Conduit Capital Limited
Integrated Annual Report 2013

Conduit Capital Limited
Integrated Annual Report 2013

CONTENTS

CHIEF EXECUTIVE OFFICER'S REVIEW

REVIEW OF OPERATIONS

Corporate and Investment Services (Head office and ancillary investments)

On 15 October 2013 we announced on SENS the disposal of our 27% interest in Amalgamated Electronic Corporation Limited ("Amecor"), realising R40.2 million (R2.00 per share).

At 28 February 2013 we recognised mark-to-market profits of 40 cents per Amecor share (R7.6 million after tax); by year-end that gain had retreated 15 cents per share, reducing the profit to R4.0 million. This was partially offset by a 10 cent (R2.0 million) dividend, resulting in a net gain of R6.0 million for the year. The table below demonstrates that 2012 was no less turbulent.

	6 months to February	6 months to August	Dividend	Net profit (loss)
2013	R7.6m	(R3.6m)	R2.0m	R6.0m
2012	R8.8m	(R10.9m)	R1.6m	(R0.5m)

At February 2014 we will book a further and final profit of 10 cents per Amecor share (or R1.6 million after tax) on the investment, bringing our total after-tax return over the 3-year period to approximately 57%. Quite apart from the asset being considered non-core to the Group's future strategy, in the end the investment proved friendlier on the income statement than on the stomach. That said, Amecor is by all accounts a solid business and ultimately it was not the sharp fluctuations in share price from one reporting period to the next that tipped the decision, but rather the fact that it has no future in ours.

Overall, Corporate and Investment Services contributed R9.9 million to headline earnings (2012: R4.9 million).

Conduit Insurance and Risk Services (Risk and non-risk bearing businesses)

For many general (non-specialist) insurers - what the Americans call Property & Casualty - this past underwriting year was an *Annus Horribilis*. If the natural perils weather losses at the end of last year (the early part of ours) didn't take their toll, then it fell to large fires, soft rates and anaemic motor portfolios to undermine underwriting profitability. Fortunately for us the impact of these occurrences was less severe, though we did have our fair share of hazards with which to contend. In May of this year, the management of one of our long-standing underwriting agencies unlawfully orchestrated the demise of its business with the purpose of quite literally establishing a mirror image of its former self, not next door, but behind the very same doors. In concert with the local office of an international insurer they succeeded in diverting a large portion of their portfolio from our Group. In favour of letting the legal process take its course we will resist the overwhelming temptation to name and shame the individual perpetrators. While in time lost business will be replaced by other opportunities (and there are many), for now we are left with little choice but to wipe the trickle of blood from our somewhat out of joint noses and write down the investment. The flip side of this particular coin is that some of the volatility brought about by the portfolio in question has been quite unintentionally ameliorated.

Whilst it is true that most risks or potential hazards can be priced, pricing for moral ones will always prove more difficult.

A stellar underwriting year it was not, yet once again we proved our resilience. Gross Premium Income advanced by 11.4% to R1.04 billion and Net Premium Income increased by a more modest 7.5%. The advances are respectable but only meaningful if they produce profit. We stand firm in our view that chasing premium growth at the expense of quality remains a vain pursuit, serving to do no more than to create more claims. Emphasis remains on quality, not quantity!

There is abundant opportunity for us in what has become a very cluttered and competitive market. Though we fight in the same arena, our business is distinguished by diversity in niched insurance classes that rely on specialised skills, which serve as barriers to entry for most insurers.

We have good reason to expect great things of our Insurance group in the coming years.

Conduit Direct (Credit management and debt recovery)

The marginal improvement in turnover and profit in the Direct division is to be commended. The division's overall client spread and individual client portfolio numbers are at record levels; still the impact of cautious lending practices for the past 2 years (despite what you may have read) has affected the true underlying portfolio volume. Practically, while we wait for the credit cycle to turn (which it eventually will) we continue to invest in technology with the aim of increasing production and not head count.

With effect from 1 September 2013 we no longer account for Anthony Richards and Associates Proprietary Limited ("ARA) as a subsidiary. Our control was not contractually entrenched and enjoyed over the last 8 years only through board representation. We are entirely satisfied that this aligns with the Group's future strategic direction (see below) and for the time being represents no more than a cosmetic alteration in our reporting.

The Direct division contributed a respectable R12.7 million to headline earnings, bettering last year's performance by 12.4% having benefitted from a lower tax charge. It is also noteworthy that ARA was recently accorded a **level 2 B-BBEE rating**, further embedding its status as an industry leader.

Strategic direction

Historically, the Group has been perceived as an Investment Holding Company with interests in Insurance, Credit recovery and debt management and (until recently) a peripheral investment in an electronics enterprise. This impression has been driven largely by the relative contribution of our investments to profitability and in all probability simply because we have not stated otherwise. It does however belie the fact that over the past few years the majority of our time, head office resource and capital have all been deliberately herded in the direction of our insurance segment.

By nailing our flag to the insurance mast, we eliminate any room for confusion and squarely position ourselves as an Insurance Group. In order to formally effect this change, application will be made to JSE Limited to transfer our listing to the Insurance sector. As the Direct division will no longer be consolidated, it will be assimilated into the Corporate and Investment Services segment.

Our shareholders are no doubt wondering what we intend doing with the spoils of the Amecor transaction. Though the undiluted answer is that we intend to keep it, it does require further explanation. By April of 2014 insurers are required to submit the results of QIS3, the quantitative impact study, before the final implementation of the Solvency Assessment and Management Framework ("SAM") in January 2016. It is the product of that study that will ultimately determine the capital course for all insurers. All indications are that, between SAM and our present underwriting prospects, we will soak up the R40 million with ease. Until then, the capital will be invested wisely and strictly in accordance with our investment framework. We know that a distribution may please some shareholders (and annoy others) but it would simply be an irresponsible action given our foreseeable future.

Change of year-end

It is anticipated that prior to the introduction of SAM, Conduit will change its year-end. The motivation for the change lies primarily in the likely increase in reporting requirements that will result in undue strain on staff resources over the Christmas period. It would have been ideal to follow the current February and August reporting cycle, however JSE rules dictate that year-end movements are limited to a maximum period of three months at a time. When the time does come, we shall certainly ensure that our financial reporting provides a suitable basis for comparison with the prior period.

Embedded value update (our conservative valuation of the Group)

For ease of reference the embedded value update which follows contains excerpts from the interim results commentary and only where relevant have numbers been updated. Investors will recall a shift in the tenor of commentary contained in the 2012 Integrated Annual Report. In that review we set about dismantling the parts, only to piece them back together for the purposes of establishing a realistic and what we then considered to be a "conservative total embedded value of R372.8 million". We have utilised the same part-by-part analysis; only this time we have refined our approach and supplemented the valuation with a comparative table that delves deeper into the embedded value calculation.

It was almost prophetic when at Interims we indicated that the discounted cash flow models may in future be impacted by movements in the risk-free rate. In just 6 months the risk-free rate - the return that the man in the street can get on a long-term government bond - moved significantly upwards from 7.3% in February 2013 to 7.9% in August 2013. Good for him/her, not so good for our embedded value calculation. Basically, as the rate goes up the cost of capital or equity - a fundamental building block in the discounted cash flow model - also rises. On the assumption that the rate of earnings growth remains unchanged, the cost of capital effectively increases as you, the investor, are prepared to pay less for the asset in order to achieve a higher rate of return. The negative impact of this change is fully accounted for in this year's valuation.

Insurance and Risk activities

The **RISK** portion of our Insurance and Risk segment includes the short and long-term insurance licences and accounts for 3 of the 4 components of our Insurance and Risk Services valuation:

Part 1 **Cash and investments** is comprised of assets invested in equities, bonds and investment funds taken at market value and added to the face value of cash in excess of our insurance float and working capital requirements. At 31 August 2013 this totalled R156.8 million (August 2012: R117.8 million).

Part 2 A basic calculation of the net present value of R83.5 million in technical reserves or **Insurance float** invested to deliver an after-tax return of 6.1% strongly supports the revised valuation of R47.3 million (August 2012: R28.2 million).

Part 3 Here we combine 36 months of stable underwriting performance data with modest growth assumptions in order to arrive at the value of our **Insurance book**. Though it is a particularly subjective area of our valuation, we consider it to be fair and reasonable. We place a balanced R135.4 million in value on the underwriting portfolio (August 2012: R90.6 million).

Part 4 Our share of cash surplus to working capital in our **NON-RISK** bearing investments, plus a modest amount attributable to the equity portion, brings the realistic value up to R19.0 million (August 2012: R18.8 million).

Direct activities

Part 5 Re-applying the discounted cash flow model utilised in August 2012 (incorporating the higher cost of capital related to the upward movement in the risk free rate), we attribute a present value of R96.3 million to our 40% interest in the underlying business (August 2012: R99.3 million).

Other

Part 6 **Other** simply comprises investments in fixed property residing in the Insurance and Risk segment, together with 16.53 million Amecor shares (sold past year-end) held in the Corporate and Investment Services segment. Unallocated Group operating costs of R3.2 million negatively impact the value by a whopping R20.9 million (2012: R22.1 million). We reiterate that, though these costs cannot be reasonably attributed to any particular segment, they equally have no place in a "break-up" or "part-by-part" valuation and perhaps unfairly suppress the ultimate value of R23.6 million (August 2012: R18.1 million) for this segment.

Part		August 2013 Corporate and Investment Services R'000	August 2013 Insurance and Risk services R'000	August 2013 Direct R'000	August 2013 Total R'000	August 2012 Total R'000
1	RISK: Cash and investments	-	156 758	-	156 758	117 790
	- Surplus cash	-	116 778	-	116 778	78 731
	- Investments held at fair value	-	39 980	-	39 980	39 059
2	RISK: Insurance float	-	47 262	-	47 262	28 211
3	RISK: Insurance operations	-	135 393	-	135 393	90 553
4	NON-RISK	-	19 045	-	19 045	18 843
	- Investment in associates	-	260	-	260	-
	- Investment in joint ventures	-	3 482	-	3 482	-
	- Surplus cash	-	15 303	-	15 303	18 843
5	DIRECT	-	-	96 285	96 285	99 278
6	OTHER	10 543	13 007	-	23 550	18 127
	- Investments held at fair value	31 406	-	-	31 406	27 273
	- Operations	(20 863)	-	-	(20 863)	(22 054)
	- Properties	-	13 007	-	13 007	12 908
	TOTAL	10 543	371 465	96 285	478 293	372 802
	Number of shares in issue, net of treasury shares ('000)	256 377	256 377	256 377	256 377	254 777
	Embedded value per share (cents)	4.1	144.9	37.6	186.6	146.3

Conclusion

The word 'colourful' would best describe 2013. Under trying conditions we managed to deliver headline earnings of R40.0 million or 15.6 cents, equating to an annualised return on equity of 14.5% (20.1% pre-tax) – up considerably on the return of 12.1% a year ago. We are all too cognisant of the fact that there is little point in hoarding capital if it does not deliver satisfactory risk-adjusted returns. In our instance, the trend is positive and we are hard at work to achieve our targeted after-tax return of 20% over time. With R310 million in cash and investments at year-end, we certainly have the tools to ply our trade. I am confident our team will prove as formidable as the Group's balance sheet.

We do look forward to our new incarnation as an Insurance Group.

Jason D Druian
Chief Executive Officer

Johannesburg
15 November 2013

SUSTAINABILITY REPORT

MANAGEMENT'S APPROACH TO SUSTAINABILITY AND INTEGRATED REPORTING

The Directors and Executive Management are pleased to present the third Integrated Annual Report ("the Report") of Conduit Capital Limited ("Conduit", 'the Company", or "the Group"), prepared in accordance with the JSE's requirements of Integrated Reporting, the King III Code on Corporate Governance ("King III") and all other legal requirements relevant to Conduit.

The Report forms a holistic representation of Conduit's performance in terms whereof the operational, financial and sustainability (environmental, social and governance) issues are discussed in relation to the key drivers of the business. We believe the Report is a further move towards compliance with best international practice providing stakeholders with a balanced view of our activities during the year ended 31 August 2013.

FORWARD - LOOKING STATEMENTS

The Report contains forward-looking statements that, unless otherwise indicated, reflect Conduit's expectations as at 31 August 2013. Actual results may differ materially from the Company's expectations if known and unknown risks or uncertainties affect its business, or if assumptions prove inaccurate. The Company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The Company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, other than that which is required by regulation and/or legislation.

REPORTING FRAMEWORK FOR 2013

The Board of Conduit recognises that the Annual Report is the most suitable vehicle to describe our evolving business and the quality of decisions. For the sake of consistency, we have elected to follow a similar reporting framework as in previous reports with the intention of describing the essence of our business and how we see our operations in a practical and understandable way.

WHO WE ARE

Conduit is as an Investment Holding Company, which primarily operates through three internal divisions:

- **Corporate and Investment Services** which, other than head office activities, houses the Group's investment activities that do not form part of the Group's insurance operations;
- **Insurance and Risk Services**, which houses the Group's insurance interests; and
- **Direct**, which represents Conduit's interest in ARA, a credit recovery call centre.

We have therefore elected to explain how the executive of Conduit has applied its mind to considering all material aspects while developing the Group's core business during the year under review.

CREATING VALUE

In **Table 1** on the next page we detail the two main operating aspects of our business and how our sustainability and financial objectives inter-relate:

Table 1:

Business activity within Conduit	Management approach	Sustainability and financial objectives	Reporting scope and boundary
A shareholder in ARA, holding 40% of the issued share capital and exercising Board control up to 31 August 2013 (change of accounting treatment to Associate, effective from 1 September 2013)	• Conduit Capital Independent Non-executive Director appointed to ARA Board, representing our financial interest • Knowledge sharing and ensuring compliance in terms of corporate governance, good business principles and an element of influence over the business strategy • No day-to-day management involvement	• Diversification into pertinent sectors of the economy • Diversification of earnings • Conduit group policies are not applied *per se*, as this business runs independently • There is however a move toward critical elements of risk management and social and ethics being reported and monitored at a Conduit level on an umbrella basis • Sustainable earnings and dividends	ARA treated as a subsidiary (in the future as an associate). ARA operations are further elaborated on later in this report
The Constantia Insurance Group ("Constantia") which operates as insurer in both the long-term and short-term insurance industry in South Africa, dealing mainly through underwriting managers and administrators ("UMAs") and in turn brokers, holding 100% of the issued share capital and exercising management control	• Full ownership • Responsibility for strategic direction and involved in all day-to-day activities of the insurer	• Ensuring profitability of operating companies, along with sustainable cover to our policyholders • Sales-centred approach, personal service, strict underwriting and claims criteria in an effort to pursue quality business • Underwriting profit as well as appropriate investment returns governed by the Group investment policy • Excellent governance and compliance procedures provide not only risk mitigation, but also an opportunity for differentiation in the market	Full range of activities as an insurer and, where our influence and control allows, within respective UMAs

The scope and boundaries for this Integrated Annual Report were determined by considering:

a. the influence and control available to us in our business activities; and

b. the material issues as raised by each stakeholder relevant to each operation (per **Table 2** below).

STAKEHOLDER ANALYSIS AND ENGAGEMENT

We recognise the importance of balancing our main objective to maximise profitable growth and overall shareholder returns with long-term social, economic and environmental factors. In doing so we identify material issues which could have an impact on the Group's sustainability.

We are accountable to our staff, investors, shareholders, policyholders, business partners (reinsurers, UMAs and brokers) and regulators. **Table 2** details the key stakeholders that are material to the success of the business and explains the important areas, determined by the Conduit executive's experience, relevant for each stakeholder.

Table 2:

Stakeholder	Relationship	Material issues	Communication forum or method of engagement
Institutional investors	Shareholders	• Share price, dividend policy, return on capital, profitability • Liquidity of stock • Management • Business risk and culture • Compliance, Governance	• SENS • Annual report • Print media • One-on-one bi-annual meetings and or conference calls. • Information available on our website • General meetings of shareholders
Public shareholders	Shareholders	• Share price, dividend policy, return on capital, profitability • Liquidity of stock • Management • Business risk and culture • Compliance, Governance	• SENS • Annual report • Print media • Information available on our website • General meetings of shareholders
Staff	Employees	• Job security • Recognition and reward • Career development • Corporate policies (conditions of employment) • Culture and environment	• Internal newsletters every second month • Staff meetings • Workshops and training • Communication through themed events which serve multiple purposes of building culture and teamwork • Weekly status meetings between management and staff • Stand up coffees (internal, informal meetings between middle and senior management) • Intranet (Website) • Living (practising) morals and values which drive behaviour and equates to culture • Monthly (one-on-one) performance review sessions and biannual key performance appraisals • Internal memoranda, mainly distributed via email and/or placed on various notice boards

Stakeholder	Relationship	Material issues	Communication forum or method of engagement
Policyholders (relevant to Constantia)	Clients	• Reputation • Service and quick turnaround • Premium cost • Payment of claims • Treating customers fairly (TCF)	• New and existing customers receive formal correspondence in writing • When required and only in certain circumstances do we engage with the customer directly • We respect the insurer's model of dealing through UMAs, who in turn deal with brokers who represent the customer • Monthly reports and statistics
Providers of credit to third parties (relevant to ARA)	Clients	• Trust and Reputation • Ability to recover outstanding debt (performance)	• Monthly review meetings • Monthly reports and statistics • *Ad hoc* inspections by ARA clients
UMAs	Partners	• UMA fees • Service • Product development and differentiation • Pricing • Broker or book loss ratio • Due diligence investigations on brokers and/or on blocks of business prior to take-on • Solvency and claims paying ability, including credit rating • Binder agreements • Claims administration turnaround and efficiency by the insurer if the UMA is not mandated to handle same • Compliance • Systems and tools • Policy updates and endorsements	• Monthly financial reporting received from UMAs • Various departments meet with UMAs on a regular basis • Formal written communication between the parties • Distribution of Constantia's credit rating report to partners • Introduction of a Personal Service Manager to drive service objectives • UMA conference mainly for strategic alignment and knowledge sharing • Workshops detailing risk management expectations • Compliance and legislation updates

Stakeholder	Relationship	Material issues	Communication forum or method of engagement
Brokers	Partners	• Service • Product development and differentiation • Pricing • Due diligence investigations on brokers and/or on blocks of business prior to take-on • Solvency and claims paying ability, including credit rating • Claims administration turnaround and efficiency by the insurer if the UMA is not mandated to handle same • Compliance • Systems and tools • Policy updates and endorsements	• Managed through the UMAs, or in some instances directly by the insurer on the same basis as that of the UMAs
Regulators and Industry Bodies applicable to our subsidiaries	Regulators	• Development of new policies and legislation • Implementation and compliance • Code of conduct of SAIA for Short-term insurers • Code of conduct of ASISA for Long-term insurers • Council for Debt Collectors for ARA	• Representation on various committees of insurance institutes and associations within South Africa • Compliance reports to regulators • Regulators engage via correspondence or physical inspections
Reinsurers	Reinsurers	• Management of risks • Cash flow control • Policy wording and exclusions • Loss ratios • Profitability	• Annual treaty renewal • Ongoing relationship through reinsurance broker • Reporting of large losses
Global Credit Rating Co ("GCR") **(relevant to Constantia)**	Credit rating agency	• International and statutory solvency • Liquidity and claims paying ability • Credit rating	• Annual meetings (audit and inspection) • Information requests by GCR

Stakeholder	Relationship	Material issues	Communication forum or method of engagement
Lawyers **Recovery agents** **Assessors, Surveyors & Investigators** **Telephony and IT service providers** **External Auditors** **Internal Audit** **Ancillary operational service providers**	Service providers	• Ability to pay • Screening criteria prior to appointments and ongoing review • 3rd party audits of assessors, etc. • Ongoing stability and functionality of various IT platforms within Constantia • Data integrity • Ongoing stability and functionality of Call Centre and associated IT platforms within ARA	• Mainly outsourced independently, contracting individually with each service provider • Quarterly status meetings

GROUP ORGANISATIONAL PROFILE

The executive team at Conduit, bolstered with the addition of an Executive with over 40 years' insurance experience, fulfils both strategic and operational roles in the Company, as well as Constantia. Conduit operates from a head office in Randburg and shares premises with Constantia. As our staff complement is small (**Conduit: 10 employees**) the structure is designed to be flexible with the depth of skills being maintained in the subsidiaries. ARA is based in Cape Town and services a wide range of clients who operate nationally.

Being financial services organisations, the direct activities of Conduit, Constantia and ARA do not pose any significant threat to **the environment**. The Group is however mindful of the environment and endeavours to implement, where appropriate, measures to mitigate any direct and indirect impact on the environment. **Health and safety** issues are of low risk to our operations and none of these issues have been raised as material by any of our stakeholders.

Our group policies (which are constantly updated and refined) ensure consistency in the standards of internal management across the companies within the Group. Policies include (but are not limited to) matters relating to:

- our code of ethics;
- conditions of employment;
- remuneration and retention;
- health and safety;
- training and development;
- recruitment;
- labour relations; and
- general internal operating procedures and internal controls.

After a comprehensive induction, all staff are required to become familiar with and abide by the contents of our group policies.

Our people are our greatest asset. What sets us apart from others is our committed group of people, who each day live our ethos of "Insurance made personal".

In keeping with the continued theme of stakeholder engagement, we will use this opportunity to elaborate on some of the non-financial aspects within **Constantia** and **ARA**. As it remains the area where we maintain management control and influence, the bulk of our reporting will focus on **Constantia**.

Overview: Anthony Richards and Associates

ARA, a level 4 (in October 2013 confirmed as a level 2) B-BBEE contributor, has been in existence for 14 years and continues to be firmly established in its position in the top tier of all Debt Management and Credit Recovery Agencies in the country.

To sustain the top tier position ARA continues to innovate. The business model is predicated on providing credit recovery, debt management and ancillary customer support services utilising state of the art technology with a highly motivated, well-trained team. ARA has earned a formidable reputation by consistently delivering results in this highly sensitive environment.

Given the nature of the business, the importance of governance, risk management and fair labour practices are critical for the following reasons:

- *Training and quality assurance*: ARA **employs** over **1, 250 people** and assumes the recovery of outstanding debts on behalf of large credit providers and therefore takes on significant responsibility to do so professionally and responsibly. Striking a fine balance between meeting the client's strategic objectives and the rights of the debtor requires extensive investment in training and quality assurance. Our clients include the banking sector, clothing retailers and healthcare providers. Each call is recorded and clients are able to audit our processes in full.
- *Staff retention*: All our call centre employees are female (the average age being 25 years). In many cases these women come from communities wherein domestic violence or social vices are the norm and hence we have provided a full-time nurse at the call centre to be able to tend to not only their health, but also their psychological needs. Annual HIV testing and counselling is provided on a confidential basis and time is provided during office hours for staff to receive further medical attention or counselling. Given that for many of our employees this is their first or second job, our evaluation process is very strict. We run an assessment centre prior to placing any of our new candidates on a project. As there is a large turnover of staff in the call centre industry, our retention strategy is one of investing in their ability to earn commission through good performance, as well as enhancing further employment benefits.
- We believe that it is still relevant that we contribute and provide an important social service in two ways: We go beyond just collecting outstanding funds by encouraging our staff to inform the debtor about his/her debt obligations and hence assist with rehabilitating our clients' customers (within the constraints of our service to the client, if so requested), such that the debtors' credit rating is preserved. Having a negative credit rating in South Africa is very limiting and is a scenario best avoided.
- We provide an important opportunity for young women to begin their careers and establish their financial independence. Many of our candidates choose to join us for reasons of wanting to seek education beyond high school, as they have realised:

  a. the importance of being credit-worthy; and

  b. their own professional potential.

Corporate Social Responsibility (investment)

ARA in 2013 generously donated to the following organisations:

- Community Chest – a non-profit organisation which supports and participates in collective, inclusive community efforts that build capacity and mobilise resources to improve lives and create positive, long-term social change in local communities;
- Winter blanket drive – with Goodhope FM and ABSA;
- Belhar Soccer Club;
- Retreat Rugby Club; and
- Santa Shoebox Drive – underprivileged children.

Overview: Constantia Insurance Group

Constantia Risk and Insurance Holdings Proprietary Limited, a wholly-owned subsidiary of Conduit, is the holding company for the Group's insurance interests. With a total staff complement of **138** (permanent and temporary) **employees**, the insurance companies, together with their supporting entities, are collectively referred to as the **Constantia Insurance Group**. We operate through three insurance licences:

Constantia Insurance Company Limited (CICL)

The licence allows transactions in all classes of short-term insurance business with the focus on Commercial and Personal Lines, Legal Expenses, Guarantee, Heavy Commercial Vehicles, Cellular, Autobody Warranties, Emergency Medical Evacuation, Credit Life and certain ancillary Health products.

CICL deals mainly with UMAs, each of which focuses on its own niche products. UMAs are effectively an extension of the insurer, mandated to carry out a broad range of responsibilities which may include relationship management with the broker, the issuing of policies, underwriting and administration, premium collection, claims administration, recoveries and salvages on behalf of the insurer.

Constantia Life Limited (CLL)

The licence allows for Assistance (individual funeral) policies. Importantly, CLL sells its product under the name of **Goodall & Bourne**, a brand synonymous with funeral insurance in the Western Cape Region over the last 80 years.

Constantia Life and Health Assurance Company Limited (CLAH)

The long-term licence allows a similar product to that of CLL, as well as products like Whole Life, Credit Life and Personal Accident, to name a few. CLAH caters mainly for Group Scheme business with the portfolio managed by UMAs.

Resilience within Constantia

Our growth has been mainly organic (leveraging existing UMA arrangements) via distribution channels targeting areas and lines within the insurance markets. A conservative investment policy has been instituted, with the greater bulk of assets being held in cash and appropriately spread across banking institutions in the Republic.

CICL maintained its A– credit rating from GCR. Ongoing portfolio maintenance implemented in underperforming insurance portfolios/books has started to bear fruit as CICL's disciplined approach, particularly in the underwriting and claims administration functions, has seen an improvement in underwriting quality and efficiencies.

We continue to enhance our:

- culture;
- IT systems;
- skills base; and
- in-house capabilities

and where the need arises, we make use of outsourced professionals.

These measures, coupled with a very tightly controlled expense structure in a small, but appropriate head office, has created a solid platform for future growth and resilience.

Our business partners

CICL continues to work with underwriting managers, each specialising in a specific field of insurance, ensuring our products remain bespoke and innovative. The bulk of our UMAs have performed profitably and we believe that together we have built a solid platform for future growth. The current and future regulatory environment will place greater emphasis on CICL and each UMA working in close association to meet the demands of setting up greater risk management and governance structures, ensuring and maintaining compliance within the new regulatory frameworks.

Compliance and future legal requirements for the insurance sector

We continue to invest in our understanding and implementation of the future regulatory requirements as it applies to the insurance industry in South Africa. Compliance requirements under the new legislation relevant to the insurance sector include, but are not limited to:

- The Companies Act;
- Binder Regulations;
- The Insurance Laws Amendment Bill;
- Treating Customers Fairly (TCF);
- The Financial Advisory and Intermediary Services Act;
- The Protection of Personal Information Act; and

- Outsoucing Directive 159 A (i) (LT/ST).

Although the only legal requirement currently in terms of reporting on compliance is through the appointment of an external compliance officer, an internal compliance officer, together with our in-house legal resources, ensure a greater level of awareness of the changing legal and compliance environment within Constantia.

SAM: An Opportunity to Integrate

In our previous integrated reports we reported quite extensively on the new Solvency Assessment and Management regime.

Initial overall implementation was set for 2014, then extended to 2015 and then been further extended to 2016. The SAM Committee, with the assistance of internal resources, as well as external consulting actuaries, is responsible for oversight and implementation of the various SAM initiatives and milestones.

The implication of the capital requirements (Pillar 1) has been integrated into CICL's business model, where an alignment of the business structure within the constraints of the capital requirements has been taking place.

Most of the governance policies (Pillar 2) required under SAM have been approved by the Board, with three remaining policies to be further developed for ultimate approval by the Board within the required time frame.

The main focus for Constantia will be the completion of the compulsory QIS 3 exercise by April 2014 which will ultimately create further clarity in respect of the implications of the capital requirements under SAM for the Group. SAM will help to ensure a sustainable insurance industry that has the resilience to withstand shocks and meet policyholder obligations.

Reinsurance

Our reinsurance arrangements for 2013/2014 have been appropriately concluded with effect from 1 September 2013.

Our Proportional Reinsurance arrangements are, in the main, with Africa Re whilst the Excess of Loss and Catastrophe Cover treaties have been concluded with Africa Re and Hannover Re. Africa Re, Hannover Re, Munich Re and SCOR Africa Limited are the four participants in the performance bond treaties (construction type and solvency guarantees).

We enjoy excellent support from our reinsurers in respect of our overall treaty programme and we are confident that our structures meet the requirements of our insurer.

Goodall and Bourne

CLL, operating under the brand of Goodall and Bourne, is a small, boutique funeral cover insurance company in Cape Town. It has approximately 43,000 lives on its books and although it is a small contributor to Constantia's bottom line, it came with a strategic property in Long Street, Cape Town and, more importantly, with an opportunity to provide an important service to local Cape Town communities.

While our traditional commercial and personal lines offerings preserve our clients' assets, Goodall and Bourne offers something entirely different. Our policyholders believe that a person's funeral is the opportunity to "send them off with dignity".

Of course, in dealing with such personal and sensitive matters, we are mindful of the expectations placed on the insurer at the time of a policyholder's passing. Goodall and Bourne has been in business for 80 years and many of our policyholders have been contributing to their funeral policies monthly for 20 – 30 years. Furthermore, our premium collection agents live within the communities which they serve and have been representing the Company for an average of 30 years. We operate from 6 regional offices around Cape Town where further premiums are collected. The collection agents also use these regional offices to deposit all premium collected in the community from those who cannot go into a regional office to do so - usually in cash - and the relationships between the insured, collection agents and regional office representatives are very personal. We therefore make it our priority to understand what matters most during a family's time of mourning:

- *Quick turnaround*: As funerals are organised according to each family's religious beliefs, we ensure a 48-hour deadline for payment of claims, once all documentation has been submitted and authorised.
- *Security and flexibility*: If our clients do not have bank accounts, we can make cash payments. Given the prevalence of crime in our communities, we often arrange to pay the undertakers and other service providers directly, ensuring that our clients receive competitive prices without the risk of cash payments.
- *Peace of mind*: We place greater emphasis on underwriting risk prior to acceptance (without discriminating) and educating the policyholder so to fully understand all terms and conditions to avoid disappointment later. Accordingly, our claims rejections rates are limited as we realise how disappointing it is to have a policy rejected at the same time as the loss of a loved one. We also realise that the agents are being held accountable by

their own communities for delivery when it is needed. Our challenges and opportunities going forward include:

- Although our brand is strong within the Coloured community, our policy numbers have however stagnated over the last few years. The growth opportunity lies in attracting more group scheme business and also business from within the African community. We will need to position ourselves accordingly through promotions and relationship building in the townships outside of Cape Town.
- We have and will continue to invest in our overall insurance management and administration system.
- Initiatives are being explored to refine our premium collection mechanism.

Deepening our understanding of the value chain

Whilst the "getting to know" programme will always remain at the forefront in defining cultural and service delivery strategies, we will simultaneously focus our attention on the following initiatives throughout our value chain:

- A personalised approach - to reward and inspire growth;
- Diversity and scale;
- A personal view on insurance; and
- Growing value through committed partnerships.

Identifying new opportunities for the Constantia Group

Numerous opportunities via different distribution channels will be a focus for the Constantia Group in the short to medium-term.

With the introduction of SAM and Solvency Capital Requirements, greater emphasis is being placed upon the required rate of return on any new business accepted, taking into consideration the capital requirements. Any new opportunity is modelled in order to ensure the possibility and probability of the appropriate rate of return with the applicable reinsurance programme that best suits the risk appetite of the portfolio, whilst allowing the Company to meets its growth target and remain acceptably profitable.

Corporate Social Responsibility (investment)

The Constantia Insurance Group in association with Conduit supported the following organisations in 2013:

- Unsung Heroes – a non-profit organisation which, in line with SAIA objectives, provides a financial education and training programme within community based organisations;
- Afrika Tikkun – we adopted a classroom at the Uthando Centre in Braamfontein; and
- Certain Rotary Club initiatives.

CONCLUSION

We are proud of our achievements with respect to the diverse discipline within our Group. With our strategic direction mapped out, all our efforts will be dedicated to sustain our competitive position to ensure we remain relevant and deliver the required returns.

CORPORATE GOVERNANCE STATEMENT

The directors fully support the principles of good corporate governance established by the Code of Corporate Practices and Conduct ('the Code") of the King Report on Corporate Governance and are committed to the implementation thereof. During the year under review, there has been compliance with King III 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, the Companies Act of South Africa and the Listings Requirements of JSE Limited. They are based on appropriate accounting policies which have been consistently applied and 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

At year-end the Board of Directors ("the Board") consisted of eight members. The directors have a wide range of skills and the majority have financial services experience. Any changes to the composition of the Board are approved by the Board as a whole. All executive directors and non-executive directors are subject to re-election in accordance with the provisions of the Memorandum of Incorporation.

New directors will be nominated by the Nominations and Remuneration Committee and appointed by the Board, as and when required. All directors so appointed are required to step down at the next Annual General Meeting ("AGM") in order for them to be re-elected by the shareholders. An abridged CV of the nominated director is sent to shareholders with the notice 21 days before the AGM. At the AGM shareholders vote by separate resolution to determine whether the director will be re-elected.

The capacity of the directors can be categorised as follows:

- Reginald Berkowitz — Independent non-executive director and Chairman
- Jason Druian — Chief Executive Officer
- Richard Bruyns — Independent non-executive director
- Scott Campbell # — Independent non-executive director
- Lourens Louw — Financial director
- Robert Shaw — Executive director
- Günter Steffens ## — Independent non-executive director
- Gavin Toet — Executive director

 # New Zealander ## German

Mr Richard Bruyns was appointed as a non-executive director on 4 October 2012.

In accordance with the terms of the Memorandum of Incorporation the following directors will retire at the forthcoming Annual General Meeting:

- Scott Campbell — Independent non-executive director
- Günter Steffens — Independent non-executive director

Both directors, being eligible to do so, have made themselves available for re-election.

The Board is aware that during the the year under review independent non-executive directors did not represent a majority on the Board. The Board's independence was however and will in future continue to be maintained by:

- keeping separate the roles of the Chairman and the Chief Executive Officer;
- ensuring functioning Board committees are comprised mainly of independent non-executive directors;

- all directors, with permission of the Board, being entitled to seek independent professional advice on the Group's affairs at the Group's expense;
- all directors having access to the advice and the services of the Company secretary; and
- the appointment or dismissal of the Company secretary being decided by the Board as a whole and not by one individual director.

The Board does not conduct regular appraisals of its members and committees. Consideration is being given to implement this going forward.

Not all directors are shareholders of the Company. Details of directors' shareholdings are reflected on page 80 of the annual report.

The Board has appointed the following committees to assist in the performance of its duties:

- Audit Committee;
- Investment Committee;
- Nominations and Remuneration Committee;
- Risk Committee; and
- Social and Ethics Committee.

Attendance at Board meetings

Four formal Board meetings were held since publication of the previous annual report. The Chairman and other non-executive directors also meet regularly with the Executive on an informal basis in order to keep abreast of developments within the Group. The attendance of formal Board meetings is set out below:

Name	14 Feb '13	10 Apr '13	1 Aug '13	6 Nov '13
Berkowitz, R S	P	P	P	P
Bruyns, S R	P	A	P	P
Campbell, S M	P	P	P	P
Druian, J D	P	P	A	P
Louw, L E	P	P	P	P
Shaw, R L	P	P	P	P
Steffens, G Z	P	P	P	P
Toet, G	P	P	P	P
Number of Board members	8	8	8	8
Number present	8	7	7	8

Key: P Present/Participated
A Apology/Absent

AUDIT COMMITTEE

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

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

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

The Audit Committee sets the principles and approves the use of the external auditors for non-audit services. A report by the Audit Committee has been provided on page 22 of the Annual Report.

Attendance at Audit Committee meetings

Name	9 Apr '13	31 Jul '13	6 Nov '13
Steffens, G Z	P	P	P
Bruyns, S R	A	P	P
Campbell, S M	P	A	P
Berkowitz, R S	*	*	*
Druian, J D	*	A	*
Louw, L E	*	*	*
Shaw, R L	*	*	A
Toet, G	*	*	*
Number of committee members	3	3	3
Number present	2	2	3

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

Review of Management and Financial controls

The directors and the Audit Committee continuously review the management and financial controls of the Group to ensure that:

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

Internal Audit

An internal audit function has been established at Group level. The insurance operations are audited by its own internal audit department, while the function for the non-insurance operations has been outsourced to Grant Thornton Advisary Services.

The internal audit department reports on the findings of the internal audit function to the chairman of the Audit Committee.

INTERNAL CONTROL

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

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

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

RISK MANAGEMENT

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

The Risk Management Committee comprises a Non-executive director, the Financial Director, an Executive director and the Financial Manager. With most of the risk management activities taking place at operating subsidiary level, the committee met twice during the past year and all members were present. The committee concluded that the risk management processes in the Group were effective for the financial year under review.

NOMINATIONS AND REMUNERATION COMMITTEE

The Group's remuneration policies and philosophy is determined by the Nominations and Remuneration committee. The committee's main responsibilities are to:

- consider and nominate to the directors and shareholders candidates for new board appointments; and
- consider, review and make recommendations to the Board concerning the remuneration policies and principles of the Group; and
- review and approve the remuneration and terms of employment of the executive directors and senior employees of the Group.

All the Group's executive directors have service contracts, the details of which are disclosed in the body of the annual report.

During the year under review the committee comprised all four independent non-executive directors. The Chief Executive Officer and other directors attend committee meetings by invitation. The committee met three times during the year. Details of directors' remuneration have been provided on page 62 of the Annual Report.

Attendance at Nominations and Remuneration Committee meetings

Name	14 Feb '13	1 Aug '13	6 Nov '13
Bruyns, S R	P	P	P
Berkowitz, R S	P	P	P
Steffens, G Z	P	P	P
Campbell, S M	P	P	P
Druian, J D	*	A	*
Louw, L E	*	*	*
Shaw, R L	A	*	A
Toet, G	*	*	*
Number of committee members	4	4	4
Number present	4	4	4

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

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee assesses the Group's various social and ethics related activities against the five areas of responsibility as outlined in its Terms of Reference and the Act, identifies developmental areas for each of the areas of responsibility and then enable the formulation of an action plan to address these matters in respect of each of the areas. The committee met once during the past year and all members were present.

EMPLOYMENT EQUITY AND PRACTICES

The Group is committed to providing equal opportunities for its employees regardless of their ethnic origin or gender. The directors are of the view that affirmative action, structured in an economically viable and self-sustaining manner, is an essential and integral part of a sound employment strategy. Where applicable, employment equity policies have been formalised and, where required, plans have been submitted to the Department of Labour.

ENVIRONMENT

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

DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

as at 31 August 2013

The board of Conduit Capital Limited ("the Board") accepts responsibility for the integrity, objectivity and reliability of the Group and Company financial statements of Conduit Capital Limited. The directors are required in terms of the Companies Act of South Africa to ensure that adequate accounting records are maintained.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the financial statements based on their audit of Conduit Capital Limited and its subsidiaries.

The Board has confirmed that adequate internal financial control systems are being maintained. There were no material breakdowns in the function of the internal financial control systems during the year. The Board is satisfied that the financial statements fairly present the financial position, the results of the operations and cash flows in accordance with relevant accounting policies consistently applied and supported by judgements and estimates that are reasonable in the circumstances based on International Financial Reporting Standards (IFRS).

The directors' responsibility also includes maintaining an effective system of risk management.

The directors have made an assessment of the Group and Company's ability to continue as a going concern for the year to 31 August 2014 and there is no reason to believe that the Group and Company will not be a going concern in the year ahead.

The external auditors are responsible for independently reviewing and reporting on the Group's Annual Financial Statements. The Annual Financial Statements have been examined by the Group's external auditors and their report is presented on page 23.

The Annual Financial Statements set out on pages 27 to 82, which have been prepared on the going concern basis, and the directors report as set out on pages 24 to 26, were approved by the Board on 15 November 2013 and were signed on its behalf by:

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

Johannesburg
15 November 2013

COMPANY SECRETARY'S CERTIFICATE

Pursuant to our duties in term of Section 88 (2) (e) of the Companies Act of South Africa we certify that to the best of our knowledge and belief the Company has filed all such returns and notices as are required of a public company in terms of the Act, and that all such returns are true, correct and up to date.

Probity Business Services Proprietary Limited
Company Secretary

Johannesburg
15 November 2013

REPORT OF THE AUDIT COMMITTEE

This report is issued to the shareholders of the Company pursuant to the Audit Committee's duty to report in terms of s94(7)(f) of the Companies Act of South Africa.

Role and mandate of the Audit Committee

The Audit Committee is a statutory committee of the Company and, in addition to having specific statutory responsibilities in terms of the Companies Act, it assists the board through advising and making submissions on financial reporting, monitoring the risk management function and internal control environment, and overseeing the external and internal audit functions and the statutory and regulatory compliance of the Company. Its duties and terms of reference are set out in a formal charter, approved by the board of directors.

Composition of the Audit Committee and access thereto

As at 31 August 2013, the Audit Committee comprised three independent non-executive directors, namely Messrs G Z Steffens (Chairman), S R Bruyns and S M Campbell. The Group financial director, other directors, senior financial executives and representatives from the external auditors attended the meetings by invitation only.

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

Frequency of meetings

Meetings were held in April 2013, July 2013 and November 2013.

Statutory responsibilities

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

1. ensured that the appointment of the external auditors, Grant Thornton, complied with all applicable legislation;
2. satisfied itself of the independence of the external auditors;
3. agreed the fees to be paid to the external auditors and reviewed the other terms of their engagement;
4. determined the nature and extent of non-audit work to be performed by the external auditors and pre-approved any non-audit engagements;
5. made itself available to deal with any complaints relating to the accounting practices or the content or audit of the financial statements of the Company or the internal financial controls of the Company or any related matters (no such matters were, however, referred to the committee); and
6. nominated Grant Thornton for appointment as the Company's external auditors for the 2014 financial year.

Other responsibilities

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

1. considering the going concern status of the companies in the Group and making a recommendation to the board on such;
2. monitoring the internal control environment;
3. overseeing the development of the internal audit function;
4. monitoring the performance of the risk management function;
5. recommending that the board approve the half-yearly financial results and the Annual Financial Statements of the Company and the Group after reviewing the results and the accounting policies applied, considering the external auditors' comments and reviewing any significant estimates or assumptions included in the results;
6. satisfying itself that the Financial Director is adequately experienced and qualified; and
7. satisfying itself of the experience and the independence of the Company Secretary.

G Z Steffens
Audit Committee Chairman

Johannesburg
15 November 2013

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CONDUIT CAPITAL LIMITED

We have audited the consolidated and separate financial statements of Conduit Capital Limited set out on pages 27 to 82, which comprise the Statements of Financial Position as at 31 August 2013 and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies 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, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Conduit Capital Limited as at 31 August 2013, 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 the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 August 2013, we have read the Director's Report, Audit Committee's Report and Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Grant Thornton

GRANT THORNTON
Chartered Accountants (SA)
Registered Auditors

Per S Ho
Partner
Chartered Accountant (SA)
Registered Auditor

15 November 2013
Grant Thornton Office Park, 137 Daisy Street, Sandown, Johannesburg, 2196

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 31 August 2013.

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 million ordinary shares of one cent each (2012: 500 million).

There were no changes to the issued share capital during the year. Treasury shares decreased by 1.6 million to 3,221 (2012: 1.6 million)

Please refer to notes 16 and 32.3 of the Annual Financial Statements for further details.

SHARE PREMIUM

The Group's share premium account amounted to R174.14 million (2012: R173.37 million).

Please refer to note 17 of the Annual Financial Statements for further details.

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

During the year the Group acquired property, plant and equipment, software and other intangible assets to the value of approximately R3.5 million (2012: R4.1 million).

Trade debtors and loans of R4.48 million were impaired and written off through profit and loss (2012: R4.55 million). No previous period impairments were reversed through profit and loss (2012: Nil).

INTEREST IN SUBSIDIARIES

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

	2013 R'000	2012 R'000
Profits	**42,341**	44,755
Losses	**(3,045)**	(12,092)

SUBSEQUENT EVENTS

Other than the sale of the Group's holdings in Amecor (as disclosed in the Chief Executive Officer's Review), 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
Berkowitz, Reginald S	(Chairman)	* R	24 May 2005	
Bruyns, S Richard		# * R	4 October 2012	
Campbell, Scott M ++		# * R	9 April 2000	
Druian, Jason D	(Chief Executive Officer)		24 May 2005	
Louw, Lourens E	(Financial Director)		25 August 2004	
Shaw, Robert L			2 July 2012	
Steffens, Günter Z +		# * R	26 April 2007	
Toet, Gavin			8 September 2009	

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

There were no changes to the Board during the year under review.

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

DIRECTORS' SHAREHOLDING

As at 31 August 2013 certain directors beneficially owned 36.6 million (2012: 34.5 million) ordinary shares in Conduit Capital. The directors held no rights to share options (2012: 2 million). Full details of these holdings are disclosed in note 36 to the Annual Financial Statements.

DIRECTORS' INTEREST IN CONTRACTS

Other than their letters of employment with the Company and what was disclosed in note 37, 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 Memorandum of Incorporation of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate. At 31 August 2013 and 31 August 2012 the Company's borrowings totalled as follows:

	2013 R'000	2012 R'000
Borrowings from other Group companies	**4,681**	4,186

DIVIDENDS

In anticipation of the capital requirements under SAM and in order to accommodate growth in premium income, the Board has not recommended any dividend payment to ordinary shareholders for the year ended 31 August 2013 (2012:Nil).

AUDIT COMMITTEE

The Audit Committee's report appears on page 22.

SPECIAL RESOLUTIONS

- A special resolution in terms whereof the annual remuneration payable to the non-executive directors for their services as directors for the financial year ending 31 August 2013, together with an annual increase not exceeding 10% for two years from the date of passing the resolution, was approved by shareholders at the Company's Annual General Meeting that was held on 22 February 2013.
- 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 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 22 February 2013.
- A special resolution that authorised the Company to provide any direct and indirect financial assistance as contemplated in Section 45 of the Companies Act to any present or future subsidiaries and any other related or inter-related company or corporation, but subject to the provisions of the Companies Act and subject to certain terms and conditions, was approved by shareholders at the Company's Annual General Meeting that was held on 22 February 2013.
- A special resolution that adopted the new Memorandum of Incorporation of the Company in accordance with the provisions of section 16(1)(c) of the Companies Act and the Listings Requirements of JSE Limited was approved by shareholders at the Company's Annual General Meeting that was held on 22 February 2013.

STATEMENTS OF FINANCIAL POSITION

	Notes	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
ASSETS					
Non-current assets		**167,599**	149,345	**156,040**	160,861
• Property, plant and equipment	4	**14,102**	14,601	**84**	124
• Intangible assets	5	**46,865**	46,457	**28**	29
• Loans receivable	6	**12,801**	4,073	**-**	-
• Deferred taxation	7	**13,625**	9,965	**-**	-
• Investment properties	8	**3,978**	3,851	**-**	-
• Investment in associates	9	**323**	311	**-**	-
• Investment in jointly controlled entities	10	**3,566**	3,756	**-**	-
• Investment in subsidiaries	11	**-**	-	**155,928**	160,708
• Investments held at fair value	12	**72,339**	66,331	**-**	-
Current assets		**860,262**	752,472	**13,747**	2,361
• Insurance assets	13	**389,895**	357,402	**-**	-
• Loans receivable	6	**4,707**	11,172	**-**	-
• Trade and other receivables	14	**183,120**	113,513	**163**	247
• Taxation		**6,091**	413	**-**	-
• Cash and cash equivalents	15	**276,449**	269,972	**13,584**	2,114
Total assets		**1,027,861**	901,817	**169,787**	163,222
EQUITY AND LIABILITIES					
Capital and reserves		**327,625**	288,297	**164,690**	158,607
• Ordinary share capital	16	**2,564**	2,548	**2,564**	2,564
• Share premium	17	**174,140**	173,369	**198,426**	198,279
• Retained earnings (Accumulated losses)		**137,354**	97,694	**(36,300)**	(42,418)
• Share-based payment reserve	18	**-**	182	**-**	182
Equity attributable to equity holders of the parent		**314,058**	273,793	**164,690**	158,607
Non-controlling interest		**13,567**	14,504	**-**	-
Non-current liabilities		**32,365**	30,840	**-**	-
• Policyholder liabilities under insurance contracts	19	**19,214**	19,052	**-**	-
• Interest-bearing borrowings	20	**2,695**	3,753	**-**	-
• Deferred taxation	7	**10,456**	8,035	**-**	-
Current liabilities		**667,871**	582,680	**5,097**	4,615
• Insurance liabilities	13	**454,147**	422,561	**-**	-
• Loans payable	34.6	**-**	-	**4,681**	4,186
• Trade and other payables	21	**207,412**	152,626	**416**	429
• Taxation		**6,312**	7,493	**-**	-
Total equity and liabilities		**1,027,861**	901,817	**169,787**	163,222
Net asset value per share (cents)		**122.5**	107.5		
Tangible net asset value per share (cents)		**104.2**	89.2		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
Gross revenue	22	**1,168,165**	1,071,936	**1,260**	1,260
Net insurance revenue	23	**312,578**	290,784	**-**	-
Other operating revenue	22.2	**128,702**	143,817	**1,260**	1,260
Net revenue		**441,280**	434,601	**1,260**	1,260
Operating expenses		**(391,301)**	(369,870)	**(5,968)**	(5,159)
• Direct expenses: Insurance and risk services	24	**(244,226)**	(215,333)	**-**	-
• Administration and other expenses		**(60,744)**	(67,116)	**(4,716)**	(3,629)
• Depreciation and amortisation		**(3,475)**	(3,514)	**(41)**	(50)
• Employee costs		**(82,856)**	(83,907)	**(1,211)**	(1,480)
Operating profit (loss)		**49,979**	64,731	**(4,708)**	(3,899)
Equity accounted income	9 & 10	**522**	723	**-**	-
Investment income	25	**23,268**	14,116	**10,875**	17,738
Other income		**3,719**	528	**-**	-
Finance charges	26	**(462)**	(427)	**(84)**	(92)
Profit before taxation	27	**77,026**	79,671	**6,083**	13,747
Taxation	30	**(18,293)**	(30,418)	**-**	-
Profit for the year		**58,733**	49,253	**6,083**	13,747
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income		**58,733**	49,253	**6,083**	13,747
Attributable to:					
Equity holders of the parent		**39,625**	32,156		
Non-controlling interest		**19,108**	17,097		
Total comprehensive income		**58,733**	49,253		
EARNINGS PER SHARE (CENTS)					
• **Basic**	32.4.1	**15.5**	12.7		
• **Diluted**	32.4.2	**15.5**	12.6		

STATEMENT OF CHANGES IN EQUITY

GROUP	Ordinary share capital R'000	Share premium R'000	Retained earnings R'000	Share-based payment reserve R'000	Non-controlling interest R'000	Total R'000
Balance at 1 September 2011	2,503	196,652	65,538	600	17,565	282,858
Total comprehensive income for the year	-	-	32,156	-	17,097	49,253
Equity options issued to executives	-	-	-	22	-	22
Equity options exercised	45	2,195	-	(440)	-	1,800
Loans advanced by non-controlling shareholders	-	-	-	-	5,101	5,101
Capital distribution	-	(25,478)	-	-	-	(25,478)
Dividends paid	-	-	-	-	(25,259)	(25,259)
Balance at 31 August 2012	2,548	173,369	97,694	182	14,504	288,297
Total comprehensive income for the year	-	-	39,625	-	19,108	58,733
Reversal of equity options	-	-	35	(35)	-	-
Equity options exercised	16	771	-	(147)	-	640
Loans repaid to non-controlling shareholders	-	-	-	-	(5,118)	(5,118)
Dividends paid	-	-	-	-	(14,927)	(14,927)
Balance at 31 August 2013	2,564	174,140	137,354	-	13,567	327,625

STATEMENT 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	Total R'000
Balance at 1 September 2011	2,564	223,477	(56,165)	600	170,476
Total comprehensive income for the year	-	-	13,747	-	13,747
Equity options issued to executives	-	-	-	22	22
Equity options exercised	-	440	-	(440)	-
Capital distribution	-	(25,638)	-	-	(25,638)
Balance at 31 August 2012	2,564	198,279	(42,418)	182	158,607
Total comprehensive income for the year	-	-	6,083	-	6,083
Reversal of equity options	-	-	35	(35)	-
Equity options exercised	-	147	-	(147)	-
Balance at 31 August 2013	2,564	198,426	(36,300)	-	164,690

STATEMENTS OF CASH FLOWS

	Notes	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
Cash flows from operating activities		**13,609**	30,629	**9,890**	16,268
• Cash generated (utilised) by operations	33.2	**41,911**	65,940	**(901)**	(1,378)
• Interest received	25	**10,639**	11,352	**969**	938
• Finance charges	26	**(462)**	(427)	**(84)**	(92)
• Dividends received	25	**2,839**	3,125	**9,906**	16,800
• Dividends paid		**(14,927)**	(25,259)	**-**	-
• Taxation paid	33.3	**(26,391)**	(24,102)	**-**	-
Cash flows from investing activities		**1,695**	2,372	**-**	(37)
• Dividends received from jointly controlled entities	10	**60**	50	**-**	-
• Disposal of associates	9	**-**	62	**-**	-
• Dividends received from associates	9	**-**	167	**-**	-
• Acquisition of property, plant and equipment	4	**(1,897)**	(3,099)	**-**	(36)
• Disposal of property, plant and equipment		**51**	10	**-**	-
• Acquisition of investment properties	8	**-**	(3)	**-**	-
• Disposal of property held for sale		**-**	5,100	**-**	-
• Acquisition of other intangible assets	5	**(1,607)**	(1,026)	**-**	(1)
• Disposal of other intangible assets	5.2	**3**	-	**-**	-
• Acquisition of financial investments	12.1.1	**(6,272)**	(15,306)	**-**	-
• Disposal of financial investments	12.1.1-2	**11,357**	16,417	**-**	-
Cash flows from financing activities		**(8,827)**	(32,891)	**1,580**	(16,319)
• Proceeds from exercise of share options		**640**	1,800	**-**	-
• Capital distribution	17	**-**	(25,478)	**-**	(25,638)
• Movement in loans by minorities		**(5,118)**	5,101	**-**	-
• Movement in interest bearing borrowings	20	**(1,058)**	(3,218)	**-**	-
• Movement in loans payable to third parties	34.6	**-**	-	**495**	753
• Movement in loans receivable from third parties	6	**(3,664)**	(11,079)	**-**	-
• Movement in loans to jointly controlled entities	10	**373**	(17)	**-**	-
• Movement in loans to subsidiaries		**-**	-	**1,085**	8,566
Net increase (decrease) in cash and cash equivalents		**6,477**	110	**11,470**	(88)
Cash and cash equivalents at the beginning of the year		**269,972**	269,862	**2,114**	2,202
Cash and cash equivalents at the end of the year	15	**276,449**	269,972	**13,584**	2,114

SEGMENTAL ANALYSIS OF EARNINGS

Segment reporting

The Group operates three main business segments: Corporate and Investment Services, Insurance and Risk Services and Direct. In identifying its operating segments, management generally follows the Group's product lines, which represent the main services provided by the Group.

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

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

	Corporate and Investment Services R'000	Insurance and Risk Services R'000	Direct R'000	Inter-segment eliminations R'000	Consoli-dation entries R'000	Total R'000
YEAR ENDED 31 AUGUST 2013						
Gross revenue	8,031	1,044,688	123,254	(7,808)	-	1,168,165
• External customers	223	1,044,688	123,254	-	-	1,168,165
• Other operating segments	7,808	-	-	(7,808)	-	-
Net insurance revenue	-	312,578	-	-	-	312,578
Other operating revenue	8,031	5,225	123,254	(7,808)	-	128,702
Net revenue	8,031	317,803	123,254	(7,808)	-	441,280
Operating expenses	(14,698)	(304,208)	(80,203)	7,808	-	(391,301)
• Direct expenses: Insurance and risk services	-	(244,226)	-	-	-	(244,226)
• Administration and other expenses	(3,638)	(33,560)	(31,354)	7,808	-	(60,744)
• Depreciation and amortisation	(76)	(1,283)	(2,116)	-	-	(3,475)
• Employee costs	(10,984)	(25,139)	(46,733)	-	-	(82,856)
Operating profit (loss)	(6,667)	13,595	43,051	-	-	49,979
Equity accounted income	-	522	-	-	-	522
Investment income	16,626	15,945	603	-	(9,906)	23,268
Other income (expenses)	(14)	2,748	985	-	-	3,719
Finance charges	(3)	(459)	-	-	-	(462)
Profit before taxation	9,942	32,351	44,639	-	(9,906)	77,026
Taxation	(42)	(5,350)	(12,901)	-	-	(18,293)
Profit for the year	9,900	27,001	31,738		(9,906)	58,733
Non-controlling interest	(11)	(55)	(19,042)	-	-	(19,108)
Profit attributable to ordinary shareholders	9,889	26,946	12,696	-	(9,906)	39,625
Headline adjustments	14	341	-	-	-	355
Headline earnings	9,903	27,287	12,696	-	(9,906)	39,980
AS AT 31 AUGUST 2013						
Total assets [Note A]	177,364	938,602	44,889	(130,631)	(2,363)	1,027,861
Total liabilities	(7,473)	(799,055)	(24,339)	130,631	-	(700,236)
Inter-segment funding	(124,938)	113,370	11,568	-	-	-
Non-controlling interest	(173)	(400)	(12,997)	3	-	(13,567)
Capital employed	44,780	252,517	19,121	3	(2,363)	314,058
Note A:						
Total assets include the following:						
• *Investment in associates*	-	*323*	-	-	-	*323*
• *Investment in jointly controlled entities*	-	*3,566*	-	-	-	*3,566*
• *Additions to property, plant and equipment*	-	*1,309*	*588*	-	-	*1,897*
• *Additions to intangible assets*	-	*600*	*1,007*	-	-	*1,607*

SEGMENTAL ANALYSIS OF EARNINGS (continued)

	Corporate and Investment Services R'000	Insurance and Risk Services R'000	Direct R'000	Inter-segment eliminations R'000	Consoli-dation entries R'000	Total R'000
YEAR ENDED 31 AUGUST 2012						
Gross revenue	6,184	938,062	132,838	(5,148)	-	1,071,936
• External customers	1,036	938,062	132,838	-	-	1,071,936
• Other operating segments	5,148	-	-	(5,148)	-	-
Net insurance revenue	-	290,784	-	-	-	290,784
Other operating revenue	6,184	9,943	132,838	(5,148)	-	143,817
Net revenue	6,184	300,727	132,838	(5,148)	-	434,601
Operating expenses	(19,090)	(266,905)	(89,023)	5,148	-	(369,870)
• Direct expenses: Insurance and risk services	-	(215,333)	-	-	-	(215,333)
• Administration and other expenses	(5,294)	(29,548)	(37,422)	5,148	-	(67,116)
• Depreciation and amortisation	(131)	(1,204)	(2,179)	-	-	(3,514)
• Employee costs	(13,665)	(20,820)	(49,422)	-	-	(83,907)
Operating profit (loss)	(12,906)	33,822	43,815	-	-	64,731
Equity accounted income	-	723	-	-	-	723
Investment income	17,831	12,569	516	-	(16,800)	14,116
Other income (expenses)	(34)	312	250	-	-	528
Finance charges	(11)	(416)	-	-	-	(427)
Profit before taxation	4,880	47,010	44,581	-	(16,800)	79,671
Taxation	35	(14,066)	(16,387)	-	-	(30,418)
Profit for the year	4,915	32,944	28,194	-	(16,800)	49,253
Non-controlling interest	(11)	(170)	(16,916)	-	-	(17,097)
Profit attributable to ordinary shareholders	4,904	32,774	11,278	-	(16,800)	32,156
Headline adjustments	24	(33)	16	-	-	7
Headline earnings	4,928	32,741	11,294	-	(16,800)	32,163
AS AT 31 AUGUST 2012						
Total assets Note B	169,084	819,335	47,545	(131,784)	(2,363)	901,817
Total liabilities	(9,711)	(706,720)	(28,870)	131,781	-	(613,520)
Inter-segment funding	(127,302)	112,334	14,968	-	-	-
Non-controlling interest	(180)	(413)	(13,914)	3	-	(14,504)
Capital employed	31,891	224,536	19,729	-	(2,363)	273,793
Note B:						
Total assets include the following:						
• *Investment in associates*	-	*311*	-	-	-	*311*
• *Investment in jointly controlled entities*	-	*3,756*	-	-	-	*3,756*
• *Additions to property, plant and equipment*	*36*	*1,123*	*1,940*	-	-	*3,099*
• *Additions to intangible assets*	*1*	*333*	*692*	-	-	*1,026*
• *Additions to investment property*	-	*3*	-	-	-	*3*

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 the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the South African Companies Act, No. 71 of 2008. 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 jointly controlled entities and the valuation of long-term policyholder liabilities on a financial soundness valuation basis. The financial statements incorporate the principal accounting policies set out below, which are consistently applied to all the years presented, unless otherwise stated.

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

2. SIGNIFICANT JUDGEMENTS

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

Impairment testing

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

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

Trade and other receivables

The Group assesses its trade and other receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Investment properties

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

Insurance liabilities

Insurance contract accounting requires that estimates and judgements be made. In particular, judgement is required in estimating reserves in respect of reported claims which have not yet been settled, in the determination of the Incurred But Not Reported ("IBNR") provision (refer to note 13) and in estimating future cash flows in respect of salvages and claims recoveries.

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

Investment in subsidiaries, associates, jointly controlled entities and unlisted equities

Estimates and judgements are exercised in the valuation of unlisted shares (notes 9, 10, 11, 12.1.2 and 12.2.2). Fair values are determined either by way of discounting expected future cash flows where reliable information is available or by using the net asset value of the investment, as appropriate to the circumstances of each individual investment.

Additional judgements include:

- the determination by way of an option pricing model of the fair value of the share options that were issued to executive directors and senior management (note 18).

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

3. BASIS OF CONSOLIDATION

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Category	*Expected useful life*
Motor vehicles	5 years
Computer hardware	3 - 6 years
Furniture & fittings	6 - 10 years
Office equipment	5 - 10 years
Leasehold improvements	1 - 5 years
Owner occupied property	20 years

5. GOODWILL

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

6. INTANGIBLE ASSETS

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

Intangible assets are initially recognised at cost.

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

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

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

7. INVESTMENT PROPERTIES

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

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

8. ASSOCIATE COMPANIES

Group

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

Company

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

9. JOINTLY CONTROLLED ENTITIES

A joint venture is an enterprise in which the investor has a long-term interest and over which it exercises joint control.

Interests in jointly controlled entities 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 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 jointly controlled entity, less any impairment losses. The use of the equity method is discontinued from the date that the Group ceases to have joint control over the entity.

Distributions received from the jointly controlled entity reduce the carrying amount of the investment.

10. INVESTMENT IN SUBSIDIARIES

Company

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

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

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

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

11. FINANCIAL INSTRUMENTS

11.1 Initial recognition

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

Financial assets and financial liabilities are recognised on the statement of financial position when the Group or the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially recognised at fair value. Where financial assets or liabilities are not subsequently recognised at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

11.2 Subsequent measurement

After initial recognition, these instruments are measured as follows:

Investments in securities

Investments in equity and debt securities are recognised on a trade-date basis and are initially measured at fair value. Investments are classified as "at fair value through profit or loss" and at subsequent statement of financial position dates investments in equity and debt securities are valued at fair value, with changes in fair value being recognised in profit or loss.

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 statement of financial position date based on the current price of the contract where a regulated market exists, failing which the fair value of investments is estimated using appropriate pricing models. Gains and losses are included in profit or loss in the period in which they arise.

Loans, trade and other receivables

Loans, trade and other receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, provided that the Group's objective in holding the assets is to realise the contractual cashflows and that cashflows associated with the assets comprise only payments of principal and interest amounts thereon, on specified dates. If these conditions are not met, they are measured subsequently at fair value.

Financial liabilities

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

Borrowings are initially recognised at fair value and are subsequently measured at fair value.

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 profit or 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, or when the financial asset or liability is derecognised or impaired.

11.4 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in value. These include cash on hand and deposits held on call with banks, where these amounts are held for the benefit of the Group. Cash and cash equivalents are measured at initial recognition at fair value, and thereafter at amortised cost provided that the Group's objective in holding the assets is to realise the contractual cashflows and that cashflows associated with the assets comprise only payments of principal and interest amounts thereon, on specified dates. If these conditions are not met, they are measured subsequently at fair value.

11.5 Loans to/from group companies

These include loans to/from subsidiaries, associates, jointly controlled entities and fellow subsidiaries and are carried at amortised cost, as for other loans and receivables.

12. SHARE CAPITAL AND EQUITY

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

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

13. INSURANCE CONTRACTS

13.1 Classification of insurance contracts

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

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

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

The Group classifies financial guarantee contracts as insurance contracts.

13.2 Recognition and measurement of insurance contracts

13.2.1 Premiums

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

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

13.2.2 Acquisition costs and deferred acquisition costs

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

13.2.3 Claims

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

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

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

13.2.4 Profit commission

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

13.2.5 Reinsurance

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

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

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

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

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

Amounts recoverable under reinsurance contracts are assessed for impairment at the statement of financial position 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 profit or loss.

13.2.6 Reinsurance commission

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

13.2.7 Liquidity adequacy test and unexpired risk provision

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

13.2.8 Policyholder liabilities under long-term insurance contracts

The Group's liabilities under unmatured policies of long-term insurance contracts are calculated at the statement of financial position 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 profit or loss represents the increase or decrease in actuarial liabilities. The reports of the Statutory Actuary are included in the Annual Financial Statements of the relevant subsidiary companies and are available to shareholders on request.

14. OFFSETTING

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

15. REVENUE RECOGNITION

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

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

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

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

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

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

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

16. INCOME FROM INVESTMENTS

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

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

17. OPERATING LEASES

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

18. EMPLOYEE BENEFITS

Short-term employee benefits

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

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

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

Defined contribution plans

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

Share-based compensation

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss 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.

19. IMPAIRMENT OF ASSETS

Goodwill

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, 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. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

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

Should the Group's / Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities be in excess of the cost of the business combination, the difference is immediately recognised as a profit in profit or loss.

Reinsurance assets

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

Objective evidence that a reinsurance asset is impaired includes observable data that come to the attention of the Group 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 profit or loss. 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 profit or loss.

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 profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for reinsurance assets. The impairment loss is also calculated under the same method used for reinsurance assets.

Other assets

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss, which is immediately recognised in profit or loss.

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.

20. TAXATION

Tax expenses and income

Current tax and deferred tax are charged against profit or loss and are 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 assets and liabilities

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

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

Deferred taxation

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

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

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

In respect of temporary differences arising out of the fair value adjustment on investment properties, deferred taxation is provided at the income tax rate to the extent that the carrying value is expected to be recovered through sale of the property.

21. 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 and the foreign currency at the date of the transaction.

At each statement of financial position 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.

22. STANDARDS AND INTERPRETATIONS EARLY ADOPTED

The Group has chosen to early adopt the following standards and interpretations:

22.1 Standards and interpretations effective and adopted in the current year

Amendments to IAS 1: Presentation of Financial Statements

These amendments require the Group to differentiate between items of Other Comprehensive Income that may in future be reclassified to profit or loss when specific conditions are met and items that will not be reclassified to profit or loss. The *Statement of Comprehensive Income* has been renamed the *Statement of Profit or Loss and Other Comprehensive Income*.

This amendment did not have a significant impact on the Group.

22.2 Standards and interpretations not yet effective, but early adopted

Amendments to IFRS 7: Financial Instruments – Disclosures; and IAS 32: Financial Instruments – Presentation

These amendments require entities to disclose gross amounts subject to rights of set-off, amounts are set off in accordance with the accounting standards followed, and the related net credit exposure. This information will assist users to evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

These amendments did not have a significant impact on the Group.

IFRS 9: Financial Instruments

The Financial Instruments standard to replace IAS 39 is being introduced in a phased approach. The first phase, issued in 2009 and effective for the 2016 financial year, deals with the categorisation and measurement of financial assets. It categorises financial assets as either being carried at amortised cost or fair value, depending on the business model and contractual cash flows of the Group. This first phase was adopted by the Group in the 2010 financial year. The second phase, issued in 2010, is also effective for the 2016 financial year and has been early adopted for the Group. This phase extends the scope of IFRS 9 to address the classification and measurement of liabilities and derecognition criteria, amongst other. The classification categories for financial liabilities remain unchanged and financial liabilities shall not be reclassified. Future phases will address, inter alia, hedge accounting and impairments to financial instruments, but have not yet been released as a final standard.

IFRS 10: Consolidated Financial Statements

The statement became effective 1 Jan 2013 and affects the 2014 financial year. It takes a new approach to the concept of control, looking at the returns an entity has rights to, the power it exerts over another entity and the connection between the two.

This statement was early adopted in the 2012 financial year and did not have a material impact on the Group.

IFRS 11: Joint Arrangements

IFRS 11 supercedes IAS 32: Interests in Joint Ventures. It replaces IAS 31's three categories of "jointly controlled entities", "jointly controlled operations" and "jointly controlled assets" with two new categories - "joint operations" and "joint ventures". The option of using proportionate consolidation for joint ventures that was previously included in IAS 31 has been eliminated and equity accounting is now required for all joint ventures.

This statement was early adopted in the 2012 financial year and did not have a material impact on the Group.

IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on "borderline" consolidation decisions and enhances disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.

This statement was early adopted in the 2012 financial year and did not have a material impact on the Group.

IFRS 13: Fair Value Measurement

This new IFRS specifies how an entity should measure and disclose fair value information. IFRS 13 has been developed to:

- establish a single source of guidance for all fair value measurements;
- clarify the definition of fair value and related guidance; and
- enhance disclosures about fair value measurements - the new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value.

This statement was early adopted in the 2012 financial year and did not have a material impact on the Group.

IAS 27 (Revised): Separate Financial Statements

Consequential changes have been made to IAS 27 as a result of the publication of the new IFRS 10, 11 and 12. IAS 27 will now solely address separate financial statements, the requirements for which are substantially unchanged.

This statement was early adopted in the 2012 financial year and did not have a material impact on the Group.

IAS 28 (Revised): Investments in Associates and Joint Ventures

Changes were made to IAS 28 as a result of the publication of IFRS 11. In general however the Standard continues to prescribe the mechanics of equity accounting.

This statement was early adopted in the 2012 financial year and did not have a material impact on the Group.

23. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

It is noted that the International Accounting Standards Board (IASB) is currently engaged in projects reviewing the standards and principles for accounting for Revenue recognition and leases. While the final standards have not yet been released and thus the impact cannot be assessed at this stage, it is possible that these changes may materially impact accounting policies and disclosures in the future.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

1.1 Assets

GROUP	2013 Financial assets at amortised cost R'000	2013 Fair value through profit and loss R'000	2012 Financial assets at amortised cost R'000	2012 Fair value through profit and loss R'000
NON-CURRENT				
Loans receivable	**12,801**	**-**	4,073	-
Investments	**-**	**72,339**	-	66,331
• Listed investments	**-**	**68,059**	-	62,792
• Unlisted investments	**-**	**4,280**	-	3,539
CURRENT				
Loans receivable	**4,707**	**-**	11,172	-
Trade and other receivables	**183,120**	**-**	113,513	-
Cash and cash equivalents	**276,449**	**-**	269,972	-
	477,077	**72,339**	398,730	66,331

1.2 Liabilities

GROUP	2013 Financial liabilities at amortised cost R'000	2013 Fair value through profit and loss R'000	2012 Financial liabilities at amortised cost R'000	2012 Fair value through profit and loss R'000
NON-CURRENT				
Interest-bearing borrowings	**-**	**2,695**	-	3,753
CURRENT				
Trade and other payables	**207,412**	**-**	152,626	-
	207,412	**2,695**	152,626	3,753

The carrying value of assets and liabilities approximates the fair value.

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

1.3 Fair value hierarchy

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

GROUP	Assets Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2013				
Listed investments	**68,059**	**-**	**-**	**68,059**
Unlisted investments	**-**	**4,280**	**-**	**4,280**
	68,059	**4,280**	**-**	**72,339**
2012				
Listed investments	62,792	-	-	62,792
Unlisted investments	-	3,539	-	3,539
	62,792	3,539	-	66,331

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

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

- Financial assets classified in Level 1 have been valued with reference to quoted prices and market rates (unadjusted) in active markets for identical assets or liabilities; and
- Financial assets classified in Level 2 have been valued by an independent third party according to a formula (using the fair market values of the underlying assets in the investment) in terms of which the investment could have been liquidated as at the reporting date.

2. COMPANY FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

2.1 Assets

COMPANY	2013 Financial assets at amortised cost R'000	2012 Financial assets at amortised cost R'000
CURRENT		
Trade and other receivables	**163**	247
Cash and cash equivalents	**13,584**	2,114
	13,747	2,361

2.2 Liabilities

COMPANY	2013 Financial liabilities at amortised cost R'000	2012 Financial liabilities at amortised cost R'000
CURRENT		
Loans payable	**4,681**	4,186
Trade and other payables	**416**	429
	5,097	4,615

The carrying value of assets and liabilities approximates the fair value.

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

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

3.1 Group

	Financial assets at amortised cost R'000	Fair value through profit and loss R'000	Financial liabilities at amortised cost R'000	Total R'000
3.1.1 2013				
Interest received	**10,639**	**-**	**-**	**10,639**
Finance charges	**-**	**-**	**(462)**	**(462)**
Dividend income	**-**	**2,839**	**-**	**2,839**
Realised fair value adjustment of financial assets	**-**	**(757)**	**-**	**(757)**
Unrealised fair value adjustment of financial assets	**-**	**10,642**	**-**	**10,642**
Amounts written off	**(4,472)**	**-**	**-**	**(4,472)**
	6,167	**12,724**	**(462)**	**18,429**
3.1.2 2012				
Interest received	11,352	-	-	11,352
Finance charges	-	-	(427)	(427)
Dividend income	-	3,125	-	3,125
Realised fair value adjustment of financial assets	-	5,473	-	5,473
Unrealised fair value adjustment of financial assets	-	(6,040)	-	(6,040)
Amounts written off	(4,550)	-	-	(4,550)
	6,802	2,558	(427)	8,933

3.2 Company

	Financial assets at amortised cost R'000	Fair value through profit and loss R'000	Financial liabilities at amortised cost R'000	Total R'000
3.2.1 2013				
Interest received	969	-	-	969
Finance charges	-	-	(84)	(84)
Dividend income	-	9,906	-	9,906
Impairment losses	(3,695)	-	-	(3,695)
	(2,726)	9,906	(84)	7,096
3.2.2 2012				
Interest received	938	-	-	938
Finance charges	-	-	(92)	(92)
Dividend income	-	16,800	-	16,800
Impairment losses	(2,451)	-	-	(2,451)
	(1,513)	16,800	(92)	15,195

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Group

	2013 Cost R'000	2013 Accumulated depreciation R'000	2013 Net carrying value R'000	2012 Cost R'000	2012 Accumulated depreciation R'000	2012 Net carrying value R'000
• Owner occupied properties (note A)	**6,351**	**-**	**6,351**	6,351	-	6,351
• Leasehold improvements	**1,182**	**(1,099)**	**83**	1,203	(1,030)	173
• Computer hardware	**8,368**	**(6,293)**	**2,075**	7,365	(5,498)	1,867
• Office equipment	**5,560**	**(3,479)**	**2,081**	6,021	(3,368)	2,653
• Furniture and fittings	**7,544**	**(4,525)**	**3,019**	7,422	(4,029)	3,393
• Motor vehicles	**631**	**(138)**	**493**	342	(178)	164
	29,636	**(15,534)**	**14,102**	28,704	(14,103)	14,601

	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
2013							
Movement for the year							
• Opening carrying value	**6,351**	**173**	**1,867**	**2,653**	**3,393**	**164**	**14,601**
• Reclassification	**-**	**-**	**-**	**(30)**	**30**	**-**	**-**
• Additions	**-**	**-**	**1,178**	**103**	**202**	**414**	**1,897**
• Disposals	**-**	**(7)**	**(25)**	**(42)**	**(33)**	**(10)**	**(117)**
• Depreciation	**-**	**(83)**	**(945)**	**(603)**	**(573)**	**(75)**	**(2,279)**
	6,351	**83**	**2,075**	**2,081**	**3,019**	**493**	**14,102**
2012							
Movement for the year							
• Opening carrying value	6,351	359	2,481	1,686	3,376	204	14,457
• Additions	-	-	536	1,706	857	-	3,099
• Disposals	-	-	(13)	(11)	(55)	-	(79)
• Depreciation	-	(186)	(1,137)	(728)	(785)	(40)	(2,876)
	6,351	173	1,867	2,653	3,393	164	14,601

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.2 Company

	2013 Cost R'000	2013 Accumulated depreciation R'000	2013 Net carrying value R'000	2012 Cost R'000	2012 Accumulated depreciation R'000	2012 Net carrying value R'000
• Leasehold improvements	**66**	**(66)**	**-**	67	(67)	-
• Computer hardware	**205**	**(175)**	**30**	205	(161)	44
• Office equipment	**81**	**(57)**	**24**	81	(51)	30
• Furniture and fittings	**248**	**(218)**	**30**	248	(198)	50
	600	**(516)**	**84**	601	(477)	124

	Leasehold improvements R'000	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Total R'000
2013					
Movement for the year					
• Opening carrying value	**-**	**44**	**30**	**50**	**124**
• Depreciation	**-**	**(14)**	**(6)**	**(20)**	**(40)**
	-	**30**	**24**	**30**	**84**
2012					
Movement for the year					
• Opening carrying value	-	52	7	74	133
• Additions	-	10	26	-	36
• Depreciation	-	(18)	(3)	(24)	(45)
	-	44	30	50	124

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
5. INTANGIBLE ASSETS				
• Goodwill (note 5.1)	**44,887**	44,887	**-**	-
• Computer software (note 5.2)	**1,945**	1,544	**28**	29
• Broker relationships and other (note 5.3)	**33**	26	**-**	-
	46,865	46,457	**28**	29
5.1 Goodwill				
5.1.1 Net carrying value				
• Cost	**67,128**	67,128	**-**	-
• Impairment	**(22,241)**	(22,241)	**-**	-
• Net carrying value	**44,887**	44,887	**-**	-
5.1.2 Goodwill per cash generating unit				
• Anthony Richards & Associates Proprietary Limited	**10,516**	10,516	**-**	-
• Black Ginger 92 Proprietary Limited	**1,992**	1,992	**-**	-
• Constantia Risk and Insurance Holdings Proprietary Limited	**32,379**	32,379	**-**	-
	44,887	44,887	**-**	-
5.2 Computer software				
5.2.1 Net carrying value				
Cost	**8,524**	7,330	**160**	162
Amortisation	**(6,579)**	(5,786)	**(132)**	(133)
Net carrying value	**1,945**	1,544	**28**	29
5.2.2 Movement for the year				
At beginning of year	**1,544**	1,192	**29**	33
Additions	**1,600**	1,010	**-**	1
Disposals	**(3)**	(20)	**-**	-
Amortisation	**(1,196)**	(638)	**(1)**	(5)
	1,945	1,544	**28**	29

The remaining expected useful life of computer software is 1 - 5 years.

5.3 Broker relationships and other				
5.3.1 Net carrying value				
Cost	**26**	10	**-**	-
Additions	**7**	16	**-**	-
Net carrying value	**33**	26	**-**	-

5. INTANGIBLE ASSETS (continued)

5.4 Impairment testing of intangible assets

5.4.1 Impairment testing of goodwill

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

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

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

- uses cash flow projections based on actual and budgeted results covering a three year period;
- adjusts such projections with a variable growth rate of between 6% and 20% in order to take account of future prospects in each unit over a five-year period;
- extrapolates cash flows beyond the fifth year by using growth rates ranging between 6% and 6.5%; and
- discounts cash flows at after tax rates ranging between 19.5% and 20%.

These calculations indicate that there is no need for impairment of the carrying value of goodwill in the current financial period.

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

5.4.2 Impairment testing of other intangible assets

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

These calculations indicate that there is no need for impairment of the carrying value of other intangible assets in the current financial period.

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
6. LOANS RECEIVABLE				
Non-current: Unsecured	**12,801**	4,073	**-**	-
Current: Unsecured	**4,707**	11,172	**-**	-
	17,508	15,245	**-**	-
NON-CURRENT				
Unsecured loans	**16,112**	5,884	**-**	-
Less: Provision for impairment	**(3,311)**	(1,811)	**-**	-
	12,801	4,073	**-**	-
CURRENT				
Unsecured loans	**4,707**	11,271	**-**	-
Less: Provision for impairment	**-**	(99)	**-**	-
	4,707	11,172	**-**	-

Unsecured loans' repayment and interest terms are as follows:

- R2.39 million carries interest at prime and is repayable on demand;
- R15.12 million carries interest at call rates and shall be repaid as and when profit commissions are earned; and
- The remainder is interest free and there is no fixed repayment term.

	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
7. DEFERRED TAX				
Balance at beginning of year	**1,930**	2,018	**-**	-
Charge against the statement of comprehensive income	**1,239**	(88)	**-**	-
Balance at end of year	**3,169**	1,930	**-**	-
Relating to:	**3,169**	1,930	**-**	-
Provisions and accruals	**(2,838)**	(276)	**-**	-
Accelerated capital allowances	**(1,305)**	(667)	**-**	-
Fair valuing of long term loans	**-**	(1,618)	**-**	-
Unrealised gains on investment properties	**(131)**	-	**-**	-
Unrealised gains on investments	**(2,968)**	(3,527)	**-**	-
Estimated tax losses	**10,411**	8,018	**-**	-
Comprising:	**3,169**	1,930	**-**	-
Deferred tax assets	**13,625**	9,965	**-**	-
Deferred tax liabilities	**(10,456)**	(8,035)	**-**	-

8. INVESTMENT PROPERTIES

8.1 Net carrying value

	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
Cost	**2,009**	2,009	**-**	-
Fair value adjustment	**1,969**	1,842	**-**	-
Net carrying value	**3,978**	3,851	**-**	-

8.2 Movement for the year

	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
At beginning of year	**3,851**	3,442	**-**	-
Additions	**-**	3	**-**	-
Fair value adjustment (note 25)	**127**	406	**-**	-
	3,978	3,851	**-**	-

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

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

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

	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
9. INVESTMENT IN ASSOCIATES				
At beginning of year	**311**	281	**-**	-
Disposals	**-**	(62)	**-**	-
Attributable portion of earnings	**223**	259	**-**	-
Dividend received	**-**	(167)	**-**	-
Impairment	**(211)**	-	**-**	-
Balance at end of year	**323**	311	**-**	-

Details of the investments are set out in notes 34.1 and 34.2

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
2013				
Various, as listed in note 34.1	1,703	(628)	17,457	688
2012				
Various, as listed in note 34.1	11,303	(10,658)	20,660	1,196

	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
10. INVESTMENT IN JOINTLY CONTROLLED ENTITIES				
At beginning of year	**3,756**	3,325	**-**	-
Loans	**(373)**	17	**-**	-
Dividend received	**(60)**	(50)	**-**	-
Attributable portion of earnings	**299**	464	**-**	-
Impairment	**(56)**	-	**-**	-
Balance at end of year	**3,566**	3,756	**-**	-

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

Jointly controlled entities' summary information

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

	Assets R'000	Liabilities R'000	Revenue R'000	Profit R'000
2013				
Various, as listed in note 34.3	2,389	(638)	13,619	597
2012				
Various, as listed in note 34.3	2,659	(1,073)	12,866	928

	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
11. INVESTMENT IN SUBSIDIARIES				
Unlisted shares at cost, less amounts written off			**13,085**	13,085
Equity loans			**100,115**	100,151
Other amounts due by subsidiaries			**42,728**	47,472
Net carrying value (refer notes 34.5 and 34.6)			**155,928**	160,708
Directors' valuation			**460,313**	419,231

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

	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
12. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS				
12.1 Long-term investments				
Listed investments (note 12.1.1)	**68,059**	62,792	**-**	-
• Listed equities	**61,917**	56,136	**-**	-
• Bonds	**6,142**	6,656	**-**	-
Unlisted investments (note 12.1.2)	**4,280**	3,539	**-**	-
	72,339	66,331	**-**	-
12.1.1 Listed equities and bonds at valuation				
Opening net book value	**62,792**	59,384	**-**	-
Additions	**6,272**	15,306	**-**	-
Disposals	**(11,357)**	(13,071)	**-**	-
Reallocation	**-**	1,700	**-**	-
Fair value adjustment (note 25)	**10,352**	(527)	**-**	-
Closing net book value	**68,059**	62,792	**-**	-
12.1.2 Unlisted investments at valuation				
Opening net book value	**3,539**	4,110	**-**	-
Reallocation	**-**	3,398	**-**	-
Disposals	**-**	(3,346)	**-**	-
Fair value adjustment (note 25)	**741**	(623)	**-**	-
Closing net book value	**4,280**	3,539	**-**	-
Directors' valuation at net book value	**4,280**	3,539	**-**	-
12.2 Short-term investments				
• Listed investments (note 12.2.1)	**-**	-	**-**	-
• Unlisted investments (note 12.2.2)	**-**	-	**-**	-
	-	-	**-**	-
12.2.1 Listed equities at valuation				
Opening net book value	**-**	1,629	**-**	-
Reallocation	**-**	(1,700)	**-**	-
Fair value adjustment (note 25)	**-**	71	**-**	-
Closing net book value	**-**	-	**-**	-

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
12. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)				
12.2 Short-term investments (continued)				
12.2.2 Unlisted investments at valuation				
Opening net book value	**-**	2,963	**-**	-
Reallocation	**-**	(3,398)	**-**	-
Fair value adjustment (note 25)	**-**	435	**-**	-
Closing net book value	**-**	-	**-**	-
13. INSURANCE ASSETS AND LIABILITIES				
13.1 Gross insurance liabilities				
Claims reported but not paid	**(115,089)**	(105,962)	**-**	-
Claims incurred but not reported	**(41,188)**	(36,698)	**-**	-
Unearned premiums, net of deferred acquisition costs	**(297,870)**	(279,901)	**-**	-
• Unearned premiums	**(448,862)**	(417,062)	**-**	-
• Deferred acquisition costs	**150,992**	137,161	**-**	-
Total insurance liabilities	**(454,147)**	(422,561)	**-**	-
13.2 Recoverable from reinsurers				
Claims reported but not paid	**76,779**	64,164	**-**	-
Claims incurred but not reported	**24,946**	22,652	**-**	-
Unearned premiums, net of deferred reinsurance commission revenue	**288,170**	270,586	**-**	-
• Unearned premiums	**438,610**	407,352	**-**	-
• Deferred reinsurance commission revenue	**(150,440)**	(136,766)	**-**	-
Reinsurers' share of insurance liabilities	**389,895**	357,402	**-**	-
13.3 Net insurance liabilities				
Claims reported but not paid	**(38,310)**	(41,798)	**-**	-
Claims incurred but not reported	**(16,242)**	(14,046)	**-**	-
Unearned premiums	**(9,700)**	(9,315)	**-**	-
Total net insurance liabilities	**(64,252)**	(65,159)	**-**	-

13.4 Incurred But Not Reported ("IBNR") provision

The directors have estimated that the statutory IBNR provision calculated in terms of the provisions of the Short Term Insurance Act is excessive in terms of the portfolio of business underwritten by the Group. In light of this, the provision has been revised and calculated at an average rate of 5.6% for the 2013 financial year (2012: 5.2%).

Had the IBNR provision been calculated at statutory rates, the net provision would have been R3.56 million (2012: R4.10 million) greater than the net R16.24 million currently provided for (2012: R14.05 million).

13. INSURANCE ASSETS AND LIABILITIES (continued)

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

At the reporting date the Group performed a detailed exercise (that included the use of cumulative chainladder calculations in the largest underwriting managers) in order to assess the required provisions and run-off assets in the insurance division. Although showing quite significant variances between the IBNR and asset levels in the various books, it was determined that overall levels of current provisioning is sufficient when compared to the best estimate of what these provisions should be. IBNR on the remaining schemes continue to be raised on 4% as it has been found that sensitivity to IBNR is very low in many of these schemes - a move in provisioning merely translates into a corresponding move in the commission payable. The average value across the division, determined as a result of this exercise, approximates 5.6% 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 Financial Services Board requirements the IBNR provision has been calculated at statutory rates.

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
14. TRADE AND OTHER RECEIVABLES				
Deposits and prepaid expenses	**1,269**	1,948	**117**	93
Insurance receivables	**164,389**	83,629	**-**	-
Trade receivables	**13,499**	21,640	**33**	154
Loans - Secured	**80**	74	**-**	-
Other receivables - Unsecured	**8,054**	8,967	**13**	-
Less: Provision for impairment	**(4,171)**	(2,745)	**-**	-
	183,120	113,513	**163**	247
Secured loans relating to a loan made by the IMR Share Trust to a director of the Company and secured by shares	**80**	74	**-**	-
Value of security relating to the above loan	**3,020**	2,460	**-**	-

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

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

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

15. CASH AND CASH EQUIVALENTS

Comprising:				
Cash	**90**	72	**-**	-
Call accounts	**213,397**	220,870	**13,548**	2,015
Margin deposits	**2,610**	1,440	**-**	-
Current accounts - Local	**28,497**	30,918	**36**	99
Current accounts - Foreign	**31,855**	16,672	**-**	-
	276,449	269,972	**13,584**	2,114

Balances on call include amounts held on call at banks and at stockbrokers.

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
16. ORDINARY SHARE CAPITAL				
Authorised				
500,000,000 ordinary shares of 1c each (2012: 500,000,000)	**5,000**	5,000	**5,000**	5,000
ISSUED				
256,379,818 ordinary shares of 1c each (2012: 256,379,818)	**2,564**	2,564	**2,564**	2,564
Treasury shares:				
• 3,221 ordinary shares of 1c each held by Conduit Management Services Proprietary Limited (2012: 9,760)	**-**	-	**-**	-
• Nil ordinary shares of 1c each held by the IMR Share Trust (2012: 650,370)	**-**	(7)	**-**	-
• Nil ordinary shares of 1c each held by Marble Gold 213 Proprietary Limited (2012: 943,091)	**-**	(9)	**-**	-
	2,564	2,548	**2,564**	2,564
In terms of a resolution passed at the most recent Annual General Meeting, all authorised and unissued shares are placed under the control of the Company's directors.				
Number of shares (net of treasury shares held):	**256,376,597**	254,776,597	**256,379,818**	256,379,818

Shares under option

As at the reporting date, no shares in the Company were under option in terms of the Group Senior Executive Option Scheme (2012: 2,000,000) (also see note 18). There were no contracts in place for the sale of shares (2012: Nil).

17. SHARE PREMIUM				
Reconciliation of movement in share premium:				
Opening balance	**173,369**	196,652	**198,279**	223,477
Exercise of share options	**771**	2,195	**147**	440
Capital distribution	**-**	(25,478)	**-**	(25,638)
	174,140	173,369	**198,426**	198,279

18. SHARE-BASED PAYMENTS

One million and six hundred thousand share options that were issued during prior financial years were exercised during the financial year ended on 31 August 2013. Directors benefitted as follows as a result of the exercise of share options:

	Number of shares	Strike price (cents/share)	Market value (cents/hare)	Benefit (Rands)
2013				
Louw, L E	800,000	40	114	592,000
Toet, G	800,000	40	114	592,000
	1,600,000			1,184,000
2012				
Louw, L E	1,000,000	40	72	320,000
Toet, G	1,000,000	40	72	320,000
	2,000,000			640,000

No new share options were awarded to executive directors and staff during 2012/13. No share options remained outstanding as at the reporting date (2012: 2,000,000).

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000

19. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS

Opening balance	**19,052**	19,661	**-**	-
Transfer to statement of comprehensive income	**162**	(609)	**-**	-
	19,214	19,052	**-**	-

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

19.1 Analysis of policyholder liabilities

Individual funeral cover	**18,446**	17,953	**-**	-
Group funeral cover	**768**	1,099	**-**	-
	19,214	19,052	**-**	-

19.2 Maturity analysis of policyholder liabilities

Policyholder liabilities are expected to become payable as follows:

• Up to one year	**3,011**	2,202	**-**	-
• One year to five years	**2,878**	3,080	**-**	-
• More than five years	**13,325**	13,770	**-**	-
	19,214	19,052	**-**	-

19.3 Key assumptions

For the Group funeral business an IBNR reserve was established based on the most recent claims run-off numbers. These claims run-off numbers were based on the results of "experience investigations" and current and expected future market conditions.

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

- Inflation rate 5.77% (2012: 4.08%)
- Interest rate 7.27% (2012: 5.58%)
- Withdrawal assumptions were based on experience in the portfolio and in the market
- Mortality rates were based on SA85/90 Heavy (2012: SA85/90 Heavy) and the relevant AIDS tables, adjusted to reflect the most recent claims experience

19.4 Matching of assets and liabilities

The Group only underwrites assistance insurance business and, to that extent, the matching of assets and liabilities is reasonably simple. In the settlement of policyholder liabilities, cash resources and (where required) the equity investments are utilised. Cash resources and the equity investments provide sufficiently liquid funds for the settlement of liabilities and are therefore suitable for the matching of assets and liabilities and in providing for the settlement patterns of the funeral business.

19.5 Sensitivities

Policyholder liabilities have been calculated at R19.21 million by the statutory actuary as at 31 August 2013 (2012: R19.05 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	19,214	0.00
Mortality (and other claims)	10% increase	19,535	1.67
Expenses	10% increase	21,202	10.35
Investment returns	1% reduction	21,319	10.96
Withdrawals	10% increase	18,819	-2.06
Inflation	1% increase	21,132	9.98

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
20. INTEREST BEARING BORROWINGS				
Unsecured				
Cumulative preference shares (Note B)	**2,695**	2,650	**-**	-
• Face value	**2,750**	2,750	**-**	-
• Fair value adjustment	**(55)**	(100)	**-**	-
Other	**-**	1,103	**-**	-
	2,695	3,753	**-**	-

The Group's authorised preference share capital consists of 25,400 cumulative redeemable shares of one cent each (2012: 25,400) and 7,750 cumulative redeemable shares of R1,000 each (2012: 7,750).

The Group's issued preference share capital consists of no cumulative redeemable shares of one cent each (2012: Nil) and 2,750 cumulative redeemable shares of R1,000 each (2012: 2,750).

Note B:

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

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
21. TRADE AND OTHER PAYABLES				
Accruals	**13,255**	13,207	**240**	263
Insurance payables	**55,850**	47,681	**-**	-
Trade payables	**138,213**	91,644	**176**	166
Dividends payable - Preference shares	**94**	94	**-**	-
	207,412	152,626	**416**	429
22. REVENUE				
22.1 Insurance revenue				
Gross insurance premiums	**1,039,463**	928,119	**-**	-
• Local	**949,310**	877,501	**-**	-
• Foreign	**90,153**	50,618	**-**	-
22.2 Other revenue (local)	**128,702**	143,817	**1,260**	1,260
Advisory, consulting and management fees received from group companies	**-**	-	**1,260**	1,260
Advisory, consulting, management and other fees, fees received from third parties	**8,693**	17,131	**-**	-
Commissions	**119,685**	126,333	**-**	-
Rental income	**324**	353	**-**	-
	1,168,165	1,071,936	**1,260**	1,260
23. NET INSURANCE REVENUE				
Gross premiums written	**1,039,463**	928,119	**-**	-
Reinsurance premiums paid	**(727,308)**	(633,930)	**-**	-
Unearned premium reserve movements	**423**	(3,405)	**-**	-
	312,578	290,784	**-**	-

	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
24. DIRECT EXPENSES - INSURANCE AND RISK SERVICES				
Gross claims paid, change in provision for outstanding claims and IBNR	**(357,624)**	(323,109)	**-**	-
Reinsurers' share of claims paid and change in provision for outstanding claims	**183,274**	151,762	**-**	-
Net claims paid	**(174,350)**	(171,347)	**-**	-
Net expenses for the acquisition of insurance contracts, including commissions and profit commissions	**(69,714)**	(44,595)	**-**	-
Transfer from policyholder liabilities	**(162)**	609	**-**	-
	(244,226)	(215,333)	**-**	-
25. INVESTMENT INCOME				
Interest income	**10,639**	11,352	**969**	938
Investment income (listed shares and bonds)	**13,413**	2,669	**-**	-
• Dividend income	**2,839**	3,125	**-**	-
• Fair value adjustment (unrealised)	**9,901**	(6,391)	**-**	-
• Fair value adjustment (realised)	**673**	5,935	**-**	-
Investment income (unlisted shares and bonds)	**741**	(188)	**9,906**	16,800
• Dividend income (subsidiaries)	**-**	-	**9,906**	16,800
• Fair value adjustment	**741**	(188)	**-**	-
Investment (losses) income – other	**(1,525)**	283	**-**	-
• Derivatives (losses) profits	**(1,430)**	77	**-**	-
• Fair value adjustment (Investment properties and properties held for sale)	**127**	756	**-**	-
• Management and other fees	**(222)**	(550)	**-**	-
	23,268	14,116	**10,875**	17,738
26. FINANCE CHARGES				
Interest paid	**(279)**	(336)	**(84)**	(92)
Preference dividends paid	**(138)**	(176)	**-**	-
Fair value adjustment (low interest loans and preference shares)	**(45)**	85	**-**	-
	(462)	(427)	**(84)**	(92)

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
27. PROFIT BEFORE TAXATION				
The profit before taxation incudes:				
INCOME				
Foreign exchange profits	**3,067**	312	**-**	-
EXPENSES				
Auditors' remuneration	**(2,153)**	(2,394)	**(230)**	(377)
• Current year	**(1,886)**	(1,889)	**(230)**	(253)
• Prior year underprovision	**38**	(156)	**-**	-
• Other services	**(305)**	(349)	**-**	(124)
Consulting fees paid	**(1,376)**	(2,238)	**(2)**	(16)
Depreciation and amortisation	**(3,475)**	(3,514)	**(41)**	(50)
Direct operating expenses in respect of investment properties	**(240)**	(400)	**-**	-
Financial assets impaired and written off	**(4,472)**	(4,550)	**(3,695)**	(2,451)
Impairment of associates	**(211)**	-	**-**	-
Impairment of trade receivables	**(92)**	-	**-**	-
Impairment of jointly controlled entities	**(56)**	-	**-**	-
Legal fees	**(2,838)**	(4,384)	**(10)**	(30)
Loss on disposal of property, plant and equipment	**(66)**	(89)	**-**	-
Management fees paid to third parties	**(2,883)**	(297)	**(6)**	(5)
Operating lease charges	**(7,729)**	(8,162)	**-**	-
• Equipment	**(643)**	(1,344)	**-**	-
• Premises	**(7,086)**	(6,818)	**-**	-
Secretarial fees	**(248)**	(303)	**(99)**	(71)
Staff costs	**(69,703)**	(73,365)	**-**	-
• Salaries and wages (excluding directors' emoluments)	**(68,230)**	(71,983)	**-**	-
• Provident fund (defined contribution plan)	**(1,473)**	(1,382)	**-**	-

28. DIRECTORS' EMOLUMENTS

	Directors' fees R'000	Basic salary R'000	Bonuses[c)] R'000	Cost of share options R'000	Other benefits R'000	Total R'000
28.1 2013						
Paid for by Company:						
NON-EXECUTIVE						
Berkowitz, R S	**420**	**-**	**-**	**-**	**-**	**420**
Bruyns, S R	**211**	**-**	**-**	**-**	**-**	**211**
Campbell, S M	**230**	**-**	**-**	**-**	**-**	**230**
Steffens, G Z	**350**	**-**	**-**	**-**	**-**	**350**
	1,211	**-**	**-**	**-**	**-**	**1,211**
Paid for by subsidiaries:						
EXECUTIVE						
Druian, J D	**-**	**2,993**	**1,080**	**-**	**34**	**4,107**
Louw, L E	**-**	**1,721**	**700**	**-**	**79**	**2,500**
Shaw, R L	**-**	**2,025**	**810**	**-**	**-**	**2,835**
Toet, G	**-**	**1,707**	**700**	**-**	**93**	**2,500**
	-	**8,446**	**3,290**	**-**	**206**	**11,942**
	1,211	**8,446**	**3,290**	**-**	**206**	**13,153**

[c)] *Bonuses provided for in 2012 on a non-specific basis and subsequently allocated and paid to specific individuals in 2013.*

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Cost of share options R'000	Other benefits R'000	Total R'000
28.2 2012						
Paid for by Company:						
NON-EXECUTIVE						
Berkowitz, R S	412	-	300	-	-	712
Campbell, S M	188	-	-	-	-	188
Shane, S D	264	-	-	-	-	264
Steffens, G Z	294	-	-	-	-	294
EXECUTIVE						
Louw, L E	-	-	-	11	-	11
Toet, G	-	-	-	11	-	11
	1,158	-	300	22	-	1,480
Paid for by subsidiaries:						
EXECUTIVE						
Druian, J D	-	2,722	1,900	-	30	4,652
Louw, L E	-	1,559	500	-	71	2,130
Shaw, R L	-	150	-	-	-	150
Toet, G	-	1,546	500	-	84	2,130
	-	5,977	2,900	-	185	9,062
	1,158	5,977	3,200	22	185	10,542

28. DIRECTORS' EMOLUMENTS (continued)

28.3 Directors' service contracts

During the year executive directors' service agreements ("the service agreements") were amended in order to:

- enhance continuity in the short to medium term;
- provide the Group and the Executive with better protection; and
- reflect operational and labour law best practice.

The service agreements contain restraint of trade provisions in terms of which the directors, at the Group's election, 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. If the restraint is enforced the executive will be remunerated for the restraint period after the termination date.

In order to ensure continuity:

- the service agreements contain minimum employment periods ranging between 3 and 5 years, whereafter the service agreements continue indefinitely;
- upon an executive director's resignation from the Group, all service contracts are terminable on six calendar months' notice. Each director is remunerated in full during his notice period.

29. RETIREMENT BENEFITS

5.7% of the Group's employees, all employed by the Insurance and Risk Services division, contribute to the Grant Thornton Umbrella Provident Fund of which the Constantia Insurance Group is a participant and which is a defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the period in which they are due and as such are included in staff costs.

Contributions for the year under consideration amounted to R1.47 million (2012: R1.38 million). The umbrella fund and its participants are registered in terms of and regulated by the Pension Funds Act.

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

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
30. TAXATION				
30.1 Taxation				
South African normal taxation	**(19,532)**	(26,130)	**-**	-
• Current year	**(19,498)**	(25,785)	**-**	-
• Prior period underprovision	**(34)**	(345)	**-**	-
Deferred tax	**1,239**	(88)	**-**	-
Secondary tax on companies	**-**	(4,200)	**-**	-
Taxation per statement of comprehensive income	**(18,293)**	(30,418)	**-**	-

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000

30. TAXATION (continued)

30.2 Taxation reconciliation

	2013 Group	2012 Group	**2013 Company**	2012 Company
Profit before tax	**77,026**	79,671	**6,083**	13,747
Standard South African normal taxation	**(21,567)**	(22,308)	**(1,703)**	(3,849)
Non-taxable income	**2,975**	3,394	**2,777**	4,704
Non-deductible expenses	**(1,722)**	(2,748)	**(1,037)**	(701)
Prior period over (under) provision	**418**	(345)	**-**	-
Deferred tax asset not raised in companies with losses	**(1,159)**	(2,408)	**(37)**	(154)
Utilisation of previously unrecognised tax losses	**495**	396	**-**	-
Capital gains tax rate differential	**2,267**	(2,199)	**-**	-
Secondary tax on companies	**-**	(4,200)	**-**	-
Taxation per statement of comprehensive income	**(18,293)**	(30,418)	**-**	-

Deferred tax assets have not been recognised in group companies that do not anticipate generating sufficient taxable income to utilise these assets in the foreseeable future. The tax assets not so recognised as at year-end amounted to R9.30 million (2012: R9.46 million).

31. COMMITMENTS AND CONTINGENT LIABILITIES

31.1 Commitments: Operating leases

At the period end the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2013 Group	2012 Group	**2013 Company**	2012 Company
Equipment leases	**-**	3	**-**	-
• Within one year	**-**	3	**-**	-
Property leases	**25,433**	2,138	**-**	-
• Within one year	**5,708**	2,138	**-**	-
• In second to fifth years	**19,725**	-	**-**	-
	25,433	2,141	**-**	-

Operating lease payments largely represent rentals payable for office properties and office equipment.

31.2 Contingent liabilities

31.2.1 The Group's bankers have issued the following guarantees on behalf of the Group:

- Government Employees Pension Fund for office rent **R909,318**
- 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.

31.2.2 The outcome of the arbitration relating to inward re-insurance arrangements concluded in 2006 and 2007 has been determined and accounted for in the results.

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

32. EARNINGS PER SHARE

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

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

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

	GROUP	
	31 August 2013 R'000	31 August 2012 R'000
32.1 Calculation of basic earnings		
The earnings used in the calculation of basic earnings per share is as follows:		
Profit for the year	**58,733**	49,253
Less: Non-controlling interest	**(19,108)**	(17,097)
Profit attributable to ordinary shareholders	**39,625**	32,156
32.2 Reconciliation between basic earnings and headline earnings		
Headline earnings is determined as follows:		
Profit attributable to ordinary equity holders of the entity	**39,625**	32,156
Net loss (profit) on revaluation of investment properties	**43**	(41)
Loss on disposal of intangibles, property, plant and equipment	**66**	89
Impairment of associates and jointly controlled entities	**267**	-
Tax on the items above	**(21)**	(17)
Non-controlling interest on the items above (after taxation)	**-**	(24)
Headline earnings	**39,980**	32,163
32.3 Shares in issue		
32.3.1 Number of shares		
• Shares in issue	**256,380**	256,380
• Shares held as treasury shares	**(3)**	(1,603)
	256,377	254,777
32.3.2 Weighted average number of shares		
• Shares in issue	**256,380**	256,380
• Shares held as treasury shares	**(398)**	(2,199)
	255,982	254,181
32.3.3 Diluted weighted average number of shares		
• Shares in issue	**256,380**	258,380
• Shares held as treasury shares	**(398)**	(2,199)
	255,982	256,181
32.4 Earnings per share (cents)		
32.4.1 Basic earnings per share	**15.5**	12.7
32.4.2 Diluted earnings per share	**15.5**	12.6
32.4.3 Headline earnings per share	**15.6**	12.7
32.4.4 Diluted headline earnings per share	**15.6**	12.6

33. NOTES TO THE CASH FLOW STATEMENTS

33.1 The following convention applies to figures other than adjustments:

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

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

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
Profit before taxation	**77,026**	79,671	**6,083**	13,747
Adjustments for:				
Depreciation and amortisation	**3,475**	3,514	**41**	50
Dividend income	**(2,839)**	(3,125)	**(9,906)**	(16,800)
Financial assets: Impairment and write-off	**4,472**	4,550	**3,695**	2,451
Impairment of associates	**211**	-	**-**	-
Impairment of jointly controlled entities	**56**	-	**-**	-
Finance charges	**462**	427	**84**	92
Interest income	**(10,639)**	(11,352)	**(969)**	(938)
Loss on disposal of property, plant and equipment	**66**	69	**-**	-
Loss on disposal of intangibles	**-**	20	**-**	-
Share based payment reserve	**-**	22	**-**	22
Revaluation of property	**(127)**	(756)	**-**	-
(Profits) losses on investments	**(11,093)**	644	**-**	-
Equity accounted income	**(522)**	(723)	**-**	-
Operating cash flows before working capital changes	**60,548**	72,961	**(972)**	(1,376)
Working capital changes	**(18,637)**	(7,021)	**71**	(2)
• Decrease (Increase) in trade and other receivables	**(72,678)**	(38,117)	**84**	(47)
• Increase (Decrease) in trade and other payables	**54,786**	30,285	**(13)**	45
• Decrease in policyholder liabilities	**162**	(609)	**-**	-
• Increase in insurance assets	**(32,493)**	(41,376)	**-**	-
• Increase in insurance liabilities	**31,586**	42,796	**-**	-
Cash generated (utilised) by operations	**41,911**	65,940	**(901)**	(1,378)

33.3 Taxation paid

Opening balance	**(7,080)**	(852)	**-**	-
Statement of comprehensive income movement	**(19,532)**	(26,130)	**-**	-
Secondary tax on companies	**-**	(4,200)	**-**	-
Closing balance	**221**	7,080	**-**	-
	(26,391)	(24,102)	**-**	-

34. INVESTMENT IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

34.1 The following information relates to the Group's investment in associate companies:

	Nature of business	Country of incorporation	Number of shares held		Interest		Book value of investment		Indebtedness to (by) Group	
			2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
					%	%	**R'000**	R'000	**R'000**	R'000
Held through a subsidiary										
Autotrade Underwriting Managers Proprietary Limited	Underwriting manager	RSA	**30**	30	**30**	30	**323**	238	**-**	-
Wheels Underwriting Managers Proprietary Limited	Underwriting manager	RSA	**20**	20	**20**	20	**-**	73	**-**	-
							323	311	**-**	-

<u>Notes:</u>
- *All associates of the Group are unlisted companies.*

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
34.2 Allocated as follows:				
• Book value of investment (note 9)	**323**	311	**-**	-

34. INVESTMENT IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

34.3 The following information relates to the Group's investment in jointly controlled entities:

	Nature of business	Country of incorporation	Number of shares held		Interest		Book value of investment		Indebtedness to (by) Group	
			2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
					%	%	**R'000**	R'000	**R'000**	R'000
Held through a subsidiary										
Catalyst Insurance Consultants Proprietary Limited	Insurance administrator and consultant	RSA	**500**	500	**50**	50	**2,902**	2,710	**415**	787
Riverstone Insurance Brokers Proprietary Limited	Insurance broker	RSA	**50**	50	**50**	50	**249**	259	**-**	-
							3,151	2,969	**415**	787

<u>Notes</u>:

- *The Group's jointly controlled entities are all unlisted companies.*
- *The loan to Catalyst Insurance Consultants Proprietary Limited is secured, attracts interest at prime and is repayable before 31 August 2014.*

	GROUP		COMPANY	
	31 August 2013 R'000	31 August 2012 R'000	**31 August 2013 R'000**	31 August 2012 R'000
34.4 Allocated as follows:				
• Book value of investment	**3,151**	2,969	**-**	-
• Indebtedness to the Group	**415**	787	**-**	-
• Investment in joint ventures (note 10)	**3,566**	3,756	**-**	-

34. INVESTMENT IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

34.5 The following information relates to the Company's investment in subsidiary companies:

	Nature of business	Country of incorporation	Issued ordinary share capital		Interest		Shares at cost less amounts written off		Indebtedness to (by) Conduit Capital	
			2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
					%	%	**R'000**	R'000	**R'000**	R'000
Directly owned										
Anthony Richards and Associates Proprietary Limited [(d)]	Credit recovery and call centre services	RSA	**100**	100	**40**	40	**11,568**	11,568	**-**	3,400
Conduit Fund Managers Proprietary Limited	Asset manager	RSA	**1**	1	**100**	100	**-**	-	**-**	400
Conduit Management Services Proprietary Limited	Management services; equities and derivatives trading	RSA	**140,000**	140,000	**100**	100	**140**	140	**32,920**	34,728
Copper Sunset Trading 186 Proprietary Limited	Holding company	RSA	**100**	100	**100**	100	**2**	2	**99,715**	99,542
Marble Gold 213 Proprietary Limited	Holding company	RSA	**100**	100	**100**	100	**790**	790	**(202)**	142
On Line Lottery Services Proprietary Limited	E-commerce agent	RSA	**150**	150	**80**	80	**585**	585	**-**	67
Held through a subsidiary										
Black Ginger 92 Proprietary Limited	Investment Company	RSA	**100**	100	**100**	100	**-**	-	**10,208**	9,344
Cherry Creek Trading 88 Proprietary Limited	Dormant	RSA	**100**	100	**100**	100	**-**	-	**-**	-
Constantia Insurance Holdings Proprietary Limited	Investment company	RSA	**120**	120	**100**	100	**-**	-	**-**	-
Constantia Risk and Insurance Holdings Proprietary Limited	Holding company	RSA	**200**	200	**100**	100	**-**	-	**-**	-
Constantia Insurance Company Limited	Short-term insurer	RSA	**2,244,500**	2,244,500	**100**	100	**-**	-	**-**	-
Constantia Life and Health Assurance Company Limited	Long-term insurer	RSA	**13,772,380**	13,772,380	**100**	100	**-**	-	**-**	-
Hurriclaim Proprietary Limited	Claims administrator	RSA	**352,000**	352,000	**100**	100	**-**	-	**-**	-

34. INVESTMENT IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

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

	Nature of business	Country of incorporation	Issued ordinary share capital		Interest		Shares at cost less amounts written off		Indebtedness to (by) Conduit Capital	
			2013	2012	2013	2012	2013	2012	2013	2012
					%	%	R'000	R'000	R'000	R'000
Held through a subsidiary (continued)										
Constantia Life Limited	Long-term insurer	RSA	**696,000**	696,000	**100**	100	**-**	-	**-**	-
Goodall and Bourne Properties Proprietary Limited	Property company	RSA	**2,000**	2,000	**100**	100	**-**	-	**-**	-
Goodall and Bourne Properties (Wale Street) Proprietary Limited	Dormant	RSA	**100**	100	**100**	100	**-**	-	**-**	-
Goodall and Bourne Trust Company Limited	Holding company	RSA	**200**	200	**100**	100	**-**	-	**-**	-
Goodall and Company Funeral Assurance Society Limited	Long-term insurer (Dormant)	RSA	**5,000,000**	5,000,000	**100**	100	**-**	-	**-**	-
Goodall and Company Undertakers Proprietary Limited	Holding company	RSA	**2,000**	2,000	**100**	100	**-**	-	**-**	-
IMR 11 Proprietary Limited	In deregistration	RSA	**100**	100	**100**	100	**-**	-	**(1,834)**	(1,834)
IMR Share Trust	Share trust	RSA	**-**	-	**-**	-	**-**	-	**(2,645)**	(2,352)
Internetwork Property Services Proprietary Limited	Administrative company	RSA	**100**	100	**100**	100	**-**	-	**-**	-
Inventory and Risk Survey Holdings Proprietary Limited	Risk surveyor	RSA	**100**	100	**61**	61	**-**	-	**-**	-
TGI Investment Holding Proprietary Limited	Investment company	RSA	**9,680,036**	9,680,036	**100**	100	**-**	-	**-**	-
Transqua Administrative Services Proprietary Limited	Underwriting manager	RSA	**500,000**	500,000	**100**	100	**-**	-	**-**	-
General Legal and Administration Services Limited (previously Truck and General Insurance Company Limited)	Administration services provider	RSA	**1,002**	1,002	**100**	100	**-**	-	**-**	-
							13,085	13,085	**138,162**	143,437

[d] Anthony Richards and Associates Proprietary Limited ("ARA") is treated as a subsidiary due to the fact that Conduit Capital exercised board control as at the reporting date.

Board control has been relinquished subsequent to year-end and in future ARA will be treated as an associate.

34. INVESTMENT IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

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

Notes:

- *All subsidiaries in the Group are unlisted companies.*
- *The loan to Black Ginger 92 Proprietary Limited is unsecured, attracts interest at prime and is repayable before 9 April 2014.*
- *The loan to Conduit Fund Managers Proprietary Limited is designated an equity loan, is unsecured, attracts no interest and is repayable at the election of the borrower.*
- *The loan to Conduit Management Services Proprietary Limited is unsecured, attracts no interest and is repayable before 15 March 2015.*
- *The loan to Copper Sunset Trading 186 Proprietary Limited is designated an equity loan, is unsecured, attracts no interest and is repayable at the election of the borrower.*
- *The loan payable to Marble Gold 213 Proprietary Limited is unsecured, attracts no interest and is repayable by mutual consent.*
- *The loan payable to IMR 11 Proprietary Limited is unsecured, attracts no interest and is repayable before 15 March 2015.*
- *The loan payable to the IMR Share Trust is unsecured, attracts interest at rates linked to prime and is repayable by 15 March 2015.*

	COMPANY	
	31 August 2013 R'000	31 August 2012 R'000
34.6 Allocated as follows:		
• Shares at cost	13,085	13,085
• Equity loans	100,115	100,151
• Other amounts due by subsidiaries	42,728	47,472
• Investment in subsidiaries (note 11)	155,928	160,708
• Loans payable	(4,681)	(4,186)
	151,247	156,522

35. RISK MANAGEMENT

35.1 Currency risk

Currency risk is the risk that the value of a financial instrument denominated in a foreign currency will fluctuate against the Rand ("ZAR") as a result of changes in foreign exchange rates.

The Group is exposed to currency risk with regards to its reinsurance operations in Africa. Premium income from these operations, which contributed approximately 8.7% to the Group's gross premium income for the 2013 financial year, was earned in US Dollar ("USD") and fluctuations in the ZAR/USD exchange rate may influence underwriting results and asset values (as it relates to USD denominated assets) to a material extent.

The Group has mitigated its currency exposure by entering into forward exchange contracts in terms whereof USD are sold at a fixed rate at a date in the future. Assets exposed to currency risks are regularly assessed and adjustments are made to forward cover positions in order to ensure that adequate forward cover is maintained at all times.

At 31 August 2013, if the Rand had depreciated 10% against the US dollar with no forward exchange contracts in place and all other variables held constant, post-tax profit for the year would have been R1.52 million higher. Conversely, if the Rand had appreciated 10% against the US dollar with no forward exchange contracts in place and all other variables held constant, post-tax profit would have been R1.89 million lower.

With the forward cover in place, a 10% adjustment against the US dollar and all other variables held constant, the post-tax profit for the year would have increased by R0.78 million and reduced by R1.15 million respectively.

35. RISK MANAGEMENT (continued)

35.2 Interest rate risk

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

The Group has some investments and borrowings that are subject to interest rate risk. Details of these investments and borrowings are set out in notes 12 and 20. Additional exposure to interest rate risk is in the form of cash balances held at call with banks (see note 15), which earn interest at rates that vary on a daily basis, loans receivable that earn interest at rates that are linked to the prime lending rate (note 6), as well as the effect that interest rate fluctuations have on the value of debt securities and listed property units held by the Group (note 12).

35.2.1 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 of the Group:

GROUP: Financial assets	2013 2% increase R'000	2012 2% increase R'000	2013 2% decrease R'000	2012 2% decrease R'000
Investments in debt securities	(127)	(122)	129	124
Cash and interest bearing loans	4,125	3,969	(4,125)	(3,969)
	3,998	3,847	(3,996)	(3,845)

An increase or decrease of 2% in the interest rates relating to investments in debt securities, listed property units, loans receivable and cash would result in an increase in income of R4.00 million (2012: R3.85 million) or a decrease in income of R4.00 million (2012: R3.85 million) respectively.

GROUP: Financial liabilities	2013 2% increase R'000	2012 2% increase R'000	2013 2% decrease R'000	2012 2% decrease R'000
Interest bearing borrowings	(121)	(54)	121	49

An increase or decrease of 2% in the interest rates relating to borrowings and payables would result in an increase in expenses of R0.12 million (2012: R0.05 million) or a decrease in expenses of R0.12 million (2012: R0.05 million) respectively.

35.2.2 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 of the Company:

COMPANY: Financial assets	2013 2% increase R'000	2012 2% increase R'000	2013 2% decrease R'000	2012 2% decrease R'000
Cash and interest bearing loans	404	358	(404)	(358)

An increase or decrease of 2% in the interest rates relating to investments in loans receivable and cash would result in an increase in income of R0.40 million (2012: R0.36 million) or a decrease in income of R0.40 million (2012: R0.36 million) respectively.

COMPANY: Financial liabilities	2013 2% increase R'000	2012 2% increase R'000	2013 2% decrease R'000	2012 2% decrease R'000
Loans payable	(48)	(47)	48	47

An increase or decrease of 2% in the interest rates relating to borrowings and payables would result in an increase in expenses of R0.05 million (2012: R0.05 million) or a decrease in expenses of R0.05 million (2012: R0.05 million) respectively.

The Group and the Company monitor and manage this risk through its Investment Committee and the Board's oversight.

35. RISK MANAGEMENT (continued)

35.3 Market risk

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

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

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

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

35.4 Credit risk

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

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

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

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

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

	Credit rating						
	A- R'000	BBB+ R'000	BBB R'000	BBB- R'000	BB+ R'000	Not rated R'000	Carrying value R'000
35.4.1 GROUP							
31 August 2013							
Investments in debt securities held at fair value	**-**	**-**	**4,100**	**-**	**2,042**	**-**	**6,142**
Unlisted investments held at fair value	**-**	**-**	**-**	**-**	**-**	**4,280**	**4,280**
Loans receivable	**-**	**-**	**-**	**-**	**-**	**17,508**	**17,508**
Trade and other receivables	**-**	**-**	**-**	**-**	**-**	**183,120**	**183,120**
Cash and cash equivalents	**44,065**	**1,502**	**178,034**	**44,471**	**-**	**8,377**	**276,449**
	44,065	**1,502**	**182,134**	**44,471**	**2,042**	**213,285**	**487,499**

35. RISK MANAGEMENT (continued)

35.4 Credit risk (continued)

	Credit rating					
	A- R'000	BBB+ R'000	BBB R'000	BBB- R'000	Not rated R'000	Carrying value R'000
35.4.1 GROUP (continued)						
31 August 2012						
Investments in debt securities held at fair value	-	6,656	-	-	-	6,656
Unlisted investments held at fair value	-	-	-	-	3,539	3,539
Loans receivable	-	-	-	-	15,245	15,245
Trade and other receivables	-	-	-	-	113,513	113,513
Cash and cash equivalents	43,801	135,326	84,388	-	6,457	269,972
	43,801	141,982	84,388	-	138,754	408,925
35.4.2 COMPANY						
31 August 2013						
Trade and other receivables	**-**	**-**	**-**	**-**	**163**	**163**
Cash and cash equivalents	**-**	**-**	**13,477**	**107**	**-**	**13,584**
	-	**-**	**13,477**	**107**	**163**	**13,747**
31 August 2012						
Trade and other receivables	-	-	-	-	247	247
Cash and cash equivalents	-	2,012	102	-	-	2,114
	-	2,012	102	-	247	2,361

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

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

35. RISK MANAGEMENT (continued)

35.4 Credit risk (continued)

Impairment history

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

	Neither past due nor impaired R'000	Financial assets that are past due but not impaired 0-3 months R'000	3-6 months R'000	6 months to 1 year R'000	Greater than 1 year R'000	Financial assets that have been impaired R'000	Provision for Impairment R'000	Carrying value R'000
35.4.3 GROUP								
31 August 2013								
Investments in debt securities held at fair value	6,142	-	-	-	-	-	-	6,142
Unlisted investments held at fair value	4,280	-	-	-	-	-	-	4,280
Loans receivable	17,508	-	-	-	-	3,311	(3,311)	17,508
Trade and other receivables	117,126	20,976	7,409	11,857	25,752	4,171	(4,171)	183,120
Cash and cash equivalents	276,449	-	-	-	-	-	-	276,449
	421,505	20,976	7,409	11,857	25,752	7,482	(7,482)	487,499
31 August 2012								
Investments in debt securities held at fair value	6,656	-	-	-	-	-	-	6,656
Unlisted investments held at fair value	3,539	-	-	-	-	-	-	3,539
Loans receivable	15,245	-	-	-	-	1,910	(1,910)	15,245
Trade and other receivables	89,595	6,878	1,521	11,226	4,293	2,745	(2,745)	113,513
Cash and cash equivalents	269,972	-	-	-	-	-	-	269,972
	385,007	6,878	1,521	11,226	4,293	4,655	(4,655)	408,925
35.4.4 COMPANY								
31 August 2013								
Trade and other receivables	163	-	-	-	-	-	-	163
Cash and cash equivalents	13,584	-	-	-	-	-	-	13,584
	13,747	-	-	-	-	-	-	13,747
31 August 2012								
Trade and other receivables	247	-	-	-	-	-	-	247
Cash and cash equivalents	2,114	-	-	-	-	-	-	2,114
	2,361	-	-	-	-	-	-	2,361

35. RISK MANAGEMENT (continued)

35.5 Liquidity risk

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

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

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

	Within 1 year R'000	2 to 5 years R'000	More than 5 years R'000	Total R'000
35.5.1 GROUP				
2013				
Interest-bearing borrowings	**-**	**-**	**2,695**	**2,695**
Trade and other payables	**207,412**	**-**	**-**	**207,412**
	207,412	**-**	**2,695**	**210,107**
2012				
Interest-bearing borrowings	-	1,103	2,650	3,753
Trade and other payables	152,626	-	-	152,626
	152,626	1,103	2,650	156,379
35.5.2 COMPANY				
2013				
Loans payable	**4,681**	**-**	**-**	**4,681**
Trade and other payables	**416**	**-**	**-**	**416**
	5,097	**-**	**-**	**5,097**
2012				
Loans payable	4,186	-	-	4,186
Trade and other payables	429	-	-	429
	4,615	-	-	4,615

35. RISK MANAGEMENT (continued)

35.6 Insurance risk

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

35.6.1 Types of insurance policies

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

Guarantee:

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

Liabiliity:

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

Motor:

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

Accident and Health:

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

Property:

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

35.6.2 Concentration of insurance risk

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

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

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

Gross premium earned per class of business	**2013 R'000**	2012 R'000
Short term		
• Property	**256,115**	255,244
• Motor	**185,194**	216,206
• Accident/Health	**377,561**	265,252
• Guarantee	**18,659**	18,510
• Miscellaneous (including legal expenses, retrenchment cover)	**179,913**	154,321
Long term	**22,021**	18,586
	1,039,463	928,119

35. RISK MANAGEMENT (continued)

35.6 Insurance risk (continued)

35.6.3 Management of insurance risk

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

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

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

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

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

35.6.4 Key insurance risks

Reinsurance credit risk

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

The risk is mitigated by the choice of reinsurers. The Group currently deals with the following reputable reinsurers:
- African Reinsurance Corporation (SA) Limited;
- Guardrisk Insurance Company Limited;
- Hannover Reinsurance Africa Limited;
- Munich Reinsurance Company of Africa Limited; and
- SCOR Africa Limited.

Claims risk

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

Lapse risk

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

35. RISK MANAGEMENT (continued)

35.6 Insurance risk (continued)

35.6.4 Key insurance risks (continued)

Expense risk

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

Pricing and Underwriting risk

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

35.7 Capital risk management

The Group's objectives when managing capital are:

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

The capital structure of the Group consists of invested share capital, retained earnings, non-controlling shareholders' interest and debt that include the borrowings disclosed in note 20 as disclosed on the Group's statement of financial position.

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

Consistent with others in the industry, the Group monitors capital in its insurance businesses on the basis of solvency and the capital adequacy requirement ("CAR"). Over the medium to long term the Group targets:

- an international solvency ratio of in excess of 45% and a CAR in excess of 1.25 for its short-term insurance business; and
- a CAR of 1.5 for its long-term insurance businesses.

The solvency ratio is calculated as the short-term insurer's net assets divided by net written premium, while the CAR is calculated as the insurer's statutory net assets divided by its capital adequacy requirement as calculated:

- on the Financial Soundness Valuation basis disclosed in the Actuary's Report for the long-term insurance business; and
- in terms of the SAM Interim Requirements for the short-term insurance business.

Constantia Insurance Company Limited's solvency on the international basis at year-end was 53.5% (2012: 52.9%), while its CAR at year-end was 1.46 overall and 1.29 on its domestic business. Constantia Life and Health Limited and Constantia Life Limited's CARs were 2.05 and 2.41 respectively (2012: 1.78 and 1.81).

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

The current regulatory framework is presently under review and a new risk-based approach to determining the capital to be held by the Group is expected to be implemented by 2016.

36. DIRECTORS' INTEREST IN SHARES AND SHARE OPTIONS

36.1 Beneficial interest in shares

	Direct	Indirect	Total
31 August 2013			
• Berkowitz, R S	**350,000**	**-**	**350,000**
• Bruyns, S R	**-**	**-**	**-**
• Campbell, S M	**48,000**	**2,523,000**	**2,571,000**
• Druian, J D	**24,934,041**	**2,587,734**	**27,521,775**
• Louw, L E	**1,800,000**	**2,000,000**	**3,800,000**
• Shaw, R L	**516,688**	**-**	**516,688**
• Steffens, G Z	**-**	**-**	**-**
• Toet, G	**1,841,236**	**-**	**1,841,236**
	29,489,965	**7,110,734**	**36,600,699**

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

	Direct	Indirect	Total
31 August 2012			
• Berkowitz, R S	350,000	-	350,000
• Campbell, S M	48,000	2,523,000	2,571,000
• Druian, J D	24,934,041	2,587,734	27,521,775
• Louw, L E	1,000,000	2,000,000	3,000,000
• Shane, S D	-	-	-
• Steffens, G Z	-	-	-
• Toet, G	1,041,236	-	1,041,236
	27,373,277	7,110,734	34,484,011

36.2 Interest in share options

	Direct	Total
31 August 2013		
• Berkowitz, R S	**-**	**-**
• Bruyns, S R	**-**	**-**
• Campbell, S M	**-**	**-**
• Druian, J D	**-**	**-**
• Louw, L E	**-**	**-**
• Shaw, R L	**-**	**-**
• Steffens, G Z	**-**	**-**
• Toet, G	**-**	**-**
	-	**-**
31 August 2012		
• Berkowitz, R S	-	-
• Campbell, S M	-	-
• Druian, J D	-	-
• Louw, L E	1,000,000	1,000,000
• Shane, S D	-	-
• Steffens, G Z	-	-
• Toet, G	1,000,000	1,000,000
	2,000,000	2,000,000

37. RELATED PARTY TRANSACTIONS

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

37.1 Shareholders

The principal shareholders of the Company are detailed in the section dealing with shareholder information. There were no dealings with the Company's principal shareholders, other than those who are also directors of the Company. These dealings are disclosed in note 37.3.

37.2 Companies within the Group

37.2.1 Subsidiaries

Details of investments in and loans to/from subsidiary companies are disclosed in notes 34.5 and 34.6. 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 37.4.1.

37.2.2 Jointly controlled entities

Details of investments in jointly controlled entities are disclosed in notes 34.3 and 34.4.

Details of trading transactions with jointly controlled entities are reflected in notes 10 and 37.4.2.

37.2.3 Associates

Details of investments in associate companies are disclosed in notes 34.1 and 34.2. 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 note 9.

37.2.4 Investments

Details of investments other than investments in subsidiary and associate companies and jointly controlled entities are disclosed in note 12. In terms of the provisions of the Companies Act, a complete register of listed and unlisted investments is available for inspection at the Group's registered office.

37.3 Directors and key management

37.3.1 Dealings in capacity as a director of the Company

The directors' report and the notes to the Annual Financial Statements disclose details relating to directors' emoluments (note 28), shareholdings (note 36) and share options in the Company (notes 18 and 36).

37.3.2 Companies controlled by a director

- Anslow Management Consultants Proprietary Limited;
- Freshfields Insurance Brokers Proprietary Limited;
- Newbridge Reinsurance Brokers Proprietary Limited;
- Shavian Investment Holdings Proprietary Limited; and
- Unison Guarantee Acceptances Proprietary Limited

are all controlled by Mr Robert L Shaw.

37.3.3 Dealings in capacities other than as a director of the Company

During the year ended 31 August 2013 the Group has had no dealings with directors other than in their capacity as directors or as disclosed below.

Further details of transactions with directors' companies and key management are disclosed in note 37.4.3.

37. RELATED PARTY TRANSACTIONS (continued)

37.4 Trading transactions and outstanding balances other than loan balances

	GROUP 31 August 2013 R'000	GROUP 31 August 2012 R'000	COMPANY 31 August 2013 R'000	COMPANY 31 August 2012 R'000
37.4.1 Subsidiaries				
Anthony Richards and Associates Proprietary Limited				
• Dividend received			**9,906**	16,800
Black Ginger 92 Proprietary Limited				
• Interest received			**827**	797
Conduit Fund Managers Proprietary Limited				
• Management and administration fees paid			**(6)**	(5)
• Balance due to			**(2)**	-
Conduit Management Services Proprietary Limited				
• Management and administration fees received			**1,260**	1,260
IMR Share Trust				
• Interest paid			**(83)**	(82)
37.4.2 Jointly controlled entities				
Catalyst Insurance Consultants Proprietary Limited				
• Interest received	**50**	73	**-**	-
• Directors fees received	**96**	96	**-**	-
• Interest paid	**-**	(10)	**-**	(10)
Riverstone Insurance Brokers Proprietary Limited				
• Dividend received	**60**	50	**-**	-
37.4.3 Directors, directors' companies and key management				
Anslow Management Consultants Proprietary Limited				
• Management fees paid	**(360)**	(300)	**-**	-
• Rental paid	**(580)**	(402)	**-**	-
Freshfields Insurance Brokers Proprietary Limited				
• Office expenses	**-**	(2)	**-**	-
Newbridge Reinsurance Proprietary Limited				
• Office expenses	**-**	(4)	**-**	-
Shavian Investment Holdings Proprietary Limited				
• Rental paid	**(608)**	(979)	**-**	-
• Balance due to	**-**	(63)	**-**	-
Unison Guarantee Acceptances Proprietary Limited				
• Management fees	**(2,554)**	-	**-**	-
Key management				
• Salaries and bonuses paid to key management (short-term employee benefits)	**(5,527)**	(3,789)	**-**	-

SHAREHOLDER INFORMATION

as at 31 August 2013

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 - 1,000 shares	457	33.78	163,701	0.06
1,001 - 10,000 shares	512	37.84	2,513,783	0.98
10,001 - 100,000 shares	265	19.59	8,668,373	3.38
100,001 - 1,000,000 shares	74	5.47	22,646,653	8.83
1,000,001 shares and over	45	3.32	222,387,308	86.75
	1,353	**100.00**	**256,379,818**	**100.00**

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Close corporations	19	1.40	6,338,150	2.47
Individuals	1,135	83.89	79,870,113	31.15
Nominees and trusts	97	7.17	16,125,073	6.29
Other persons and corporations	49	3.62	52,731,691	20.57
Private companies	39	2.88	80,671,261	31.47
Public companies	14	1.04	20,643,530	8.05
	1,353	**100.00**	**256,379,818**	**100.00**

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholdings	%	Number of shares	%
Non-public shareholders	16	1.18	48,140,090	18.78
Directors and associates' holdings	15	1.11	48,136,869	18.78
Own holdings	1	0.07	3,221	-
Public shareholders	1,337	98.82	208,239,728	81.22
	1,353	**100.00**	**256,379,818**	**100.00**

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	Number of shares	%
Mr Jason Dean Druian	27,521,775	10.73
Mr Stanley David Shane	19,329,766	7.54
LLC Pershing	18,773,094	7.32
Morning Tide Investments 82 Proprietary Limited	13,000,000	5.07
First National Investors Proprietary Limited	12,181,818	4.75
Mr Wayne Anthony Druian	11,450,934	4.47
RE:CM and Calibre Limited	11,252,694	4.39
Snowball Wealth Proprietary Limited	10,771,776	4.20
IPB Segregared Client Account UBS	10,324,092	4.03
Ellerine Bros Proprietary Limited	10,000,000	3.90
	144,605,949	56.40

DIRECTORATE, ADMINISTRATION AND CORPORATE INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE

Republic of South Africa

NATURE OF BUSINESS

Listed investment holding company

DIRECTORS

Reginald S Berkowitz (76) - LLB
Independent chairman and non-executive director

Jason D Druian (41)
Chief executive officer

Richard Bruyns (60) - CA (SA); PDM (Harvard)
Independent non-executive director

Scott M Campbell** (45) - BBS; Dip Bus Studies
Independent non-executive director

Lourens E Louw (43) - B Comm
Financial Director

Robert L Shaw (63)
Executive director

Günter Z Steffens OBE* (76)
Member - The Guild of International Bankers,
London Brooks, London
Independent non-executive director

Gavin Toet (39)
Executive director

* *German*
** *New Zealander*

ADMINISTRATION

Registered address

Unit 7 Tulbagh
360 Oak Avenue
Randburg, 2194

Postal address

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

Registration number

1998/017351/06

Level of assurance

These Annual Financial Statements have been audited

Preparer

The Annual Financial Statements were internally compiled by:

Lourens E Louw

Financial director

CORPORATE INFORMATION

Bankers

FirstRand Bank
ABSA Bank
Investec Bank
Nedbank
Standard Bank

Company Secretary

Probity Business Services
Proprietary Limited
(Registration number: 2000/002046/07)
Third Floor, The Mall Offices
11 Cradock Avenue, Rosebank, 2196

PO Box 85392, Emmarentia, 2029

Transfer Secretaries

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

Sponsors

Merchantec Capital
(Registration number: 2008/027362/07)
2nd Floor, North Block, Hyde Park Office Tower
Cnr 6th Road & Jan Smuts Avenue, Hyde Park, 2196
PO Box 41480, Craighall, 2024

Independent auditors

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

Corporate advisor and legal advisor

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

Alpha code

CND

ISIN

ZAE000073128

CONDUIT CAPITAL LIMITED

Incorporated in the Republic of South Africa

(Registration number 1998/017351/06)

Share code: CND ISIN: ZAE000073128

("Conduit Capital" or "the Company" or "the Group")

NOTICE OF ANNUAL GENERAL MEETING

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 adviser immediately.

Notice is hereby given that the Annual General Meeting ("Annual General Meeting") of shareholders of Conduit Capital will be held at 08:00 on Wednesday, 9 April 2014 at Tulbagh, 360 Oak Avenue, Randburg, 2194, for the purpose of considering, and, if deemed fit, passing with or without modification the resolutions set out hereafter.

The board of directors of the Company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008) ("the Companies Act"), as amended, the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 28 March 2014. Accordingly, the last day to trade Conduit Capital shares in order to be recorded in the Register to be entitled to vote will be Friday, 21 March 2014.

1. To receive, consider and adopt the Annual Financial Statements of the Company and the Group for the financial year ended 31 August 2013, including the reports of the auditors, directors and the Audit Committee.
2. To re-elect Mr Günter Zeno Steffens who, in terms of Article 26 of the Company's Memorandum of Incorporation, retires by rotation at this Annual General Meeting but, being eligible to do so, offers himself for re-election.
3. To re-elect Mr Scott MacGibbon Campbell who, in terms of Article 26 of the Company's Memorandum of Incorporation, retires by rotation at this Annual General Meeting but, being eligible to do so, offers himself for re-election.

   An abbreviated curriculum vitae in respect of each director offering himself for re-election is set out in **Annexure A** to this notice of Annual General Meeting.
4. To appoint Mr Günter Zeno Steffens as a member and Chairman of the Conduit Capital Audit Committee.
5. To appoint Mr Stephen Richard Bruyns as a member of the Conduit Capital Audit Committee.
6. To appoint Mr Scott MacGibbon Campbell as a member of the Conduit Capital Audit Committee.

   An abbreviated curriculum vitae in respect of each member of the Audit Committee is set out in **Annexure A** to this notice of Annual General Meeting.
7. To confirm the re-appointment of Grant Thornton as independent auditors of the Company with Mr David S Reuben being the individual registered auditor who will undertake the audit of the Company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.

The minimum percentage of voting rights required for each of the resolutions set out in items number 1 to 7 above to be adopted is more than 50% (fifty percent) of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the Annual General Meeting.

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

8. ORDINARY RESOLUTION NUMBER 1

Approval of remuneration policy

"**Resolved that** the remuneration policy of the directors of Conduit Capital Limited ("the Company"), the salient features of which is set out in **Annexure B** to this notice of Annual General Meeting be and is hereby approved as a non-binding advisory vote of shareholders of the Company in terms of the King III Report on Corporate Governance."

Ordinary resolutions to be adopted at this Annual General Meeting require approval from a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

9. ORDINARY RESOLUTION NUMBER 2

Control of authorised but unissued ordinary shares

"**Resolved that** that the authorised but unissued ordinary shares in the capital of Conduit Capital Limited ("the Company") be and are hereby placed under the control and authority of the directors of the Company ("directors") and that the directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of sections 38 and 41 of the Companies Act, 2008 (Act 71 of 2008), as amended, the Memorandum of Incorporation of the Company and the Listings Requirements of JSE Limited, as amended from time to time."

Ordinary resolutions to be adopted at this Annual General Meeting require approval from a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

10. SPECIAL RESOLUTION NUMBER 1

General approval to acquire shares

"**Resolved**, by way of a general approval that Conduit Capital Limited ("the Company") and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the Company in terms of sections 46 and 48 of the Companies Act, 2008 (Act 71 of 2008), as amended, the Memorandum of Incorporation of the Company and its subsidiaries and the Listings Requirements of JSE Limited ("the JSE"), as amended from time to time.

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

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued ordinary share capital;
- the Company may only effect the repurchase once a resolution has been passed by the board of directors of the Company ("the Board") confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;
- the Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Explanatory note

The purpose of this special resolution number 2 is to obtain an authority for and to authorise the Company and the Company's subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares.

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

Special resolutions to be adopted at this Annual General Meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

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

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

- directors and management - page 84;
- major shareholders of the Company - page 83;
- directors' interests in securities - page 80; and
- share capital of the Company - page 57.

10.2 Litigation statement

The directors, whose names appear on page 84 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings (other than as disclosed in the annual report), including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous twelve months) a material effect on the Group's financial position.

10.3 Material change

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

10.4 Directors' responsibility statement

The directors, whose names appear on page 84 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

10.5 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter:

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

The Company may not enter the market to proceed with the repurchase until its Sponsor, Merchantec Capital, has discharged all of its responsibilities in terms of the JSE Listings Requirements insofar as they apply to working capital statements for the purposes of undertaking an acquisition of its issued ordinary shares.

11. ORDINARY RESOLUTION NUMBER 3

Signature of documents

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

Ordinary resolutions to be adopted at this Annual General Meeting require approval from a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

12. OTHER BUSINESS

To transact such other business as may be transacted at the Annual General Meeting of the Company.

VOTING AND PROXIES

Special resolutions to be adopted at this Annual General Meeting require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting. Ordinary resolutions to be adopted at this Annual General Meeting require approval from a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

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

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

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

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

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

Kindly note that meeting participants, which includes proxies, are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licenses and passports.

By order of the Board

Probity Business Services Proprietary Limited
Company Secretary

15 November 2013
Johannesburg

ANNEXURE A

ABBREVIATED CURRICULUM VITAE OF DIRECTORS OFFERING THEMSELVES FOR RE-ELECTION AND MEMBERS OF THE AUDIT COMMITTEE

The occupation and relevant business experience of Richard Bruyns is set out below:

Name: Stephen Richard Bruyns

Age: 60

Role: Independent Non-executive Director and Member of the Audit Committee

Richard's qualifications include a CA (SA) and a PDM (Harvard) and his directorship experience spans many industries and achievements. He is currently the independent non-executive Chairman of MiX Telematics Limited and New Africa Investments Limited, both listed on the JSE, and Chairman of Carnelley Rangecroft Consultancy. Richard has, during the past 20 years, led companies employing from 500 to 12 000 employees and with annual sales ranging from R500 million to R20 billion in the IT, manufacturing, construction, hospitality and consumer goods industries. Richard has served on many boards, some of which include Malbak Limited, Kohler Packaging Limited, Kimberly Clark of SA Limited, Crown Cork SA Proprietary Limited, Control Instruments Limited, Conservation Corporation of SA Limited and Shift Interactive Communications.

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

Name: Scott MacGibbon Campbell

Age: 45

Role: Independent Non-executive Director and Member of the Audit Committee

In 1989 Scott commenced his career in New Zealand with AMP Group. He joined Appleton in 1996 and was appointed Managing Director of Appleton International in 1997. He relocated the operation to London in 2000 and successfully developed the business as CEO whilst simultaneously acting as Chief Investment Officer. He resigned from Appleton in April 2002 to establish an institutional offshore fund management company.

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

Name: Günter Zeno Steffens OBE

Age: 76

Role: Independent Non-executive Director and Chairman of the Audit Committee

Günter is a Director of a number of listed companies, both in South Africa and abroad. Over the last 40 years Günter gained extensive experience in the financial services industry, most notably with Dresdner Bank AG. Over the course of 25 years he established and managed Dresdner Bank AG in London and later represented the bank in the capacity of Geographic Head for Southern Africa. Günter previously chaired the German-British Chamber of Commerce and the Foreign Banks and Securities Houses Association. In 1988 Günter was awarded the Most Excellent Order of the British Empire (OBE) for improving German-British economic relations.

SALIENT FEATURES OF CONDUIT CAPITAL'S REMUNERATION POLICY

PURPOSE

Conduit Capital's remuneration policy ("the Policy") sets the guidelines within which the Board of Directors is authorised to enter into agreements concerning performance-related remuneration of the Executive Directors and other senior employees with a view to being able to attract, develop and retain competent key individuals who can contribute to improving earnings and value creation for the benefit of all stakeholders.

The Policy is overseen by the Remuneration Committee ("Remco"), which consists of three Non-executive Directors.

PRIMARY OBJECTIVES

The Company's remuneration policy and practices have as its primary objectives the following:

1. To provide a flexible and competitive remuneration structure that:
   a. is referenced to an appropriate market benchmark;
   b. reflects market best practices; and
   c. is tailored to the specific circumstances of the Company

   in order to attract, motivate and retain highly skilled Directors and Executives;
2. To be fair and appropriate having regard to the performance of the Company and the relevant Director or Executive.
3. To motivate Directors and Executives to pursue the long term growth and success of the Company within an appropriate control framework.

NON-EXECUTIVE DIRECTORS

Non-executive Directors receive a fixed annual remuneration that is approved by shareholders in a general meeting. The size of the remuneration is generally in line with the remuneration paid by other comparable listed companies.

EXECUTIVE DIRECTORS

Fixed remuneration

Executive Directors' fixed remuneration is based on their direct accountability and responsibility for the operational management, the strategic direction and decision-making for the Company and their demonstrated leadership.

It is intended that base salaries take into account market relativities, having regard to the need for the Company to attract, motivate and retain Executives.

Remuneration is regularly compared with the external market by reviewing industry salary surveys. If required, Remco may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable director roles.

Performance based remuneration

The Company recognises that performance based remuneration can be an effective tool in promoting the interest of the Company and shareholders, providing that the schemes are designed using appropriate benchmarks that measure performance and provide suitable rewards. Performance based remuneration can take the form of short-term incentives and long-term incentives:

Short-term incentives

Short-term incentives are based on individual performance and excess profits in the individual's division or department and are allocated on a *pro rata* basis to all individuals who have worked for longer than 6 months as at the financial year-end.

Long-term incentives

Long-term incentives in the form of a Cash Financed Stock (CFS) Scheme are based on individual performance and excess profits in the individual's division or department and offered to all individuals who have worked for longer than 12 months as at the financial year end, or to other individuals at the Board's sole discretion.

Termination payments

Executive service agreements contain minimum employment periods ranging between three and five years, wherafter the service agreements continue indefinitely. In the event of the Group terminating the service contract, for any reason other than misconduct, prior to the expiry of the minimum employment period, the Group is liable to pay the executive for the remainder of the minimum employment period. Reciprocally, in the event of the executive resigning prior to the expiry of the minimum employment period, the executive is liable for the penalties contained in the service agreement.

Should the executive resign from the Group after expiry of the minimum employment period, a six month notice period is applicable.

The executive is remunerated in full during the notice period.

CONDUIT CAPITAL LIMITED

Incorporated in the Republic of South Africa

(Registration number 1998/017351/06)

Share code: CND ISIN: ZAE000073128

("Conduit Capital" or "the Company" or "the Group")

FORM OF PROXY

For use only by ordinary shareholders who:

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

at the Annual General Meeting of shareholders of the Company to be held at Tulbagh, 360 Oak Avenue, Randburg, 2194, at 08:00 on Wednesday, 9 April 2014 and any adjournment thereof.

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

Name of beneficial shareholder____

Name of registered shareholder ____

Address ____

Telephone work (   ) ____________ Telephone home (   )______________ Cell: ____________

being the holder/custodian of _______________ ordinary shares in the Company, hereby appoint (see note):

1. ____ or failing him / her,

2. ____ or failing him / her,

3. the Chairperson of the meeting,

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

		Number of ordinary shares		
		For	Against	Abstain
1.	To receive, consider and adopt the Annual Financial Statements of the Company and Group for the financial year ended 31 August 2013			
2.	To approve the re-election as director of Mr Günter Zeno Steffens who retires by rotation			
3.	To approve the re-election as director of Mr Scott MacGibbon Campbell who retires by rotation			
4.	To approve the appointment of Mr Günter Zeno Steffens as member and Chairman of the Audit Committee			
5.	To approve the appointment of Mr Stephen Richard Bruyns as member of the Audit Committee			
6.	To approve the appointment of Mr Scott MacGibbon Campbell as member of the Audit Committee			
7.	To confirm the re-appointment of Grant Thornton as auditors of the Company, together with Mr David S Reuben being the individual registered auditor for the ensuing financial year			
8.	Ordinary resolution number 1 Approval of the remuneration policy			
9.	Ordinary resolution number 2 Control of authorised but unissued ordinary shares			
10.	Special resolution number 1 General approval to acquire shares			
11.	Ordinary resolution number 3 Signature of documents			

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

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the Company.

Signed at ______________________________ on ______________________________ 2014

Signature ____

Assisted by (if applicable)____

NOTES TO PROXY

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the Annual General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the Company) of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty eight hours before the commencement of the Annual General Meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the Chairperson of the Annual General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the Annual General Meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the Annual General Meeting.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
12. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

13. **Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:**

Hand deliveries to:	**Postal deliveries to:**
Computershare Investor Services Proprietary Limited	Computershare Investor Services Proprietary Limited
Ground Floor, 70 Marshall Street	PO Box 61050
Johannesburg	Marshalltown
2001	2107

to be received by no later than 08:00 on Monday, 7 April 2014 (or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS).

14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act:

a. A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting.

b. The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

c. The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

d. If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

e. Attention is also drawn to the "Notes to proxy".

f. The completion of a form of proxy does not preclude any shareholder from attending the Annual General Meeting.

CONDUIT CAPITAL

www.conduitcapital.co.za