXATION

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
32.1 Taxation				
South African normal taxation	**(8 057)**	(9 547)	**–**	–
– Current year	**(7 421)**	(8 974)	**–**	–
– Prior period underprovision	**(636)**	(573)	**–**	–
Deferred tax	**4 222**	(884)	**–**	–
Secondary tax on companies	**(2 171)**	(1 023)	**–**	–
Taxation per statement of comprehensive income	**(6 006)**	(11 454)	**–**	–
32.2 Taxation reconciliation				
Profit before tax	**29 595**	36 080	**7 483**	4 858
Standard South African normal taxation	**(8 287)**	(10 103)	**(2 095)**	(1 360)
Non-taxable income	**6 989**	1 983	**1 232**	788
Non-deductible expenses	**(4 933)**	(3 082)	**(166)**	(48)
Prior period (under) overprovision	**(1 658)**	122	**–**	–
Deferred tax asset not raised in companies with losses	**(188)**	(209)	**–**	–
Utilisation of previously unrecognised tax losses	**3 674**	1 130	**1 029**	620
Capital gains tax rate differential	**568**	(272)	**–**	–
Secondary tax on companies	**(2 171)**	(1 023)	**–**	–
Taxation per statement of comprehensive income	**(6 006)**	(11 454)	**–**	–

32. TAXATION (continued)

Deferred tax assets have not been recognised in group companies that do not anticipate generating sufficient taxable income to utilise these assets in the foreseeable future. The tax assets not so recognised as at year-end amounted to R7.08 million (2009: R12.36 million).

The group has unutilised credits that arose in respect of Secondary Tax on Companies of R3.28 million (2009: R1.87 million). This credit is not recognised as an asset unless it is expected to be realised within a year.

33. COMMITMENTS AND CONTINGENT LIABILITIES

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
33.1 Commitments: Operating leases				
At the statement of financial position date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:				
Equipment leases	**1 490**	2 772	**–**	–
– Within one year	**1 326**	1 542	**–**	–
– In second to fifth years	**164**	1 230	**–**	–
Property leases	**8 400**	8 650	**–**	–
– Within one year	**1 951**	2 332	**–**	–
– In second to fifth years	**6 449**	6 318	**–**	–
	9 890	11 422	**–**	–

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

33.2 Contingent liabilities

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

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

- CBS Property Portfolio Limited for office rent R305 772
- South African Post Office Limited for postage R100 000

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

33. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

33.2 Contingent liabilities (continued)

33.2.3 The group is in the ordinary course and scope of its insurance activities engaged in various legal disputes. Of particular relevance are certain disputes, which arise out of inward re-insurance arrangements concluded through one of the group's external underwriting management and administration agencies. The matters are by nature complex and group exposure (if any) beyond legal costs is presently unknown and will only be determined at the outcome of the relevant legal processes.

A further matter arises against the background of a client mandate contended to have been put in place as between a subsidiary of the insurance and risk services division and Sanlam Private Investments (Proprietary) Limited ("SPI"). That mandate agreement was purportedly procured by SPI during 2003, prior to the acquisition by the group of the shareholding previously held in that entity by Hannover Re. SPI and Hannover Re have been subjected to an extensive fraud, perpetrated by a rogue investment manager previously in the employ of Hannover Re. Whilst the group is of the opinion that it has solid prospects of defending the action, it has nonetheless initiated third party proceedings against Hannover Re for purposes of procuring an indemnity in regard to any possible award against the subsidiary.

Other than what is noted above, the group is not aware of any other current or pending legal cases that would have a material adverse effect on the group's results.

34. EARNINGS PER SHARE

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

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

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

	GROUP	
	31 August 2010 R'000	31 August 2009 R'000
34.1 Calculation of basic earnings		
The earnings used in the calculation of basic earnings per share is as follows:		
Profit for the year	**23 589**	24 626
Less: Non-controlling interest	**(12 200)**	(8 886)
Profit attributable to ordinary shareholders	**11 389**	15 740
34.2 Reconciliation between basic earnings and headline earnings		
Headline earnings is determined as follows:		
Profit attributable to ordinary equity holders of the entity	**11 389**	15 740
Add: After tax loss on revaluation of investment properties	**1 245**	1 294
Net loss on disposal of property, plant and equipment (net of tax)	**–**	27
Less: Net profit on disposal of property, plant and equipment (net of tax)	**(11)**	–
Profit on disposal/revaluation of subsidiaries and associates	**(1 231)**	(2 597)
Headline earnings	**11 392**	14 464

	GROUP	
	31 August 2010 R'000	31 August 2009 R'000
34. EARNINGS PER SHARE (continued)		
34.3 Shares in issue		
34.3.1 Number of shares		
– Shares in issue	**256 380**	256 380
– Shares held as treasury shares	**(6 103)**	(6 103)
	250 277	250 277
34.3.2 Weighted average number of shares		
– Shares in issue	**256 380**	256 380
– Shares held as treasury shares	**(6 103)**	(6 103)
	250 277	250 277
34.3.3 Diluted weighted average number of shares		
– Shares in issue	**260 361**	257 552
– Shares held as treasury shares	**(6 103)**	(6 103)
	254 258	251 449
34.4 Earnings per share (cents)		
34.4.1 Basic earnings per share	**4.55**	6.29
34.4.2 Diluted earnings per share	**4.48**	6.26
34.4.3 Headline earnings per share	**4.55**	5.78
34.4.4 Diluted headline earnings per share	**4.48**	5.75

35. NOTES TO THE CASH FLOW STATEMENTS

35.1 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.

35.2 Reconciliation of profit before taxation to cash generated by operations

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
Profit before taxation	**29 595**	36 080	**7 483**	4 858
Adjustments for:				
Depreciation and amortisation	**3 152**	3 019	**68**	130
Dividend income	**(1 187)**	(284)	**(4 400)**	(2 814)
– Received	**(1 169)**	(284)	**(4 400)**	(2 814)
– Accrued	**(18)**	–	**–**	–
Financial assets: Impairment (reversal of impairment)	**2 938**	(5 099)	**–**	49
Impairment (Profit on disposal/ fair value adjustment) of shares in associates	**1 371**	(1 538)	**–**	(127)
Profit on disposal of business/ shares in subsidiaries	**(4 671)**	(1 711)	**–**	–
Finance charges	**2 097**	3 568	**1**	5
Interest income	**(15 752)**	(23 304)	**(1 625)**	(2 902)
– Received	**(15 527)**	(23 304)	**(1 625)**	(2 902)
– Accrued	**(225)**	–	**–**	–
(Profit) Loss on disposal of property, plant and equipment	**(17)**	40	**–**	–
Share based payment reserve	**363**	400	**363**	400
Revaluation of property	**1 178**	494	**–**	–
(Profits) Losses on investments	**(2 050)**	3 114	**–**	(1)
Income from associates	**(57)**	(2 171)	**–**	–
Operating cash flows before working capital changes	**16 960**	12 608	**1 890**	(402)
Working capital changes	**(2 089)**	37 512	**120**	15 053
– (Increase) Decrease in trade and other receivables	**(7 689)**	11 918	**61**	16 621
– (Decrease) Increase in trade and other payables	**(8 708)**	32 355	**59**	(1 568)
– (Decrease) Increase in policyholder liabilities	**(2 711)**	886	**–**	–
– Decrease in insurance assets	**41 202**	408 285	**–**	–
– Decrease in insurance liabilities	**(24 183)**	(415 932)	**–**	–
Cash generated by operations	**14 871**	50 120	**2 010**	14 651

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
35. NOTES TO THE CASH FLOW STATEMENTS (continued)				
35.3 Taxation paid				
Opening balance	**8 021**	7 962	**–**	–
Statement of comprehensive income movement	**(8 057)**	(9 547)	**–**	–
Secondary tax on companies	**(2 171)**	(1 023)	**–**	–
Closing balance	**476**	(8 021)	**–**	–
	(1 731)	(10 629)	**–**	–
35.4 Reconciliation of assets disposed of (acquired) in subsidiaries to cash received (paid)				
– Property, plant and equipment	**638**	393	**–**	–
– Other intangible assets	**44**	1 166	**–**	–
– Investment in subsidiaries	**–**	–	**(638)**	(11 844)
– Loans receivable	**1 301**	529	**–**	–
– Trade and other receivables	**441**	2 800	**–**	–
– Funds at call, bank balances and cash	**2**	1 422	**–**	–
– Deferred taxation	**(192)**	144	**–**	–
– Trade and other payables	**(150)**	(1 917)	**–**	–
– Minority interest	**(4)**	(2 248)	**–**	–
– Net asset value sold (acquired)	**2 080**	2 289	**(638)**	(11 844)
– Profit on sale	**4 671**	1 711	**–**	–
– Goodwill acquired	**(496)**	–	**–**	–
– Sale price	**6 255**	4 000	**(638)**	(11 844)
– Future cash receipt	**–**	(1 500)	**–**	–
– Net cash inflow (outflow)	**6 255**	2 500	**(638)**	(11 844)

36. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

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

	Nature of business	Country of incorporation	Issued ordinary share capital 2010	2009	Interest 2010 %	2009 %	Shares at cost less amounts written off 2010 R'000	2009 R'000	Indebtedness to (by) Conduit Capital 2010 R'000	2009 R'000
Directly owned										
AIIM Capital Investments Limited	Dormant	Guernsey, Channel Islands	**989**	989	**100**	100	**–**	–	**–**	–
Appleton Portfolio Managers International Limited	Dormant	Guernsey, Channel Islands	**574**	574	**100**	100	**–**	–	**–**	–
Anthony Richards & Associates (Proprietary) Limited	Credit recovery and call centre services	RSA	**100**	100	**40**	40	**11 568**	11 568	**–**	–
Conduit Fund Managers (Proprietary) Limited	Asset manager	RSA	**1**	1	**100**	100	**–**	–	**4 783**	4 902
Conduit Management Services (Proprietary) Limited (previously IMR 1)	Management services; equities and derivatives trading	RSA	**140 000**	140 000	**100**	100	**140**	140	**8 439**	(4 035)
Copper Sunset Trading 186 (Proprietary) Limited	Holding company	RSA	**100**	100	**100**	100	**2**	2	**119 162**	127 729
IMR (CI) Limited	Dormant	Guernsey, Channel Islands	**995**	995	**100**	100	**–**	–	**–**	–
Marble Gold 213 (Proprietary) Limited	Holding company	RSA	**100**	100	**100**	100	**790**	790	**158**	123
On Line Lottery Services (Proprietary) Limited	E-commerce agent	RSA	**150**	150	**80**	80	**585**	585	**67**	67
Held through a subsidiary										
Black Ginger 92 (Proprietary) Limited	Investment company	RSA	**100**	100	**100**	100	**–**	–	**7 726**	6 876
Cherry Creek Trading 88 (Proprietary) Limited	Property company	RSA	**100**	100	**100**	100	**–**	–	**–**	–
Constantia Insurance Holdings (Proprietary) Limited	Investment company	RSA	**120**	120	**100**	100	**–**	–	**–**	–
Conduit Risk and Insurance Holdings (Proprietary) Limited	Holding company	RSA	**200**	200	**100**	100	**–**	–	**–**	–
Constantia Insurance Company Limited	Short-term insurer	RSA	**2 244 500**	2 244 500	**100**	100	**–**	–	**–**	–
Constantia Life & Health Assurance Company Limited	Long-term insurer	RSA	**13 772 380**	13 772 380	**100**	100	**–**	–	**–**	–
Constantia Corporate Services (Proprietary) Limited	Dormant	RSA	**1 000**	1 000	**100**	100	**–**	–	**–**	–
Constantia Underwriting Agency (Proprietary) Limited	Underwriting manager	RSA	**352 000**	352 000	**100**	100	**–**	–	**–**	–

36. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

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

	Nature of business	Country of incorpor-ation	Issued ordinary share capital 2010	2009	Interest 2010 %	2009 %	Shares at cost less amounts written off 2010 R'000	2009 R'000	Indebtedness to (by) Conduit Capital 2010 R'000	2009 R'000
Held through a subsidiary (continued)										
CPE Underwriting Managers (Proprietary) Limited	Deregistered	RSA	**–**	120	**–**	100	**–**	–	**–**	–
D&O Liability Underwriters (Proprietary) Limited	Deregistered	RSA	**–**	100	**–**	100	**–**	–	**–**	–
Goodall and Bourne (South Western Districts) (Proprietary) Limited	Deregistered	RSA	**–**	100	**–**	100	**–**	–	**–**	–
Constantia Life Limited	Long-term insurer	RSA	**696 000**	696 000	**100**	100	**–**	–	**–**	–
Goodall and Bourne Credit (Proprietary) Limited	Deregistered	RSA	**–**	100	**–**	100	**–**	–	**–**	–
Goodall and Bourne Properties (Proprietary) Limited	Property company	RSA	**2 000**	2 000	**100**	100	**–**	–	**–**	–
Goodall and Bourne Properties (Wale Street) (Proprietary) Limited	Property company	RSA	**100**	100	**100**	100	**–**	–	**–**	–
Goodall and Bourne Property Holdings (Proprietary) Limited	Deregistered	RSA	**–**	100	**–**	100	**–**	–	**–**	–
Goodall and Bourne Trust Company Limited	Administrative company	RSA	**4 000**	4 000	**100**	100	**–**	–	**–**	–
Goodall and Company Funeral Assurance Society Limited	Long-term insurer	RSA	**50 000**	50 000	**100**	100	**–**	–	**–**	–
Goodall and Company Undertakers (Proprietary) Limited	Dormant	RSA	**2 000**	2 000	**100**	100	**–**	–	**–**	–
IMR 11 (Proprietary) Limited	Inactive	RSA	**100**	100	**100**	100	**–**	–	**(1 834)**	(1 834)
IMR Share Trust	Share trust	RSA	**–**	–	**–**	–	**–**	–	**(1 512)**	(1 524)
Intellect-On-Line (Proprietary) Limited	Deregistered	RSA	**–**	10 000	**–**	100	**–**	–	**–**	–
Inventory & Risk Survey Holdings (Proprietary) Limited	Risk surveyor	RSA	**100**	100	**61**	61	**–**	–	**–**	–
Motor Liability Acceptances (Proprietary) Limited	Deregistered	RSA	**–**	100	**–**	100	**–**	–	**–**	–
MTR Underwriting Agency (Proprietary) Limited	Dormant	RSA	**100 000**	100 000	**100**	52	**–**	–	**–**	–
Pendulum Underwriting Managers (Proprietary) Limited	Deregistered	RSA	**–**	100	**–**	80	**–**	–	**–**	–

36. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

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

	Nature of business	Country of incorpor-ation	Issued ordinary share capital 2010	2009	Interest 2010 %	2009 %	Shares at cost less amounts written off 2010 R'000	2009 R'000	Indebtedness to (by) Conduit Capital 2010 R'000	2009 R'000
Held through a subsidiary (continued)										
Shavian Management Consultants (Proprietary) Limited	Insurance consultant	RSA	**–**	100	**–**	100	**–**	–	**–**	–
Siyaya Underwriting Managers (Proprietary) Limited	Deregistered	RSA	**–**	100	**–**	74	**–**	–	**–**	–
TGI Investment Holdings (Proprietary) Limited	Holding company	RSA	**16 133 292**	16 133 292	**60**	60	**–**	–	**–**	–
The Oakwood Financial Services Group (Proprietary) Limited	Dormant	RSA	**100**	100	**100**	100	**–**	–	**–**	–
The Peoples' Industrial Advice Centre (Proprietary) Limited	Dormant	RSA	**100**	100	**100**	100	**–**	–	**–**	–
Transqua Administrative Services (Proprietary) Limited	Underwriting manager	RSA	**500 000**	500 000	**100**	100	**–**	–	**–**	–
Truck and General Insurance Company Limited	Underwriting manager	RSA	**1 002**	1 002	**60**	60	**–**	–	**–**	–
Yellow Metal Insurance Administrators (Proprietary) Limited	Deregistered	RSA	**–**	100	**–**	100	**–**	–	**–**	–
Zizwe Risk Academy (Proprietary) Limited	Deregistered	RSA	**–**	100	**–**	100	**–**	–	**–**	–
							13 085	13 085	**136 989**	132 304

Notes:

- All subsidiaries in the group are unlisted companies.
- The loan to Black Ginger 92 (Proprietary) Limited is unsecured, attracts interest at prime and is repayable before 6 April 2014.
- R0.4 million of the loan to Conduit Fund Managers (Proprietary) Limited is designated an equity loan, is unsecured, attracts no interest and is repayable at the election of the borrower. The remainder of the loan is unsecured, attracts interest at rates linked to prime and is repayable before 15 March 2015.
- The loan to Conduit Management Services (Proprietary) Limited is unsecured, attracts no interest and is repayable before 15 March 2015.
- The equity loan to Copper Sunset Trading 186 (Proprietary) Limited is unsecured, attracts no interest and is repayable at the election of the borrower.
- The loan to On Line Lottery Services (Proprietary) Limited is designated an equity loan, is unsecured, attracts no interest and is repayable at the election of the borrower.
- The loan to Marble Gold 213 (Proprietary) Limited is designated an equity loan, is unsecured, attracts no interest and is repayable at the election of the borrower.
- The loan payable to IMR 11 (Proprietary) Limited is unsecured, attracts no interest and is repayable before 15 March 2015.
- The loan payable to the IMR Share Trust is unsecured, attracts interest at prime and is repayable by 15 March 2015.

36. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

	COMPANY	
	31 August 2010 R'000	31 August 2009 R'000
36.2 Allocated as follows:		
– Investment in subsidiaries (note 10)	**153 420**	152 782
– Loans payable	**(3 346)**	(7 393)
	150 074	145 389

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

	Nature of business	Country of incorpor-ation	Number of shares held 2010	2009	Interest 2010 %	2009 %	Book value of investment 2010 R'000	2009 R'000	Indebtedness to (by) Group 2010 R'000	2009 R'000
Directly owned										
Maruapula Capital (Proprietary) Limited	Investment company	RSA	**40**	40	**40**	40	**–**	–	**49**	–
Held through a subsidiary										
Autotrade Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA	**30**	30	**30**	30	**126**	134	**–**	–
EVB Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA	**25**	25	**25**	25	**17**	22	**–**	–
Fidfin Insurance Brokers (Proprietary) Limited	Insurance broker	RSA	**40**	40	**40**	40	**–**	–	**–**	–
Health Finance Corporation (Proprietary) Limited	Designer, provider and administrator of healthcare	RSA	**40**	40	**34**	34	**539**	2 192	**–**	–
Issue Software (Proprietary) Limited	Software company	RSA	**–**	44	**–**	44	**–**	73	**–**	–
Mail Credit Management (Proprietary) Limited	Debt recovery	RSA	**40**	40	**33**	33	**48**	48	**–**	–
Wheels Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA	**20**	–	**20**	–	**26**	–	**–**	–
							756	2 469	**49**	–

Notes:

– All associates of the group are unlisted companies.

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
36.4 Allocated as follows:				
– Book value of investment	**756**	2 469	**–**	–
– Indebtedness to the Group	**–**	–	**49**	–
– Investment in associates (note 9)	**756**	2 469	**49**	–

37. RISK MANAGEMENT

37.1 Currency risk

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

The group is exposed to currency risk with regard to provisions for claims denominated in foreign currencies under certain "long tail" reinsurance inwards treaties in Constantia Insurance Company Limited, as well as premiums receivable that is invoiced in Zambian Kwacha and that is settled quarterly in arrears. As at 31 August 2010, the amount so receivable is R22 134 (2009: R16 800).

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

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

37.2 Interest rate risk

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

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

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

Financial assets	**2010 2% increase R'000**	2009 2% increase R'000	**2010 2% decrease R'000**	2009 2% decrease R'000
Investments in debt securities	**(149)**	(63)	**152**	64
Cash and interest bearing loans	**5 020**	4 360	**(5 020)**	(4 360)
	4 871	4 297	**(4 868)**	(4 296)

An increase or decrease of 2% in the interest rates relating to investments in debt securities, listed property units, loans receivable and cash would result in an increase in income of R4.87 million (2009: R4.30 million) or a decrease in income of R4.87 million (2009: R4.30 million) respectively.

Financial liabilities	**2010 2% increase R'000**	2009 2% increase R'000	**2010 2% decrease R'000**	2009 2% decrease R'000
Interest bearing borrowings	**(377)**	(441)	**382**	441

An increase or decrease of 2% in the interest rates relating to borrowings and payables would result in an increase in expenses of R0.38 million (2009: R0.44 million) or a decrease in expenses of R0.38 million (2009: R0.44 million) respectively.

The group monitors and manages this risk through its Investment Committee and the Board's oversight.

37. RISK MANAGEMENT (continued)

37.3 Market risk

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

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

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

The group regularly reviews and actively manages these risks through its Investment Committee.

37.4 Credit risk

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

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

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

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

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

	Credit rating						
	AAA R'000	AA+ R'000	AA R'000	AA– R'000	BBB+ R'000	Not rated R'000	Carrying value R'000
31 August 2010							
Investments in debt securities held at fair value	3 755	–	–	2 060	–	–	5 815
Unlisted investments held at fair value	–	–	–	–	–	11 181	11 181
Loans receivable	–	–	–	–	–	6 884	6 884
Trade and other receivables	–	–	–	–	–	91 519	91 519
Cash and cash equivalents	44 613	–	153 521	64 800	–	7 321	270 255
	48 368	–	153 521	66 860	–	116 905	385 654
31 August 2009							
Investments in debt securities held at fair value	–	–	–	–	3 162	–	3 162
Unlisted investments held at fair value	–	–	–	–	–	1 866	1 866
Loans receivable	–	–	–	–	–	5 917	5 917
Trade and other receivables	–	–	–	–	–	87 209	87 209
Cash and cash equivalents	41 501	122 256	49 034	62 036	–	23	274 850
	41 501	122 256	49 034	62 036	3 162	95 015	373 004

37. RISK MANAGEMENT (continued)

37.4 Credit risk (continued)

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

The carrying amount of assets included on the statement of financial position represents the maximum credit exposure. At the year end management did not consider there to be any material credit risk exposure that was not already covered by a doubtful debt allowance.

Impairment history

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

		Financial assets that are past due but not impaired						
	Neither past due nor impaired R'000	0 – 3 months R'000	3 – 6 months R'000	6 months to 1 year R'000	Greater than 1 year R'000	Financial assets that have been impaired R'000	Impairment R'000	Carrying value R'000
31 August 2010								
Investments in debt securities held at fair value	5 815	–	–	–	–	–	–	5 815
Unlisted investments held at fair value	11 181	–	–	–	–	–	–	11 181
Loans receivable	6 884	–	–	–	–	–	–	6 884
Trade and other receivables	91 229	123	128	39	–	1 303	(1 303)	91 519
Cash and cash equivalents	270 255	–	–	–	–	–	–	270 255
	385 364	123	128	39	–	1 303	(1 303)	385 654
31 August 2009								
Investments in debt securities held at fair value	3 162	–	–	–	–	–	–	3 162
Unlisted investments held at fair value	1 866	–	–	–	–	180	(180)	1 866
Loans receivable	5 917	–	–	–	–	–	–	5 917
Trade and other receivables	84 932	2 012	197	59	9	1 099	(1 099)	87 209
Cash and cash equivalents	274 850	–	–	–	–	–	–	274 850
	370 727	2 012	197	59	9	1 279	(1 279)	373 004

37.5 Liquidity risk

Liquidity risk is defined as the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

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

37. RISK MANAGEMENT (continued)

37.5 Liquidity risk (continued)

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

	Within 1 year R'000	2 to 5 years R'000	More than 5 years R'000	Total R'000
2010				
Interest-bearing borrowings	6 235	9 360	3 301	18 896
Vendors for cash	90	–	–	90
Trade and other payables	102 178	–	–	102 178
	108 503	9 360	3 301	121 164
2009				
Interest-bearing borrowings	5 566	5 910	12 963	24 439
Vendors for cash	90	–	–	90
Trade and other payables	111 036	–	–	111 036
	116 692	5 910	12 963	135 565

37.6 Insurance risk

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

37.6.1 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 obligations in the event that a specified party fails to discharge certain specified obligations, financial or otherwise.

Liability:

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

Motor:

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

Accident and Health:

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

Property:

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

37. RISK MANAGEMENT (continued)

37.6 Insurance risk (continued)

37.6.2 Concentration of insurance risk

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

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

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

Gross premium earned per class of business	**2010 R'000**	2009 R'000
Short term		
– Property	**180 291**	96 293
– Motor	**193 609**	235 174
– Accident/Health	**186 002**	195 057
– Guarantee	**15 765**	14 966
– Miscellaneous (including legal expenses, retrenchment cover)	**80 566**	145 847
Long term	**27 401**	30 215
	683 634	717 552

37.6.3 Management of insurance risk

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

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

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

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

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

37. RISK MANAGEMENT (continued)

37.6 Insurance risk (continued)

37.6.4 Key insurance risks

Reinsurance credit risk

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

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

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

Claims risk

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

Lapse risk

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

Expense risk

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

Pricing and Underwriting risk

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

37.7 Capital risk management

The group's objectives when managing capital are:

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

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

37. RISK MANAGEMENT (continued)

37.7 Capital risk management (continued)

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

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

The solvency ratio is calculated as the short-term insurer's net assets divided by net written premium, while the CAR is calculated as the long-term insurer's net assets divided by its Capital Adequacy Requirement as calculated on the Financial Soundness Valuation basis disclosed in the Actuary's Report.

The short-term insurer's solvency on the international basis is 48% (2009: 67%), while the long-term insurers' CARs are 1.72 and 1.40 respectively (2009: 1.22 and 1.26). Growth in net premium volumes would result in the solvency ratio decreasing.

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

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

38. DIRECTORS' INTEREST IN SHARES AND SHARE OPTIONS

38.1 Beneficial interest in shares

	Direct	Indirect	Total
31 August 2010			
– Berkowitz, R S	350 000	–	350 000
– Campbell, S M	48 000	2 523 000	2 571 000
– Druian, J D	24 934 041	2 587 734	27 521 775
– Louw, L E	–	2 000 000	2 000 000
– Prosser, H L	6 049 500	–	6 049 500
– Shane, S D	20 599 477	3 078 587	23 678 064
– Steffens, G Z	–	–	–
– Toet, G	41 236	–	41 236
	52 022 254	10 189 321	62 211 575

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

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

38. DIRECTORS' INTEREST IN SHARES AND SHARE OPTIONS (continued)

38.2 Interest in share options

	Direct	Total
31 August 2010		
– Berkowitz, R S	–	–
– Campbell, S M	–	–
– Druian, J D	–	–
– Louw, L E	2 000 000	2 000 000
– Prosser, H L	4 000 000	4 000 000
– Shane, S D	–	–
– Steffens, G Z	–	–
– Toet, G	2 000 000	2 000 000
	8 000 000	8 000 000
31 August 2009		
– Berkowitz, R S	–	–
– Campbell, S M	–	–
– Druian, J D	600 000	600 000
– Louw, L E	150 000	150 000
– Shane, S D	600 000	600 000
– Steffens, G Z	–	–
	1 350 000	1 350 000

39. RELATED PARTY TRANSACTIONS

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

39.1 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 39.3.

39.2 Companies within the group

39.2.1 Subsidiaries

Details of investments in and loans to/from subsidiary companies are disclosed in notes 36.1 and 36.2. Additional information about the impact that these balances have on the group and the company's annual financial statements are disclosed in note 10. Details of trading transactions with subsidiary companies and outstanding balances are reflected in note 39.4.1.

39.2.2 Associates

Details of investments in associate companies are disclosed in notes 36.3 and 36.4. Loans to associates are interest free and have no fixed repayment terms, unless disclosed otherwise. Details of trading transactions with associate companies are reflected in notes 9 and 39.4.2.

39.2.3 Investments

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

39. RELATED PARTY TRANSACTIONS (continued)

39.3 Directors and key management

39.3.1 Dealings in capacity as a director of the company

The directors' report and the notes to the annual financial statements disclose details relating to directors' emoluments (note 30), shareholdings (note 38) and share options in the company (notes 19 and 38).

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

During the year ended 31 August 2010 the group has had no dealings with directors other than in their capacity as directors.

Further details of transactions with directors' companies and key management are disclosed in note 39.4.3.

	COMPANY	
	31 August 2010 R'000	31 August 2009 R'000
39.4 Trading transactions and outstanding balances other than loan balances		
39.4.1 Subsidiaries		
Anthony Richards & Associates (Proprietary) Limited		
– Dividend received	**4 400**	2 800
Black Ginger 92 (Proprietary) Limited		
– Interest received	**748**	864
Conduit Fund Managers (Proprietary) Limited		
– Interest received	**148**	281
– Management and administration fees paid	**(24)**	(8)
– Balance due to	**(1)**	–
Conduit Management Services (Proprietary) Limited		
– Management and administration fees received	**3 778**	–
– Management and administration fees paid	**–**	(100)
– Balance due by	**–**	61
Constantia Corporate Services (Proprietary) Limited		
– Cleaning	**–**	(5)
– Maintenance	**–**	(15)
– Management and administration fees paid	**–**	(156)
– Management and administration fees received	**–**	5 762
– Rent paid	**–**	(1)
– Security	**–**	(12)
– Staff welfare	**–**	(26)
– Telephones	**–**	(32)
– Balance due by	**–**	1
Constantia Insurance Company Limited		
– Rent paid	**–**	(184)
Constantia Life & Health Assurance Company Limited		
– Consulting fees received	**–**	396
– Balance due by	**–**	2

	GROUP		COMPANY	
	31 August 2010 R'000	31 August 2009 R'000	**31 August 2010 R'000**	31 August 2009 R'000
39. RELATED PARTY TRANSACTIONS (continued)				
39.4 Trading transactions and outstanding balances other than loan balances (continued)				
39.4.1 Subsidiaries (continued)				
On Line Lottery Services (Proprietary) Limited				
– Management and administration fees received			**–**	132
– Interest received			**7**	1
– Rent received			**–**	40
– Computer equipment sold to			**–**	3
– Balance due by			**–**	1
TGI Investment Holdings (Proprietary) Limited				
– Directors' fees received			**–**	7
39.4.2 Associates				
Maruapula Capital (Proprietary) Limited				
– Interest received	**15**	25	**15**	25
39.4.3 Directors, directors' companies and key management				
Stanley D Shane				
– Staff recruitment fees paid to Fluxmans Consulting, a company of which he is a director	**(98)**	–	**–**	–
Key management				
– Salaries paid to key management (short-term employee benefits)	**(6 883)**	(4 603)	**–**	–

SHAREHOLDER INFORMATION
as at 31 August 2010

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1–1 000 shares	433	61.07	141 355	0.06
1 001–10 000 shares	119	16.78	469 978	0.18
10 001–100 000 shares	64	9.03	2 795 591	1.09
100 001–1 000 000 shares	47	6.63	17 912 639	6.99
1 000 001 shares and over	46	6.49	235 060 255	91.68
	709	100.00	256 379 818	100.00

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Close corporations	10	1.41	7 130 457	2.78
Individuals	572	80.68	89 227 605	34.80
Nominees and trusts	57	8.04	17 274 917	6.74
Other persons and corporations	27	3.81	41 661 340	16.25
Private companies	35	4.94	91 225 607	35.58
Public companies	7	0.99	8 209 522	3.20
Share trust	1	0.13	1 650 370	0.65
	709	100.00	256 379 818	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholdings	%	Number of shares	%
Non-public shareholders	31	4.37	84 735 253	33.05
Directors and associates' holdings	28	3.95	78 632 032	30.67
Own holdings	2	0.28	4 452 851	1.74
Share trust	1	0.14	1 650 370	0.64
Public shareholders	678	95.63	171 644 565	66.95
	709	100.00	256 379 818	100.00

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	Number of shares	%
Capricorn Capital Partners Holdings	27 787 631	10.84
Druian, J D	27 444 383	10.70
Shane, S D	23 678 064	9.24
Morning Tide Investments 82 (Proprietary) Limited	13 000 000	5.07
First National Investors (Proprietary) Limited	12 181 818	4.75
Druian, W A	11 450 934	4.47
Diamond, P	11 158 005	4.35
Six Sis Limited	11 000 000	4.29
Ellerine Bros (Proprietary) Limited	10 000 000	3.90
	147 700 835	57.61

DIRECTORATE, ADMINISTRATION AND CORPORATE INFORMATION

DIRECTORS' INFORMATION

Reginald S Berkowitz (73) – LLB
Independent chairman and non-executive director

Jason D Druian (38)
Chief executive officer

Scott M Campbell** (42) – BBS; Dip Bus Studies
Independent non-executive director

Lourens E Louw (40) – B Comm
Financial Director

Harold Larry Prosser (42) – LLB;
G. Dip Applied Finance & Investment
Executive director

Stanley D Shane (39) – B Com
Member – SA Institute of Stockbrokers
Non-executive director

Günter Z Steffens* (73)
Member – The Guild of International Bankers, London Brooks, London
Independent non-executive director

Gavin Toet (36)
Executive director

* German
** New Zealander

ADMINISTRATION

Registered office

Unit 7, Tulbagh
360 Oak Avenue
Randburg, 2194

PO Box 97, Melrose Arch, 2076
Tel: (+27 11) 686 4200
Fax: (+27 11) 886 0206

Alpha code

CND

ISIN

ZAE000073128

Registration number

1998/017351/06

CORPORATE INFORMATION

Company Secretary

Probity Business Services (Proprietary) Limited
(Registration number 2000/002046/07)

Third Floor, The Mall Offices
11 Cradock Avenue, Rosebank, 2196

PO Box 85392, Emmarentia, 2029

Transfer Secretaries

Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)

Ground Floor, 70 Marshall Street
Johannesburg, 2001

PO Box 61051, Marshalltown, 2107

Sponsor

Merchantec (Proprietary) Limited
(Registration number 2008/027362/07)

2nd Floor, North Block
Hyde Park Office Tower
Corner 6th Road and Jan Smuts Avenue
Hyde Park, 2196

PO Box 41480, Craighall, 2024

Independent auditors

Grant Thornton
Chartered Accountants (SA)

137 Daisy Street, corner Grayston Drive
Sandton, 2196

Private Bag X28, Benmore, 2010

Corporate advisor and legal advisor

Java Capital (Proprietary) Limited
(Registration number 2002/031862/07)

2 Arnold Road, Rosebank, 2196

PO Box 2087, Parklands, 2121

CONDUIT CAPITAL

CONDUIT CAPITAL LIMITED

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

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

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

Notice is hereby given that the annual general meeting of members of Conduit Capital will be held in the company's boardroom at Tulbagh, 360 Oak Avenue, Randburg, 2194, at 08:00 on Wednesday, 16 February 2011, to conduct the following business:

ANNUAL FINANCIAL STATEMENTS

To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 31 August 2010, including the directors' report and the report of the auditors therein.

RESOLUTIONS

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

1. SPECIAL RESOLUTION NUMBER 1 – GENERAL AUTHORITY TO ACQUIRE SHARES

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

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

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

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

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

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

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

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

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

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

Adequacy of working capital

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

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

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

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

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

Directors and management – page 13

Major shareholders of Conduit Capital – page 81

Directors' interest in securities – page 77

Share capital of the company – note 16

Litigation statement

The directors, whose names appear on page 13 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings (other than as disclosed in the annual report), 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 13 of the annual report of which the notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 1 that have been omitted which would make any statement in relation to special resolution number 1 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution number 1 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 1.

Material changes

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

Reason for and effect of special resolution number 1

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

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

2. ORDINARY RESOLUTION NUMBER 1 – RE-APPOINTMENT OF GRANT THORNTON AS AUDITORS FOR ENSUING FINANCIAL YEAR

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

3. ORDINARY RESOLUTION NUMBER 2 – RE-ELECTION OF R S BERKOWITZ AS A DIRECTOR

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

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

Name: Reginald Selwyn Berkowitz
Age: 73
Role: Independent non-executive director and Chairman of the Board

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 currently a non-executive director of numerous public and private companies. In addition, he is the Chairman and a trustee of the Beare Foundation and a former member of the Securities Regulation Panel.

4. ORDINARY RESOLUTION NUMBER 3 – RE-ELECTION OF J D DRUIAN AS A DIRECTOR

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

The occupation and relevant business experience of Jason D Druian is set out below:

Name: Jason D Druian
Age: 38
Role: Chief Executive Officer

Jason formed the Altmedia Group (49% held by Clear Channel Independent (Proprietary) Limited ("Clear Channel")), at the time the leading ambient media player in Africa, in 1998. The group had operations in South Africa, Australia and 5 African countries. He served as Chief Executive and Chairman until February 2005, when he joined Conduit Capital. Jason remained non-executive Chairman of Altmedia, during which time he successfully negotiated the sale of Altmedia's South African operations to Primedia Limited, after already having disposed of the African operations to Clear Channel. As CEO of Conduit Capital, Jason has overseen a recapitalisation programme and the acquisition of a number of businesses by the group. His active involvement at subsidiary level has also resulted in the streamlining of the group through the disposal of a number of non-core and unprofitable assets.

5. ORDINARY RESOLUTION NUMBER 4 – RE-ELECTION OF H L PROSSER AS A DIRECTOR

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

The occupation and relevant business experience of Harold L Prosser is set out below:

Name: Harold L Prosser
Age: 42
Role: Executive director – Strategic Business Development

Larry has a law degree from the University of the Witwatersrand and has been involved in various insurance and banking businesses over the past 20 years. His most recent position was in the capacity of Group CEO of a direct selling call centre operation that employed 1 250 people. Larry was appointed to the group as Head of Strategic Business Development.

6. ORDINARY RESOLUTION NUMBER 5 – RE-ELECTION OF S D SHANE AS A DIRECTOR

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

The occupation and relevant business experience of Stanley D Shane is set out below:

Name: Stanley D Shane
Age: 39
Role: Non-executive director

Stanley graduated from the University of the Witwatersrand 1993 and qualified as a member of the SA Institute of Stockbrokers in 1995. Stanley participated in the listing of over 25 companies on the JSE between 1996 and 2000. He served on the board of Appleton Limited between 1998 and 2003. In 2002 Stanley was responsible for the disposal of Appleton's business to PSG Limited. Stanley was CEO of IMR Investments Limited until May 2005. He became a non-executive director on 1 September 2010.

7. ORDINARY RESOLUTION NUMBER 6 – RATIFICATION OF NON-EXECUTIVE DIRECTORS' REMUNERATION FOR 2009/10

"To ratify the non-executive directors' remuneration for the year ended 31 August 2010 as reflected in note 30 to the annual financial statements."

8. ORDINARY RESOLUTION NUMBER 7 – APPROVAL OF NON-EXECUTIVE DIRECTORS' REMUNERATION FOR 2010/11

"To approve the non-executive directors' remuneration for the year ending 31 August 2011 as follows:

- Chairman of the Board (R S Berkowitz): R374 500 per annum;
- Chairman of the Audit Committee (G Z Steffens): R267 500 per annum; and
- Non-executive director (S C Campbell): R171 200 per annum."

9. ORDINARY RESOLUTION NUMBER 8 – CONTROL OF AUTHORISED BUT UNISSUED ORDINARY SHARES

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

10. ORDINARY RESOLUTION NUMBER 9 – APPROVAL TO ISSUE ORDINARY SHARES, AND TO SELL TREASURY SHARES, FOR CASH

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

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

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

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

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

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

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

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

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

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

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

Voting

Under the JSE Listings Requirements, Ordinary Resolution Number 9 must be passed by a 75% (seventy five percent) majority of the votes cast in favour of the resolution by all members present or represented by proxy at the annual general meeting.

11. ORDINARY RESOLUTION NUMBER 10 – GENERAL PAYMENTS TO SHAREHOLDERS

"**Resolved that** subject to the Act, the JSE Listings Requirements and the restrictions set out below, the directors of the company are authorised, at their discretion, to pay by way of a reduction of share capital or share premium, in lieu of an ordinary dividend, an amount equal to the amount which the directors would have declared and paid out of profits in respect of the company's dividends, on the basis that:

(a) this authority is not required in respect of cash dividends paid out of retained income, script dividends or capitalisation issues that may, subject to the provisions of the Act, be made by the company without this authority;

(b) this general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of the passing of this Ordinary Resolution Number 10;

(c) any general payment(s) in terms of this authority:

- must be made *pro rata* to all shareholders; and
- may not in any one financial year exceed 20% of the company's issued share capital and reserves at the beginning of such financial year (for purposes of this Ordinary Resolution Number 10 the definition of share capital and reserves specifically excludes minority interest and the revaluation of assets and intangible assets not supported by a valuation by an independent professional expert acceptable to the JSE and prepared within six months from the date of the general payment to be made)."

In accordance with the JSE Listings Requirements the directors record that, although there is no immediate intention to make general payments, the directors would use this authority to make payments to shareholders by way of capital distributions if appropriate, but subject to the the provisions of the JSE Listings Requirements and section 90 of the Act.

Before effecting any general payment contemplated by this Ordinary Resolution Number 10, the directors will consider the effect of the general payment and will ensure that for a period of 12 (twelve) months after the date of the notice of the general payment to be made:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group, measured in accordance with the accounting policies used in the latest audited annual financial statements, will be in excess of the liabilities of the company and the group; and
- the working capital, share capital and reserves of the company and the group are adequate for ordinary business purposes.

12. ORDINARY RESOLUTION NUMBER 11 – SIGNATURE OF DOCUMENTS

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

OTHER BUSINESS

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

Voting and proxies

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

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in "own name" dematerialised form.

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

Proxy forms should be forwarded to reach the transfer secretaries, Computershare Investor Services (Proprietary) Limited, at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of the meeting.

By order of the Board

CONDUIT CAPITAL LIMITED

Probity Business Services (Proprietary) Limited
Company Secretary

Randburg
15 November 2010

Registered Office

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

Transfer Secretaries

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

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CONDUIT CAPITAL LIMITED

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

FORM OF PROXY

For use only by ordinary shareholders who:

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

at the annual general meeting of shareholders of the company to be held in the boardroom of the company at Tulbagh, 360 Oak Avenue, Randburg, 2194, at 08:00 on Wednesday, 16 February 2011 and any adjournment thereof.

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

I/We (BLOCK LETTERS please)

of (address)

Telephone work ( ) Telephone home ( )

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

1. or failing him/her;
2. or failing him/her;
3. the Chairperson of the annual general meeting

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

	Number of ordinary shares		
Resolutions	**For***	**Against***	**Abstain***
1. **Special Resolution Number 1** General authority to acquire shares			
2. **Ordinary Resolution Number 1** To confirm the re-appointment of Grant Thornton, with Ms Serena Ho as the responsible partner, as auditors for the ensuing financial year			
3. **Ordinary Resolution Number 2** To approve the re-election as director of R S Berkowitz who retires by rotation			
4. **Ordinary Resolution Number 3** To approve the re-election as director of J D Druian who retires by rotation			
5. **Ordinary Resolution Number 4** To approve the re-election as director of H L Prosser			
6. **Ordinary Resolution Number 5** To approve the re-election as director of S D Shane who retires by rotation			
7. **Ordinary Resolution Number 6** To ratify and approve the non-executive directors' remuneration for the financial year ended 31 August 2010			
8. **Ordinary Resolution Number 7** To approve the non-executive directors' remuneration for the financial year ending 31 August 2011			

	Number of ordinary shares		
Resolutions	**For***	**Against***	**Abstain***
9. **Ordinary Resolution Number 8** Control of authorised but unissued ordinary shares			
10. **Ordinary Resolution Number 9** Approval to issue ordinary shares, and to sell treasury shares, for cash			
11. **Ordinary Resolution Number 10** General payments to shareholders			
12. **Ordinary Resolution Number 11** Signature of documents			

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

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

Signed at on 2010/2011

Signature

Assisted by (where applicable):

NOTES

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

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

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

    to be received by no later than 08:00 on Monday, 14 February 2011 (or 48 hours before any adjournment of the annual general meeting which date, if necessary, will be notified on SENS).
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

CONDUIT CAPITAL

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