2008

CONDUIT CAPITAL LIMITED

(Registration number 1998/017351/06)

ANNUAL FINANCIAL STATEMENTS
31 August 2008

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CHAIRMAN'S REVIEW

In the Chairman's review of 29 November 2007, which appeared in the Annual Report, I expressed the view that "we remain optimistic that the recent volatility will pass". Few, if any of us, could have anticipated the turbulent local and global economic environments and their impact on trading conditions.

As reflected in the Chief Executive Officer's review, which forms part of this annual report, it is therefore pleasing to note that despite the prevailing market conditions, group profitability improved in the second half of the year.

I extend my warm thanks to the Board of Directors for their commitment and support during the past year. To the Chief Executive, Management and Staff of the group, I convey my sincere gratitude for their tireless efforts and constancy. My thanks also go out to our shareholders who have and continue to support the group.

Reginald S Berkowitz
Chairman

Johannesburg
26 November 2008

REVIEW OF OPERATIONS

Head Office and Treasury

The global financial crisis significantly depressed investment returns, resulting in a reduction in group profitability for the full financial year. The bulk of this impact was reflected in the six months to 29 February 2008 as our strategy to shift from equities into cash proved timely and offered remarkable protection in the second half of the year. At year-end, our exposure to equities (comprising unit trusts, common stock and property stock) was limited to only 10% of our net asset value. The group's investment activities have now been centralised and fall under the direction of a single investment committee mandated by the various boards within the group.

As at 31 August 2008 the group's cash and near cash resources available for investment increased to approximately R130 million (29 February 2008: R110 million), which resources are in addition to existing working capital utilised within the group.

Conduit Insurance & Risk Services

Underwriting

The corrective action taken in the insurance book in the six months to February 2008 provided the foundation for improved underwriting profitability in the second half of the year. The establishment of dedicated technical, actuarial, legal, audit and claims resources at Head Office level has considerably enhanced underwriting risk management and profitability. There however remains much work to be done and although we have terminated the majority of the non-performing underwriting arrangements and re-rated significant portions of the insurance portfolio, many challenges lie ahead, all of which we believe we are better prepared and more skilled to face.

Investments

Whilst the impact of the financial crisis dented investment returns for the year, the brunt of the impact was taken in the six months to 29 February 2008. We continued to reduce our exposure to equity markets beyond February 2008 and indeed past year-end. Although we have retained some investment in equities, the size of the equity portfolio relative to the entire investment portfolio dictates that its performance is unlikely to have a material impact on overall group results in the year ahead.

Statutory funding ratio and credit rating

The statutory funding ratio of Constantia Insurance Company Limited ("CICL"), the insurance division's main asset, improved from 24.7% in August 2007 to 38% as at 31 August 2008 (Statutory requirement: 15%). CICL's credit rating remains unchanged at A–.

Conduit Direct

Having absorbed the infrastructural costs associated with the award of various additional credit recovery contracts in the six-month period to 29 February 2008, the positive results for the second half of the financial year were in line with expectations. Management has done an outstanding job in maintaining Anthony Richards & Associates (Proprietary) Limited's position at the forefront of the credit recovery industry.

Conduit Financial Services

Gateway Capital Limited ("Gateway")

On 15 September 2008 shareholders were advised that we disposed of our 50.05% interest in Gateway on the basis that the disposal would be beneficial to Conduit and to Conduit's shareholders. While Gateway's prospects remain good, its business is impacted by the current high interest rate environment, which dictates that in order for it to develop and expand its business, it would have to implement an aggressive growth strategy. Although consistent with the industry in which Gateway operates, this would not be aligned to the group's more conservative risk strategy. Following lengthy discussion with Gateway's management, it was deemed appropriate for Conduit to exit its stake. The cash proceeds from the transaction will be utilised within the group.

CHIEF EXECUTIVE OFFICER'S REVIEW

(continued)

Conduit Fund Managers (Proprietary) Limited ("CFM")

There have been no further developments with respect to CFM as current market conditions have so far prevented the company from managing any third party funds outside of the group. CFM therefore remains an internal resource, i.e. its current focus is on managing group investments only.

Results

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

	2008 **12 months**	2007 18 months
Continuing and discontinued operations		
Net asset value (R'000)	215 813	190 315
Tangible net asset value (R'000)	169 167	111 769
Total revenue (R'000)	1 461 166	1 566 513
Net revenue after direct insurance expenses (R'000)	356 066	328 425
Profit before tax (R'000)	31 805	48 141
Headline earnings (R'000)	14 817	20 804
Number of shares in issue (net of treasury shares) ('000)	250 277	221 777
Weighted average number of shares ('000)	232 166	157 463
Diluted number of shares ('000)	233 095	182 294
Net asset value per share (cents)	86.23	85.81
Tangible net asset value per share (cents)	67.59	50.40
Profit before tax per share (cents)	13.70	30.57
Basic earnings per share (cents)	6.54	13.54
Headline earnings per share (cents)	6.38	13.21
Diluted earnings per share (cents)	6.51	11.70
Diluted headline earnings per share (cents)	6.36	11.41

CONCLUSION

Notwithstanding the improved results in the second half of the year, market conditions remain challenging. The group will therefore continue to focus on existing operations and will maintain a conservative investment strategy in the year ahead. Shareholders should take comfort in the fact that despite the existence of the financial crisis that is likely to continue into next year, our assets are liquid, well spread and exposure to equity markets is limited.

J D Druian
Chief Executive Officer

Johannesburg
26 November 2008

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

FINANCIAL STATEMENTS

The annual financial statements set out in this report have been prepared by the directors in accordance with International Financial Reporting Standards. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgements 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 six members. Any changes to the composition of the board are approved by the board as a whole. All executive directors and non-executive directors, other than the Chief Executive Officer, are subject to re-election by rotation once every three years. The Chief Executive Officer is subject to re-election once every five years.

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

The capacity of the directors can be categorised as follows:

- Reginald Berkowitz — Independent Non-Executive Director and Chairman
- Jason Druian — Executive Director - Chief Executive Officer
- Scott Campbell # — Independent Non-Executive Director
- Günter Steffens ## — Independent Non-Executive Director
- Lourens Louw — Executive Director - Finance
- Stanley Shane — Executive Director

New Zealander ## German

The following individuals resigned as directors during the course of the year: RL Shaw (with effect 29 February 2008), P Diamond and M Kruger (with effect 6 May 2008).

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

- Lourens Louw — Executive Director - Finance
- Stanley Shane — Executive Director

The roles of the Chairman and the Chief Executive Officer are separated. The directors have a wide range of skills and the majority have financial services experience. There is an equal number of executives and non-executive directors (all of which are independent), which ensures that no one grouping dominates board proceedings and decision making. At least four board meetings are held per annum.

ATTENDANCE AT BOARD MEETINGS

Name	28 Nov 2007	13 Feb 2008	6 May 2008	27 Aug 2008	12 Nov 2008
Berkowitz, R S	A	P	P	P	P
Campbell, S M	P	P	P	P	A
Diamond, P	P	P	*	*	*
Druian, J D	P	P	P	P	P
Kruger, M	P	P	*	*	*
Louw, L E	P	P	P	P	P
Shane, S D	P	P	P	P	P
Shaw, R L	P	A	*	*	*
Steffens, G Z	P	P	P	P	P
Number of board members	9	9	6	6	6
Number present	8	8	6	6	5

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

AUDIT COMMITTEE

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

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

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

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

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Name	23 Nov 2007	5 May 2008	26 Aug 2008	12 Nov 2008
Berkowitz, R S	P	P	P	P
Steffens, G Z	P	P	P	P
Number of committee members	2	2	2	2
Number present	2	2	2	2

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.

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

ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS

Name	13 Feb 2008	26 Aug 2008	28 Oct 2008
Berkowitz, R S	P	P	P
Campbell, S M	P	P	P
Druian, J D	P	P	P
Steffens, G Z	*	P	A
Number of committee members	3	4	4
Number present	3	4	3

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

RISK MANAGEMENT

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

EMPLOYMENT EQUITY AND PRACTICES

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

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

ENVIRONMENT

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

REVIEW OF MANAGEMENT AND FINANCIAL CONTROLS

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

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

INTERNAL CONTROL

The effectiveness of the internal control system is monitored through management 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 minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

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

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.

DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

at 31 August 2008

The directors are required by the Companies Act of South Africa, as amended, to maintain adequate accounting records and are responsible for the content and the integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and of 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 company and the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and 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 company and the group. While operating risk cannot be fully eliminated, the company and the group endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the company and the group's cash flow forecasts for the year to 31 August 2009 and, in the light of this review and the current financial position, they are satisfied that the company and the group have or have access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 12 to 86, which have been prepared on the going concern basis, were approved by the Board on 26 November 2008 and were signed on its behalf by:

R S Berkowitz
Chairman

J D Druian
Chief Executive Officer

L E Louw
Financial Director

Johannesburg
26 November 2008

COMPANY SECRETARY'S CERTIFICATE

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

Probity Business Services (Proprietary) Limited
Company Secretary

Johannesburg
26 November 2008

TO THE MEMBERS OF CONDUIT CAPITAL LIMITED

We have audited the group annual financial statements and company annual financial statements of Conduit Capital Limited, which comprise the consolidated and separate balance sheets as at 31 August 2008, and the consolidated and separate income statements, the consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and notes which include a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 12 to 86.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Conduit Capital Limited as at 31 August 2008, 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
26 November 2008

137 Daisy Street, Sandown, Johannesburg, 2196

The directors have pleasure in presenting their report for the year ended 31 August 2008.

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 (2007: 500 000 000). In order to recapitalise the company and to fund acquisitions, the issued share capital was increased as follows:

- 4 500 000 shares were issued on 18 September 2007 at a premium of 224 cents per share for a total consideration of R10 125 000 in order to increase working capital; and
- 24 000 000 (*) shares were issued on 31 May 2008 at a premium of 77.77 cents per share for a total consideration of R18 904 538 in order to settle the purchase consideration of an acquisition made in the 2006 financial year.

The shares marked with (*) were issued in terms of a specific authority granted to the directors at a general meeting of shareholders that was held on 3 November 2005, whilst the rest of the shares were issued by way of a general issue of shares in terms of an authority granted to the directors by way of a resolution of shareholders that was passed at the previous annual general meeting of shareholders.

There were no changes to treasury shares during the year.

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

SHARE PREMIUM

After the issue of ordinary shares as described above, the group's share premium account amounted to R196.717 million (2007: R168.097 million) (see note 18 of the annual financial statements for further details).

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

1. The group acquired property, plant and equipment, software and other intangible assets of approximately R6.814 million (2007: R17.649 million) during the year.

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

1. Gateway Capital Limited, a 50.05% subsidiary with an attributable asset value of approximately R16.956 million was sold for R16.4 million (see note 12 for details);
2. Sureline Administrators (Proprietary) Limited, a 90% subsidiary with an attributable asset value of approximately R2.471 million was sold for R3 million;
3. A number of other, minor subsidiaries with a combined attributable asset value of approximately R1.167 million were sold for R1.679 million;
4. Property, plant and equipment and intangible assets with a book value of approximately R1.45 million were sold for R1.418 million (2007: assets to the value of R0.215 million were sold for R0.202 million);
5. An investment in an associate company was impaired through the income statement at a loss of approximately R0.268 million (2007: R8 000);
6. Debtors were impaired through the income statement at a loss of approximately R4.668 million (2007: R0.471 million), whilst no previous period impairments were reversed through the income statement (2007: R0.116 million); and
7. Goodwill of R0.185 million, resulting from the revaluation of a subsidiary, was impaired through the income statement (2007: R17 000).

INTEREST IN SUBSIDIARIES

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

	2008 R'000	2007 R'000
Profits	**29 196**	33 476
Losses	**(9 655)**	(4 351)

SUBSEQUENT EVENTS

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

DIRECTORS AND OFFICERS

The following persons acted as directors:

Name			Appointed	Resigned
Reginald S Berkowitz	(Chairman)	# * R	24 May 2005	
Jason D Druian	(Chief Executive Officer)	R	24 May 2005	
Scott M Campbell †		* R	9 April 2000	
Paul Diamond			24 May 2005	6 May 2008
Megan Kruger		*	24 May 2005	6 May 2008
Lourens E Louw	(Financial Director)		25 August 2004	
Stanley D Shane			21 January 1999	
Robert L Shaw			31 October 2006	29 February 2008
Günter Z Steffens ††		# * R	27 April 2007	

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

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

DIRECTORS' SHAREHOLDING

As at 31 August 2008 certain directors beneficially owned 57 279 172 ordinary shares in Conduit Capital (2007: 60 725 096). The directors held rights to a further 1 350 000 share options under the IMR Share Trust (2007: 1 950 000). Full details of these holdings are disclosed in note 40 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 2008 and 31 August 2007 the company's borrowings totalled as follows:

	2008 R'000	2007 R'000
– Borrowings from other group companies	**10 437**	34 906
– Borrowings from external sources	**46**	45
– Total borrowings	**10 483**	34 951

DIVIDENDS

No dividend payment to ordinary shareholders was recommended by the directors for the year ended 31 August 2008 (2007: R Nil).

AUDITORS

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

SPECIAL RESOLUTIONS

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 31 March 2008. The special resolution was registered with the Registrar of Companies on 8 April 2008.

	Note	GROUP 31 August 2008 R'000	GROUP 31 August 2007 R'000	COMPANY 31 August 2008 R'000	COMPANY 31 August 2007 R'000
ASSETS					
Non-current assets		**123 716**	194 060	**141 377**	193 122
– Property, plant and equipment	5	**23 952**	26 526	**333**	266
– Intangible assets	6	**46 646**	78 546	**106**	35
– Loans receivable	7	**2 293**	739	**–**	–
– Deferred taxation	8	**6 168**	4 534	**–**	–
– Investment property	9	**15 791**	11 433	**–**	–
– Investment in associates	10	**4 602**	3 478	**–**	–
– Investment in subsidiaries	11	**–**	–	**140 938**	192 821
– Investments held at fair value	13	**24 264**	68 804	**–**	–
Current assets		**997 432**	995 424	**21 301**	8 139
– Insurance assets	14	**678 029**	652 791	**–**	–
– Investments held at fair value	13	**569**	4 723	**–**	–
– Trade and other receivables	15	**95 328**	151 151	**16 787**	1 431
– Taxation		**10 463**	7 117	**–**	–
– Cash and cash equivalents	16	**213 043**	179 642	**4 514**	6 708
Total assets		**1 121 148**	1 189 484	**162 678**	201 261
EQUITY AND LIABILITIES					
Capital and reserves		**228 887**	230 509	**150 154**	163 117
– Ordinary share capital	17	**2 503**	2 218	**2 564**	2 279
– Share premium	18	**196 717**	168 097	**223 542**	194 922
– Retained earnings (Accumulated losses)		**15 989**	807	**(76 556)**	(53 277)
– Share-based payment reserve	20	**604**	288	**604**	288
– Vendors for equity	21	**–**	18 905	**–**	18 905
		215 813	190 315	**150 154**	163 117
– Minority shareholders' interest		**13 074**	40 194	**–**	–
Non-current liabilities		**52 962**	77 800	**–**	–
– Policyholder liabilities under insurance contracts	22	**23 662**	22 587	**–**	–
– Interest bearing borrowings	23	**22 166**	45 968	**–**	–
– Deferred taxation	8	**7 134**	6 545	**–**	–
– Vendors for cash	24	**–**	2 700	**–**	–
Current liabilities		**839 299**	881 175	**12 524**	38 144
– Insurance liabilities	14	**747 963**	726 664	**–**	–
– Vendors for cash	24	**3 049**	4 825	**–**	1 767
– Loans payable	38.2	**–**	–	**10 437**	34 906
– Trade and other payables	25	**80 598**	110 283	**2 041**	1 426
– Current portion of interest bearing borrowings	23	**5 142**	36 865	**–**	–
– Taxation		**2 501**	2 370	**–**	–
– Bank overdraft	16	**46**	168	**46**	45
Total equity and liabilities		**1 121 148**	1 189 484	**162 678**	201 261

INCOME STATEMENTS

		GROUP		COMPANY	
	Note	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
CONTINUING OPERATIONS					
Gross revenue	26	**1 434 478**	1 554 340	**5 609**	4 153
Net insurance revenue	27	**237 722**	241 137	**–**	–
Other operating revenue	26.2	**91 656**	75 115	**5 609**	4 153
Net revenue		**329 378**	316 252	**5 609**	4 153
Operating expenses		**(314 176)**	(307 790)	**(33 993)**	(16 347)
– Direct expenses: Insurance and risk services	28	**(179 782)**	(193 493)	**–**	–
– Administration and other expenses		**(56 442)**	(45 802)	**(23 533)**	(3 876)
– Depreciation and amortisation		**(3 014)**	(2 659)	**(143)**	(133)
– Employee costs		**(74 938)**	(65 836)	**(10 317)**	(12 338)
Operating profit (loss)		**15 202**	8 462	**(28 384)**	(12 194)
Income from associates		**1 856**	918	**–**	–
Investment income	29	**14 831**	37 675	**3 208**	2 366
Other (expenses) income		**(51)**	360	**1 980**	–
Finance charges	30	**(5 308)**	(4 102)	**(83)**	(43)
Impairment of goodwill		**(185)**	(17)	**–**	–
Profit (loss) before taxation	31	**26 345**	43 296	**(23 279)**	(9 871)
Taxation	34	**(7 052)**	(14 829)	**–**	–
Profit (loss) for the period from continuing operations		**19 293**	28 467	**(23 279)**	(9 871)
DISCONTINUED OPERATION					
Profit for the period from discontinued operation	12	**3 644**	3 614	**–**	–
Profit for the period		**22 937**	32 081	(23 279)	(9 871)
Attributable to:					
Ordinary shareholders		**15 182**	21 324		
Minority interest		**7 755**	10 757		
– Continuing operations		**5 935**	8 952		
– Discontinued operation		**1 820**	1 805		
Profit for the period		**22 937**	32 081		
EARNINGS PER SHARE (CENTS)					
Basic	36.4.1	**6.54**	13.54		
– Continuing operations		**5.75**	12.39		
– Discontinued operation		**0.79**	1.15		
Diluted	36.4.2	**6.51**	11.70		
– Continuing operations		**5.73**	10.71		
– Discontinued operation		**0.78**	0.99		

GROUP	Ordinary share capital R'000	Share premium R'000	Retained earnings (Accumulated losses) R'000	Share-based payment reserve R'000	Vendors for equity R'000	Minority shareholders' interest R'000	Total R'000
Balance at 1 March 2006	948	9 182	(20 517)	–	30 479	1 713	21 805
Issue of shares to vendors	130	11 444	–	–	(11 574)	–	–
Proceeds from issue of shares	915	118 815	–	–	–	–	119 730
Proceeds from issue of shares on acquisition of interest in subsidiaries	239	31 105	–	–	–	16 302	47 646
Costs of issue of shares	–	(102)	–	–	–	–	(102)
Acquisition of treasury stock	(14)	(2 347)	–	–	–	–	(2 361)
Profit for the period	–	–	21 324	–	–	10 757	32 081
Equity options issued to executives	–	–	–	288	–	–	288
Loans advanced	–	–	–	–	–	13 517	13 517
Dividends paid	–	–	–	–	–	(2 095)	(2 095)
Balance at 31 August 2007	2 218	168 097	807	288	18 905	40 194	230 509
Issue of shares to vendors	240	18 665	–	–	(18 905)	–	–
Proceeds from issue of shares	45	10 080	–	–	–	–	10 125
Costs of issue of shares	–	(125)	–	–	–	–	(125)
Disposal of interest in subsidiary	–	–	–	–	–	(31 361)	(31 361)
Profit for the year	–	–	15 182	–	–	7 755	22 937
Equity options issued to executives	–	–	–	316	–	–	316
Dividends paid	–	–	–	–	–	(3 514)	(3 514)
Balance at 31 August 2008	2 503	196 717	15 989	604	–	13 074	228 887

STATEMENTS OF CHANGES IN EQUITY

COMPANY	Ordinary share capital R'000	Share premium R'000	Accumu-lated losses R'000	Share-based payment reserve R'000	Vendors for equity R'000	Total R'000
Balance at 1 March 2006	995	33 660	(43 406)	–	30 479	21 728
Issue of shares to vendors	130	11 444	–	–	(11 574)	–
Proceeds from issue of shares	915	118 815	–	–	–	119 730
Proceeds from issue of shares on acquisition of interest in subsidiaries	239	31 105	–	–	–	31 344
Costs of issue of shares	–	(102)	–	–	–	(102)
Loss for the period	–	–	(9 871)	–	–	(9 871)
Equity options issued to executives	–	–	–	288	–	288
Balance at 31 August 2007	2 279	194 922	(53 277)	288	18 905	163 117
Issue of shares to vendors	240	18 665	–	–	(18 905)	–
Proceeds from issue of shares	45	10 080	–	–	–	10 125
Costs of issue of shares	–	(125)	–	–	–	(125)
Loss for the year	–	–	(23 279)	–	–	(23 279)
Equity options issued to executives	–	–	–	316	–	316
Balance at 31 August 2008	2 564	223 542	(76 556)	604	–	150 154

	Note	GROUP 12 months ended 31 August 2008 R'000	GROUP 18 months ended 31 August 2007 R'000	COMPANY 12 months ended 31 August 2008 R'000	COMPANY 18 months ended 31 August 2007 R'000
Cash flows from operating activities		**22 870**	(71 679)	**(2 636)**	(9 289)
– Cash generated (absorbed) by operations	37.2	**23 461**	(55 592)	**(5 761)**	(11 612)
– Interest received		**19 474**	11 081	**1 658**	1 966
– Finance charges		**(5 969)**	(3 599)	**(83)**	(43)
– Dividends received		**2 087**	3 693	**1 550**	400
– Dividends paid		**(3 514)**	(2 095)	**–**	–
– Taxation paid	37.3	**(12 669)**	(25 167)	**–**	–
Cash flows from investing activities		**43 575**	(118 293)	**277**	(138 633)
– Acquisition of subsidiaries	37.4	**–**	(93 151)	**(585)**	(138 485)
– Disposal of subsidiaries	37.4	**2 139**	–	**1 385**	–
– Loans advanced to associates		**(48)**	(51)	**(243)**	–
– Dividends received from associates		**512**	–	**–**	–
– Acquisition of property, plant and equipment		**(5 854)**	(15 554)	**(218)**	(124)
– Disposal of property, plant and equipment		**1 350**	202	**31**	–
– Acquisition of investment properties		**(97)**	(1 279)	**–**	–
– Disposal of investment properties		**–**	1 280	**–**	–
– Acquisition of other intangible assets		**(863)**	(816)	**(94)**	(24)
– Disposal of other intangible assets		**67**	–	**1**	–
– Acquisition of financial investments		**(76 287)**	(104 183)	**–**	–
– Disposal of financial investments		**122 656**	95 259	**–**	–
Cash flows from financing activities		**(21 184)**	193 367	**164**	152 921
– Proceeds from new share issue		**10 000**	150 972	**10 000**	150 972
– Proceeds from loans from minorities		**–**	13 517	**–**	–
– Movement in interest bearing borrowings		**(27 854)**	28 742	**–**	(1 767)
– Movement in loans payable		**(1 776)**	(498)	**(9 836)**	35 061
– Movement in loans receivable		**(1 554)**	634	**–**	(31 345)
Net increase (decrease) in cash and cash equivalents		**45 261**	3 395	**(2 195)**	4 999
Cash and cash equivalents at the beginning of the period		**179 474**	5 241	**6 663**	1 664
Cash (disposed of) acquired		**(11 738)**	170 838	**–**	–
Cash and cash equivalents at the end of the period		**212 997**	179 474	**4 468**	6 663

CASH FLOW STATEMENTS

SPLIT BETWEEN CONTINUING AND DISCONTINUED OPERATIONS

	GROUP	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000
Cash flows from operating activities	**22 870**	(71 679)
– Continuing operations	**19 759**	(76 413)
– Discontinued operation	**3 111**	4 734
Cash flows from investing activities	**43 575**	(118 293)
– Continuing operations	**43 874**	(87 802)
– Discontinued operation	**(299)**	(30 491)
Cash flows from financing activities	**(21 184)**	193 367
– Continuing operations	**(13 227)**	162 391
– Discontinued operation	**(7 957)**	30 976
Net increase in cash and cash equivalents	**45 261**	3 395
– Continuing operations	**50 406**	(1 824)
– Discontinued operation	**(5 145)**	5 219
Cash and cash equivalents at the beginning of the period	**179 474**	5 241
– Continuing operations	**174 255**	5 241
– Discontinued operation	**5 219**	–
Cash (disposed of) acquired	**(11 738)**	170 838
– Continuing operations	**(11 664)**	170 838
– Discontinued operation	**(74)**	–
Cash and cash equivalents at the end of the period	**212 997**	179 474
– Continuing operations	**212 997**	174 255
– Discontinued operation	**–**	5 219

	Head office and Treasury R'000	Insurance and risk services R'000	Direct R'000	Financial services R'000	Private equity R'000	Total R'000
12 months ended 31 August 2008						
Gross revenue	48	1 389 588	43 127	31	1 684	1 434 478
Net revenue	48	284 488	43 127	31	1 684	329 378
Investment income	3	14 507	247	–	74	14 831
Profit (loss) before taxation	(8 970)	30 604	7 623	(3 318)	406	26 345
Attributable earnings (loss)	(8 250)	21 933	2 118	(2 663)	220	13 358
Minority interest	–	2 757	3 178	–	–	5 935
Depreciation and amortisation	143	1 783	1 021	21	46	3 014
Total assets	9 267	1 059 241	30 416	21 062	1 162	1 121 148
Total liabilities	(2 943)	(880 376)	(7 799)	(8)	(1 135)	(892 261)
Capital expenditure	313	4 408	1 758	306	29	6 814
18 months ended 31 August 2007						
Gross revenue	513	1 508 655	42 283	–	2 889	1 554 340
Net revenue	513	270 567	42 283	–	2 889	316 252
Investment income	6 060	31 262	218	63	72	37 675
Profit (loss) before taxation	(7 435)	41 124	9 970	(1 443)	1 080	43 296
Attributable earnings (loss)	(7 827)	24 405	2 780	(1 021)	1 178	19 515
Minority interest	–	4 782	4 170	–	–	8 952
Depreciation and amortisation	133	1 739	654	(9)	120	2 637
Total assets	22 561	1 047 965	24 397	93 620	941	1 189 484
Total liabilities	(3 064)	(903 099)	(5 075)	(47 013)	(724)	(958 975)
Capital expenditure	148	14 114	2 818	567	2	17 649

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are in compliance with JSE Limited Listings Requirements and the South African Companies Act, 1973 (as amended). The group's financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, the application of the equity method in accounting for investments in associated companies and the valuation of long-term policyholder liabilities on a financial soundness valuation basis. The financial statements incorporate the principal accounting policies set out below, which are consistently applied to all the periods 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 estimates 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 6.4.1). In the process of measuring expected future cash flows, management makes assumptions about future profits, which are dependent on future events and circumstances.

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 estimates and judgements. In particular, judgement is required in the determination of the Incurred But Not Reported ("IBNR") provision (refer to note 14).

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

Additional judgements include:

- the determination by way of an option pricing model that is based on the American binomial method of the fair value of the share options that were issued to executive directors and senior management (note 20); and
- the valuation of unlisted shares (notes 10, 11 and 13.1.2), either by way of discounting expected future cash flows where reliable information is available or by using the net asset value of the investment.

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 period are included in the consolidated financial statements from the date that effective control was acquired and up to the date that effective control ceased. Control is defined as the ability to govern the financial and operating policies of an entity.

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

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

4. PROPERTY, PLANT AND EQUIPMENT

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

– it is probable that future economic benefits associated with the item will flow to the group;

– the cost of the item can be measured reliably.

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

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

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

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

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

5. GOODWILL

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

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

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

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

6. INTANGIBLE ASSETS

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

Intangible assets are initially recognised at cost.

The useful life of intangible assets is assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it is amortised over its useful life. Amortisation periods and methods of 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 – 3 years
Broker relationships and other	Indefinite

7. INVESTMENT PROPERTIES

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

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

8. 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.

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

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

Company

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

9. INVESTMENT IN SUBSIDIARIES

Company

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

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

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

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

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

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

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

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

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

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

11. FINANCIAL INSTRUMENTS

11.1 Initial recognition

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

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

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

11.2 Subsequent measurement

After initial recognition, these instruments are measured as follows:

Investments in securities

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

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

Derivative financial instruments

Investments in derivatives may give rise to financial assets and in some cases also to financial liabilities due to the nature of these financial instruments and the entering into either long or short positions. Derivatives are initially measured at the cost of the contract, but are marked to market on each reporting date based on the current price of the contract where a regulated market exists, failing which the fair value of investments are estimated using the Black-Scholes pricing model for European-type options, with the fair value of the underlying investment being used as the basis for the valuation. Gains and losses are settled daily against the cash margin deposits and are included in the profit and losses in the period in which they arise.

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

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.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Borrowings

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

Financial liabilities

Financial liabilities are recognised at amortised cost, comprising the original debt less principal payments and amortisations.

11.3 Gains and losses

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

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

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

11.5 Cash and cash equivalents

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

Cash and cash equivalents are measured at fair value.

12. SHARE CAPITAL AND EQUITY

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

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

13. INSURANCE CONTRACTS

13.1 Classification of insurance contracts

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

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

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

The group classifies financial guarantee contracts as insurance contracts.

13.2 Recognition and measurement of insurance contracts

13.2.1 Premiums

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

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

13.2.2 Acquisition costs and deferred acquisition costs

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

13.2.3 Claims

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

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

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 Liquidity adequacy test and unexpired risk provision

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

13.2.5 Reinsurance

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

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

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

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

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

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

13.2.6 Profit commission

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

13.2.7 Reinsurance commission

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

13.2.8 Statutory contingency reserve

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

13.2.9 Policyholder liabilities under long-term insurance contracts

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

14. OFFSETTING

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

15. REVENUE RECOGNITION

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

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

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

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

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

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

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

16. INCOME FROM INVESTMENTS

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

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

17. OPERATING LEASES

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

18. FINANCE LEASES

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

19. EMPLOYEE BENEFITS

Short-term employee benefits

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

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

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

Defined contribution plans

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

Share-based compensation

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

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

20. IMPAIRMENT OF ASSETS

Reinsurance assets

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

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

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

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

Receivables related to insurance contracts

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

Other assets

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

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

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

21. TAXATION

Current tax assets and liabilities

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

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

Deferred taxation

Deferred taxation is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profits.

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

– the initial recognition of goodwill; or
– goodwill for which amortisation is not deductible for tax purposes; or
– the initial recognition of an asset or liability in a transaction which:
  • is not a business combination; and
  • at the time of the transaction, affects neither accounting profit nor taxable profit/tax loss.

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

– the parent, investor or venturer is able to control the timing reversal of the temporary difference; and
– it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction that:

– is not a business combination;
– at the time of the transaction, affects neither accounting profit nor taxable profit/ tax loss.

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

– the temporary difference will reverse in the foreseeable future;
– taxable profit will be available against which the temporary differences can be utilised.

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

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

In respect of temporary differences arising out of fair value adjustments on investment properties, deferred taxation is provided at the use rate if the property is considered to be a long term investment, or at the Capital Gains Tax rate if recovery is anticipated to be mainly through disposal.

Secondary Taxation on Companies

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

Tax expenses

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

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

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

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

22. FOREIGN CURRENCIES

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

At each balance sheet date:

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

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

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

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

23. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following IFRS and International Financial Reporting Interpretations Committee (IFRIC) Standards and Interpretations were in issue but not yet effective. The group has not early adopted any of these pronouncements. The new Standards, amendments and Interpretations that are expected to be relevant to the group's financial statements are as follows:

23.1 Amendments to IAS1: Presentation of Financial Statements

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

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

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

23.3 IFRS 8: Operating segments

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

1. CHANGE OF YEAR-END

Conduit Capital's board of directors passed a resolution on 1 November 2006 in terms whereof it changed its year-end from the last day of February to 31 August to bring it in line with the year-end of Conduit Risk and Insurance Holdings (Proprietary) Limited ("CRIH"), the Conduit group's largest subsidiary, which was acquired with effect from 16 October 2006. Care should therefore be taken when comparing these audited results with the results for the 18 months ended 31 August 2007, as the periods under comparison will differ.

2. GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

2.1 Assets

GROUP	**2008** Loans and receivables R'000	**2008** Fair value through profit and loss (held for trading) R'000	2007 Loans and receivables R'000	2007 Fair value through profit and loss (held for trading) R'000
Non-current				
Loans receivable	**2 293**	**–**	739	–
Investments	**–**	**24 264**	–	68 804
– Listed investments	**–**	**17 625**	–	66 871
– Unlisted investments	**–**	**6 639**	–	1 933
Current				
Listed investments	**–**	**569**	–	4 723
Trade and other receivables	**95 328**	**–**	151 151	–
Cash and cash equivalents	**213 043**	**–**	179 642	–
	310 664	**24 833**	331 532	73 527

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

2.2 Liabilities

GROUP	**2008 Financial liabilities at amortised cost R'000**	2007 Financial liabilities at amortised cost R'000
Non-current		
Interest bearing borrowings	**22 166**	45 968
Vendors for cash	**–**	2 700
Current		
Vendors for cash	**3 049**	4 825
Trade and other payables	**80 598**	110 283
Current portion of interest bearing borrowings	**5 142**	36 865
Bank overdrafts	**46**	168
	111 001	200 809

3. COMPANY FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

3.1 Assets

COMPANY	**2008 Loans and receivables R'000**	2007 Loans and receivables R'000
Current		
Trade and other receivables	**16 787**	1 431
Cash and cash equivalents	**4 514**	6 708
	21 301	8 139

3.2 Liabilities

COMPANY	**2008 Financial liabilities at amortised cost R'000**	2007 Financial liabilities at amortised cost R'000
Current		
Vendors for cash	**–**	1 767
Loans payable	**10 437**	34 906
Trade and other payables	**2 041**	1 426
Bank overdrafts	**46**	45
	12 524	38 144

4. 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:

4.1 Group

	Loans and receivables R'000	Fair value through profit and loss (held for trading) R'000	Financial liabilities at amortised cost R'000	Total R'000
4.1.1 2008				
Interest received	19 474	–	–	19 474
Finance charges	–	(1 122)	(4 186)	(5 308)
Dividend income	–	2 087	–	2 087
Realised fair value adjustment of financial assets	–	3 957	–	3 957
Unrealised fair value adjustment of financial assets	–	(11 409)	–	(11 409)
Impairment losses	(4 400)	–	–	(4 400)
	15 074	(6 487)	(4 186)	4 401
4.1.2 2007				
Interest received	11 081	–	–	11 081
Finance charges	–	(610)	(3 492)	(4 102)
Dividend income	–	3 693	–	3 693
Realised fair value adjustment of financial assets	–	14 458	–	14 458
Unrealised fair value adjustment of financial assets	–	4 858	–	4 858
Impairment losses	(355)	–	–	(355)
	10 726	22 399	(3 492)	29 633

4.2 Company

	Loans and receivables R'000	Fair value through profit and loss (held for trading) R'000	Financial liabilities at amortised cost R'000	Total R'000
4.2.1 2008				
Interest received	1 658	–	–	1 658
Finance charges	–	–	(83)	(83)
Dividend income	–	1 550	–	1 550
Impairment losses	(20 262)	–	–	(20 262)
	(18 604)	1 550	(83)	(17 137)
4.2.2 2007				
Interest received	1 966	–	–	1 966
Finance charges	–	–	(43)	(43)
Dividend income	–	400	–	400
Impairment losses	(292)	–	–	(292)
	1 674	400	(43)	2 031

5. PROPERTY, PLANT AND EQUIPMENT

5.1 Group

	2008 Cost R'000	**2008 Accumulated depreciation R'000**	**2008 Net carrying value R'000**	2007 Cost R'000	2007 Accumulated depreciation R'000	2007 Net carrying value R'000
– Owner occupied properties (note A)	**14 052**	**–**	**14 052**	16 796	–	16 796
– Leasehold improvements	**537**	**(202)**	**335**	881	(374)	507
– Computer hardware	**5 474**	**(2 948)**	**2 526**	3 535	(927)	2 608
– Office equipment	**3 615**	**(1 672)**	**1 943**	1 992	(541)	1 451
– Furniture and fittings	**6 801**	**(2 192)**	**4 609**	4 857	(556)	4 301
– Motor vehicles (note B)	**697**	**(210)**	**487**	1 049	(186)	863
	31 176	**(7 224)**	**23 952**	29 110	(2 584)	26 526

	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
2008							
Movement for the year							
– Opening carrying value	16 796	507	2 608	1 451	4 301	863	26 526
– Additions	553	459	1 816	666	1 903	457	5 854
– Reclassification	(3 310)	190	(663)	465	13	–	(3 305)
– Disposals	–	–	17	(36)	(715)	(648)	(1 382)
– Depreciation	13	(348)	(963)	(521)	(635)	(185)	(2 639)
– Disposed of as part of sale of subsidiaries	–	(473)	(289)	(82)	(258)	–	(1 102)
	14 052	335	2 526	1 943	4 609	487	23 952
2007							
Movement for the year							
– Opening carrying value	–	52	529	372	342	20	1 315
– Additions	10 937	462	2 073	1 067	770	245	15 554
– Reclassification to investment property	(1 071)	–	–	–	–	–	(1 071)
– Disposals	–	–	(170)	(7)	(19)	(19)	(215)
– Depreciation	–	(63)	(759)	(512)	(509)	(174)	(2 017)
– Acquired as part of business combination	6 930	56	935	531	3 717	791	12 960
	16 796	507	2 608	1 451	4 301	863	26 526

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

Note B: Included in motor vehicles are capitalised leased assets with a cost of R73 610 and accumulated depreciation of R59 814, giving a net book value of R13 796 (2007: R601 309) – also see note 23.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

5.2 Company

	2008 Cost R'000	**2008 Accumulated depreciation R'000**	**2008 Net carrying value R'000**	2007 Cost R'000	2007 Accumulated depreciation R'000	2007 Net carrying value R'000
– Leasehold improvements	**66**	**(9)**	**57**	363	(336)	27
– Computer hardware	**171**	**(102)**	**69**	174	(123)	51
– Office equipment	**51**	**(34)**	**17**	54	(32)	22
– Furniture and fittings	**248**	**(58)**	**190**	239	(85)	154
– Motor vehicles	**–**	**–**	**–**	32	(20)	12
	536	**(203)**	**333**	862	(596)	266

	Leasehold improvements R'000	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
2008						
Movement for the year						
– Opening carrying value	27	51	22	154	12	266
– Additions	66	55	4	93	–	218
– Disposals	–	(7)	(2)	(18)	(3)	(30)
– Depreciation	(36)	(30)	(7)	(39)	(9)	(121)
	57	69	17	190	–	333
2007						
Movement for the year						
– Opening carrying value	51	49	30	111	20	261
– Additions	–	34	5	85	–	124
– Depreciation	(24)	(32)	(13)	(42)	(8)	(119)
	27	51	22	154	12	266

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
6. INTANGIBLE ASSETS				
– Goodwill (note 6.1)	**44 887**	76 161	**–**	–
– Computer software (note 6.2)	**1 712**	1 608	**106**	35
– Broker relationships and other (note 6.3)	**47**	777	**–**	–
	46 646	78 546	**106**	35
6.1 Goodwill				
6.1.1 Net carrying value				
– Cost	**67 308**	98 397	**–**	–
– Impairment	**(22 421)**	(22 236)	**–**	–
– Net carrying value	**44 887**	76 161	**–**	–
6.1.2 Movement for the period				
At beginning of period	**76 161**	10 419	**–**	–
Goodwill on the (disposal) acquisition of:				
– *Anthony Richards & Associates (Proprietary) Limited*	**–**	97	**–**	–
– *Black Ginger 92 (Proprietary) Limited*	**–**	1 992	**–**	–
– *Conduit Risk and Insurance Holdings (Proprietary) Limited*	**460**	31 919	**–**	–
– *Conduit Fund Managers (Proprietary) Limited*	**–**	185	**–**	–
– *Gateway Capital Limited*	**(29 058)**	29 058	**–**	–
– *LottoManager business*	**–**	17	**–**	–
– *Sureline Administrators (Proprietary) Limited*	**(2 491)**	2 491	**–**	–
Impairment	**(185)**	(17)	**–**	–
	44 887	76 161	**–**	–
6.1.3 Goodwill per cash generating unit				
– Anthony Richards & Associates (Proprietary) Limited	10 516	10 516	–	–
– Black Ginger 92 (Proprietary) Limited	1 992	1 992	–	–
– Conduit Risk and Insurance Holdings (Proprietary) Limited	32 379	31 919	–	–
– Conduit Fund Managers (Proprietary) Limited	–	185	–	–
– Gateway Capital Limited	–	29 058	–	–
– Sureline Administrators (Proprietary) Limited	–	2 491	–	–
	44 887	76 161	–	–
6.2 Computer software				
6.2.1 Net carrying value				
Cost	**4 397**	2 558	**163**	90
Amortisation	**(2 685)**	(950)	**(57)**	(55)
Net carrying value	**1 712**	1 608	**106**	35

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000

6. INTANGIBLE ASSETS (continued)

6.2 Computer software (continued)

6.2.2 Movement for the period

At beginning of period	**1 608**	381	**35**	25
Reclassification to property, plant and equipment and other intangible assets	**(28)**	–	**–**	–
Additions	**812**	816	**94**	24
Disposals	**(67)**	–	**(1)**	–
Disposal as part of sale of subsidiary	**(34)**	–	**–**	–
Acquired as part of business combination	**–**	1 075	**–**	–
Amortisation	**(579)**	(664)	**(22)**	(14)
	1 712	1 608	**106**	35

The remaining useful life of computer software is expected to be 2 – 3 years.

6.3 Broker relationships and other

6.3.1 Net carrying value

Cost	**94**	777	**–**	–
Amortisation	**(47)**	–	**–**	–
Net carrying value	**47**	777	**–**	–

6.3.2 Movement for the period

At beginning of period	**777**	–	**–**	–
Reclassification from computer software	**23**	–	**–**	–
Additions	**51**	–	**–**	–
Disposal as part of sale of subsidiary	**(782)**	–	**–**	–
Acquired as part of business combination	**–**	777	**–**	–
Amortisation	**(22)**	–	**–**	–
	47	777	**–**	–

6.4 Impairment testing of intangible assets

6.4.1 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;
– Conduit Risk and Insurance Holdings (Proprietary) Limited ('CRIH'); and
– Conduit Fund Managers (Proprietary) Limited.

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

– uses cash flow projections based on actual results covering a one-year period;
– adjusts such projections with a variable growth rate of between 7,5% and 35% 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%;
– discounts cash flows at an after-tax rate of 20%.

6. INTANGIBLE ASSETS (continued)

6.4 Impairment testing of intangible assets (continued)

6.4.1 Impairment testing of goodwill (continued)

These calculations indicate that, apart from the immaterial impairment in respect of Conduit Fund Managers (Proprietary) Limited, 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.

6.4.2 Impairment testing of other intangible assets

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

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
7. LOANS RECEIVABLE				
Unsecured loans	**2 293**	739	**–**	–
These loans are unsecured, interest free and there are no fixed repayment terms.				
8. DEFERRED TAX				
Balance at beginning of period	**(2 011)**	569	**–**	–
Charge against the income statement	**1 045**	(3 758)	**–**	–
– Continuing operations	**1 048**	(3 760)	**–**	–
– Discontinued operation	**(3)**	2	**–**	–
Acquired as part of business combination	**–**	1 178	**–**	–
Balance at end of period	**(966)**	(2 011)	**–**	–
Relating to:	**(966)**	(2 011)	**–**	–
Accruals	**250**	650	**–**	–
Accelerated capital allowances	**(871)**	(639)	**–**	–
Fair valuing of long-term loans	**(157)**	(265)		
Unrealised gains on investment properties	**(2 096)**	(2 452)	**–**	–
Unrealised gains on investments	**(2 598)**	(2 548)	**–**	–
Estimated tax losses	**4 506**	3 243	**–**	–
Comprising:	**(966)**	(2 011)	–	**–**
Deferred tax assets	**6 168**	4 534	**–**	–
Deferred tax liabilities	**(7 134)**	(6 545)	**–**	–
9. INVESTMENT PROPERTY				
9.1 Net carrying value				
Cost	**11 421**	8 014	–	**–**
Fair value adjustment	**4 370**	3 419	**–**	–
Net carrying value	**15 791**	11 433	**–**	–

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
9. INVESTMENT PROPERTY (continued)				
9.2 Movement for the period				
At beginning of period	**11 433**	–	**–**	–
Additions	**97**	1 279	**–**	–
Reclassification from owner occupied properties	**3 310**	1 071	**–**	–
Disposals	**–**	(1 280)	**–**	–
Fair value adjustment (note 29)	**951**	3 419	**–**	–
Acquired as part of business combination	**–**	6 944	**–**	–
	15 791	11 433	**–**	–

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 one of the following professional property valuators with the use of open market values:

CB Richard Ellis (Proprietary) Limited:

– Hunting, Roger (MRICS Dip T.P. MIV (SA))

– Hose, Brian A (FRICS FIV (SA))

– Moulder, Tim (FRICS FIV (SA))

Mills Fitchet Magnus Penny (Proprietary) Limited:

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

10. INVESTMENT IN ASSOCIATES

	GROUP 31 August 2008 R'000	GROUP 31 August 2007 R'000	COMPANY 31 August 2008 R'000	COMPANY 31 August 2007 R'000
At beginning of period	**3 478**	181	**–**	–
Additions	**–**	75	**–**	–
Acquired as part of business combination	**–**	2 388	**–**	–
Transferred from investments held at fair value	**–**	1 990	**–**	–
Attributable portion of earnings	**1 856**	918	**–**	–
Loans	**48**	(24)	**243**	–
Dividend received	**(512)**	(2 362)	**–**	–
Transferred to subsidiaries	**–**	320	**–**	–
Impairment	**(268)**	(8)	**(243)**	–
Balance at end of period	**4 602**	3 478	**–**	–

Details of the investments are set out in notes 38.3 and 38.4.

Associates' summary information

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

	Assets R'000	Liabilities R'000	Revenue R'000	Profit R'000
2008				
Various, as listed in note 38.3	20 239	(10 848)	18 721	4 684
2007				
Various, as listed in note 38.3	18 072	(17 223)	23 540	2 508

	COMPANY	
	31 August 2008 R'000	31 August 2007 R'000
11. INVESTMENT IN SUBSIDIARIES		
Unlisted shares at cost, *less* amounts written off	**13 083**	27 104
Amounts due by subsidiaries	**127 855**	165 717
Net carrying value (refer notes 38.1 and 38.2)	**140 938**	192 821
Directors' valuation	**140 938**	192 821

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

A sale of shares agreement was concluded in terms whereof the Group's 50.05% shareholding in Gateway was disposed of with effect from 31 July 2008. The group's share of the results of the discontinued operation was as follows:

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
Revenue	**26 688**	12 173	**–**	–
Cost of sales	**(15 331)**	(4 501)	**–**	–
Administration and other expenses	**(2 306)**	(2 235)	**–**	–
Auditors' remuneration	**(155)**	(7)	**–**	–
Depreciation and amortisation	**(226)**	(22)	**–**	–
Impairment of financial assets	**(323)**	–	**–**	–
Operating lease charges	**(523)**	(141)	**–**	–
Salaries and wages	**(2 493)**	(400)	**–**	–
Operating profit	**5 331**	4 867	**–**	–
Investment income	**112**	–	**–**	–
Negative goodwill on acquisition of subsidiary	**678**	–	**–**	–
Finance charges	**(661)**	(22)	**–**	–
Profit before taxation	**5 460**	4 845	**–**	–
Taxation	**(1 816)**	(1 231)	**–**	–
Profit for the period	**3 644**	3 614	**–**	–
The cash flows were as follows:				
Net cash from operating activities	**3 111**	4 734	**–**	–
Net cash from investing activities	**(299)**	(30 491)	**–**	–
Net cash from financing activities	**(7 957)**	30 976	**–**	–
Net (decrease) increase in cash and cash equivalents	**(5 145)**	5 219	**–**	–

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
13. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS				
13.1 Long-term investments				
Listed investments (note 13.1.1)	**22 625**	66 871	**–**	–
– Listed equities	**19 308**	63 293	**–**	–
– Bonds	**3 317**	3 578	**–**	–
Unlisted investments (note 13.1.2)	**1 639**	1 933	**–**	–
	24 264	68 804	**–**	–
13.1.1 Listed equities and bonds at valuation				
Opening net book value	**66 871**	1 622	**–**	–
Additions	**76 216**	100 834	**–**	–
Disposals	**(118 999)**	(86 584)	**–**	–
Acquired as part of business combination	**–**	43 815	**–**	–
Fair value adjustment (note 29)	**(1 463)**	7 184	**–**	–
Closing net book value	**22 625**	66 871	**–**	–
13.1.2 Unlisted shares at valuation				
Opening net book value	**1 933**	2 216	**–**	–
Additions	**71**	–	**–**	–
Acquired as part of business combination	**–**	4 559	**–**	–
Transferred to associates	**–**	(1 990)	**–**	–
Fair value adjustment (note 29)	**(365)**	(2 852)	**–**	–
Closing net book value	**1 639**	1 933	**–**	–
Directors' valuation	**1 639**	1 933	**–**	–

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
13. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)				
13.2 Short-term investments				
– Locally listed investments (note 13.2.1)	**569**	4 162	**–**	–
– Overseas listed investments (note 13.2.2)	**–**	561	**–**	–
	569	4 723	**–**	–
13.2.1 Locally listed shares at valuation				
Opening net book value	**4 162**	–	**–**	–
Additions	**–**	3 349	**–**	–
Disposals	**(3 111)**	(346)	**–**	–
Fair value adjustment (note 29)	**(482)**	1 159	**–**	–
Closing net book value	**569**	4 162	**–**	–
13.2.2 Overseas listed shares at valuation				
Opening net book value	**561**	1 194	**–**	–
Disposals	**(546)**	–	**–**	–
Fair value adjustment (note 29)	**(15)**	(633)	**–**	–
Closing net book value	**–**	561	**–**	–

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	
14. INSURANCE ASSETS AND LIABILITIES				
14.1 Gross insurance liabilities				
Claims reported but not paid	**(97 752)**	(97 078)	**–**	–
Claims incurred but not reported	**(54 268)**	(65 632)	**–**	–
Unearned premiums, net of deferred acquisition costs	**(595 943)**	(563 954)	**–**	–
– Unearned premiums	**(848 216)**	(795 883)	**–**	–
– Unexpired risk reserve	**(1 160)**	–	**–**	–
– Deferred acquisition costs	**253 433**	231 929	**–**	–
Total insurance liabilities	**(747 963)**	(726 664)	**–**	–

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
14. INSURANCE ASSETS AND LIABILITIES (continued)				
14.2 Recoverable from reinsurers				
Claims reported but not paid	**51 024**	45 165	**–**	–
Claims incurred but not reported	**46 060**	55 202	**–**	–
Unearned premiums, net of deferred reinsurance commission revenue	**580 945**	552 424	**–**	–
– Unearned premiums	**825 093**	771 000	**–**	–
– Deferred reinsurance commission revenue	**(244 148)**	(218 576)	**–**	–
Reinsurers' share of insurance liabilities	**678 029**	652 791	**–**	–
14.3 Net insurance liabilities				
Claims reported but not paid	**(46 728)**	(51 913)	**–**	–
Claims incurred but not reported	**(8 208)**	(10 430)	**–**	–
Unearned premiums	**(14 998)**	(11 530)	**–**	–
Total net insurance liabilities	**(69 934)**	(73 873)	**–**	–

14.4 Incurred But Not Reported ("IBNR") reserve

The directors have estimated that the incurred but not reported reserve 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 reserve has been revised and calculated at a rate of 4% for the 2008 financial year (2007: 4%).

Had the IBNR reserve been calculated at a rate of 7%, the net reserve would have been R6.156 million greater than the net R8.208 million currently provided for (2007: R7.823 million).

At the balance sheet date a detailed exercise was performed by the group in order to arrive at the rate of 4% of net insurance premium for calculation of the IBNR reserve. Actual current and historical data of claims that would have been incurred at this date, but that would not have been reported yet, was used to determine the appropriate value of the reserve at the balance sheet date. This exercise assisted in arriving at an appropriate value for all claims incurred but not yet reported at the balance sheet date across all lines of business and across claims emanating from all underwriting managers from whom the group derives its business. The average value determined as a result of this exercise approximates 4% of the net insurance premium for the year.

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

R1.444 million of the contingent liabilities referred to in note 35.2.2 have been accounted for by way of an additional IBNR reserve. This additional reserve in respect of claims incurred but not reported on historical "long tail" business is included in the IBNR reserve with the remainder of the contingent liabilities included in claims reported but not paid.

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
15. TRADE AND OTHER RECEIVABLES				
Deposits and prepaid expenses	**243**	183	**160**	131
Trade receivables	**80 317**	153 656	**580**	580
Loans – Secured	**188**	538	**–**	375
Loans – Unsecured	**721**	1 190	**209**	907
Other receivables – Secured	**16 400**	–	**16 400**	–
Less: Impairment	**(2 541)**	(4 316)	**(562)**	(562)
	95 328	151 251	**16 787**	1 431
Secured loans relating to a loan made by the IMR Share Trust to a director of the company and secured by shares	**188**	163	**–**	–
Value of security relating to the above loan	**1 260**	4 400	**–**	–

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

Other secured receivables relate to the sale of Gateway Capital Limited (see note 12 above), attract interest at prime +2%, are secured by the cession of a loan of R13.5 million in addition to personal sureties from the purchasers and the pledge of shares in Gateway and are repayable as follows:

- R2.9 million on or before 9 October 2008 (received 6 October 2008);
- R5 million on or before 31 December 2008 (received 12 November 2008);
- R5 million on or before 28 February 2009 (R1.5 million received 21 November 2008); and
- R3.5 million on or before 31 August 2009.

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.

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
16. CASH AND CASH EQUIVALENTS				
Comprising:				
Cash	**21**	7	**2**	2
Call accounts	**172 951**	137 245	**4 439**	6 284
Current accounts – Local	**40 040**	42 358	**73**	422
Current accounts – Overseas	**31**	32	**–**	–
	213 043	179 642	**4 514**	6 708
Bank overdraft	**(46)**	(168)	**(46)**	(45)
Net cash and cash equivalents	**212 997**	179 474	**4 468**	6 663

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

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
17. ORDINARY SHARE CAPITAL				
Authorised				
500 000 000 ordinary shares of 1 cent each (2007: 500 000 000)	**5 000**	5 000	**5 000**	5 000
Issued (see note A)				
256 379 818 ordinary shares of 1 cent each (2007: 227 879 818)	**2 564**	2 279	**2 564**	2 279
Treasury shares:				
– 3 509 760 ordinary shares of 1 cent each held by IMR 1 (Proprietary) Limited (2007: 3 509 760)	**(35)**	(35)	**–**	–
– 1 650 370 ordinary shares of 1 cent each held by the IMR Share Trust (2007: 1 650 370)	**(17)**	(17)	**–**	–
– 943 091 ordinary shares of 1 cent each held by Marble Gold 213 (Proprietary) Limited (2007: 943 091)	**(9)**	(9)	**–**	–
	2 503	2 218	**2 564**	2 279

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

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

	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
Opening balance	**221 776 597**	94 781 887	**227 879 818**	99 470 472
General issue of shares	**4 500 000**	91 544 444	**4 500 000**	91 544 444
Issue of shares to vendors of subsidiaries acquired	**24 000 000**	36 864 902	**24 000 000**	36 864 902
Acquisition of treasury stock by way of dividend *in specie* received by IMR 1 (Proprietary) Limited	**–**	(471 545)	**–**	–
Acquisition of treasury stock by way of dividend *in specie* received by Marble Gold 213 (Proprietary) Limited	**–**	(943 091)	**–**	–
	250 276 597	221 776 597	**256 379 818**	227 879 818

Shares under option

At the reporting date, 1 450 000 shares in the company were under option in terms of the Group Senior Executive Option Scheme (2007: 2 050 000) (also see note 20). There were no contracts in place for the sale of shares (2007: Nil).

Note A: *Due to timing differences the number of ordinary shares that were in issue per these financial statements differ from the shares in issue per the JSE at the reporting date. Accordingly, for purposes of calculating the issued share capital, the following items were taken into account and any shares that are to be issued under contractual obligations were included in all calculations:*

17. ORDINARY SHARE CAPITAL (continued)

Shares under option (continued)

Note A: *(continued)*

- *7 072 002 ordinary shares are to be issued to Mindfield Investments (Proprietary) Limited in part settlement of the purchase consideration for a 40% equity investment in Anthony Richards & Associates (Proprietary) Limited. Shareholders have approved the transaction and the shares will be issued under a general authority to issue shares, granted to the directors in the annual general meeting held on 31 March 2008.*
- *24 000 000 ordinary shares are to be issued to the vendors of Marble Gold 213 (Proprietary) Limited ("Marble Gold") in settlement of the purchase consideration for a 100% equity investment in Marble Gold. The shares will be issued under a specific authority granted by shareholders.*

At the time of issue, all appropriate announcements will be made in respect of the above.

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
18. SHARE PREMIUM				
Reconciliation of movement in share premium:				
Opening balance	**168 097**	9 182	**194 922**	33 660
General issue of shares	**10 080**	118 815	**10 080**	118 815
Share issue costs	**(125)**	(102)	**(125)**	(102)
Issue of shares to vendors of subsidiaries acquired	**18 665**	42 549	**18 665**	42 549
Acquisition of treasury stock by way of dividend *in specie* received by IMR 1 (Proprietary) Limited	**–**	(782)	**–**	–
Acquisition of treasury stock by way of dividend *in specie* received by Marble Gold 213 (Proprietary) Limited	**–**	(1 565)	**–**	–
	196 717	168 097	**223 542**	194 922

19. 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 R20.523 million (2007: R26.075 million).

The annualised premiums written since acquisition have been less than the annualised premiums written prior to acquisition, which would have resulted in a net debit on the post-acquisition contingency reserve account. Consequently and notwithstanding the fact that there is a contingency reserve in the short-term insurance subsidiary, no post-acquisition contingency reserve has been raised in the group for the period that ended on 31 August 2008 (2007: Nil).

20. SHARE-BASED PAYMENT RESERVE

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

The following conditions attached to the options:

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

20. SHARE-BASED PAYMENT RESERVE (continued)

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

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

	Date awarded	Last day of exercise	Exercise price (cents)	Number of underlying shares
2008	27 Feb 2007	28 Feb 2011	145.50	1 450 000
2007	27 Feb 2007	28 Feb 2011	145.50	2 050 000

The fair value of options granted during 2007 has been recalculated to be R1.2 million due to staff leaving the employ of the Group (original valuation: R1.7 million), of which R604 000 has been accounted for at the financial reporting date (2007: R288 000), using a model that is based on the American binomial method. The significant inputs into this model is:

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

Volatility for purposes of the valuation was based on the statistical analysis of the daily share price from 1 March 2005.

21. VENDORS FOR EQUITY

The equity-based consideration paid to vendors of subsidiaries relate to the acquisition of Marble Gold and Anthony Richards & Associates (Proprietary) Limited ("ARA") and is made up as follows:

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
Opening balance	**18 905**	30 479	**18 905**	30 479
Shares issued to ARA vendors	**–**	(11 574)	**–**	(11 574)
Shares issued to Marble Gold vendors	**(18 905)**	–	**(18 905)**	–
	–	18 905	**–**	18 905

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

(Also see note 17)

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
22. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS				
Opening balance	**22 587**	–	**–**	–
Acquired as part of business combination	**–**	24 449	**–**	–
Transfer from (to) income statement	**1 075**	(1 862)	**–**	–
	23 662	22 587	**–**	–

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

22.1 Analysis of policyholder liabilities

Individual funeral cover	**20 493**	18 747	**–**	–
Group funeral cover	**3 169**	3 840	**–**	–
	23 662	22 587	**–**	–

22.2 Maturity analysis of policyholder liabilities

Policyholder liabilities are expected to become payable as follows:

Up to one year	**3 185**	3 931	**–**	–
One year to five years	**1 052**	578	**–**	–
More than five years	**19 425**	18 078	**–**	–
	23 662	22 587	**–**	–

22.3 Key assumptions

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

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

– Inflation rate	6.68% (2007: 6.5%)
– Interest rate	9.64% (2007: 7.6%)
– Withdrawal rates	21% in the first year, reducing to 7.5% after the fourth year

– Mortality rates are derived from the English Life Table 8.

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

22. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

22.4 Sensitivities

Policyholder liabilities have been calculated at R23.662 million by the statutory actuary at 31 August 2008 (2007: R22.587 million). 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	23 662	–
Mortality (and other claims)	10% increase	25 721	8.70
Expenses	10% increase	25 638	8.35
Investment returns	1% reduction	25 047	5.85
Withdrawals	10% increase	23 321	(1.44)
Inflation	1% increase	24 882	5.16

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
23. INTEREST BEARING BORROWINGS				
Non-current	**22 166**	45 968	**–**	–
– Secured	**19 893**	26 044	**–**	–
– Unsecured	**2 273**	19 924	**–**	–
Current	**5 142**	36 865	**–**	–
– Secured	**5 142**	4 795	**–**	–
– Unsecured	**–**	32 070	**–**	–
	27 308	82 833	**–**	–
23.1 Non-current borrowings				
Secured				
Finance lease obligations (Note A)	**34**	501	**–**	–
Mortgage loan obligations (Note B)	**5 951**	6 843	**–**	–
Cumulative preference shares (Note C)	**19 050**	23 495	**–**	–
	25 035	30 839	**–**	–
Less: Current portion of obligation	**(5 142)**	(4 795)	**–**	–
– Finance lease obligations	**(17)**	(124)	**–**	–
– Mortgage loan obligations	**(45)**	(226)	**–**	–
– Preference shares	**(5 080)**	(4 445)	**–**	–
	19 893	26 044	**–**	–
Unsecured				
Hannover Re Limited	**–**	3 000	**–**	–
Cumulative preference shares (Note D)	**2 240**	2 180	**–**	–
– Face value	**2 750**	2 750	**–**	–
– Fair value adjustment	**(510)**	(570)	**–**	–
Other (Note E)	**33**	14 744	**–**	–
	2 273	19 924	**–**	–

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000

23. INTEREST BEARING BORROWINGS (continued)

23.2 Current portion of borrowings

Secured				
Finance lease obligations (Note A)	**17**	124	**–**	–
Mortgage loan obligations (Note B)	**45**	226	**–**	–
Cumulative preference shares (Note C)	**5 080**	4 445	**–**	–
	5 142	4 795	**–**	–
Unsecured				
Other	**–**	32 070	**–**	–

Note A:

Finance leases are for periods up to five years and bear interest at rates of 12% – 15.5% p.a. (2007: 9% – 16% p.a.). Finance lease obligations are secured by motor vehicles with a book value of R13 796 (2007: R601 309).

Note B:

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

Note C:

The group's authorised preference share capital consists of 25 400 cumulative redeemable shares of one cent each (2007: 25 400) and 7 750 cumulative redeemable shares of R1 000.00 each (2007: 7 750).

The group's issued preference share capital consists of 19 050 cumulative redeemable shares of one cent each (2007: 23 495) and 2 750 cumulative redeemable shares of R1 000.00 each (2007: 2 750).

The dividend is calculated at a rate of 79% of the prime overdraft rate, as quoted by Nedbank Limited from time to time and is cumulative in nature. The final payment is due by October 2012 and the cumulative preference shares are secured by the investment in Conduit Risk and Insurance Holdings (Proprietary) Limited ("CRIH") with a fair value of R131 million.

Note D:

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

Note E:

This loan is unsecured, interest free and is repayable by 2009.

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000

24. VENDORS FOR CASH

The estimated cash payable to the vendors of various subsidiaries as at the reporting date was as follows:				
Payable within one year (note 24.1)	**3 049**	4 825	**–**	1 767
Payable after one year (note 24.2)	**–**	2 700	**–**	–
	3 049	7 525	**–**	1 767

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000
24. VENDORS FOR CASH (continued)				
24.1 Payable within one year				
– Anslow Management Consultants (Proprietary) Limited for Conduit Risk and Insurance Holdings (Proprietary) Limited	**2 950**	2 955	**–**	–
– Original value	**3 000**	3 000	**–**	–
– Fair value adjustment	**(50)**	(45)	**–**	–
– Various for Black Ginger 92 (Proprietary) Limited	**99**	103	**–**	–
– Mindfield Investments (Proprietary) Limited for Anthony Richards & Associates (Proprietary) Limited	**–**	1 767	**–**	1 767
	3 049	4 825	**–**	1 767
24.2 Payable after one year				
Anslow Management Consultants (Proprietary) Limited for Conduit Risk and Insurance Holdings (Proprietary) Limited	**–**	2 700	**–**	–
– Original value	**–**	3 000	**–**	–
– Fair value adjustment	**–**	(300)	**–**	–
	–	2 700	**–**	–
25. TRADE AND OTHER PAYABLES				
Accruals	**4 418**	2 997	**1 241**	446
Trade payables	**75 287**	106 344	**786**	966
Dividends payable	**893**	942	**14**	14
– Ordinary shares	**14**	14	**14**	14
– Preference shares	**879**	928	**–**	–
	80 598	110 283	**2 041**	1 426

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
26. REVENUE				
26.1 Insurance revenue				
– Gross insurance premiums	**1 342 822**	1 479 225	**–**	–
26.2 Other revenue	**91 656**	75 115	**5 609**	4 153
– Advisory, consulting and management fees received from Group companies	**–**	–	**5 361**	3 432
– Advisory, consulting, management and other fees fees received from third parties	**47 059**	32 153	**10**	209
– Commissions	**42 924**	41 883	**238**	–
– Rental income	**1 673**	1 079	**–**	512
	1 434 478	1 554 340	**5 609**	4 153
27. NET INSURANCE REVENUE				
Gross premiums written	**1 342 822**	1 479 225	**–**	–
Reinsurance premiums paid	**(1 111 049)**	(1 239 597)	**–**	–
Other	**5 949**	1 509	**–**	–
	237 722	241 137	**–**	–
28. DIRECT EXPENSES – INSURANCE AND RISK SERVICES				
Gross claims paid, change in provision for outstanding claims and IBNR	**511 046**	424 315	**–**	–
Reinsurers' share of claims paid and change in provision for outstanding claims	**(340 544)**	(256 090)	**–**	–
Net claims paid	**170 502**	168 225	**–**	–
Net expenses for the acquisition of insurance contracts, including commissions and profit commissions	**8 205**	27 130	**–**	–
Transfer to (from) policyholder liabilities	**1 075**	(1 862)	**–**	–
	179 782	193 493	**–**	–
29. INVESTMENT INCOME				
Interest received	**19 474**	11 081	**1 658**	1 966
Investment income (listed shares and bonds)	**127**	24 807	**1 550**	400
– Dividend income	**2 087**	3 693	**–**	–
– Dividend income (subsidiaries)	**–**	–	**1 550**	400
– Fair value adjustment (unrealised)	**(11 044)**	7 710	**–**	–
– Fair value adjustment (realised)	**9 084**	13 404	**–**	–
Balance c/f	**19 601**	35 888	**3 208**	2 366

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
29. INVESTMENT INCOME (continued)				
Balance b/f	**19 601**	35 888	**3 208**	2 366
Fair value adjustment (unlisted shares)	**(365)**	(2 852)	**–**	–
Investment income (other)	**(4 405)**	4 639	**–**	–
– Derivatives (losses) income	**(5 127)**	1 054	**–**	–
– Fair value adjustment (investment properties)	**951**	3 419	**–**	–
– Other	**(229)**	166	**–**	–
	14 831	37 675	**3 208**	2 366
30. FINANCE CHARGES				
Interest paid	**2 390**	1 122	**83**	43
– Finance leases	**31**	–	**–**	–
– Property finance	**1 111**	–	**–**	–
– Derivative trade finance	**1 122**	610	**–**	–
– Other	**126**	512	**83**	43
Preference dividends paid	**2 563**	2 455	**–**	–
Fair value adjustment (low interest loans and preference shares)	**355**	525	**–**	–
	5 308	4 102	**83**	43
31. PROFIT (LOSS) BEFORE TAXATION				
The profit (loss) before taxation includes:				
Income				
Profit on acquisition of minorities' share in subsidiaries	**–**	360	**–**	–
Profit on disposal of subsidiaries	**–**	–	**1 979**	–
Profit on disposal of property, plant and equipment	**1**	–	**1**	–
Forex profit	**6**	–	**–**	–

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
31. PROFIT (LOSS) BEFORE TAXATION (continued)				
Expenses				
Auditors' remuneration	**2 888**	2 928	**334**	175
– Current year	**2 248**	2 345	**329**	332
– Prior year under (over) provision	**213**	381	**–**	(145)
– Other services	**427**	202	**5**	(12)
Consulting fees paid	**1 444**	1 629	**213**	196
Depreciation and amortisation	**3 014**	2 659	**143**	133
Direct operating expenses in respect of investment properties	**418**	415	**–**	–
Forex losses	–	29	**–**	–
Impairment of financial assets	**4 668**	363	**20 505**	292
– Impairment of associates	**268**	8	**243**	–
– Impairment of loans	**4 400**	471	**20 262**	408
– Impairments reversed	**–**	(116)	**–**	(116)
Impairment of goodwill	**185**	17	**–**	–
Loss on disposal of property, plant and equipment	**33**	13	**–**	–
Loss on disposal of subsidiaries	**193**	–	**–**	–
Management fees paid to third parties	**1 173**	1 032	**–**	–
Operating lease charges	**8 609**	9 202	**561**	953
– Equipment	**2 108**	2 273	**21**	29
– Premises	**6 501**	6 929	**540**	924
Secretarial fees	**265**	274	**106**	40
Staff costs	**68 503**	54 286	**4 430**	2 907
– Salaries and wages	**67 384**	52 735	**4 430**	2 907
– Provident fund (defined contribution plan)	**1 119**	1 551	**–**	–

32. 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
32.1 2008 – 12 months						
Non-executive						
Berkowitz, R S	225	–	–	–	–	225
Campbell, S M	60	–	–	–	–	60
Kruger, M	30	–	–	–	–	30
Steffens, G Z	200	–	–	–	–	200
Executive						
Diamond, P	–	540	–	(84)	11	467
Druian, J D	–	1 958	–	166	19	2 143
Louw, L E	–	1 023	–	41	32	1 096
Shane, S D	–	1 456	–	166	44	1 666
Shaw, R L (paid by subsidiary)	195	638	122	–	12	967
	710	5 615	122	289	118	6 854

During the year:

- Mr Robert L Shaw resigned as an executive director of the group on 29 February 2008. Included in his basic salary is a management fee paid to Anslow Management Consultants (Proprietary) Limited, a management consulting company owned by him.
- Mr Paul Diamond resigned as an executive director of the group on 6 May 2008.
- Ms Megan Kruger resigned as a non-executive director of the group on 6 May 2008.

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Cost of share options R'000	Other benefits R'000	Total R'000
32.2 2007 – 18 months						
Non-executive						
Berkowitz, R S	180	–	–	–	–	180
Campbell, S M	60	–	–	–	–	60
Kruger, M	60	–	–	–	–	60
Steffens, G Z	67	–	–	–	–	67
Executive						
Diamond, P	–	1 800	600	84	27	2 511
Druian, J D	–	2 040	600	84	–	2 724
Louw, L E	–	1 113	150	21	43	1 327
Shane, S D	–	1 735	600	84	83	2 502
Shaw, R L (paid by subsidiary)	238	1 370	500	–	11	2 119
	605	8 058	2 450	273	164	11 550

32.3 Directors' service contracts

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

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

33. RETIREMENT BENEFITS

19% of the group's employees, all employed by the Insurance and Risk Services division, contribute to the CICL Investment Holdings Provident Fund, which is a defined contribution plan. Once the contributions have been paid, the group has no further payment obligations. The regular contributions constitute net periodic costs for the period in which they are due and as such are included in staff costs.

Contributions for the period under consideration amounted to R1.119 million (2007: R1.551 million). The fund is registered in terms of and regulated by the Pension Funds Act, 1956.

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

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
34. TAXATION				
34.1 Taxation				
South African normal taxation	**7 590**	9 973	**–**	–
– Current year	**8 624**	10 061	**–**	–
– Prior period overprovision	**(1 034)**	(88)	**–**	–
Deferred tax	**(1 048)**	3 760	**–**	–
Secondary Tax on Companies	**510**	1 096	**–**	–
Taxation per income statement	**7 052**	14 829	**–**	–
The income tax rate was reduced from 29% in 2007 to 28% in 2008.				
34.2 Taxation reconciliation				
Profit/(loss) before tax	**26 345**	43 296	**(23 279)**	(9 871)
Standard South African normal taxation	**7 376**	12 556	**(6 518)**	(2 863)
Non-taxable income	**(12 449)**	(1 990)	**(434)**	(248)
Non-deductible expenses	**11 637**	1 460	**5 775**	135
Prior period overprovision	**(1 040)**	(88)	**–**	–
Deferred tax asset not raised in companies with losses	**3 495**	3 033	**(905)**	2 976
Utilisation of previously unrecognised tax losses	**–**	(1 238)	**–**	–
Reduction in tax rate	**37**	–	**–**	–
Capital Gains Tax differential	**(2 514)**	–	**2 082**	–
Secondary Tax on Companies	**510**	1 096	**–**	–
Taxation per income statement	**7 052**	14 829	**–**	–

Deferred tax assets have not been recognised in group companies that do not anticipate generating sufficient taxable income to utilise these assets in the foreseeable future. The assets not so recognised amount to R43.720 million (2007: R31.238 million).

The group has unutilised credits that arose in respect of Secondary Tax on Companies of R8.455 million (2007: R5.993 million). This credit is not recognised as an asset unless it is expected to be realised within a year.

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000

35. COMMITMENTS AND CONTINGENT LIABILITIES

35.1 Commitments: Operating leases

At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Equipment leases	**5 323**	6 639	**19**	39
– Within one year	**1 999**	1 175	**19**	20
– In second to fifth years	**3 324**	5 464	**–**	19
Property leases	**8 021**	16 930	**–**	500
– Within one year	**3 937**	6 960	**–**	500
– In second to fifth years	**4 084**	9 970	**–**	–
Other leases	**62**	47	**–**	539
– Within one year	**47**	14	**–**	520
– In second to fifth years	**15**	33	**–**	19
	13 406	23 616	**19**	1 078

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

35.2 Contingent liabilities

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

35.2.2 Claims provisions include an amount of R1.751 million in respect of claims reported under certain "long tail" reinsurance inwards treaties. These treaties were entered into a number of years ago and a reliable estimate of the provision required for claims not yet reported under these treaties cannot exactly be ascertained. Based on the available information and the quantum of claims reported to date, the directors are however satisfied as to the adequacy of the provisions maintained by the group in respect of claims incurred, but not yet reported.

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

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

– CBS Property Portfolio Limited for office rent	R303 258
– 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.

36. 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	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000
36.1 Calculation of basic earnings		
The earnings used in the calculation of basic earnings per share is as follows:		
Profit for the period from continuing operations	**19 293**	28 467
Less: Minority interest	**(5 935)**	(8 952)
Earnings used in the calculation of basic earnings per share from continuing operations	**13 358**	19 515
Attributable profit for the period from discontinued operation	**1 824**	1 809
– Profit for the period from discontinued operation	**3 644**	3 614
– Minority interest	**(1 820)**	(1 805)
Profit attributable to ordinary shareholders	**15 182**	21 324
36.2 Reconciliation between basic earnings and headline earnings		
Headline earnings is determined as follows:		
Earnings used in the calculation of basic earnings per share from continuing operations	**13 358**	19 515
Add: Impairment of goodwill	**185**	17
Net loss on disposal of property, plant and equipment (net of tax)	**23**	9
Less: After-tax profit on revaluation of investment properties	**(302)**	(186)
Unclaimed shares written back	**(125)**	–
Negative goodwill on acquisition of subsidiaries	**–**	(360)
Loss on disposal of subsidiaries	**193**	–
Headline earnings from continuing operations	**13 332**	18 995
Headline earnings from discontinued operation	**1 485**	1 809
– Attributable profit for the period from discontinued operation	**1 824**	1 809
– *Less:* Negative goodwill on acquisition of subsidiary	**(339)**	–
Headline earnings	**14 817**	20 804

36. EARNINGS PER SHARE (continued)

36.2 Reconciliation between basic earnings and headline earnings (continued)

Headline earnings for the 18-month period ended 31 August 2007 have been restated to reflect the change in terms of Circular 8/2007 issued by The South African Institute of Chartered Accountants requiring that profits and losses on the revaluation of investment properties in life insurance companies (which was previously excluded from headline earnings) are to be included in headline earnings with effect from the beginning of the financial year. The adjustment is as follows:

	As previously reported	Adjustment	Restated
Headline earnings (R'000)	18 373	2 431	20 804
– Continuing operations (R'000)	16 564	2 431	18 995
– Discontinued operation (R'000)	1 809	–	1 809
Headline earnings per share (cents)	11.67	1.54	13.21
– Continuing operations (cents)	10.52	1.54	12.06
– Discontinued operation (cents)	1.15	–	1.15
Diluted headline earnings per share (cents)	10.08	1.33	11.41
– Continuing operations (cents)	9.09	1.33	10.42
– Discontinued operation (cents)	0.99	–	0.99

36.3 Shares in issue

	GROUP	
	12 months ended 31 August 2008 ('000)	18 months ended 31 August 2007 ('000)
36.3.1 Number of shares		
– Shares in issue	**256 380**	227 880
– Shares held as treasury shares	**(6 103)**	(6 103)
	250 277	221 777
36.3.2 Weighted average number of shares		
– Shares in issue	**238 269**	162 628
– Shares held as treasury shares	**(6 103)**	(5 165)
	232 166	157 463
36.3.3 Diluted weighted average number of shares		
– Shares in issue	**239 198**	187 459
– Shares held as treasury shares	**(6 103)**	(5 165)
	233 095	182 294

	GROUP	
	12 months ended 31 August 2008	18 months ended 31 August 2007
36. EARNINGS PER SHARE (continued)		
36.4 Earnings per share (cents)		
36.4.1 Basic earnings per share	**6.54**	13.54
– Continuing operations	**5.75**	12.39
– Discontinued operation	**0.79**	1.15
36.4.2 Diluted earnings per share	**6.51**	11.70
– Continuing operations	**5.73**	10.71
– Discontinued operation	**0.78**	0.99
36.4.3 Headline earnings per share	**6.38**	13.21
– Continuing operations	**5.74**	12.06
– Discontinued operation	**0.64**	1.15
36.4.4 Diluted headline earnings per share	**6.36**	11.41
– Continuing operations	**5.72**	10.42
– Discontinued operation	**0.64**	0.99

37. NOTES TO THE CASH FLOW STATEMENTS

37.1 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.

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

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
Profit (loss) before taxation	**31 805**	48 141	**(23 279)**	(9 871)
– Continuing operations	**26 345**	43 296	**(23 279)**	(9 871)
– Discontinued operation	**5 460**	4 845	**–**	–
Adjustments for:				
Depreciation and amortisation	**3 240**	2 681	**143**	133
– Continuing operations	**3 014**	2 659	**143**	133
– Discontinued operation	**226**	22	**–**	–
Dividends received	**(2 087)**	(3 693)	**(1 550)**	(400)
Impairment of financial assets	**4 991**	363	**20 505**	292
– Continuing operations	**4 668**	363	**20 505**	292
– Discontinued operation	**323**	–	**–**	–
Impairment of goodwill	**185**	17	**–**	–
Negative goodwill on acquisition of shares in subsidiaries	**–**	(360)	**–**	–
– Continuing operations	**–**	(360)	**–**	–
– Discontinued operation	**–**	–	**–**	–
(Profit) loss on disposal of shares in subsidiaries	**(485)**	–	**(1 979)**	–
– Continuing operations	**193**	–	**(1 979)**	–
– Discontinued operation	**(678)**	–	**–**	–
Finance charges	**5 969**	4 124	**83**	43
– Continuing operations	**5 308**	4 102	**83**	43
– Discontinued operation	**661**	22	**–**	–
Interest income	**(19 474)**	(11 081)	**(1 658)**	(1 966)
Loss (profit) on disposal of property, plant and equipment	**32**	13	**(1)**	–
Share based payment reserve	**316**	288	**316**	288
Revaluation of investment property	**(951)**	(3 419)	**–**	–
Losses (profits) on investments	**2 325**	(18 428)	**–**	–
Income from associates	**(1 856)**	(918)	**–**	–
Operating cash flows before working capital changes	**24 010**	17 728	**(7 420)**	(11 481)
Working capital changes	**(549)**	(73 320)	**1 659**	(131)
– Decrease (increase) in trade and other receivables	**18 399**	(61 692)	**1 044**	(546)
– (Decrease) increase in trade and other payables	**(16 084)**	(5 158)	**615**	415
– Increase (decrease) in policyholder liabilities	**1 075**	(1 862)	**–**	–
– Increase in insurance assets	**(25 238)**	(52 466)	**–**	–
– Increase in insurance liabilities	**21 299**	47 858	**–**	–
Cash generated (absorbed) by operations	**23 461**	(55 592)	**(5 761)**	(11 612)

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000

37. NOTES TO THE CASH FLOW STATEMENTS (continued)

37.3 Taxation paid

Opening balance	**4 747**	(910)	**–**	–
Disposal (acquisition) of subsidiaries	**459**	(7 208)	**–**	–
Income statement movement	**(9 199)**	(11 206)	**–**	–
– Continuing operations	**(7 590)**	(9 973)	**–**	–
– Discontinued operation	**(1 609)**	(1 233)	**–**	–
Secondary Tax on Companies	**(714)**	(1 096)	**–**	–
– Continuing operations	**(510)**	(1 096)	**–**	–
– Discontinued operation	**(204)**	–	**–**	–
Closing balance	**(7 962)**	(4 747)	**–**	–
	(12 669)	(25 167)	**–**	–

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

– Property, plant and equipment	**1 102**	(12 960)	**–**	–
– Other intangible assets	**816**	(1 852)	**–**	–
– Investment property	**–**	(6 944)	**–**	–
– Investment in associates	**–**	(2 388)	**–**	–
– Investment in subsidiaries	**–**	(31 660)	**14 873**	(169 830)
– Other investments	**–**	(48 374)	**–**	–
– Loans receivable	**–**	(1 373)	**–**	–
– Trade and other receivables	**52 101**	(83 346)	**–**	–
– Cash and cash equivalents	**11 738**	(170 838)	**–**	–
– Policyholder liabilities	**–**	24 449	**–**	–
– Interest bearing borrowings	**–**	29 248	**–**	–
– Deferred taxation	**–**	(1 178)	**–**	–
– Loans payable	**(30 371)**	23 186	**–**	–
– Net insurance liabilities	**–**	78 481	**–**	–
– Trade and other payables	**(14 061)**	110 817	**–**	–
– Net tax	**(459)**	7 208	**–**	–
– Minority interest	**(31 361)**	16 302	**–**	–
– Net asset value sold (acquired)	**(10 495)**	(71 222)	**14 873**	(169 830)
– Profit on sale	**485**	–	**2 327**	–
– Goodwill disposed of (acquired)	**31 089**	(65 759)	**–**	–
– Sale (purchase) price	**21 079**	(136 981)	**17 200**	(169 830)
– Transferred from associates	**–**	(320)	**–**	–
– Transferred from investments	**–**	4 702	**–**	–
– Profit on acquisition of minorities	**–**	360	**–**	–
– Shares issued to minority shareholder	**–**	330	**–**	–
– Future cash (receipt) payment	**(18 940)**	5 323	**(16 400)**	–
– Preference shares issued	**–**	2 090	**–**	–
– Equity shares issued	**–**	31 345	**–**	31 345
– Net cash inflow (outflow)	**2 139**	(93 151)	**800**	(138 485)

38. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

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

	Nature of business	Country of incorporation
Directly owned		
AIIM Capital Investments Limited	Dormant	Guernsey, Channel Islands
Appleton Portfolio Managers International Limited	Dormant	Guernsey, Channel Islands
Anthony Richards & Associates (Proprietary) Limited	Credit recovery and call centre services	RSA
Before the Wind Investments (Proprietary) Limited	Management company	RSA
Conduit Fund Managers (Proprietary) Limited	Asset manager	RSA
Copper Sunset Trading 186 (Proprietary) Limited	Holding company	RSA
Gateway Capital Limited *	Specialised structured finance	RSA
IMR (CI) Limited	Inactive	Guernsey, Channel Islands
IMR 1 (Proprietary) Limited	Equities and derivatives trading	RSA
IMR 2 (Proprietary) Limited	In liquidation	RSA
IMR 5 (Proprietary) Limited	In liquidation	RSA
IMR 9 Holdings Limited	In liquidation	RSA
IMR 10 Holdings Limited	In liquidation	RSA
Marble Gold 213 (Proprietary) Limited	Holding company	RSA
On Line Lottery Services (Proprietary) Limited	E-commerce agent	RSA
Held through a subsidiary		
Ambledown Risk & Underwriting Solutions (Proprietary) Limited	Underwriting manager	RSA
Black Ginger 92 (Proprietary) Limited	Investment company	RSA
Cherry Creek Trading 88 (Proprietary) Limited	Property company	RSA
Constantia Intermediate Holdings (Proprietary) Limited	Investment company	RSA
Conduit Risk and Insurance Holdings (Proprietary) Limited	Holding company	RSA
Constantia Insurance Company Limited	Short-term insurer	RSA
Constantia Life & Health Assurance Company Limited	Long-term insurer	RSA
Constantia Corporate Services (Proprietary) Limited	Management company	RSA
CPE Underwriting Managers (Proprietary) Limited	Name protection (dormant)	RSA
D&O Liability Underwriters (Proprietary) Limited	Name protection (dormant)	RSA
Goodall and Bourne (South Western Districts) (Proprietary) Limited	Dormant	RSA
Goodall and Bourne Assurance Limited	Long-term insurer	RSA
Goodall and Bourne Credit (Proprietary) Limited	Dormant	RSA
Goodall and Bourne Properties (Proprietary) Limited	Property company	RSA
Goodall and Bourne Properties (Wale Street) (Proprietary) Limited	Property company	RSA
Goodall and Bourne Property Holdings (Proprietary) Limited	Investment company	RSA
Goodall and Bourne Trust Company Limited	Administrative company	RSA
Goodall and Company Funeral Assurance Society Limited	Long-term insurer	RSA

* (Also refer to note 12)

Issued ordinary share capital 2008	Issued ordinary share capital 2007	Interest 2008 %	Interest 2007 %	Shares at cost *less* amounts written off 2008 R'000	Shares at cost *less* amounts written off 2007 R'000	Indebtedness to (by) Conduit Capital 2008 R'000	Indebtedness to (by) Conduit Capital 2007 R'000
989	989	100	100	–	–	–	–
574	574	100	100	–	–	–	–
100	100	40	40	11 568	11 568	–	–
–	1 000	–	100	–	–	–	3
1	1	100	100	–	185	4 497	1 098
100	100	100	100	–	–	117 282	107 264
–	1 001	–	50	–	14 073	–	–
995	–	100	–	–	–	–	–
140 000	–	100	–	140	–	(7 060)	–
–	50 000	–	100	–	–	–	2 886
–	14	–	100	–	–	–	6 343
–	3 000 000	–	100	–	488	–	34 019
–	1 000	–	100	–	–	–	404
100	100	100	100	790	790	27	18
150	–	80	–	585	–	67	–
100	100	50	50	–	–	–	–
100	100	100	100	–	–	5 973	5 218
100	100	100	100	–	–	–	–
120	120	100	100	–	–	–	–
200	200	100	100	–	–	–	22
2 244 500	2 244 500	100	100	–	–	–	–
13 772 380	13 772 380	100	100	–	–	–	–
1 000	–	100	–	–	–	9	–
120	120	100	100	–	–	–	–
100	100	100	100	–	–	–	–
100	100	100	100	–	–	–	–
696 000	696 000	100	100	–	–	–	–
100	100	100	100	–	–	–	–
2 000	2 000	100	100	–	–	–	–
100	100	100	100	–	–	–	–
100	100	100	100	–	–	–	–
4 000	4 000	100	100	–	–	–	–
50 000	50 000	100	100	–	–	–	–

38. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

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

	Nature of business	Country of incorporation
Held through a subsidiary (continued)		
Goodall and Company Undertakers (Proprietary) Limited	Undertakers and funeral managers	RSA
IMR (CI) Limited	Inactive	Guernsey, Channel Islands
IMR 1 (Proprietary) Limited	Equities and derivatives trading	RSA
IMR 4 (Proprietary) Limited	In liquidation	RSA
IMR 6 (Proprietary) Limited	In liquidation	RSA
IMR 7 (Proprietary) Limited	In liquidation	RSA
IMR 11 (Proprietary) Limited	Inactive	RSA
IMR Share Trust	Share trust	RSA
Intellect-On-Line (Proprietary) Limited	Name protection (dormant)	RSA
International Gaming Technologies (Proprietary) Limited	In liquidation	RSA
Inventory & Risk Survey Holdings (Proprietary) Limited	Risk surveyor	RSA
Motor Liability Acceptances (Proprietary) Limited	Name protection (dormant)	RSA
MTR Underwriting Agency (Proprietary) Limited	Underwriting manager	RSA
On Line Lottery Services (Proprietary) Limited	E-commerce agent	RSA
Pendulum Underwriting Managers (Proprietary) Limited	Underwriting manager	RSA
SGI Guarantee Acceptances (Proprietary) Limited	Underwriting manager	RSA
Shavian Management Consultants (Proprietary) Limited	Insurance consultant	RSA
Siyaya Underwriting Managers (Proprietary) Limited	Underwriting manager (not yet trading)	RSA
TGI Investment Holdings (Proprietary) Limited	Investment company	RSA
The Oakwood Financial Services Group (Proprietary) Limited	Investment company	RSA
The Peoples' Industrial Advice Centre (Proprietary) Limited	Underwriting manager	RSA
Transqua Administrative Services (Proprietary) Limited	Underwriting manager	RSA
Truck and General Insurance Company Limited	Underwriting manager	RSA
Watermark Risk Management (Proprietary) Limited	Underwriting manager	RSA
Yellow Metal Insurance Administrators (Proprietary) Limited	Name protection (dormant)	RSA
Zizwe Risk Academy (Proprietary) Limited	Underwriting manager	RSA

Notes:

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

Issued ordinary share capital		Interest		Shares at cost *less* amounts written off		Indebtedness to (by) Conduit Capital	
2008	2007	2008	2007	2008	2007	2008	2007
		%	%	R'000	R'000	R'000	R'000
2 000	2 000	100	100	–	–	–	–
–	995	–	100	–	–	–	40
–	140 000	–	100	–	–	–	(31 525)
–	500	–	100	–	–	–	210
–	100	–	100	–	–	–	1 148
–	100	–	100	–	–	–	5 849
100	100	100	100	–	–	(1 836)	(1 836)
–	–	–	–	–	–	(1 541)	(1 545)
10 000	10 000	100	100	–	–	–	–
–	100	–	100	–	–	–	652
100	100	61	61	–	–	–	–
100	100	100	100	–	–	–	–
100 000	100 000	52	52	–	–	–	–
–	150	–	80	–	–	–	543
100	100	80	80	–	–	–	–
–	500 000	–	100	–	–	–	–
100	100	100	100	–	–	–	–
100	100	74	74	–	–	–	–
16 133 292	16 133 292	60	60	–	–	–	–
100	100	100	100	–	–	–	–
100	100	100	100	–	–	–	–
500 000	500 000	100	100	–	–	–	–
1 002	1 002	60	60	–	–	–	–
352 000	352 000	100	100	–	–	–	–
100	100	100	100	–	–	–	–
100	100	100	100	–	–	–	–
				13 083	27 104	117 418	130 811

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000

38. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

38.2 Allocated as follows:

– Investment in subsidiaries (note 11)	**–**	–	**140 938**	192 821
– Loans payable	**–**	–	**(10 437)**	(34 906)
	–	–	**130 501**	157 915

38.3 The following information relates to the group's investment in associate companies:

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

Notes:

- All associates of the group are unlisted companies.
- The loan to Maruapula Capital (Proprietary) Limited is unsecured, attracts interest at prime and has no fixed repayment date.
- Loans receivable from all other associate companies are unsecured, attract no interest and have no fixed repayment dates.

Number of shares held		Interest		Book value of investment		Indebtedness to (by) Conduit Capital	
2008	2007	2008 %	2007 %	2008 R'000	2007 R'000	2008 R'000	2007 R'000
40	–	40	–	(158)	–	243	–
30	30	30	30	108	108	–	–
325	325	32	32	1 084	233	–	–
26	26	26	26	–	–	–	–
25	25	25	25	382	231	–	–
40	40	40	40	–	–	–	–
1 000	1 000	25	25	–	–	–	–
40	34	34	34	2 480	2 327	–	–
44	44	44	44	–	–	–	–
40	40	33	33	52	24	11	71
26	26	26	26	–	–	–	–
–	40	–	40	–	(99)	–	168
35	35	35	35	302	374	–	–
2 400	2 250	24	23	98	41	–	–
				4 348	3 239	254	239

	GROUP		COMPANY	
	31 August 2008 R'000	31 August 2007 R'000	**31 August 2008 R'000**	31 August 2007 R'000

38. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

38.4 Allocated as follows:

– Book value of investment	4 348	3 239	–	–
– Indebtedness to the group	254	239	–	–
– Investment in associates (note 10)	4 602	3 478	–	–

39. RISK MANAGEMENT

39.1 Currency risk

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

The group is exposed to currency risk with regard to premiums, as well as provisions for claims denominated in foreign currencies under "long tail" reinsurance inwards treaties in Constantia Insurance Company Limited. These amounts are not material and therefore the company is not exposed to significant currency risks.

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).

As a result, no sensitivity analysis has been provided.

39.2 Interest rate risk

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

The group has material investments and borrowings that are subject to interest rate risk. Details of these investments and borrowings are set out in notes 13, 15, 23, 24 and 25. Additional exposure to interest rate risk is in the form of cash balances held at call with banks (see note 16), which earn interest at rates that vary on a daily basis, as well as the effect that interest rate fluctuations have on the value of the gilts and bonds held by the group.

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	**2008 2% increase**	2007 2% increase	**2008 2% decrease**	2007 2% decrease
Listed investments – Bonds (R'000)	**(68)**	(65)	**69**	66
Cash and interest bearing loans (R'000)	**3 003**	2 074	**(3 003)**	(2 074)
	2 935	2 009	**(2 934)**	(2 008)

An increase or decrease of 2% in the interest rates relating to cash and investments in bonds would result in an increase in income of R2.935 million (2007: R2.009 million) or a decrease in income of R2.934 million (2007: R2.008 million), respectively.

Financial liabilities	**2008 2% increase**	2007 2% increase	**2008 2% decrease**	2007 2% decrease
Interest bearing borrowings (R'000)	**(1 908)**	(1 044)	**1 908**	1 034
Vendors for cash (R'000)	**(75)**	70	**75**	(65)
	(1 983)	(974)	**1 983**	969

An increase or decrease of 2% in the interest rates relating to borrowings and payables would result in an increase in expenses of R1.983 million (2007: R0.974 million) or a decrease in expenses of R1.983 million (2007: R0.969 million), respectively.

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

39. RISK MANAGEMENT (continued)

39.3 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:

- investments and cash equivalents;
- amounts due from insurance policyholders;
- amounts due from insurance contract intermediaries;
- reinsurers' share of insurance liabilities.

The group determines counterparty credit quality by reference to ratings from independent ratings agencies such as Standard & Poor's or, where such ratings are not available, by internal analysis. The group seeks to avoid concentration of credit risk to groups of counterparties, business sectors, product types and geographical segments.

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

				Credit rating				Not	Carrying
	AAA	AA+	AA	AA–	A–	BBB+	Baa2	rated	value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
31 August 2008									
Listed investments held at fair value	–	–	–	–	–	3 175	142	19 877	23 194
Unlisted investments held at fair value	–	–	–	–	–	–	–	1 639	1 639
Loans and other receivables	–	–	–	–	324	–	–	97 297	97 621
Cash and cash equivalents	45 471	111 142	36 663	19 146	–	–	–	621	213 043
	45 471	111 142	36 663	19 146	324	3 175	142	119 434	335 497
31 August 2007									
Listed investments held at fair value	–	–	–	–	–	3 292	286	68 016	71 594
Unlisted investments held at fair value	–	–	–	–	–	–	–	1 933	1 933
Loans and other receivables	–	–	–	–	–	–	–	151 890	151 890
Cash and cash equivalents	394	169 939	163	9 103	–	–	–	43	179 642
	394	169 939	163	9 103	–	3 292	286	221 882	405 059

Non-rated listed investments are made up of liquid equities, the majority of which are listed on JSE Limited. The bulk of insurance assets are due by reputable, rated re-insurance companies (see note 39.7). A breakdown of the split between the various re-insurers is however not currently available. Loans and other receivables consist mainly of accounts receivable from the group's customer base. Group companies and contracted underwriting managers monitor the financial position of their customers, which include insurance clients, on an ongoing basis. Credit, other than in the insurance division, is extended in terms of an agreement and provisions are made for both specific and general bad debts.

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

39. RISK MANAGEMENT (continued)

39.3 Credit risk (continued)

Impairment history

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

		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 2008								
Listed investments held at fair value	23 194	–	–	–	–	–	–	23 194
Unlisted investments held at fair value	1 639	–	–	–	–	180	(180)	1 639
Loans and other receivables	94 542	368	1	378	151	2 541	(2 541)	95 440
Premium receivables	–	829	1 352	–	–	–	–	2 181
Cash and cash equivalents	213 047	–	–	–	–	4	(4)	213 047
	332 422	1 197	1 353	378	151	2 725	(2 725)	335 501
31 August 2007								
Listed investments held at fair value	71 594	–	–	–	–	–	–	71 594
Unlisted investments held at fair value	1 933	–	–	–	–	180	(180)	1 933
Loans and other receivables	146 738	309	19	50	1 900	4 316	(4 316)	149 016
Premium receivables	–	812	2 062	–	–	–	–	2 874
Cash and cash equivalents	179 642	–	–	–	–	–	–	179 642
	399 907	1 121	2 081	50	1 900	4 496	(4 496)	405 059

39.4 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 and foreign currency exchange rates. Financial assets are disclosed in the following classes based on their similar characteristics:

- Listed equity and debt securities;
- Unlisted equity and debt securities;
- Reinsurance receivables;
- Other loans and receivables; and
- Cash and other short-term interest bearing instruments.

The group has established a policy on market risk which sets out the principles that businesses are expected to adopt in respect of management of the key market risks to which the group may be exposed. Divisions within the group monitor adherence to this market risk policy and the group regularly reviews how these risks are being managed through the group's Investment Committee.

39. RISK MANAGEMENT (continued)

39.5 Liquidity risk

Liquidity risk is defined as the ability of the group to meet its financial obligations as they fall due and to manage the mismatch of assets and liabilities. Management monitors this risk on a daily basis in order to ensure that:

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

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

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

	Within 1 year R'000	2 to 5 years R'000	More than 5 years R'000	Total R'000
2008				
Interest bearing borrowings	5 142	17 408	4 758	27 308
Vendors for cash	3 049	–	–	3 049
Trade and other payables	80 598	–	–	80 598
	88 789	17 408	4 758	110 955
2007				
Interest bearing borrowings	36 865	37 246	8 722	82 833
Vendors for cash	4 825	2 700	–	7 525
Trade and other payables	110 283	–	–	110 283
	151 973	39 946	8 722	200 641

39.6 Insurance risk

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

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

39.6.1 Types of insurance policies

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

Guarantee:

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

Liability:

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

39. RISK MANAGEMENT (continued)

39.6 Insurance risk (continued)

39.6.1 Types of insurance policies (continued)

Motor:

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

Accident and health:

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

Property:

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

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

Gross premium written per class of business	**2008 R'000**	2007 R'000
Short term		
– Property	**155 456**	181 668
– Transportation	**599**	1 563
– Motor	**302 940**	238 135
– Accident/Health	**440 832**	508 761
– Guarantee	**6 917**	7 510
– Liability	**2 790**	2 946
– Miscellaneous	**402 175**	519 909
Long term	**31 113**	18 733
	1 342 822	1 479 225

39.6.3 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 is greater than expected or that premiums have not been correctly rated for the level of risk adopted.

The underwriting results of each underwriting manager and of each risk class are monitored on a regular basis by the portfolio management function and the Underwriting Committee and corrective measures are actioned where applicable. 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, or the cancellation of contracts with underwriting managers when justified. There are clearly defined limits within which underwriting managers may write business.

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

39. RISK MANAGEMENT (continued)

39.6 Insurance risk (continued)

39.6.3 Management of insurance risk (continued)

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

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

39.7 Reinsurance credit risk

There is a risk that a reinsurer does not perform in accordance with the reinsurance contract. The risk is limited as risk premiums are paid quarterly to reinsurers and claims can be offset against risk premiums. In principle, there is little credit risk posed by customers as no cover is provided where premiums are not paid. Further, it is expected that there will be little build-up of actuarial liability on the reinsurer's side. Liabilities under reinsurance contracts are primarily premiums payable on reinsurance contracts covering lapse risk. The risk thus mainly arises following a period of higher than expected claims.

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

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

39.8 Claims risk

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

39.9 Lapse risk

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

39.10 Expense risk

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

40. DIRECTORS' BENEFICIAL INTEREST IN SHARES AND SHARE OPTIONS

40.1 Interest in shares

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

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

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

No director holds shares on behalf of any other party.

40.2 Interest in share options

	Direct	Total
31 August 2008		
– Berkowitz, R S	–	–
– Campbell, S M	–	–
– Druian, J D	600 000	600 000
– Louw, L E	150 000	150 000
– Shane, S D	600 000	600 000
– Steffens, G Z	–	–
	1 350 000	1 350 000
31 August 2007		
– Berkowitz, R S	–	–
– Campbell, S M	–	–
– Diamond, P	600 000	600 000
– Druian, J D	600 000	600 000
– Kruger, M	–	–
– Louw, L E	150 000	150 000
– Shane, S D	600 000	600 000
– Shaw, R L	–	–
– Steffens, G Z	–	–
	1 950 000	1 950 000

Note A: In order to determine J D Druian's interest in Conduit Capital Limited it was assumed that the shares to be issued to him as a vendor of Marble Gold (see notes 17 and 41.3.2) were issued. These shares are therefore included under direct holdings.

Note B: In order to determine S D Shane's interest in Conduit Capital Limited it was assumed that he exercised his option to acquire one third of the shares issued to Marble Gold vendors (see note 17). The shares are therefore included under direct holdings.

41. RELATED PARTY TRANSACTIONS

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

41.1 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 41.3.

41.2 Companies within the group

41.2.1 Subsidiaries

Details of investments in and loans to (from) subsidiary companies are disclosed in notes 38.1 and 38.2. Additional information about the impact that these balances have on the Group and the company's annual financial statements are disclosed in note 11. Details of trading transactions with subsidiary companies and outstanding balances are reflected in note 41.5.1.

41.2.2 Associates

Details of investments in associate companies are disclosed in notes 38.3 and 38.4. 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 10 and 41.5.3.

41.2.3 Investments

Details of investments other than investments in subsidiary and associate companies are disclosed in note 13. In terms of the provisions of the Companies Act, 1973, a complete register of listed and unlisted investments is available for inspection at the groups' registered office.

41.3 Directors

41.3.1 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 32), shareholdings (note 40) and share options in the company (notes 20 and 40).

The directors named in the Directors' report each held office as a director of the company during the year ended 31 August 2008 and the 18 months ended 31 August 2007. Resignations and additions to the board of directors have also been disclosed.

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

During the 12 months ended 31 August 2008 the Group has had the following dealings with directors other than in their capacity as directors:

- 24 million ordinary shares with an aggregate value of R18.905 million are to be issued in equal proportions to Jason Druian and Paul Diamond in settlement of a transaction in terms whereof the group acquired 100% of the issued share capital of Marble Gold 213 (Proprietary) Limited ("Marble Gold"). The transaction was approved by independent shareholders on 3 November 2005, subject to certain warranties that have since been met. The shares were accounted for as if they were issued as disclosed in note 17.
- R1.847 million was paid in cash to Mindfield Investments (Proprietary) Limited, a company in which Jason Druian has a 20% shareholding, in final settlement of the acquisition of a 40% shareholding in Anthony Richards & Associates (Proprietary) Limited.

Further details of all these transactions are disclosed in note 41.5.3.

41. RELATED PARTY TRANSACTIONS (continued)

41.4 Other parties and person with/reason for relationship

While Mr R L Shaw was a director of the group, the group had dealings with the following companies in which he or a close family member had an interest:

– Anslow Management Consultants (Proprietary) Limited	– R L Shaw
– Born Free Investments 78 (Proprietary) Limited	– R L Shaw
– Conpret Investments (Proprietary) Limited	– R L Shaw
– Emerald Island Investments (Proprietary) Limited	– R L Shaw (close family member)
– Lezmin 104 CC trading as PH Lifestyle	– R L Shaw
– Stellenberg 1 Investments (Proprietary) Limited	– R L Shaw
– You&Me Digital Media (Proprietary) Limited	– R L Shaw (close family member)

Details of trading transactions with the above parties are reflected in note 41.5.4.

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
41. RELATED PARTY TRANSACTIONS (continued)				
41.5 Trading transactions and outstanding balances other than loan balances				
41.5.1 Subsidiaries				
Anthony Richards & Associates (Proprietary) Limited				
– Dividend received	**–**	–	**800**	400
– Rent received	**–**	–	**120**	99
Black Ginger 92 (Proprietary) Limited				
– Interest received	**–**	–	**810**	259
Conduit Fund Managers (Proprietary) Limited				
– Consulting fees received	**–**	–	**1 516**	–
Conduit Risk and Insurance Holdings (Proprietary) Limited				
– Management and administration fees received	**–**	–	**790**	–
Constantia Intermediate Holdings (Proprietary) Limited				
– Maintenance	**–**	–	**(1)**	–
– Balance due to	**–**	–	**(1)**	–
Constantia Corporate Services (Proprietary) Limited				
– Staff welfare	**–**	–	**(23)**	–
– Maintenance	**–**	–	**(19)**	–
– Management and administration fees paid	**–**	–	**(129)**	–
– Security	**–**	–	**(8)**	–
– Telephones	**–**	–	**(16)**	–
– Balance due to	**–**	–	**(49)**	–
Constantia Insurance Company Limited				
– Consulting fees received	**–**	–	**355**	–
– Interest received	**–**	–	**(12)**	12
– Management and administration fees received	**–**	–	**2 400**	1 800
– Rent paid	**–**	–	**(135)**	–
– Security	**–**	–	**(6)**	–
– Balance due by	**–**	–	**21**	–

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
41. RELATED PARTY TRANSACTIONS (continued)				
41.5 Trading transactions and outstanding balances other than loan balances (continued)				
41.5.1 Subsidiaries (continued)				
Constantia Life & Health Assurance Company Limited				
– Staff welfare	**–**	–	**(1)**	–
– Consulting fees received	**–**	–	**56**	–
– Balance due by	**–**	–	**62**	–
Gateway Capital Limited				
– Commission received	**–**	–	**–**	9
– Dividend received	**–**	–	**750**	–
– Interest received	**–**	–	**61**	–
IMR 1 (Proprietary) Limited				
– Consulting fees received	**–**	–	**–**	1 332
On Line Lottery Services (Proprietary) Limited				
– Management and admin fees received	**–**	–	**240**	292
– Interest received	**–**	–	**40**	133
– Rent received	**–**	–	**81**	107
– Balance due by	**–**	–	**58**	–
TGI Investment Holdings (Proprietary) Limited				
– Directors' fees received	**–**	–	**4**	–
41.5.2 Associates				
Black Ginger 92 (Proprietary) Limited				
– Interest received	**–**	190	**–**	190
Maruapula Capital (Proprietary) Limited				
– Interest received	**28**	45	**28**	45
– Rent received	**–**	73	**–**	73
41.5.3 Directors and directors' companies				
Paul Diamond and Jason Druian				
– Value of consideration shares payable for entire share capital of Marble Gold	**–**	(18 905)	**–**	(18 905)
– Value of consideration shares issued in full payment for entire share capital of Marble Gold	**(18 905)**	–	**(18 905)**	–

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
41. RELATED PARTY TRANSACTIONS (continued)				
41.5 Trading transactions and outstanding balances other than loan balances (continued)				
41.5.3 Directors and directors' companies (continued)				
Anslow Management Consultants (Proprietary) Limited				
– Fair value adjustment through income statement to expected future cash payment to be made as part consideration for acquisition of 20% shareholding in CRIH	**(295)**	(435)	**–**	–
– Cash payment made as part consideration for acquisition of 20% shareholding in CRIH	**(3 000)**	(2 000)	**–**	–
– Fair value of expected future cash payment to be made as part consideration for acquisition of 20% shareholding in CRIH	**(2 950)**	(5 655)	**–**	–
Mindfield Investments (Proprietary) Limited				
– Interest paid on cash amount paid as part consideration for acquisition of 40% shareholding in ARA	**(80)**	–	**(80)**	–
– Cash payment made as part consideration for acquisition of 40% shareholding in ARA	**(1 847)**	–	**(1 847)**	–
– Consideration shares paid as part consideration for acquisition of 40% shareholding in ARA	**–**	(11 574)	**–**	(11 574)
– Expected future cash payment to be made as part consideration for acquisition of 40% shareholding in ARA	**–**	(1 767)	**–**	(1 767)
41.5.4 Other parties				
Anslow Management Consultants (Proprietary) Limited				
– Administration fees received	**3**	9	**–**	–
– Expenses paid	**–**	(1)	**–**	–
– Rent paid	**(160)**	(395)	**–**	–
– Balance due by (due to)	**(70)**	3	**–**	–
Born Free Investments 78 (Proprietary) Limited				
– Administration fees received	**–**	9	**–**	–
– Rent paid	**(26)**	(364)	**–**	–

	GROUP		COMPANY	
	12 months ended 31 August 2008 R'000	18 months ended 31 August 2007 R'000	**12 months ended 31 August 2008 R'000**	18 months ended 31 August 2007 R'000
41. RELATED PARTY TRANSACTIONS (continued)				
41.5 Trading transactions and outstanding balances other than loan balances (continued)				
41.5.4 Other parties (continued)				
Conpret Investments (Proprietary) Limited				
– Rent paid	**(31)**	(95)	**–**	–
– Balance due to	**(1)**	–	**–**	–
Emerald Island Investments (Proprietary) Limited				
– Rent paid	**(121)**	(188)	**–**	–
– Balance due to	**(2)**	–	**–**	–
Lezmin 104 CC trading as PH Lifestyle				
– Administration fees (paid) received	**(2)**	23	**–**	–
– Rent paid	**–**	(49)	**–**	–
– Balance due by	**–**	12	**–**	–
Stellenberg 1 Investments (Proprietary) Limited				
– Rent paid	**(115)**	(164)	**–**	–
You&Me Digital Media (Proprietary) Limited				
– Expenses paid	**(15)**	(315)	**–**	–
– Balance due by	**1**	1	**–**	–
41.6 Key management salaries	**2 761**	1 335	**720**	600

SHAREHOLDER INFORMATION

at 31 August 2008

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	451	60.70	149 662	0.06
1 001 – 10 000 shares	147	19.78	633 086	0.25
10 001 – 100 000 shares	77	10.36	3 320 489	1.30
100 001 – 1 000 000 shares	29	3.90	12 067 247	4.71
1 000 001 shares and over	39	5.25	240 209 334	93.69
	743	100.00	256 379 818	100.00

DISTRIBUTION OF SHAREHOLDERS

Close corporations	8	1.08	2 081 150	0.81
Individuals	600	80.75	98 142 044	38.28
Nominees and trusts	55	7.40	12 912 051	5.04
Other persons and corporations	40	5.38	19 790 240	7.72
Private companies	32	4.31	85 382 771	33.30
Public companies	7	0.94	36 421 192	14.21
Share trust	1	0.13	1 650 370	0.64
	743	100.00	256 379 818	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholdings	%	Number of shares	%
Non-public shareholders	16	2.15	80 836 914	31.53
Directors' and associates' holdings	13	1.75	74 733 693	29.15
Own holdings	2	0.27	4 452 851	1.74
Share trust	1	0.13	1 650 370	0.64
Public shareholders	727	97.85	175 542 904	68.47
	743	100.00	256 379 818	100.00

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	Number of shares	%
Diamond, P	28 023 316	10.93
Druian, J D	27 688 442	10.80
Shane, S D	24 669 730	9.62
Morning Tide Investments 82 (Proprietary) Limited	13 000 000	5.07
First National Investors (Proprietary) Limited	12 181 818	4.75
Druian, W A	11 450 934	4.47
Ellerine Bros (Proprietary) Limited	10 000 000	3.90
Capricorn Capital Partners Holdings	8 351 986	3.26
	135 366 226	52.80

DIRECTORATE, ADMINISTRATION AND CORPORATE INFORMATION

DIRECTORS' INFORMATION

Reginald S Berkowitz (71) – Natal Law Certificate
Chairman and non-executive director

Jason D Druian (36)
Chief executive officer

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

Lourens Louw (38) – B Comm
Financial Director

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

Günter Z Steffens** (71)
Member – The Guild of International Bankers, London
Non-executive director

* New Zealander
** German

ADMINISTRATION

Registered office
Unit 7 Tulbagh
360 Oak Avenue
Randburg, 2194

PO Box 97, Melrose Arch, 2076
Tel: (+27 11) 789 3342
Fax: (+27 11) 789 3709

Alpha code
CND

ISIN
ZAE000073128

Registration number
1998/017351/06

CORPORATE INFORMATION

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

Third Floor, JHI House
11 Cradock Avenue, Rosebank, 2196

PO Box 85392, Emmarentia, 2029

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

Ground Floor
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107

Sponsor
Merchant Sponsors (Proprietary) Limited
(Registration number 2003/005493/07)

Block A, First Floor, Libertas Office Park
3 Libertas Road, Bryanston

PO Box 781106
Sandton, 2146

Independent auditors
Grant Thornton
Chartered Accountants (SA)

137 Daisy Street, corner Grayston Drive
Sandton, 2196

Private Bag X28
Benmore, 2010

Corporate advisor and legal advisor
Java Capital (Proprietary) Limited
(Registration number 2002/031862/07)

2 Arnold Road
Rosebank, 2196

PO Box 2087, Parklands, 2121

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

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, 18 February 2009, for the following purposes:

ANNUAL FINANCIAL STATEMENTS

To receive, consider and adopt the annual financial statements of the group and the company for the financial year ended 31 August 2008.

RESOLUTIONS

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

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

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

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

(b) the company (or its subsidiary) must be authorised by its Articles of Association to effect repurchases and may only appoint one agent to effect repurchases on its behalf;

(c) the number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 September 2008) may not in the aggregate exceed 20% (twenty percent), or 10% (ten percent) where the acquisition is effected by a subsidiary, of the company's share capital as at the date of this notice of annual general meeting;

(d) repurchases of shares may not be made at a price more than 10% (ten percent) above the weighted average of the market value on the JSE of the shares in question for the five business days immediately preceding the repurchase;

(e) repurchases may not take place during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place and the dates and quantities of shares to be repurchased during the prohibited period have been determined and full details thereof announced on SENS prior to commencement of the prohibited period;

(f) repurchases may only take place if, after such repurchase, the shareholder spread of the company still complies with paragraphs 3.37 to 3.41 of the JSE Listings Requirements;

(g) after the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time; and

(h) the company's sponsor shall confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase."

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

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

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

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

Disclosure

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

Directors and management – refer page 13

Major beneficial shareholders – refer page 87

Directors' interest in ordinary shares – refer page 80

Share capital of the company – refer note 17

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, 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 xx of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in terms of the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company or its subsidiaries since the date of signature of the audit report for the financial year ended 31 August 2008 and up to the date of this notice.

Reason for and effects of Special Resolution Number 1

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

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

"Resolved that Grant Thornton be re-appointed as the auditors of the company."

3. Ordinary Resolution Number 2 – Re-election of L E Louw as a director

"Resolved that Lourens Erasmus Louw, who retires in accordance with the provisions of the company's Articles of Association and who offers himself (being eligible) for re-election as a director of the company, be re-elected."

The occupation and relevant business experience of Lourens Erasmus Louw is set out below:

Name: Lourens Erasmus Louw

Age: 38

Role: Financial director

Lourens studied at the University of Stellenbosch, after which he moved to Johannesburg and qualified as a member of the SA Institute of Stockbrokers. In 1996 Lourens was appointed financial director and compliance officer of stock broking firm Irish & Menell Rosenberg (Proprietary) Limited and its successors in the Appleton Group. He remained with Appleton until June 2003 when he joined Conduit Capital. Lourens became the financial director of Conduit Capital in October 2004.

4. Ordinary Resolution Number 3 – Re-election of S D Shane as a director

"Resolved that Stanley David Shane, who retires in accordance with the provisions of the company's Articles of Association and who offers himself (being eligible) for re-election as a director of the company, be re-elected."

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

Name: Stanley David Shane

Age: 37

Role: Executive director

Stanley graduated from the University of the Witwatersrand in 1993 and qualified as a member of the SA Institute of Stockbrokers in 1995 at the age of 24. 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 2002. In 2002 Appleton disposed of its business to PSG Limited and changed its name to IMR Investments Limited. Stanley was CEO of IMR Investments Limited until May 2005, when the company changed its name to Conduit Capital Limited. Stanley is currently an executive director of Conduit Capital Limited.

5. Ordinary Resolution Number 4 – Approval of non-executive directors' fees

"Resolved that the non-executive directors' fees paid by the company for the financial year ended 31 August 2008 (as disclosed in the Annual Financial Statements) be confirmed."

6. Ordinary Resolution Number 5 – Authority placing shares under directors' control

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

7. Ordinary Resolution Number 6 - General issue of shares for cash

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

(a) the securities must be of a class already in issue;

(b) the securities must be issued to public shareholders as defined in the JSE Listings Requirements, and not to related parties;

(c) the general issues of shares for cash in the aggregate in any one financial year may not exceed 15% of the company's issued share capital of that class, and the number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application, less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application, including announcement of the final terms) may be included as though they were shares in issue as at the date of application;

(d) the maximum discount at which securities may be issued is 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is determined or agreed between the company and the party subscribing for the shares;

(e) after the company has issued securities representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to that issue, the company shall publish an announcement containing full details of the issue, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 days prior to the date that the price of the issue is determined and the effect of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share and, if applicable, diluted earnings per share and diluted headline earnings per share or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time;

(f) subject to the requirements of the JSE, this authority will be valid until the company's next annual general meeting or for 15 months from the date of the resolution, whichever period is shorter."

Voting

In terms of the JSE Listing Requirements, the approval of a 75% majority of the votes of all shareholders, present or represented by proxy and entitled to vote at the annual general meeting at which this ordinary resolution is proposed, is required to approve Ordinary Resolution Number 6.

8. Ordinary Resolution Number 7 – Authority to directors or company secretary to implement resolutions

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

OTHER BUSINESS

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

Voting and proxies

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

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

Dematerialised shareholders who have not elected "own-name" registration in a sub-register of Conduit Capital maintained by a CSDP and who do not wish to attend the general meeting, must provide their CSDP or broker with their instruction for attendance or voting at the general meeting in the manner stipulated in the agreement between the shareholder concerned and the CSDP governing the relationship between such shareholder and his CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.

Conduit Capital does not accept responsibility and will not be held liable for any failure on the part of the CSDP of a dematerialised shareholder to notify such shareholder of the general meeting or any business to be conducted thereat.A proxy form is attached for use by members holding certificated ordinary shares in the company or dematerialised ordinary shares in the company through a CSDP and who have selected "own name" registration. Such proxy form, duly completed, should be forwarded to reach the company's transfer secretaries by not less than 48 hours before the appointed time of the meeting.

By order of the Board

CONDUIT CAPITAL LIMITED

Probity Business Services (Proprietary) Limited
Company Secretary
Randburg

26 November 2008

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

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

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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")

For use by Conduit Capital shareholders holding certificated shares or dematerialised shareholders who have elected "own-name" registration only, at the annual general meeting of shareholders to be held at 08:00 on Wednesday, 18 February 2009 in the boardroom of the company at Tulbagh, 360 Oak Avenue, Randburg, 2194.

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

I/We

(NAME/S IN BLOCK LETTERS)

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

1. ______________________________ of

______________________________ ; or failing him/her,

2. ______________________________ of

______________________________ ; or failing him/her,

3. the Chairman of the annual general meeting

as my/our proxy to vote or abstain from voting on my/our behalf at the annual general meeting of the company to be held at 08:00 on Wednesday, 18 February 2009 in the boardroom of the company at Tulbagh, 360 Oak Avenue, Randburg, 2194 (and at any adjournment thereof), for the purpose of considering, and if deemed fit, passing, with or without modification, the following resolutions:

Resolutions	**For***	**Against***	**Abstain***
1. Special Resolution Number 1 General authority for share buy-backs			
2. Ordinary Resolution Number 1 Re-appointment of auditors			
3. Ordinary Resolution Number 2 Re-election of L E Louw as a director			
4. Ordinary Resolution Number 3 Re-election of S D Shane as a director			
5. Ordinary Resolution number 4 Approval of non-executive directors' fees			
6. Ordinary Resolution number 5 Authority placing shares under directors' control			
7. Ordinary Resolution number 6 General issue of shares for cash			
8. Ordinary Resolution Number 7 Authority to directors or company secretary to implement resolutions			

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

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

SIGNED at this day of 2009

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

Assisted by (where applicable):

NAME (in full) SIGNATURE

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

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

NOTES:

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

CONDUIT CAPITAL

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