Conduit Capital Limited
Integrated Annual Report 2014

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CHIEF EXECUTIVE OFFICER'S REVIEW

The introduction of a 4th investment theme brings to life a new and tangible aspect to the Conduit investment proposition. There has been much to absorb over the past few reports and having them handy as you digest this one might prove helpful in appreciating the connectivity between the 3 established themes (Embedded value, Investments, Underwriting) and the newcomer. For the convenience of the less adventurous, certain important elements have been extracted from the Interim results commentary and replicated. We would encourage you to devote sufficient time to each theme, hopefully not surrendering to the impulse of allowing any single measure to dominate your decision. Complete with the usual pinch of subjective commentary, we present what is perhaps Conduit's most instructive report to date.

INVESTMENTS (Theme 1)

As Regulatory capital structures take shape and more of our historically lazy cash (from Pots 2b and 4 – detailed below) is deployed into equities, one would assume a stronger correlation of returns to equity markets. Well, not entirely. In reality, within each pot resides a distinct investment personality, primarily defined by the nature of the capital within the pot (regulatory or surplus) and the appropriate appetite for risk established at the time of setting performance benchmarks. Interestingly, of the R330+ million in investable assets, R203 million (from Pots 1; 2a and 3) is confined to highly liquid fixed income instruments (cash, money market, corporate and government bonds). For the rest, there is a greater degree of flexibility and – without betting the bank – it is here we ferret out opportunities for enhanced yield.

We do not purport to possess any inspiring hedging strategies, nor homemade crystal ball to help time our investments so perfectly as to escape the vagaries of the market. What we do have is a systematic, kick-the-tyres approach; one grounded in a mentality of thorough first-hand research and where a cup of tea with management ranks as high up the investment ladder as any Integrated Annual report – you'd be surprised how many great ideas make better investments on pulp than in person (and *vice versa*)!

We remain acutely aware that to some extent our portfolio will have a degree of naked exposure, yet we're comfortable in our own skin. There is additional comfort in knowing that our investment personality is infinitely better suited to basing decisions on solid fundamentals rather than the investment fantasy that plays itself out through market chatter and these days – believe it or not – social media.

In the February results announcement we undertook to expand on the investment table by including a column setting out the actual returns for the full 12-month period. On reflection, given the considerable reallocation and deployment of capital across the 4 money pots (spread over the year), this addition alone would have been of limited benefit. Whilst it would take account of any movement between asset classes, it would offer no insight into the time spent in each of those classes and therefore no indication of the true returns in each pot. In favour of a much-improved and certainly more meaningful version, we've skipped straight ahead to Version 2 below.

The 4 money pots – Benchmarks and objectives

Money pot	**Objective**	**Investment strategy**	**Benchmark/target**	**Time horizon** (rolling periods)
Pot 1	Daily operational cash flow	Cash deposits with top 5 SA banks or equivalent (fixed-income)	Current account rates +2%	Daily
Pot 2a		50% allocated to cash deposits with top 5 SA banks or equivalent	Short-Term Fixed Interest Index ("STeFI") + 1%	1 month – 4 years
Pot 2b	Insurance float*	Other 50%: medium-term growth, multi-asset class, absolute return mandates, single asset fund mandates and strategic investments	Sufficient to ensure an overall investment return equal to CPI + 3% p.a. after expenses	3 – 5 years
Pot 3	Minimum regulatory capital ("CAR") ratio	Cash, money market, corporate bonds	STeFI + 1.5%	1 month – 4 years
Pot 4	Surplus assets	Medium-term growth, multi asset class and strategic investments	Sufficient to ensure an overall investment return equal to CPI + 3% p.a. after expenses	3 – 5 years

* *Insurance Float = Policyholder liabilities plus Insurance liabilities less Insurance assets*

The 4 money pots – Performance relative to benchmarks and objectives (actual and time weighted)

By March 2014 the fixed income and equity programmes were underway. Owing to a modest pick-up in both, investment returns in the second half of the year outpaced the first – ending 11.3% up year-on-year (31 Aug '14: R25.9 million vs 31 Aug '13: R23.3 million). Ironically, the recent volatility in equity markets has been to our benefit, stripping the fat off some interesting, but to our mind previously prohibitively expensive, stocks and making way for some carefully considered opportunity.

Money pot	Allocated 31 Aug '14 R'000[1]	Actually invested 31 Aug '14 R'000[2]	Average deployed over year R'000	Days deployed	Benchmark target R'000	Benchmark target avg %	Actual return R'000[3]	Actual return avg %	Time-weighted return avg %
Pot 1	27 835	27 835	26 970	365	543	2.0	574	2.1	2.1
Pot 2a	37 483	37 483	41 099	289	2 699	6.6	2 037	5.0	6.3
Pot 2b	37 483	37 483	40 004	365	5 143	12.9	7 646	19.1	n/a
Pot 3	139 034	139 034	134 649	296	9 531	7.1	6 927	5.1	6.4
Pot 4	94 985	37 026	33 685	273	4 331	12.9	5 251	15.6	n/a
Pot 4 (excess)	–	57 959	68 900	365	8 858	12.9	2 062	3.0	n/a
Total	**336 819**	**336 819**	**345 308**	**320**	**31 105**	**9.0**	**24 496**	**7.1**	**n/a**

1 ***Allocated 31 Aug '14*** *refers to the amounts calculated and in turn allocated to each pot based on the published accounts.*

2 ***Actually invested 31 Aug '14*** *refers to amounts physically deployed as at 31 August 2014.*

3 *The difference between the* ***Actual return*** *of R24.5 million (reflected above) and the Investment income of R25.9 million (in the Statement of Profit or Loss and Other Comprehensive Income) relates to R1.2 million in income derived from third party loans and a minor profit on the revaluation of investment properties amounting to R0.2 million.*

A portion of the unallocated assets in Pot 4 resides in a USD denominated Customer Foreign Currency ("CFC") account flowing from the Group's African activities. As the account is non-interest bearing and the balance fluctuates considerably throughout the year, returns tend to be lumpy. Account flows are managed by Group treasury and are drawn on as and when required. The R57.96 million (comprising the unallocated portion of Pot 4) will earn modest returns until suitable investments are identified.

As it is only possible to accurately calculate the exact capital allocation for each pot after finalisation of any given month-end, it follows that there will always be a discrepancy between the **Actually invested** amount and the **Allocated** amount at interim and year-end reporting dates. This is to be expected and is well within a tolerable margin. Where any meaningful amount falls short of the **Allocation**, it is likely a result of a *truly* unallocated amount that remains to be invested in terms of the relevant Pot mandate – Pot 4 being a case in point. The exact match in certain of the pots is a function of allocating capital in a descending cascade based on its rank in the working capital and regulatory food chain.

Dimly lit corners and crevices

The idea of establishing another deep value investment fund – of which there is no shortage – is neither novel nor interesting. Forming one with an investment philosophy anchored in the principles of value investing but as at home in the "dimly lit corners and crevices" as it is in the mainstream, begins to sound a great deal more appealing – and why it is we did just that. Mid-way through September 2014 we impregnated the Cannon Asset Managers – Conduit Capital (yet unnamed) fund with R10 million in capital, equally funded by Peregrine Holdings Limited (Cannon's parent company) and our Surplus Asset Pot 4. The fund has as its Investment Principals, Cannon's Chief Investment Officer, Dr Adrian Saville – a thoroughbred asset manager (he'll cringe when he reads this) – and a self-appointed one, me. All investment decisions are required to be unanimous and being patient investors (with skin in the game), until the initial capital is deployed and Adrian and I are satisfied that the mix and quality of assets meet a few important stress tests (including time), access to outside investors will be limited. Ultimately, the intention is to migrate the portfolio into a permanent capital structure open to retail and institutional investors.

UNDERWRITING (Theme 2)

The end of the 2014 financial year coincided with Robert Shaw's first completed year (in his second tenure) at the helm of the Constantia Insurance Group. Robert has the difficult task of having to marry relatively short-term financial objectives with a longer-term, purist insurance mind-set. Admittedly, having to report to shareholders twice a year hardly allows for the volatility and short-term knocks, which almost always accompany a portfolio reaching for scale. That said, it is encouraging that even at the risk of upsetting the delicate balance between shareholder interference and influence, Robert openly invites our participation in matters of importance, be they strategic or operational. The significance of this is illustrated in the events below.

The dreadful November 2013 weather patterns and consequent R11.9 million negative impact on our Interim numbers, left a sizeable dent in the 2014 underwriting result; ultimately precipitating the decision (post year-end) to significantly reduce our exposure to the traditional Property and Motor class. Though an obvious aberration, the event(s) exposed vulnerabilities in parts of our portfolio, incapable of being remedied by any reasonable short-term measure. Insurance is a business where no quick (sticky tape and chewing gum) fix can patch, repair or mask a portfolio's failure to meet a number of non-negotiable underwriting criteria, *viz.* scale, effective delivery cost, market differentiation and most importantly Return on Regulatory Capital ("RoRC").

It is seldom, if ever, a comfortable process to terminate a book or class of business let alone gift it to competitors. Then again, to betray our underwriting principles and – like the Greek mythological King Sisyphus – endure the punishment of having to repeatedly haul a boulder up a hill, only to watch it roll down again, would seem a rather pointless pursuit.

While the contraction in premium will result in a temporary release of capital to the surplus asset Pot, it will be quickly absorbed by replacement premium. The significant reduction in service and delivery costs is likely to be of a more permanent nature, taking root in the second half of 2015.

Gross vs Net Premium

Our 3 insurers (1 short and 2 long-term) retain around a third of Premium written (after reinsurance). A good portion of the outward reinsurance relates to various high-volume, low-risk arrangements that leave us with a neat margin but limited exposure. The rest of the risk premium is ceded (laid-off in bookmaking speak) as proportional reinsurance, where our reinsurers *follow our fortunes*, sharing losses and profits in the same proportion as they share premium; in return we receive a reinsurance commission to cover direct delivery costs and, if all goes well, a profit commission down the line. To further protect downside risk, we purchase additional reinsurance cover to limit the loss from any single event to a maximum of 1% of our capital base – it is money well spent!

At first blush the 5% growth in Net Premium Income ("NPI") would seem at odds with the 15% reduction in Gross Premium Income ("GPI"). Don't be perturbed. It matters not what we "take" but what we "keep" and what appears to be a dramatic movement between the two is in fact only a function of business mix and a well thought out reinsurance programme. This is best explained through the numbers. Of the R1.04 billion in GPI written in 2013, some R463.0 million (or 44.5%) related to the aforementioned *neat margin* arrangements; largely reinsured. In 2014, the same business accounted for R338.5 million (or 38.3%) of the R883.0 million total, yet NPI grew to R332.9 million (31 Aug '13: R312.2 million). The traditional underwriting margin metric used by other insurers *(Underwriting Surplus divided by Gross Premium Income)* is distorted by our reinsurance programme and therefore of no value. Prior period GPI comparisons are similarly worthless as an evaluation tool.

In the latter part of the year we added 8 new Underwriting Managers (5 long-term and 3 short-term) to the fold. Those that are not already writing business into the Group are expected to be doing so by half-year. The portfolios vary in premium type, volume and profitability: some small but lucrative, others more significant but tighter on margin (i.e. fixed) as a consequence of our growing aversion to volatility. Each will take time to mature and develop and while Robert and his team are hard at work in diversifying the portfolio, the emphasis is – as it always has been – on quality not quantity!

Underwriting result

For each Rand of GPI we retain for net account, the Financial Services Board ("FSB") requires us to hold a minimum level of capital, varying according to the perceived risk in each class of business: this ratio of Capital to Risk is referred to as the Capital Adequacy Ratio or CAR. Whilst in reality the FSB expects a considerable buffer to minimum CAR (all of our insurers operate well above the minimum) we choose rather to judge underwriting achievement by calculating the return based on the actual required regulatory minimums (Pot 3), which we express as the **RoRC**. Any capital in excess of the stated minimum is then viewed as surplus and falls into the surplus asset pot (Pot 4).

Return on Regulatory Capital for 2014

Insurance class	Examples of insurance types	Average capital allocated R'000	Target RoRC (pre-tax) %	Actual RoRC (pre-tax) %
Property	Property, homeowners content, cell phones, computers	13 211	28.0	0.1
Motor	Motor, HCV, motorcycles	18 183	20.0	14.2
Accident/health	Gap cover, medical evacuation, Hospital cash plans	65 116	28.0	25.8
Guarantee	Solvency, Court and Construction bonds	7 329	28.0	28.6
Miscellaneous	Legal cover, credit shortfall, motor warranties	14 981	28.0	30.1
Long-term	Funeral	20 000	28.0	1.7
Total		**138 820**	**27.0**	**19.0**

Actual RoRC: *Gross Underwriting Surplus* ***minus*** *Administration Costs*

The figures quoted above are based on IFRS financial reporting requirements, which differ from the regulatory reporting format

In aggregate the 3 insurance companies registered a Gross Underwriting Surplus of R58.6 million (31 Aug '13: R68.4 million), falling short of expectations; particularly since the severe losses were experienced in the first half of the year. After deducting Administration Costs, the Net Underwriting Surplus amounted to R26.3 million (31 Aug '13: R36.1 million). Evidently, the quest for a more stable and predictable underwriting result is not yet over.

EMBEDDED VALUE (Theme 3)

This section picks up where the 2013 Embedded value theme left off and should ideally be read together. The Surplus cash line within the table has been modified to accommodate the shift from pure cash to highly liquid, low-risk investments (money market instruments, bank, corporate and government bonds/paper). But for the elimination of the Direct segment and its incorporation into Corporate and Investment Services, the assumptions and methodology remain largely unchanged. Other than where the face value of the asset represents its actual value, a Discounted Cash Flow model (using modest assumptions) has been applied to determine the fair value. The table itself is self-explanatory and our notes have been narrowed accordingly.

Apart from the obvious value in the tangible assets, the calculation is also only as good as the quality of the assumptions and inputs attributed to the intangibles. Critically, the value should reflect the realistic amount shareholders might expect to receive or consider fair, either (A) in the event of an offer to minorities, or (B) were the Company to dispose of its underlying assets and distribute the proceeds. Though the table considers both, it is only in the latter scenario that we estimate the aggregate Capital Gains Tax charge across the asset base and deduct it from the total.

			August 2014			August 2013
Part			Corporate and Investment Services R'000	Insurance and Risk services R'000	Total R'000	Reformatted total R'000
1	RISK: Cash and investments		–	174 306	174 306	160 498
	• Surplus cash (including fixed income instruments)		–	113 766	113 766	119 564
	• Investments held at fair value		–	60 540	60 540	40 934
2	RISK: Insurance float		–	47 818	47 818	48 390
3	RISK: Insurance operations		–	158 359	158 359	138 624
4	NON-RISK		122 007	22 270	144 277	132 481
	• Investment in associates		122 007	3 498	125 505	113 248
	• Investment in joint ventures		–	698	698	3 565
	• Operations		–	4 177	4 177	–
	• Surplus cash		–	13 897	13 897	15 668
5	OTHER		4 978	13 718	18 696	23 861
	• Investments held at fair value		7 606	–	7 606	31 406
	• Operations		(2 628)	–	(2 628)	(20 863)
	• Properties		–	13 718	13 718	13 318
	TOTAL	**(A)**	**126 985**	**416 471**	**543 456**	**503 854**
	Embedded value per share	**(A)**	**49.5**	**162.5**	**212.0**	**196.5**
	TOTAL A	b/f	126 985	416 471	543 456	503 854
	Deferred capital gains tax		(18 398)	(13 078)	(31 476)	(25 560)
	TOTAL	**(B)**	**108 587**	**403 393**	**511 980**	**478 294**
	Embedded value per share	**(B)**	**42.4**	**157.3**	**199.7**	**186.6**
	Number of shares in issue, net of treasury shares ('000)		256 377	256 377	256 377	256 377

Part 1 – Cash and Investments

The redistribution of capital through the fixed income and equity programme accounted for a pronounced movement between Surplus cash and Investments held at fair value. The aggregate face value of these investments at 31 August 2014 amounted to R174.3 million (31 Aug '13: R160.5 million).

Part 2 – Insurance float (Policyholder liabilities plus Insurance liabilities less Insurance assets)

The reduction in Insurance float from R83.5 million in 2013 to R75.0 million in 2014 relates primarily to the run-off of liabilities in the Wheels Underwriting Managers Heavy Commercial Vehicle portfolio. The improved investment yield (see Investment Return table Pots 2a and b) partly offset the negative movement in float and resulted in a slight downward revision in value to R47.8 million (31 Aug '13: R48.4 million). As nice as it is to have the benefit of an insurance float – which amounts to an interest free loan – it is only a by-product of the type and volume of premium we write. From year-to-year the float will fluctuate and follow the fortunes of our investment account and it would be a rare circumstance indeed, where the promise of investment return outweighs the rotten risk in writing sub-quality premium.

Part 3 – Insurance operations

Notwithstanding a weaker 2014 overall underwriting performance, the consistent utilisation of 36 months of rolling underwriting data removes the peaks and troughs of performance. In this instance, the data nudged the valuation of the **Insurance book** upward to R158.4 million (31 Aug '13: R138.6 million).

Part 4 – Non-risk

The inclusion of our 40% interest in Anthony Richards and Associates Proprietary Limited ("ARA") under the Corporate and Investment Services segment accounts for R122.0 million (31 Aug '13: R113.0 million) of the R125.5 million in the value of Investments in associates. Cash of R13.9 million, plus our minority interests in several insurance intermediaries, represents the balance of the R144.3 million in value attributed to the NON-RISK section.

Part 5 – Other

With the elimination of the DIRECT segment, last year's Part 6 has become Part 5. As before, **OTHER** constitutes nothing more than a basket of equities (owned by Group and accounted for at market), fixed property (owned by the insurance companies and independently valued) and the Net Present Value liability of unallocated operating costs that have no obvious home elsewhere in the Group. Cash received on the sale of a large equity position considerably decreased Investments held at fair value and reduced the Capitalised operating costs liability – terribly confusing, we know! While the operating costs would remain in a takeover scenario (A) they would not in a 'break up' (B) and the value of OTHER would therefore improve substantially.

Key performance measures

The trend of explaining away performance anomalies and distortions in profitability through *normalised earnings* comparisons appears – by many companies' accounts – to have gained some recent momentum. As with most explanations that require too much explaining, they often invite more questions than answers. Having myself uttered the dreaded "normalised" word, it is entirely appropriate (perhaps even necessary) that I should defend its responsible use, more so where a true result (be it good, bad or indifferent) is hidden in the depths of IFRS accounting. Which brings me to now *over-explain* the reformatted statement of comprehensive income presented in our interim results, and now here again.

As previously reported, with effect from 1 September 2013 our interest in credit recovery and debt management specialist, ARA, would be accounted for as an associate – doing away with the Direct segment entirely. The change in accounting treatment required that we fair value our 40% interest in the company and bring to book R75.6 million (29.5 cents per share) in earnings and net asset value. Whilst we view the resultant contribution to 2014 EPS as cosmetic (and rightly excluded from HEPS), we are satisfied that the identical one-off adjustment to NAV reveals a more realistic valuation of the asset.

Where headline earnings for the first half of the year trailed the comparative period by 14.3% (largely as a result of an anomaly in the 2013 tax line), by year-end the shortfall was eliminated and – above all the accounting and tax clutter – headline earnings of R40.16 million narrowly eclipsed last year's R39.98 million.

In 2013, as a subsidiary, the ARA results were consolidated. In 2014, as an associate, the earnings were equity accounted and skewed by the fair value adjustment. To make comparison with the corresponding 12-month period more meaningful, were we to disregard the ARA revaluation and include our share of ARA's profits on a like-for-like equity accounted basis in 2013 and 2014, the resultant profit before tax of R47.1 million for 2014 would compare favourably with the R45.1 million posted in 2013.

Net asset value, including the ARA fair value adjustment, advanced to R430.45 million or 167.9 cents per share. Tangible Net Asset Value ("TNAV") increased 16.4 cents to 120.6 cents (R309.27 million). A profit on the disposal of a joint venture asset (excluded from headline earnings) accounts for the difference between HEPS and the increase in TNAV. The Group remains completely debt free.

Gearing

While the security of having a fortress for a balance sheet should make for easy sleep, it is much less peaceful than one might expect. With it comes great expectation. Being unburdened by the weight of debt and the gaze of lenders and their covenants carries a different, but no less demanding load. Other than the interest free funding from the insurance float, having no gearing simply means we don't get to make money off other people's money. And, unless we borrow money, find a suitable place to invest it and make more on it than we pay for using it, we're better off without it.

Credit Rating

Global Credit Ratings ("GCR") affirmed Constantia Insurance Company Limited's rating of A-(ZA); moving it from a Neutral to Positive outlook.

"The positive outlook is based on Constantia's notably improved underwriting trend over the past three years. GCR views this to be reflective of the operational improvements and streamlining exercises undertaken over the review period, combined with a targeted business line focus. Consequently, GCR views the insurer's strengthened earnings capacity to be indicative of sustained underwriting profitability going forward." – Global Credit Rating, 12 May 2014.

DIVIDENDS (Theme 4)

This element is not entirely new to investors but its inclusion as a theme represents a positive and ideally sustainable investment attribute. The portion of the February commentary entitled *Dividends – to pay or not to pay* outlined the complexity of the dividend issue. Though none could argue the importance of *hoarding* capital in expectation of the onerous Solvency Assessment and Management ("SAM") regime in 2016, the suggestion of a *positive dividend front* did allude to our intentions. In April, alongside our external Actuaries, we completed the Quantitative Impact Study 3 (QIS3) and then in October the SAM Light Parallel Run ("LPR") for all 3 of our insurers – basically an "as if" model of our capital adequacy under SAM – giving us sufficient clarity to properly assess our future capital structure.

With that as a backdrop, the Board resolved to initiate a dividend programme, commencing with a cash dividend of 5 cents per ordinary share, payable out of retained earnings. The use of Secondary Tax on Company credits (amounting to the full 5 cents per ordinary share) will result in the dividend being exempt from dividend tax.

The decision to proceed comes with a margin of safety wide enough to drive a bus through (maybe a mid-sized one). The insurance disclaimer attached to the bus does however require that in order to sustain an uninterrupted annual dividend, our current capital together with anticipated profits (looking 24 months out) must continue to exceed our working capital and regulatory needs.

CONCLUSION

Between the 4 investment themes, the Interim results commentary and what is presented above, Conduit has now laid itself bare for all to see and assess.

Jason D Druian
Chief Executive Officer

Johannesburg
27 November 2014

SUSTAINABILITY REPORT

MANAGEMENT'S APPROACH TO SUSTAINABILITY AND INTEGRATED REPORTING

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

The Report provides 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 2014.

FORWARD – LOOKING STATEMENTS

The Report may contain forward-looking statements that, unless otherwise indicated, reflects Conduit's expectations as at 31 August 2014. 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 readers are therefore 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 2014

The board of directors of the Company ("the Board") recognises that the Annual Report is the most suitable vehicle to describe our evolving business and the quality of decisions. The Chief Executive Officer's Review is comprehensive and we use this opportunity to elaborate on some of the non-financial aspects within the Group. 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 now primarily operates through two internal divisions:

- **Insurance and Risk Services,** which houses the Group's insurance interests; and
- **Corporate and Investment Services** which includes head office activities and houses the Group's investment operations.

OUR OBJECTIVE(S)

Our long-term goal remains to build a sustainable business and to create shareholder value having regard to social, economic and environmental factors. We do this through considering, obtaining and preserving the balance between capital management, regulatory requirements, credit rating maintenance, shareholder expectations and our own targets and benchmarks.

GROUP AT A GLANCE AND ORGANISATIONAL PROFILE

The Executive team (Exco) at **Conduit** fulfils both strategic and operational roles in the Company:

- Robert Shaw is responsible for the Group's **Insurance and Risk Services** division comprising three insurance companies which, together with their supporting entities, are collectively referred to as the **Constantia Insurance Group** or **Constantia**.
- Lourens Louw and Gavin Toet are jointly responsible for **Corporate Services** comprising the Group finance and treasury function, as well as Group corporate and operational support services.
- The aforementioned Executives (and their respective divisions) are directly accountable to Jason Druian, the Group CEO (whose additional responsibilities include **Investment Services**), the Board and ultimately our shareholders.

Conduit operates from a head office in Randburg. Our staff complement is small (**10** employees) and the structure is designed to:

- support innovation and drive growth in our businesses; and
- be flexible, with a depth of skills promoted at subsidiary level.

Operationally, we attempt to avoid duplication or unnecessary allocation of Group infrastructure/resources where both **Conduit** and **Constantia** can leverage off one another's infrastructure/shared resource capabilities. Where expertise does not exist to fulfil a particular specialised function (e.g. the management and maintenance of information systems and related electronic assets) same is outsourced. Internal operational support functions along clearly defined lines that include:

- finance;
- human resources;
- risk management; and
- information technology.

Being financial services organisations, the direct activities of **Conduit** and **Constantia** do not pose any significant threat to **the environment**. The Group is however mindful of the environment and will endeavour 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 people are our greatest asset. What sets us apart from others is our culture and a committed group of people who each day live our values combined with a desire to deliver a personal service. The experience and skill of each person is critical to the long-term success and overall sustainability of the Group.

Our Group policies (which are constantly updated and refined) ensure consistency in the standards of internal governance and 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;
- levels of authority;
- general internal operating procedures and internal controls; and
- a number of important policies complying with regulatory requirements.

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

The Group operates in a highly regulated, competitive financial services industry. With an external environment that demands ethical leadership, fairness and transparency for the consumer, businesses have had to adapt to offer new alternatives in order to ensure they remain relevant. In our view, we need to continue the pursuit – or refinement, when the need arises – of the Group's strategy to achieve its objective for **Conduit** to remain attractive as an investment proposition.

CREATING VALUE

Exco has applied its mind to considering all material aspects while developing the Group's core business during the year under review.

To assist shareholders – current and prospective – in understanding our business and the value proposition, important themes have been progressively introduced. In **Table 1** on page 10 we detail the main activities 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
Insurance activities: The Constantia Insurance Group, 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 • Attract and retain quality people • Underwriting profit as well as appropriate investment returns governed by the Group investment policy • Maintain credit rating • Continual monitoring of capital adequacy requirement and the Solvency Assessment and Management ("SAM") regime • Excellent governance and compliance procedures provide not only risk mitigation, but also an opportunity for differentiation in the market	Underwriting (Theme 2), further elaborated upon in the Chief Executive Officer's Review on page 2 as well as later in this report
Investment activities: Management and deployment of Group capital; strategic investments in businesses; fund management	• Partner with investment professionals and select specialist fund managers • Capital deployed in terms of Group investment policy (the 4 money pots) and levels of authority • Achieving performance targets and benchmarks • Due diligence investigation and first hand research when assessing any investment opportunity • Knowledge sharing and ensuring compliance in terms of corporate governance, good business principles and an element of influence over the business and/or investment strategy • Day-to-day management involvement	• Enhance Group investment returns • Return on Regulatory Capital • Diversification into pertinent sectors of the economy • Review performance relative to benchmarks and objectives (for the 4 money pots) • Diversification of earnings • Investment returns are an important component in calculating our internal embedded value • Sustainable earnings and dividends	Investments (Theme 1), Embedded value (Theme 3) and Dividends (Theme 4) are further elaborated on in the Chief Executive Officer's Review on page 2

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 and public 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 meetings and/or conference calls • 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 (practicing) morals and values which drive behaviours and equates to culture • Monthly (one-on-one) Personal Review for Improvement and Development of Employees ("PRIDE") sessions and KPA's • Internal memoranda, mainly distributed via email and/or placed on various notice boards

Stakeholder	Relationship	Material issues	Communication forum or method of engagement
Investment Managers, Fund Managers and Stockbrokers	Partners	• Performance (Benchmarks and targets) • Fees • Clear direction and strategy • Capital allocation	• Daily interaction depending on the nature of the investments • Review meetings • Presentations • Knowledge sharing and research
Policyholders (relevant to Constantia only)	Customers	• Reputation • Service and quick turnaround • Premium price • Payment of claims • Treating customers fairly (TCF) and formalised complaints handling process.	• New and existing customers receive formal correspondence in writing • When required, and only in certain circumstances, do we directly engage with the customer • We respect the insurer's model of dealing through UMAs, who in turn deal with brokers, who represent the customer • Monthly reports and statistics • Dedicated TCF (Treating Customers Fairly) officer appointed to deal with complaints
UMAs (relevant to Constantia only)	Partners	• UMA fees (binder fees) • Service • Product development and differentiation • Pricing • Broker or book loss ratio • Due diligence investigations on brokers and/or 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 will 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 • Internal audits conducted by Constantia

Stakeholder	Relationship	Material issues	Communication forum or method of engagement
Brokers	Partners	• Service • Product development and differentiation • Pricing • Treating customers fairly (TCF) and formalised complaints handling process • Data integrity, accurate commission statements and payments • Due diligence investigations on brokers and/or 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 • Where a Broker has a direct facility with Constantia, Broker visits on a regular basis • Introduction of a Personal Service Manager to drive service objectives • Dedicated TCF officer appointed to deal with complaints • Internal audits conducted by Constantia
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 ASSISA for long-term insurers	• 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 only)	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 and Investigators** **Telephony and IT service providers** **External Auditors** **Internal Audit** **Ancillary operational service providers**	Service providers	• Screening criteria prior to appointments and on-going review • 3rd party audits of assessors, etc. • Ongoing stability and functionality of various IT platforms within Constantia • Data integrity	• Mainly outsourced independently, contracting individually with each service provider • Quarterly status meetings • Building partnerships

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**. As the largest subsidiary, the bulk of this report focusses on **Constantia**.

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. **Constantia's** objective is to grow retained income from net underwriting profit, investment income and profit commissions earned on well-balanced profitable reinsurance arrangements. Furthermore, **Constantia's** attitude towards insurance has always been to adopt a simplistic approach based on a pure sum insured underwriting and retentions (after reinsurance) model. In essence it is a **quality vs quantity** principle.

With a total staff complement of **127** (permanent and temporary) employees, **Constantia** operates 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 select Agricultural (non-crop, commercial lines) products, Legal Expenses, Guarantee, Heavy Commercial Vehicles, Cellular, Auto body Warranties, Emergency Medical Evacuation, Credit Life and certain ancillary Accident and 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 and administering recoveries and salvages on behalf of the insurer. The underwriting model has evolved to accommodate a direct broker model that allows CICL to selectively procure business through the channel most appropriate to the opportunity.

Constantia Life Limited (CLL)

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

CLL's focus and opportunities going forward include:

- Although our brand is strong within the local community, our policy numbers have stagnated over the last few years. The growth opportunity lies in attracting more group scheme business and also business from within the broader demographic. We continue 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.

Constantia Life and Health Assurance Company Limited (CLAH)

The long-term licence allows all life assurance and health products, excluding investments. CLAH caters mainly for Group Scheme business with the portfolio managed by UMAs.

The focus going forward would be to attract more Group Scheme business and the introduction of innovative new products that are currently being developed.

Resilience within Constantia

Our growth has been mainly organic (leveraging existing and new UMA arrangements) via distribution channels targeting specific areas and lines within the insurance markets. The investment policy has been refined to enhance returns while still protecting capital.

CICL improved its credit rating from GCR to A–(ZA), with a Positive outlook. Ongoing portfolio maintenance implemented in underperforming insurance portfolios/books will improve 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 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 current and future regulatory environment will place greater emphasis on CICL and each UMA or direct broker working in close association to meet the demands of setting up greater risk management and governance structures, thereby ensuring and maintaining compliance within the new regulatory frameworks.

Present 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;
- Consumer Protection Act;
- Binder Regulations;
- The Short-term and Long-term Insurance Acts, including the Policyholder Protection Rules;
- Board Notice 114 of 2014;
- Outsourcing Directives;
- Treating Customers Fairly (TCF);
- The Financial Advisory and Intermediary Services Act; and
- The Protection of Personal Information Act.

Reporting by our internal compliance officer, together with our in-house legal resources, ensures 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 ("SAM") regime.

Initial overall implementation was set for 2014, then extended to 2015 and then 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 main focus in 2015 for **Constantia** will be the implementation of the Own Risk Solvency Assessment ("ORSA"), which will ultimately create further clarity on 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 2014/2015 have been appropriately concluded with effect from 1 September 2014.

Our Proportional Reinsurance arrangements remain, in the main, with Africa Re, but now include Hannover Re and Munich Re of Africa. The Excess of Loss and Catastrophe Cover treaties have been concluded with Africa Re, Hannover Re and Munich Re, while 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.

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 Insurance Group** in the short to medium-term.

With the introduction of SAM, Solvency Capital Requirements (SCR) and ORSA, greater emphasis is being placed upon the required rate of return on any new business accepted, taking into consideration the capital, governance and risk management requirements. Any new opportunity is modelled in order to ensure that the appropriate rate of return is achieved with the applicable reinsurance programme that best suits the risk appetite of the portfolio.

Corporate Social Responsibility (investment)

Conduit, in association with the **Constantia Insurance Group,** supported the following organisations in 2014:

- 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 – an organisation creating a sustainable future for children in or from South African townships (the Group adopted a classroom at the Uthando Centre in Braamfontein); and
- certain Rotary Club initiatives.

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. The register in terms whereof an assessment of the 75 principles set out in the Code can be found on the Company's website at www.conduitcapital.co.za.

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 which are supported by reasonable and prudent judgement and estimates.

The directors of the Company are responsible for the preparation of the Annual Financial Statements and related financial information that fairly present the state of affairs and the results of the Company and of the Group. The external auditors are responsible for independently auditing and reporting on these Annual Financial Statements in conformity with International Standards on Auditing.

GOING CONCERN

The Annual Financial Statements have been prepared on the going concern basis since the directors have every reason to believe that the Company and the Group have adequate resources in place to continue operations for the foreseeable future.

STRUCTURE OF THE BOARD

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 of 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:

• Berkowitz, Reginald	Independent non-executive director and Chairman
• Druian, Jason	Chief Executive Officer
• Bruyns, Richard	Chairman of the Nominations and Remuneration Committee
• Campbell, Scott #	Independent non-executive director
• Louw, Lourens	Financial director
• Shaw, Robert	Executive director
• Steffens, Günter ##	Chairman of the Audit, Risk, Social and Ethics Committees
• Toet, Gavin	Executive director

 # New Zealander ## German

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

• Reginald Berkowitz	Independent non-executive director and Chairman
• Richard Bruyns	Chairman of the Nominations and Remuneration Committee

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

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

- Conduit Capital has a policy detailing the procedures for appointments to the Board;
- appointments are formal and transparent and are a matter for the Board (assisted by a nomination committee) as a whole;

- there is a policy evidencing a clear balance of power and authority at Board level to ensure that no one director has unfettered powers;
- Conduit Capital has a Chief Executive Officer and an independent non-executive chairman and these positions are not held by the same person;
- Conduit Capital has a full time executive financial director; and
- all directors have access to the advice and services of the Company Secretary who is responsible for ensuring proper administration and sound corporate governance procedures. The Company Secretary provides guidance to the directors on their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities should be discharged.

The Company Secretary function is outsourced to CIS Company Secretaries Proprietary Limited.

In accordance with the JSE Listings Requirements, the Board has carried out a formal evaluation of the Company Secretary's performance and competence and has concluded that CIS Company Secretaries Proprietary Limited is both competent to performs its duties and is fit and proper for the position. The Board has also evaluated and concluded that the Company Secretary retains an arm's-length relationship with the Board and is satisfied with experience of the senior member of the Company Secretary. It is not a director of the Company, nor related to, or in any other manner connected with, any of the Directors in any manner which could cause there to be a conflict of interest.

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	25 Feb '14	9 May '14	7 Aug '14	6 Nov '14
Berkowitz, R S	P	P	P	P
Bruyns, S R	P	P	P	P
Campbell, S M	P	P	P	A
Druian, J D	P	P	P	P
Louw, L E	P	P	P	P
Shaw, R L	P	P	P	P
Steffens, G Z	P	P	A	P
Toet, G	P	P	P	P
Number of Board members	8	8	8	8
Number present	8	8	7	7

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 24 of the Annual Report.

Attendance at Audit Committee meetings

Name	9 May '14	7 Aug '14	6 Nov '14
Steffens, G Z	P	P	P
Bruyns, S R	P	P	P
Campbell, S M	P	P	A
Berkowitz, R S	*	*	*
Druian, J D	*	*	*
Louw, L E	*	*	*
Shaw, R L	*	*	*
Toet, G	*	*	*
Number of committee members	3	3	3
Number present	3	3	2

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

Review of Management and Financial controls

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

- an effective system of internal controls and accounting records 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 PS Advisory Services Proprietary Limited.

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 appointment of Directors to the main and subsidiary Boards, as well as 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;
- 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 salient details of which are disclosed on page 64 of the Annual Report.

During the year under review the committee comprised all four independent non-executive directors. The Group has a combined nomination and remuneration committee where the role of the Chairman is fulfilled by Mr Richard Bruyns. In instances where discussions are held regarding the nomination or recommendation of any new appointments to the Board, such discussions are lead and presided over by the Group Chairman, Mr R S Berkowitz, also a member of the committee. The Chief Executive Officer and other directors attend committee meetings by invitation. The committee met twice during the year. Details of directors' remuneration have been provided on page 63 of the Annual Report.

Attendance at Nominations and Remuneration Committee meetings

Name	7 Aug '14	6 Nov '14
Bruyns, S R	P	P
Berkowitz, R S	P	P
Steffens, G Z	P	P
Campbell, S M	P	A
Druian, J D	*	*
Louw, L E	*	*
Shaw, R L	*	*
Toet, G	*	*
Number of committee members	4	4
Number present	4	3

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 enables the formulation of an action plan to address these matters in respect of each of the areas. The committee met twice 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 2014

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.

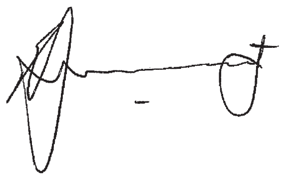
The Board has confirmed that adequate internal financial control systems are being maintained. There were no material breakdowns in the function of the internal financial control systems during the year. The Board is satisfied that the financial statements fairly present the financial position, the financial performance 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).

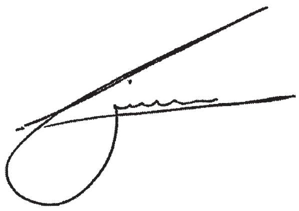
The directors' responsibilities also include maintaining an effective system of risk management.

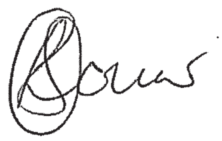
The directors have made an assessment of the Group and Company's ability to continue as a going concern for the year to 31 August 2015 and there is no reason to believe that the Group and Company will not be a going concern in the year ahead.

The external auditors are responsible for independently auditing and reporting on the Group and Company's Annual Financial Statements. The Annual Financial Statements have been examined by the Group's external auditors and their report is presented on page 25.

The Annual Financial Statements set out on pages 28 to 83, which have been prepared on the going concern basis, and the directors report as set out on pages 26 to 27, were approved by the Board on 27 November 2014 and were signed on its behalf by:







R S Berkowitz
Chairman

J D Druian
Chief Executive Officer

L E Louw
Financial Director

Johannesburg
27 November 2014

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.

CIS Company Secretaries Proprietary Limited
Company Secretary

Johannesburg
27 November 2014

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 2014, the Audit Committee comprised three independent non-executive directors, namely Mr G Z Steffens (Chairman), Mr S R Bruyns and Mr S M Campbell. The qualifications of the Members of the Committee appear on page 85. The Group financial director, other directors, senior financial executives and representatives from the external and internal 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 May 2014, August 2014 and November 2014.

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 2015 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
27 November 2014

INDEPENDENT AUDITOR’S 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 28 to 83, which comprise the statements of financial position as at 31 August 2014, 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.

AUDITOR’S 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 about 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 2014, 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 2014, we have read the Directors’ 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 thereon.

GRANT THORNTON
Chartered Accountants (SA)
Registered Auditors

Per D S Reuben
Partner
Chartered Accountant (SA)
Registered Auditor

27 November 2014
42 Wierda Road West, Wierda Valley, 2196

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 31 August 2014.

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.

SHARE CAPITAL

The authorised share capital of the Company is 500 million ordinary shares of one cent each (2013: 500 million).

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

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 (2013: R174.14 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

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

1. property, plant and equipment, software and other intangible assets to the value of approximately R0.6 million (2013: R3.5 million);
2. associates to the value of approximately R1.1 million (2013: R0.0 million); and
3. investments held at fair value through profit and loss to the value of approximately R225.6 million (2013: R6.3 million).

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

1. joint ventures to the value of approximately R3.9 million (2013: R0.0 million);
2. investments held at fair value through profit and loss to the value of approximately R61.5 million (2013: R11.4 million); and
3. trade debtors and loans of R0.1 million were impaired and written off through profit and loss (2013: R4.5 million). No previous period impairments were reversed through profit and loss (2013: Nil).

SUBSEQUENT EVENTS

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

DIRECTORS AND OFFICERS

The following persons acted as directors:

Name			Appointed	Resigned
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 *Nominations and Remuneration Committee*
- \+ *German*
- ++ *New Zealander*

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

On 6 June 2014 shareholders were advised on SENS that, following the acquisition of the business of Probity Business Services Proprietary Limited by Computershare Investor Services Proprietary Limited ("Computershare"), CIS Company Secretaries Proprietary Limited, a subsidiary of Computershare, was appointed as the Company Secretary of Conduit Capital with effect from 5 June 2014. The Company Secretary's contact details are reflected on page 85.

DIRECTORS' SHAREHOLDING

As at 31 August 2014 certain directors beneficially owned 36.6 million (2013: 36.6 million) ordinary shares in Conduit Capital. The directors held no rights to share options (2013: Nil). 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 is disclosed in notes 36 and 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 2014 and 31 August 2013 the Company's borrowings totalled as follows:

	2014 R'000	2013 R'000
Borrowings from other Group companies	**4 838**	4 681

DIVIDENDS

The Board resolved to initiate a dividend programme, commencing with a gross cash dividend of 5 cents per ordinary share, payable out of retained earnings. The use of Secondary Tax on Company credits will result in the dividend being exempt from dividend tax and result in a 5 cents per share net dividend. The salient dates are as follows:

Last day to trade cum-dividend:	Thursday, 11 December 2014
Shares trade ex-dividend:	Friday, 12 December 2014
Record date:	Friday, 19 December 2014
Payment date:	Monday, 22 December 2014

Share certificates may not be dematerialised or rematerialised between Friday, 12 December 2014 and Friday, 19 December 2014 (both days inclusive). Conduit's income tax number is 9490439032 and there are 256 379 818 ordinary shares in issue at the date of declaration of the cash dividend.

AUDIT COMMITTEE

The Audit Committee's report appears on page 24.

SPECIAL RESOLUTIONS

- A special resolution that extended the mandate given to the company (or one of its wholly-owned subsidiaries), by way of a general approval, to acquire the company's own securities upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Companies Act 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 9 April 2014.

STATEMENTS OF FINANCIAL POSITION

		GROUP		COMPANY	
	Notes	**31 August 2014 R'000**	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
ASSETS					
Non-current assets		**444 553**	167 599	**166 417**	156 040
• Property, plant and equipment	4	**9 985**	14 102	**80**	84
• Intangible assets	5	**35 113**	46 865	**15**	28
• Loans receivable	6	**17 721**	12 801	**–**	–
• Deferred taxation	7	**9 364**	13 625	**–**	–
• Investment properties	8	**4 173**	3 978	**–**	–
• Investment in associates	9	**124 931**	323	**11 568**	–
• Investment in joint ventures	10	**93**	3 566	**–**	–
• Investment in subsidiaries	11	**–**	–	**154 754**	155 928
• Investments held at fair value	12	**243 173**	72 339	**–**	–
Current assets		**572 787**	860 262	**9 486**	13 747
• Insurance assets	13	**345 605**	389 895	**–**	–
• Loans receivable	6	**376**	4 707	**–**	–
• Investments held at fair value	12	**4 683**	–	**–**	–
• Trade and other receivables	14	**128 743**	183 120	**1 393**	163
• Taxation		**4 418**	6 091	**–**	–
• Cash and cash equivalents	15	**88 962**	276 449	**8 093**	13 584
Total assets		**1 017 340**	1 027 861	**175 903**	169 787
EQUITY AND LIABILITIES					
Capital and reserves		**431 053**	327 625	**170 727**	164 690
• Ordinary share capital	16	**2 564**	2 564	**2 564**	2 564
• Share premium	17	**174 140**	174 140	**198 426**	198 426
• Retained earnings (Accumulated losses)		**253 737**	137 354	**(30 263)**	(36 300)
Equity attributable to equity holders of the parent		**430 441**	314 058	**170 727**	164 690
Non-controlling interest		**612**	13 567	**–**	–
Non-current liabilities		**48 468**	32 365	**–**	–
• Policyholder liabilities under insurance contracts	19	**20 522**	19 214	**–**	–
• Interest-bearing borrowings	20	**–**	2 695	**–**	–
• Deferred taxation	7	**27 946**	10 456	**–**	–
Current liabilities		**537 819**	667 871	**5 176**	5 097
• Insurance liabilities	13	**400 049**	454 147	**–**	–
• Loans payable	34.6	**–**	–	**4 838**	4 681
• Trade and other payables	21	**137 081**	207 412	**338**	416
• Taxation		**689**	6 312	**–**	–
Total equity and liabilities		**1 017 340**	1 027 861	**175 903**	169 787
Net asset value per share (cents)		**167.9**	122.5		
Tangible net asset value per share (cents)		**120.6**	104.2		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Having obtained approval to transfer the Group's listing from the Speciality Finance to the Insurance sector of the JSE Main board, the Statements of Profit or Loss and Other Comprehensive Income have been significantly expanded to include certain insurance specific information:

		GROUP		COMPANY	
	Notes	**31 August 2014 R'000**	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
Insurance revenue	22.1	**882 998**	1 039 463	**–**	–
Reinsurance		**(550 080)**	(727 308)	**–**	–
Net written premium		**332 918**	312 155	**–**	–
Net change in provision for unearned premiums		**(2 622)**	423	**–**	–
Net insurance revenue		**330 296**	312 578	**–**	–
Reinsurance commissions received		**413 076**	531 854	**–**	–
Income from insurance operations		**743 372**	844 432	**–**	–
Net claims and movement in claims reserves		**(142 097)**	(174 512)	**–**	–
Insurance contract acquisition costs		**(189 206)**	(242 671)	**–**	–
Agency fees		**(353 453)**	(358 897)	**–**	–
• Underwriting management fees		**(138 689)**	(107 192)	**–**	–
• Profit commissions		**(214 764)**	(251 705)	**–**	–
Gross underwriting surplus		**58 616**	68 352	**–**	–
Administration costs		**(32 293)**	(32 260)	**–**	–
Net underwriting surplus		**26 323**	36 092	**–**	–
Non-insurance revenue	22.2	**5 775**	128 702	**2 400**	1 260
Other expenses		**(30 145)**	(114 815)	**(2 521)**	(5 968)
Operating profit (loss)		**1 953**	49 979	**(121)**	(4 708)
Equity accounted income	9 & 10	**16 162**	522	**–**	–
Investment income	23	**25 889**	23 268	**6 267**	10 875
Other income (expenses)	24	**97 375**	3 719	**(4)**	–
Finance charges	26	**(387)**	(462)	**(105)**	(84)
Profit before taxation	27	**140 992**	77 026	**6 037**	6 083
Taxation	30	**(24 508)**	(18 293)	**–**	–
Profit for the year		**116 484**	58 733	**6 037**	6 083
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income		**116 484**	58 733	**6 037**	6 083
Attributable to:					
Equity holders of the parent		**116 383**	39 625		
Non-controlling interest		**101**	19 108		
Total comprehensive income		**116 484**	58 733		
EARNINGS PER SHARE (CENTS)					
• **Basic**	32.4.1	**45.4**	15.5		
• **Diluted**	32.4.2	**45.4**	15.5		

STATEMENTS OF CHANGES IN EQUITY

GROUP	Ordinary share capital R'000	Share premium R'000	Retained earnings R'000	Share-based payment reserve R'000	Non-controlling interest R'000	Total R'000
Balance at 1 September 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
Total comprehensive income for the year	–	–	116 383	–	101	116 484
Reclassification of subsidiary to associate	–	–	–	–	(12 997)	(12 997)
Dividends paid	–	–	–	–	(59)	(59)
Balance at 31 August 2014	2 564	174 140	253 737	–	612	431 053

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 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
Total comprehensive income for the year	–	–	6 037	–	6 037
Balance at 31 August 2014	2 564	198 426	(30 263)	–	170 727

	Notes	GROUP 31 August 2014 R'000	GROUP 31 August 2013 R'000	COMPANY 31 August 2014 R'000	COMPANY 31 August 2013 R'000
Cash flows from operating activities		**(11 975)**	13 609	**4 807**	9 890
• Cash (utilised) generated by operations	33.2	**(18 368)**	41 911	**(1 355)**	(901)
• Interest received	23	**13 121**	10 639	**1 467**	969
• Finance charges	26	**(387)**	(462)	**(105)**	(84)
• Dividends received from investments	23	**608**	2 839	**4 800**	9 906
• Dividends paid		**(59)**	(14 927)	**–**	–
• Taxation paid	33.3	**(6 890)**	(26 391)	**–**	–
Cash flows from investing activities		**(156 534)**	1 695	**(61)**	–
• Disposal of joint ventures	10	**3 935**	–	**–**	–
• Dividends received from joint ventures	10	**90**	60	**–**	–
• Acquisition of associates	9 & 33.4	**(1 081)**	–	**–**	–
• Dividends received from associates	9	**5 285**	–	**–**	–
• Acquisition of property, plant and equipment	4	**(520)**	(1 897)	**(61)**	–
• Disposal of property, plant and equipment		**1**	51	**–**	–
• Acquisition of other intangible assets	5	**(104)**	(1 607)	**–**	–
• Disposal of other intangible assets	5.2	**–**	3	**–**	–
• Acquisition of financial investments	12	**(225 639)**	(6 272)	**–**	–
• Disposal of financial investments	12	**61 499**	11 357	**–**	–
Cash flows from financing activities		**(2 567)**	(8 827)	**(10 237)**	1 580
• Proceeds from exercise of share options		**–**	640	**–**	–
• Movement in loans by minorities		**–**	(5 118)	**–**	–
• Movement in interest bearing borrowings	20	**(2 695)**	(1 058)	**–**	–
• Movement in loans payable to third parties	34.6	**–**	–	**157**	495
• Movement in loans receivable from third parties	6	**(589)**	(3 664)	**–**	–
• Movement in loans to joint ventures	10	**717**	373	**–**	–
• Movement in loans to subsidiaries		**–**	–	**(10 394)**	1 085
Net (decrease) increase in cash and cash equivalents		**(171 076)**	6 477	**(5 491)**	11 470
Cash and cash equivalents at the beginning of the year		**276 449**	269 972	**13 584**	2 114
Cash disposed of		**(16 411)**	–	**–**	–
Cash and cash equivalents at the end of the year	15	**88 962**	276 449	**8 093**	13 584

SEGMENTAL ANALYSIS OF EARNINGS

Segment reporting

The Group operates two main business segments: **Corporate and Investment Services** and **Insurance and Risk Services**. 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	Inter-segment eliminations R'000	Consoli-dation entries R'000	Total R'000
YEAR ENDED 31 AUGUST 2014					
Insurance revenue	–	882 998	–	–	882 998
Reinsurance	–	(550 080)	–	–	(550 080)
Net written premium	–	332 918	–	–	332 918
Net change in provision for unearned premiums	–	(2 622)	–	–	(2 622)
Net insurance revenue	–	330 296	–	–	330 296
Reinsurance commissions received	–	413 076	–	–	413 076
Income from insurance operations	–	743 372	–	–	743 372
Net claims and movement in claims reserves	–	(142 097)	–	–	(142 097)
Insurance contract acquisition costs	–	(189 206)	–	–	(189 206)
Agency fees	–	(353 453)	–	–	(353 453)
• Underwriting management fees	–	(138 689)	–	–	(138 689)
• Profit commissions	–	(214 764)	–	–	(214 764)
Gross underwriting surplus	–	58 616	–	–	58 616
Administration costs	–	(32 293)	–	–	(32 293)
Net underwriting surplus	–	26 323	–	–	26 323
Non-insurance revenue	13 973	5 475	(13 673)	–	5 775
Other expenses	(15 834)	(27 586)	13 275	–	(30 145)
Operating profit (loss)	(1 861)	4 212	(398)	–	1 953
Equity accounted income	13 592	2 570	–	–	16 162
Investment income	4 527	21 266	96	–	25 889
Other income (expenses)	22	3 491	–	93 862	97 375
Finance charges	(302)	(387)	302	–	(387)
Profit before taxation	15 978	31 152	–	93 862	140 992
Taxation	(125)	(6 075)	–	(18 308)	(24 508)
Profit for the year	15 853	25 077	–	75 554	116 484
Non-controlling interest	(6)	(95)	–	–	(101)
Profit attributable to ordinary shareholders	15 847	24 982	–	75 554	116 383
Headline adjustments	5	(672)	–	(75 554)	(76 221)
Headline earnings	15 852	24 310	–	–	40 162
AS AT 31 AUGUST 2014					
Total assets Note A	200 454	858 997	(133 610)	91 499	1 017 340
Total liabilities	(7 157)	(694 432)	133 610	(18 308)	(586 287)
Inter-segment funding	(111 961)	111 961	–	–	–
Non-controlling interest	(179)	(436)	3	–	(612)
Capital employed	81 157	276 090	3	73 191	430 441
Note A:					
Total assets include the following:					
• *Investment in associates*	*46 220*	*3 157*	–	*75 554*	*124 931*
• *Investment in joint ventures*	–	*93*	–	–	*93*
• *Additions to property, plant and equipment*	*60*	*460*	–	–	*520*
• *Additions to intangible assets*	–	*104*	–	–	*104*

Having obtained approval to transfer the Group's listing from the Speciality Finance to the Insurance sector of the JSE Main board and for ease of comparison, the comparative Segmental Analysis has been expanded to include certain insurance specific information. Additionally, the result for Anthony Richards and Associates Proprietary Limited ("ARA") – historically consolidated under the Direct division – now appears as a single line of Equity accounted income in the Corporate and Investment Services segment.

	Corporate and Investment Services R'000	Insurance and Risk Services R'000	Inter-segment eliminations R'000	Consoli-dation entries R'000	Total R'000
YEAR ENDED 31 AUGUST 2013					
Insurance revenue	–	1 039 463	–	–	1 039 463
Reinsurance	–	(727 308)	–	–	(727 308)
Net written premium	–	312 155	–	–	312 155
Net change in provision for unearned premiums	–	423	–	–	423
Net insurance revenue	–	312 578	–	–	312 578
Reinsurance commissions received	–	531 854	–	–	531 854
Income from insurance operations	–	844 432	–	–	844 432
Net claims and movement in claims reserves	–	(174 512)	–	–	(174 512)
Insurance contract acquisition costs	–	(242 671)	–	–	(242 671)
Agency fees	–	(358 897)	–	–	(358 897)
• Underwriting management fees	–	(107 192)	–	–	(107 192)
• Profit commissions	–	(251 705)	–	–	(251 705)
Gross underwriting surplus	–	68 352	–	–	68 352
Administration costs	–	(32 260)	–	–	(32 260)
Net underwriting surplus	–	36 092	–	–	36 092
Non-insurance revenue	8 031	5 225	(7 808)	–	5 448
Other expenses	(14 698)	(27 722)	7 808	–	(34 612)
Operating profit (loss)	(6 667)	13 595	–	–	6 928
Equity accounted income	12 696	522	–	–	13 218
Investment income	6 720	15 945	–	–	22 665
Other income (expenses)	(14)	2 748	–	–	2 734
Finance charges	(3)	(459)	–	–	(462)
Profit before taxation	12 732	32 351	–	–	45 083
Taxation	(42)	(5 350)	–	–	(5 392)
Profit for the year	12 690	27 001	–	–	39 691
Non-controlling interest	(11)	(55)	–	–	(66)
Profit attributable to ordinary shareholders	12 679	26 946	–	–	39 625
Headline adjustments	14	341	–	–	355
Headline earnings	12 693	27 287	–	–	39 980
AS AT 31 AUGUST 2013					
Total assets Note A	184 917	938 602	(130 631)	(2 363)	990 525
Total liabilities	(7 473)	(799 055)	130 631	–	(675 897)
Inter-segment funding	(113 370)	113 370	–	–	–
Non-controlling interest	(173)	(400)	3	–	(570)
Capital employed	63 901	252 517	3	(2 363)	314 058
Note A:					
Total assets include the following:					
• *Investment in associates*	*7 553*	*323*	–	–	*7 876*
• *Investment in joint ventures*	–	*3 566*	–	–	*3 566*
• *Additions to property, plant and equipment*	–	*1 309*	–	–	*1 309*
• *Additions to intangible assets*	–	*600*	–	–	*600*

SEGMENTAL ANALYSIS OF EARNINGS (continued)

For completeness an expanded version of the comparative Segmental Analysis, reflecting the historical position, is detailed below:

	Corporate and Investment Services R'000	Insurance and Risk Services R'000	Direct R'000	Elimi-nation and consoli-dation entries R'000	Total R'000
YEAR ENDED 31 AUGUST 2013					
Insurance revenue	–	1 039 463	–	–	1 039 463
Reinsurance	–	(727 308)	–	–	(727 308)
Net written premium	–	312 155	–	–	312 155
Net change in provision for unearned premiums	–	423	–	–	423
Net insurance revenue	–	312 578	–	–	312 578
Reinsurance commissions received	–	531 854	–	–	531 854
Income from insurance operations	–	844 432	–	–	844 432
Net claims and movement in claims reserves	–	(174 512)	–	–	(174 512)
Insurance contract acquisition costs	–	(242 671)	–	–	(242 671)
Agency fees	–	(358 897)	–	–	(358 897)
• Underwriting management fees	–	(107 192)	–	–	(107 192)
• Profit commissions	–	(251 705)	–	–	(251 705)
Gross underwriting surplus	–	68 352	–	–	68 352
Administration costs	–	(32 260)	–	–	(32 260)
Net underwriting surplus	–	36 092	–	–	36 092
Non-insurance revenue	8 031	5 225	123 254	(7 808)	128 702
Other expenses	(14 698)	(27 722)	(80 203)	7 808	(114 815)
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	(132 994)	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	(2 360)	314 058
Note A:					
Total assets include the following:					
• *Investment in associates*	–	*323*	–	–	*323*
• *Investment in joint ventures*	–	*3 566*	–	–	*3 566*
• *Additions to property, plant and equipment*	–	*1 309*	*588*	–	*1 897*
• *Additions to intangible assets*	–	*600*	*1 007*	–	*1 607*

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 and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act, No. 71 of 2008 and and the Listings Requirements of JSE Limited. 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 joint ventures 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 reporting 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, joint ventures and unlisted equities

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

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 exists when the Group is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its ability to direct the relevant activities over the 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 joint ventures is included in investments in associates or joint ventures. 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 reporting date, investment properties are measured at fair value as determined by professional property valuators using open market values. When investment properties become owner occupied, the Group reclassifies them to property, plant and equipment, using the fair value at the date of reclassification as the cost. A gain or loss arising from a change in fair value is included in net profit for the period in which it arises.

8. ASSOCIATE COMPANIES

Group

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Interests in joint ventures 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 joint venture, 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 joint venture 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 reporting 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, failing which it is determined by the directors on the basis of the more appropriate of either return, or the value of the most recent offer to purchase the shares in an investment in instances where such an offer is a valid offer, or net asset value.

Derivative financial instruments

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

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, joint ventures and fellow subsidiaries and are carried at amortised cost, as is the case 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 reporting date is reported as the unearned premium liability. The liability is generally calculated on a time proportionate basis.

13.2.2 Acquisition costs and deferred acquisition costs

Acquisition costs, which include commissions paid to intermediaries, are recognised over the period in which the related premiums are earned. A deferred acquisition cost asset is recognised in respect of costs paid relating to premium income which remains unearned as at reporting 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 reporting date, whether reported or not, and related internal and external claims handling expenses. Related anticipated reinsurance recoveries are disclosed separately as assets. These estimated reinsurance and other recoveries are assessed in a manner similar to the assessment of the claims outstanding. Outstanding claims are stated net of expected subrogation and salvage recoveries.

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

13.2.4 Profit commission

In terms of agreements entered into with the underwriting managers, whereby a profit commission will become due and payable if a loss ratio below a stipulated level is achieved, a provision is made to cover estimated profit commissions payable. The provision is based on the performance of the affected underwriting managers as at the reporting date. However, this provision may change should the results be affected by any claims developments after this date. Final payment of profit commissions 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 reporting date. Such assets are considered 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 reporting 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 reporting date by the Independent Statutory Actuary in accordance with prevailing legislation, on the 'Financial Soundness Valuation' basis using a discounted cash flow methodology as prescribed by PGN 104 issued by the Actuarial Association of South Africa. The transfer to or from the policyholder liabilities under insurance contracts reflected in 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 amount is 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 reporting 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 reporting 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.

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.

Reinsurance assets

The Group assesses at each reporting 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 reporting 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 a 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-taxable 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 reporting 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 joint ventures, where the parent, investor or venturer is able to control the timing reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

22.1 Standards and interpretations effective and adopted in the current year

Amendments to IAS 1: Presentation of Financial Statements
Annual improvements 2009 – 2011 Cycle:

These amendments clarify the requirements for comparative information including minimum and additional comparative information required.

The effective date of the amendments was for years beginning on or after 1 January 2013. These amendments 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 by 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. In summary to date, the chapters dealing with recognition, classification, measurement, de-recognition of financial assets and liabilities and hedge accounting have been issued. These amendments did not have a significant impact on the Group. Chapters dealing with impairment methodology are still being developed.

The final standard is expected to be effective for annual periods beginning on or after 1 January 2018.

23. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group has chosen not to early adopt the following standards and interpretations which have been published and are mandatory for the Group's accounting periods beginning on or after 1 September 2014 or later periods:

Amendments to IFRS 2: Share-based Payments
Annual improvements 2010 – 2012 Cycle:

Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.

The effective date for the amendments is for years beginning on or after 1 July 2014. These amendments are not expected to have a significant impact on the Group.

Amendments to IFRS 3: Business Combinations
Annual improvements 2010 – 2012 Cycle:

Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9.

Annual improvements 2011 – 2013 Cycle:

Amendments to the scope paragraph for the formation of a joint arrangement.

The effective date for the amendments is for years beginning on or after 1 July 2014. These amendments are not expected to have a significant impact on the Group.

Amendments to IFRS 10, 12 and IAS 27: Investment Entities
The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The effective date for the amendments is for years beginning on or after 1 January 2014. As the Group is not an investment entity, the application of the amendments is not expected to have an impact on the Group.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined on IFRS 3 Business Combinations. The amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. These amendments are not expected to have a significant impact on the Group.

Amendments to IFRS 13: Fair Value Measurement
Annual Improvements 2010 – 2012 Cycle:

Amendments clarify the measurement of requirements for those short-term receivables and payables.

Annual Improvements 2011 – 2013 Cycle:

Amendments clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with IAS 39 or IFRS 9.

The effective date for the amendments is for years beginning on or after 1 July 2014. These amendments are not expected to have a significant impact on the Group.

IFRS 15: Revenue from Contracts with Customers
This new standard provides guidance on the recognition of revenue that requires recognition of revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

The effective date for the standard is for years beginning on or after 1 January 2017. This standard is not expected to have a significant impact on the Group.

Amendments to IAS 16: Property, Plant and Equipment
Annual improvements 2010 – 2012 Cycle:

Amendments to the revaluation method – proportionate restatement of accumulated depreciation.

The effective date for the amendments is for years beginning on or after 1 July 2014. These amendments are not expected to have a significant impact on the Group.

Amendment to IAS 24: Related Party Disclosure
This amendment clarifies the definition of a related party.

The effective date for the amendment is for years beginning on or after 1 July 2014. The amendment is not expected to have a significant impact on the Group.

Amendments to IAS 36: Impairment of Assets
These amendments clarify the required disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

The effective date for the amendment is for years beginning on or after 1 January 2014. These amendments are not expected to have a significant impact on the Group.

Amendments to IAS 38: Intangible Assets
Annual improvements 2010 – 2012 Cycle:

Amendments to the revaluation method – proportionate restatement of accumulated depreciation.

The effective date for the amendments is for years beginning on or after 1 July 2014. These amendments are not expected to have a significant impact on the Group.

Amendments to IAS 40: Investment Properties
These amendments clarify the inter-relationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The effective date for the amendments is for years beginning on or after 1 July 2014. These amendments are not expected to have a significant impact on the Group.

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	2014 Financial assets at amortised cost R'000	2014 Fair value through profit and loss R'000	2013 Financial assets at amortised cost R'000	2013 Fair value through profit and loss R'000
NON-CURRENT				
Loans receivable	**17 721**	**–**	12 801	–
Investments	**–**	**243 173**	–	72 339
• Listed investments	**–**	**238 359**	–	68 059
• Unlisted investments	**–**	**4 814**	–	4 280
CURRENT				
Loans receivable	**376**	**–**	4 707	–
Listed investments	**–**	**4 683**	–	–
Trade and other receivables	**128 743**	**–**	183 120	–
Cash and cash equivalents	**88 962**	**–**	276 449	–
	235 802	**247 856**	477 077	72 339

1.2 Liabilities

GROUP	2014 Financial liabilities at amortised cost R'000	2014 Fair value through profit and loss R'000	2013 Financial liabilities at amortised cost R'000	2013 Fair value through profit and loss R'000
NON-CURRENT				
Interest-bearing borrowings	**–**	**–**	–	2 695
CURRENT				
Trade and other payables	**137 081**	**–**	207 412	–
	137 081	**–**	207 412	2 695

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	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2014				
Assets				
• Listed investments	**243 042**	**–**	**–**	**243 042**
• Investment properties	**–**	**4 173**	**–**	**4 173**
• Unlisted investments	**–**	**4 814**	**–**	**4 814**
	243 042	**8 987**	**–**	**252 029**
2013				
Assets				
• Listed investments	68 059	–	–	68 059
• Investment properties	–	3 978	–	3 978
• Unlisted investments	–	4 280	–	4 280
Liabilities				
• Interest-bearing borrowings	–	–	(2 695)	(2 695)
	68 059	8 258	(2 695)	73 622

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;
- 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; and
- The fair value of the financial liabilities classified in Level 3 has been determined by inputs that are not based on observable market data in that the future expected cash flows from the underlying unlisted entity have been discounted at market related rates. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	2014 R'000	2013 R'000
CURRENT		
Financial liabilities at fair value through profit and loss		
Opening balance	**(2 695)**	(3 753)
Profits (losses) recognised in profit and loss	**(55)**	(45)
Loan redemption	**2 750**	1 103
Closing balance	**–**	(2 695)

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

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	**2014 Financial assets at amortised cost R'000**	2013 Financial assets at amortised cost R'000
NON-CURRENT		
Amounts due from subsidiaries	**30 595**	42 728
CURRENT		
Trade and other receivables	**1 393**	163
Cash and cash equivalents	**8 093**	13 584
	40 081	56 475

2.2 Liabilities

COMPANY	**2014 Financial liabilities at amortised cost R'000**	2013 Financial liabilities at amortised cost R'000
CURRENT		
Loans payable	**4 838**	4 681
Trade and other payables	**338**	416
	5 176	5 097

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 2014				
Interest received	**13 121**	**–**	**–**	**13 121**
Finance charges	**–**	**–**	**(387)**	**(387)**
Dividend income	**–**	**608**	**–**	**608**
Realised fair value adjustment of financial assets	**–**	**10 241**	**–**	**10 241**
Unrealised fair value adjustment of financial assets	**–**	**1 333**	**–**	**1 333**
Amounts written off	**(149)**	**–**	**–**	**(149)**
	12 972	**12 182**	**(387)**	**24 767**
3.1.2 2013				
Interest received	10 639	–	–	10 639
Finance charges	–	–	(462)	(462)
Dividend income	–	2 839	–	2 839
Realised fair value adjustment of financial assets	–	346	–	346
Unrealised fair value adjustment of financial assets	–	9 539	–	9 539
Amounts written off	(4 472)	–	–	(4 472)
	6 167	12 724	(462)	18 429

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

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 2014				
Interest received	**1 467**	**–**	**–**	**1 467**
Finance charges	**–**	**–**	**(105)**	**(105)**
	1 467	**–**	**(105)**	**1 362**
3.2.2 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

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Group

	2014 Cost R'000	2014 Accumulated depreciation R'000	2014 Net carrying value R'000	2013 Cost R'000	2013 Accumulated depreciation R'000	2013 Net carrying value R'000
• Owner occupied properties	**6 351**	**–**	**6 351**	6 351	–	6 351
• Leasehold improvements	**495**	**(491)**	**4**	1 182	(1 099)	83
• Computer hardware	**3 284**	**(2 537)**	**747**	8 368	(6 293)	2 075
• Office equipment	**1 258**	**(836)**	**422**	5 560	(3 479)	2 081
• Furniture and fittings	**5 495**	**(3 374)**	**2 121**	7 544	(4 525)	3 019
• Motor vehicles	**533**	**(193)**	**340**	631	(138)	493
	17 416	**(7 431)**	**9 985**	29 636	(15 534)	14 102

	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
2014							
Movement for the year							
• Opening carrying value	**6 351**	**83**	**2 075**	**2 081**	**3 019**	**493**	**14 102**
• Reclassification	**–**	**–**	**13**	**(13)**	**–**	**–**	**–**
• Additions	**–**	**–**	**271**	**81**	**168**	**–**	**520**
• Disposals	**–**	**–**	**–**	**(4)**	**(2)**	**–**	**(6)**
• Disposed of as part of sale of business	**–**	**(75)**	**(1 223)**	**(1 552)**	**(693)**	**(64)**	**(3 607)**
• Depreciation	**–**	**(4)**	**(389)**	**(171)**	**(371)**	**(89)**	**(1 024)**
	6 351	**4**	**747**	**422**	**2 121**	**340**	**9 985**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.1 Group (continued)

	Owner occupied properties R'000	Lease-hold improve-ments R'000	Computer hardware R'000	Office equip-ment 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

4.2 Company

	2014 Cost R'000	**2014 Accumu-lated depre-ciation R'000**	**2014 Net carrying value R'000**	2013 Cost R'000	2013 Accumu-lated depre-ciation R'000	2013 Net carrying value R'000
• Leasehold improvements	**–**	**–**	**–**	66	(66)	–
• Computer hardware	**225**	**(215)**	**10**	205	(175)	30
• Office equipment	**55**	**(53)**	**2**	81	(57)	24
• Furniture and fittings	**307**	**(239)**	**68**	248	(218)	30
	587	**(507)**	**80**	600	(516)	84

	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Total R'000
2014				
Movement for the year				
• Opening carrying value	**30**	**24**	**30**	**84**
• Reclassification	**13**	**(13)**	**–**	**–**
• Additions	**–**	**–**	**61**	**61**
• Disposals	**–**	**(4)**	**–**	**(4)**
• Depreciation	**(33)**	**(5)**	**(23)**	**(61)**
	10	**2**	**68**	**80**
2013				
Movement for the year				
• Opening carrying value	44	30	50	124
• Depreciation	(14)	(6)	(20)	(40)
	30	24	30	84

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
5. INTANGIBLE ASSETS				
• Goodwill (note 5.1)	**34 371**	44 887	**–**	–
• Computer software (note 5.2)	**705**	1 945	**15**	28
• Broker relationships and other (note 5.3)	**37**	33	**–**	–
	35 113	46 865	**15**	28
5.1 Goodwill				
5.1.1 Net carrying value				
• Cost	**53 145**	67 128	**–**	–
• Impairment	**(18 774)**	(22 241)	**–**	–
• Net carrying value	**34 371**	44 887	**–**	–
5.1.2 Goodwill per cash generating unit				
• Anthony Richards & Associates Proprietary Limited	**–**	10 516	**–**	–
• Black Ginger 92 Proprietary Limited	**1 992**	1 992	**–**	–
• Constantia Risk and Insurance Holdings Proprietary Limited	**32 379**	32 379	**–**	–
	34 371	44 887	**–**	–
5.1.3 Movement for the year				
At beginning of year	**44 887**	44 887	**–**	–
Disposal as part of sale of business/subsidiary	**(10 516)**	–	**–**	–
	34 371	44 887	**–**	–
5.2 Computer software				
5.2.1 Net carrying value				
Cost	**5 589**	8 524	**160**	160
Amortisation	**(4 884)**	(6 579)	**(145)**	(132)
Net carrying value	**705**	1 945	**15**	28
5.2.2 Movement for the year				
At beginning of year	**1 945**	1 544	**28**	29
Additions	**100**	1 600	**–**	–
Disposals	**–**	(3)	**–**	–
Disposal as part of sale of business/subsidiary	**(1 021)**	–	**–**	–
Amortisation	**(319)**	(1 196)	**(13)**	(1)
	705	1 945	**15**	28

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	**33**	26	**–**	–
Additions	**4**	7	**–**	–
Net carrying value	**37**	33	**–**	–

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:

- 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 an after tax rate of 20.5%.

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 profit or loss.

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 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
6. LOANS RECEIVABLE				
Non-current: Unsecured	**17 721**	12 801	**–**	–
Current: Unsecured	**376**	4 707	**–**	–
	18 097	17 508	**–**	–
NON-CURRENT				
Unsecured loans	**19 532**	16 112	**–**	–
Less: Allowance for impairment	**(1 811)**	(3 311)	**–**	–
	17 721	12 801	**–**	–
CURRENT				
Unsecured loans	**376**	4 707	**–**	–

Unsecured loans' repayment and interest terms are as follows:

- R0.56 million carries interest at the prime bank overdraft rate plus 1% and is repayable by no later than 1 November 2018; and
- R17.53 million carries interest at call rates and is repaid through profit commissions earned by the borrower from business that it generates for the Group.

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
7. DEFERRED TAX				
Balance at beginning of year	**3 169**	1 930	**–**	–
Reduction in liability due to sale of business/subsidiary	**199**	–	**–**	–
Charge against the statement of profit or loss and other comprehensive income	**(21 950)**	1 239	**–**	–
Balance at end of year	**(18 582)**	3 169	**–**	–
Relating to:	**(18 582)**	3 169	**–**	–
Provisions and accruals	**(6 036)**	(2 838)	**–**	–
Accelerated capital allowances	**(2)**	(1 305)	**–**	–
Unrealised gains on investment properties	**(528)**	(131)	**–**	–
Unrealised gains on investments	**(20 697)**	(2 968)	**–**	–
Estimated tax losses	**8 681**	10 411	**–**	–
Comprising:	**(18 582)**	3 169	**–**	–
Deferred tax assets	**9 364**	13 625	**–**	–
Deferred tax liabilities	**(27 946)**	(10 456)	**–**	–
8. INVESTMENT PROPERTIES				
8.1 Net carrying value				
Cost	**2 009**	2 009	**–**	–
Fair value adjustment	**2 164**	1 969	**–**	–
Net carrying value	**4 173**	3 978	**–**	–
8.2 Movement for the year				
At beginning of year	**3 978**	3 851	**–**	–
Fair value adjustment (note 23)	**195**	127	**–**	–
	4 173	3 978	**–**	–

The fair value of each investment property was determined on the income/investment approach (using the capitalisation of net income) by R.A. Gibbons (AEI (ZIM), FIV (SA)) from Mills Fitchet Magnus Penny Proprietary Limited, an independent valuer, after taking the following factors into consideration:

- Location, size and nature of the building;
- Supply, demand and lettability of similar properties in the area;
- Market rentals in the general vicinity; and
- The capitalisation rate used in the market for similar type properties.

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
9. INVESTMENT IN ASSOCIATES				
At beginning of year	**323**	311	**–**	–
Additions	**20 201**	–	**11 568**	–
Attributable portion of earnings	**15 830**	223	**–**	–
Dividend received	**(5 285)**	–	**–**	–
Fair valuation (impairment)	**93 862**	(211)	**–**	–
Balance at end of year	**124 931**	323	**11 568**	–

Details of the fair value calculation are set out in note 25 and further 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:

	Anthony Richards and Associates Proprietary Limited R'000	Various other listed in note 34.1 R'000	Total R'000
2014			
• Non-current assets	**7 113**	**614**	**7 727**
• Current assets	**60 112**	**9 429**	**69 541**
• Non-current liabilities	**(543)**	**(276)**	**(819)**
• Current liabilities	**(23 101)**	**(3 550)**	**(26 651)**
• Revenue	**116 700**	**12 666**	**129 366**
• After-tax profit for the year	**33 980**	**5 595**	**39 575**
• Other comprehensive income	**–**	**–**	**–**
• Total comprehensive income	**33 980**	**5 595**	**39 575**
2013			
• Non-current assets	–	509	509
• Current assets	–	1 194	1 194
• Non-current liabilities	–	(266)	(266)
• Current liabilities	–	(362)	(362)
• Revenue	–	17 457	17 457
• After-tax profit for the year	–	688	688
• Other comprehensive income	–	–	–
• Total comprehensive income	–	688	688

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
10. INVESTMENT IN JOINT VENTURES				
At beginning of year	**3 566**	3 756	**–**	–
Loans	**(717)**	(373)	**–**	–
Disposals	**(3 935)**	–	**–**	–
Dividend received	**(90)**	(60)	**–**	–
Attributable portion of earnings	**332**	299	**–**	–
Profit on sale (impairment)	**937**	(56)	**–**	–
Balance at end of year	**93**	3 566	**–**	–

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

Joint ventures summary information

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

	Catalyst Insurance Consultants Proprietary Limited R'000	Riverstone Insurance Brokers Proprietary Limited R'000	Total R'000
2014			
• Non-current assets	**–**	**–**	**–**
• Current assets	**–**	**815**	**815**
• Non-current liabilities	**–**	**–**	**–**
• Current liabilities	**–**	**(259)**	**(259)**
• Revenue	**4 548**	**2 301**	**6 849**
• After-tax profit for the year	**193**	**472**	**665**
• Other comprehensive income	**–**	**–**	**–**
• Total comprehensive income	**193**	**472**	**665**
2013			
• Non-current assets	1 804	–	1 804
• Current assets	166	419	585
• Non-current liabilities	(412)	–	(412)
• Current liabilities	(165)	(61)	(226)
• Revenue	11 994	1 625	13 619
• After-tax profit for the year	458	139	597
• Other comprehensive income	–	–	–
• Total comprehensive income	458	139	597

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
11. INVESTMENT IN SUBSIDIARIES				
Unlisted shares at cost, less amounts written off			**1 517**	13 085
Equity loans			**122 642**	100 115
Other amounts due by subsidiaries			**30 595**	42 728
Net carrying value (refer notes 34.5 and 34.6)			**154 754**	155 928
Directors' valuation			**466 222**	460 313

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. These assets would fit into Level 3 of the fair value hierarchy.

12. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

12.1 Long-term investments

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Listed investments (note 12.1.1)	**238 359**	68 059	**–**	–
• Listed equities	**58 649**	61 917	**–**	–
• Bonds	**179 710**	6 142	**–**	–
Unlisted investments (note 12.1.2)	**4 814**	4 280	**–**	–
	243 173	72 339	**–**	–
12.1.1 Listed equities and bonds at valuation				
Opening net book value	**68 059**	62 792	**–**	–
Additions	**217 587**	6 272	**–**	–
Disposals	**(58 200)**	(11 357)	**–**	–
Fair value adjustment (note 23)	**10 913**	10 352	**–**	–
Closing net book value	**238 359**	68 059	**–**	–
12.1.2 Unlisted investments at valuation				
Opening net book value	**4 280**	3 539	**–**	–
Fair value adjustment (note 23)	**534**	741	**–**	–
Closing net book value	**4 814**	4 280	**–**	–
Directors' valuation at net book value	**4 814**	4 280	**–**	–

12.2 Short-term investments

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
• Listed investments (note 12.2.1)	**4 683**	–	**–**	–
12.2.1 Listed equities at valuation				
Opening net book value	**–**	–	**–**	–
Additions	**8 052**	–	**–**	–
Disposals	**(3 299)**	–	**–**	–
Fair value adjustment (note 23)	**(70)**	–	**–**	–
Closing net book value	**4 683**	–	**–**	–

	GROUP 31 August 2014 R'000	GROUP 31 August 2013 R'000	COMPANY 31 August 2014 R'000	COMPANY 31 August 2013 R'000
13. INSURANCE ASSETS AND LIABILITIES				
13.1 Gross insurance liabilities				
Claims reported but not paid	**(122 683)**	(115 089)	**–**	–
Claims incurred but not reported	**(38 675)**	(41 188)	**–**	–
Unearned premiums, net of deferred acquisition costs	**(238 691)**	(297 870)	**–**	–
• Unearned premiums	**(357 324)**	(448 862)	**–**	–
• Deferred acquisition costs	**118 633**	150 992	**–**	–
Total insurance liabilities	**(400 049)**	(454 147)	**–**	–
13.2 Recoverable from reinsurers				
Claims reported but not paid	**99 774**	76 779	**–**	–
Claims incurred but not reported	**19 609**	24 946	**–**	–
Unearned premiums, net of deferred reinsurance commission revenue	**226 222**	288 170	**–**	–
• Unearned premiums	**344 127**	438 610	**–**	–
• Deferred reinsurance commission revenue	**(117 905)**	(150 440)	**–**	–
Reinsurers' share of insurance liabilities	**345 605**	389 895	**–**	–
13.3 Net insurance liabilities				
Claims reported but not paid	**(22 909)**	(38 310)	**–**	–
Claims incurred but not reported	**(19 066)**	(16 242)	**–**	–
Unearned premiums	**(12 469)**	(9 700)	**–**	–
Total net insurance liabilities	**(54 444)**	(64 252)	**–**	–

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 6.2% for the 2014 financial year (2013: 5.6%).

Had the IBNR provision been calculated at statutory rates, the net provision would have been R2.38 million (2013: R3.56 million) greater than the net R19.07 million currently provided for (2013: R16.24 million).

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 6.2% 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 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
14. TRADE AND OTHER RECEIVABLES				
Deposits and prepaid expenses	**1 597**	1 269	**168**	117
Insurance receivables	**118 562**	164 389	**–**	–
Trade receivables	**5 637**	13 499	**1 225**	33
Loans – Secured	**–**	80	**–**	–
Loans – Unsecured	**368**	–	**–**	–
Other receivables – Unsecured	**2 804**	8 054	**–**	13
Less: Provision for impairment	**(225)**	(4 171)	**–**	–
	128 743	183 120	**1 393**	163
Secured loans relating to a loan made by the IMR Share Trust to a director of the Company and secured by shares	**–**	80	**–**	–
Value of security relating to the above loan	**–**	3 020	**–**	–

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

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Comprising:				
Cash	**88**	90	**–**	–
Call accounts	**65 090**	213 397	**8 093**	13 548
Derivative margin deposits	**5 640**	2 610	**–**	–
Current accounts – Local	**16 160**	28 497	**–**	36
Current accounts – Foreign	**1 984**	31 855	**–**	–
	88 962	276 449	**8 093**	13 584

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

16. ORDINARY SHARE CAPITAL

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Authorised				
500 000 000 ordinary shares of 1c each (2013: 500 000 000)	**5 000**	5 000	**5 000**	5 000
Issued				
256 379 818 ordinary shares of 1c each (2013: 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 (2013: 3 221)	**–***	–*	**–**	–
	2 564	2 564	**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.

* *Amounts less than R1 000*

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Number of shares (net of treasury shares held):	**256 376 597**	256 376 597	**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 (2013: Nil). There were no contracts in place for the sale of shares (2013: Nil).

	GROUP 31 August 2014 R'000	GROUP 31 August 2013 R'000	COMPANY 31 August 2014 R'000	COMPANY 31 August 2013 R'000
17. SHARE PREMIUM				
Reconciliation of movement in share premium:				
Opening balance	**174 140**	173 369	**198 426**	198 279
Exercise of share options	**–**	771	**–**	147
	174 140	174 140	**198 426**	198 426

18. SHARE-BASED PAYMENTS

No new share options were awarded to executive directors and staff during 2013/14. No share options remained outstanding as at the reporting date (2013: Nil).

19. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Opening balance	**19 214**	19 052	**–**	–
Transfer to profit or loss	**1 308**	162	**–**	–
	20 522	19 214	**–**	–

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

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
Individual funeral cover	**19 098**	18 446	**–**	–
Group funeral cover	**1 424**	768	**–**	–
	20 522	19 214	**–**	–

19.2 Maturity analysis of policyholder liabilities

Policyholder liabilities are expected to become payable as follows:

	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
• Up to one year	**3 585**	3 011	**–**	–
• One year to five years	**3 056**	2 878	**–**	–
• More than five years	**13 881**	13 325	**–**	–
	20 522	19 214	**–**	–

19.3 Key assumptions

There were no changes to the valuation basis from the prior year.

In the calculation of liabilities, provision was made for the best estimate of the future experience plus the compulsory margins prescribed by the Actuarial Society of South Africa's Standard of Actuarial Practice ("SAP") 104. SAP 104 is intended to provide for a minimum level of financial resilience in the liabilities to ensure that profits are not recognised prematurely.

For the Group funeral business an IBNR reserve was established based on the most recent claims run-off numbers. These claims run-off numbers were based on the results of "experience investigations" and current and expected future market conditions. In certain instances a deficiency reserve was established to allow for any expected losses on the group funeral policies.

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

- Inflation rate 5.38% (2013: 5.77%)
- Interest rate 6.88% (2013: 7.27%)
- Withdrawal assumptions were based on experience in the portfolio and in the market
- Mortality rates were based on SA85/90 Heavy (2013: SA85/90 Heavy) and the relevant AIDS tables, adjusted to reflect the most recent claims experience

All business is non-participating business and policyholders would have a reasonable expectation that contractual benefits would be met and that there would be no undue delay in the processing of claims and queries.

19. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

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 R20.52 million by the statutory actuary as at 31 August 2014 (2013: R19.21 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	20 522	0.00
Mortality (and other claims)	10% increase	21 003	2.34
Expenses	10% increase	22 480	9.54
Investment returns	1% reduction	22 714	10.68
Withdrawals	10% increase	20 200	(1.57)
Inflation	1% increase	22 291	8.62

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
20. INTEREST BEARING BORROWINGS				
Non-current borrowings				
Unsecured				
Cumulative preference shares				
• Face value	**–**	2 750	**–**	–
• Fair value adjustment	**–**	(55)	**–**	–
	–	2 695	**–**	–

All preference shares were redeemed in the current year.

	GROUP		COMPANY	
21. TRADE AND OTHER PAYABLES				
Accruals	**19 122**	13 255	**255**	240
Insurance payables	**23 308**	55 850	**–**	–
Trade payables	**94 651**	138 213	**83**	176
Dividends payable – Preference shares	**–**	94	**–**	–
	137 081	207 412	**338**	416

	GROUP 31 August 2014 R'000	GROUP 31 August 2013 R'000	COMPANY 31 August 2014 R'000	COMPANY 31 August 2013 R'000
22. REVENUE				
22.1 Insurance revenue				
Gross insurance premiums	**882 998**	1 039 463	**–**	–
• Local	**777 960**	949 310	**–**	–
• Foreign	**105 038**	90 153	**–**	–
22.2 Non-insurance revenue (local)	**5 775**	128 702	**2 400**	1 260
Advisory, consulting and management fees received from group companies	**–**	–	**2 400**	1 260
Advisory, consulting, management and other fees, fees received from third parties	**5 364**	8 693	**–**	–
Commissions	**–**	119 685	**–**	–
Rental income	**411**	324	**–**	–
	888 773	1 168 165	**2 400**	1 260
23. INVESTMENT INCOME				
Interest income	**13 121**	10 639	**1 467**	969
Investment income (listed shares and bonds)	**11 451**	13 413	**–**	–
• Dividend income	**608**	2 839	**–**	–
• Fair value adjustment (unrealised)	**3 549**	9 901	**–**	–
• Fair value adjustment (realised)	**7 294**	673	**–**	–
Investment income (unlisted shares and bonds)	**534**	741	**4 800**	9 906
• Dividend income (subsidiaries and associates)	**–**	–	**4 800**	9 906
• Fair value adjustment (unrealised)	**534**	741	**–**	–
Investment income (losses) – other	**783**	(1 525)	**–**	–
• Derivatives profits (losses)	**197**	(1 430)	**–**	–
• Fair value adjustment (Investment properties and properties held for sale)	**195**	127	**–**	–
• Management and other fees	**391**	(222)	**–**	–
	25 889	23 268	**6 267**	10 875
24. OTHER INCOME (EXPENSES)				
Foreign exchange profits	**2 555**	3 067	**–**	–
Loss on disposal of property, plant and equipment	**(5)**	(66)	**(4)**	–
Profit (loss) on revaluation (impairment) of associates	**93 862**	(211)	**–**	–
Profit (loss) on disposal (impairment) of joint ventures	**937**	(56)	**–**	–
Other	**26**	985	**–**	–
	97 375	3 719	**(4)**	–

25. PROFIT ON REVALUATION OF ASSOCIATES

As previously reported, with effect from 1 September 2013 the Group's interest in credit recovery and debt management specialist, Anthony Richards and Associates ("ARA"), would be accounted for as an associate – doing away with the Direct segment entirely. The change in accounting treatment required that the Group's 40% interest in the company be fair valued, resulting in a net R75.6 million in earnings and net asset value being brought to book.

ARA's fair value 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 15% in order to take account of future prospects in the company over a five-year period;
- extrapolates cash flows beyond the fifth year by using growth rates in line with current inflation; and
- discounts cash flows at an after-tax rate of 19.5%.

The result of the exercise is detailed below:

		R'000
Fair value determined in terms of calculation detailed above		112 982
Book value as at 1 September 2013	(note 33.4)	(19 120)
Revaluation profit	(notes 9 & 24)	93 862
Capital gains tax (deferred)		(18 308)
– Fair value of investment		112 982
– Original cost price of investment		(14 805)
– Capital gain		98 177
x Capital gains tax rate		18.65%
Reported increase in net assets due to revaluation		75 554

The investment is tested for impairment twice a year. These tests indicate that there is no need for impairment of the carrying value of of the investment in the current financial period. The directors further believe that any reasonable change in the key assumptions would not cause the carrying amount of the investment to exceed the recoverable amount that remain.

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
26. FINANCE CHARGES				
Interest paid	**(289)**	(279)	**(105)**	(84)
Preference dividends paid	**(43)**	(138)	**–**	–
Fair value adjustment (low interest loans and preference shares)	**(55)**	(45)	**–**	–
	(387)	(462)	**(105)**	(84)

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000

27. PROFIT BEFORE TAXATION

The profit before taxation incudes:				
Auditors' remuneration	**(2 268)**	(2 153)	**(245)**	(230)
• Current year	**(1 827)**	(1 886)	**(245)**	(230)
• Prior year (underprovision) overprovision	**(4)**	38	**–**	–
• Other services	**(437)**	(305)	**–**	–
Consulting fees paid	**(2 385)**	(1 376)	**(17)**	(2)
Depreciation and amortisation	**(1 343)**	(3 475)	**(74)**	(41)
Direct operating expenses in respect of investment properties	**(252)**	(240)	**–**	–
Financial assets impaired and written off	**(149)**	(4 472)	**–**	(3 695)
Impairment of trade receivables	**–**	(92)	**–**	–
Legal fees	**(470)**	(2 838)	**(50)**	(10)
Management fees paid to third parties	**(1 638)**	(2 883)	**–**	(6)
Operating lease charges	**(3 234)**	(7 729)	**–**	–
• Equipment	**(43)**	(643)	**–**	–
• Premises	**(3 191)**	(7 086)	**–**	–
Secretarial fees	**(172)**	(248)	**(84)**	(99)
Staff costs	**(23 214)**	(69 703)	**1**	–
• Salaries and wages (excluding directors' emoluments)	**(21 611)**	(68 230)	**1**	–
• Provident fund (defined contribution plan)	**(1 603)**	(1 473)	**–**	–

28. DIRECTORS' EMOLUMENTS

	Directors' fees R'000	Basic salary R'000	Bonuses[c)] R'000	Other benefits R'000	Total R'000
28.1 2014					
Paid for by Company:					
NON-EXECUTIVE					
Berkowitz, R S	458	–	–	–	458
Bruyns, S R	251	–	–	–	251
Campbell, S M	251	–	–	–	251
Steffens, G Z	382	–	–	–	382
	1 342	–	–	–	1 342
Paid for by subsidiaries:					
EXECUTIVE					
Druian, J D	–	3 263	883	37	4 183
Louw, L E	–	1 869	525	93	2 487
Shaw, R L	–	2 700	591	–	3 291
Toet, G	–	1 860	525	102	2 487
	–	9 692	2 524	232	12 448
	1 342	9 692	2 524	232	13 790

c) Bonuses provided for in 2013 on a non-specific basis and subsequently allocated and paid to specific individuals in 2014.

28. DIRECTORS' EMOLUMENTS (continued)

28.2 2013

	Directors' fees R'000	Basic salary R'000	Bonuses[c)] R'000	Other benefits R'000	Total R'000
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

28.3 Directors' service contracts

The executive directors have service agreements ("the service agreements") in place 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

64.1% of the Group's employees, all employed by the Insurance and Risk Services division, contribute to the GTC 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 R1.60 million (2013: R1.47 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 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
30. TAXATION				
30.1 Taxation				
South African normal taxation	**(2 558)**	(19 532)	**–**	–
• Current year	**(2 525)**	(19 498)	**–**	–
• Prior period underprovision	**(33)**	(34)	**–**	–
Deferred tax	**(21 950)**	1 239	**–**	–
Taxation per statement of profit or loss and other comprehensive income	**(24 508)**	(18 293)	**–**	–
30.2 Taxation reconciliation				
Profit before tax	**140 992**	77 026	**6 037**	6 083
Standard South African normal taxation	**(39 478)**	(21 567)	**(1 690)**	(1 703)
Non-taxable income	**6 666**	2 975	**1 344**	2 777
Non-deductible expenses	**(2 008)**	(1 722)	**(26)**	(1 037)
Prior period (under) over provision	**(33)**	418	**–**	–
Deferred tax asset not raised in companies with losses	**(72)**	(1 159)	**–**	(37)
Utilisation of previously unrecognised tax losses	**573**	495	**372**	–
Capital gains tax rate differential	**9 844**	2 267	**–**	–
Taxation per statement of profit or loss and other comprehensive income	**(24 508)**	(18 293)	**–**	–

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 R8.54 million (2013: R9.30 million).

31. COMMITMENTS AND CONTINGENT LIABILITIES

31.1 Commitments: Operating leases

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

	GROUP 31 August 2014 R'000	GROUP 31 August 2013 R'000	COMPANY 31 August 2014 R'000	COMPANY 31 August 2013 R'000
Property leases	**2 339**	25 433	**–**	–
• Within one year	**1 400**	5 708	**–**	–
• In second to fifth years	**939**	19 725	**–**	–

Operating lease payments largely represent rentals payable for office properties.

31.2 Contingent liabilities

The Group is not aware of any 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. There were no outstanding share options at the year-end.

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

	GROUP	
	31 August 2014 R'000	31 August 2013 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	**116 484**	58 733
Less: Non-controlling interest	**(101)**	(19 108)
Profit attributable to ordinary shareholders	**116 383**	39 625
32.2 Reconciliation between basic earnings and headline earnings		
Headline earnings is determined as follows:		
Profit attributable to ordinary equity holders of the entity	**116 383**	39 625
Net (profit) loss on revaluation of investment properties	**(65)**	43
Net revaluation profit on reclassification from subsidiary to associate	**(93 862)**	–
Loss on disposal of intangibles, property, plant and equipment	**5**	66
Impairment of associates and joint ventures	**–**	267
Net profit on disposal of joint ventures	**(937)**	–
Tax on the items above	**18 638**	(21)
Headline earnings	**40 162**	39 980
32.3 Shares in issue		
32.3.1 Number of shares ('000)		
• Shares in issue	**256 380**	256 380
• Shares held as treasury shares	**(3)**	(3)
	256 377	256 377
32.3.2 Weighted average number of shares ('000)		
• Shares in issue	**256 380**	256 380
• Shares held as treasury shares	**(3)**	(398)
	256 377	255 982
32.3.3 Diluted weighted average number of shares ('000)		
• Shares in issue	**256 380**	256 380
• Shares held as treasury shares	**(3)**	(398)
	256 377	255 982
32.4 Earnings per share (cents)		
32.4.1 Basic earnings per share	**45.4**	15.5
32.4.2 Diluted earnings per share	**45.4**	15.5
32.4.3 Headline earnings per share	**15.7**	15.6
32.4.4 Diluted headline earnings per share	**15.7**	15.6

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 (utilised) generated by operations

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
Profit before taxation	**140 992**	77 026	**6 037**	6 083
Adjustments for:				
Depreciation and amortisation	**1 343**	3 475	**74**	41
Dividend income	**(608)**	(2 839)	**(4 800)**	(9 906)
Financial assets: Impairment and write-off	**149**	4 472	**–**	3 695
(Revaluation) impairment of associates	**(93 862)**	211	**–**	–
(Profit on sale) impairment of joint ventures	**(937)**	56	**–**	–
Finance charges	**387**	462	**105**	84
Interest income	**(13 121)**	(10 639)	**(1 467)**	(969)
Loss on disposal of property, plant and equipment	**5**	66	**4**	–
Revaluation of property	**(195)**	(127)	**–**	–
Investment profits	**(11 377)**	(11 093)	**–**	–
Equity accounted income	**(16 162)**	(522)	**–**	–
Operating cash flows before working capital changes	**6 614**	60 548	**(47)**	(972)
Working capital changes	**(24 982)**	(18 637)	**(1 308)**	71
• Decrease (increase) in trade and other receivables	**41 277**	(72 678)	**(1 230)**	84
• (Decrease) increase in trade and other payables	**(57 759)**	54 786	**(78)**	(13)
• Decrease in policyholder liabilities	**1 308**	162	**–**	–
• Decrease (increase) in insurance assets	**44 290**	(32 493)	**–**	–
• (Decrease) increase in insurance liabilities	**(54 098)**	31 586	**–**	–
Cash (utilised) generated by operations	**(18 368)**	41 911	**(1 355)**	(901)

33.3 Taxation paid

Opening balance	**(221)**	(7 080)	**–**	–
Disposal of subsidiaries	**(382)**	–	**–**	–
Statement of comprehensive income movement	**(2 558)**	(19 532)	**–**	–
Closing balance	**(3 729)**	221	**–**	–
	(6 890)	(26 391)	**–**	–

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000

33. NOTES TO THE CASH FLOW STATEMENTS (continued)

33.4 Reconciliation of assets acquired in subsidiaries to cash paid

	Group 2014	Group 2013	Company 2014	Company 2013
• Property, plant and equipment	**3 607**	–	**–**	–
• Other intangible assets	**1 021**	–	**–**	–
• Investment in subsidiaries	**–**	–	**11 568**	–
• Trade and other receivables	**12 951**	–	**–**	–
• Funds at call, bank balances and cash	**16 411**	–	**–**	–
• Deferred taxation	**(199)**	–	**–**	–
• Trade and other payables	**(12 572)**	–	**–**	–
• Net tax	**382**	–	**–**	–
• Minority interest	**(12 997)**	–	**–**	–
• Net asset value acquired	**8 604**	–	**11 568**	–
• Profit on sale	**–**	–	**–**	–
• Goodwill disposed of	**10 516**	–	**–**	–
• Sale price	**19 120**	–	**11 568**	–
• Transferred to associates	**(19 120)**	–	**(11 568)**	–
• Net cash flow	**–**	–	**–**	–

34. INVESTMENT IN SUBSIDIARIES, JOINT VENTURES 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	
			2014	2013	**2014 %**	2013 %	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
Directly owned										
Anthony Richards & Associates Proprietary Limited	Credit recovery and call centre services	RSA	**100**	–	**40**	–	**121 774**	–	**–**	–
Held through a subsidiary										
Administration Plus Proprietary Limited	Underwriting manager	RSA	**4 000**	–	**40**	–	**2 834**	–	**–**	–
Autotrade Underwriting Managers Proprietary Limited	Underwriting manager	RSA	**30**	30	**30**	30	**323**	323	**–**	–
Wheels Underwriting Managers Proprietary Limited (in liquidation)	Underwriting manager	RSA	**20**	20	**20**	20	**–**	–	**–**	–
							124 931	323	**–**	–

Notes:

– All associates of the Group are unlisted companies.

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000

34. INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (continued)

34.2 Allocated as follows:

• Book value of investment (note 9)	**124 931**	323	**11 568**	–

34.3 The following information relates to the Group's investment in joint ventures:

	Nature of business	Country of incorporation	Number of shares held		Interest		Book value of investment		Indebtedness to (by) Group	
			2014	2013	**2014 %**	2013 %	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
Held through a subsidiary										
Catalyst Insurance Consultants Proprietary Limited	Insurance administrator and consultant	RSA	**–**	500	**–**	50	**–**	2 902	**–**	415
Riverstone Insurance Brokers Proprietary Limited	Insurance broker	RSA	**50**	50	**50**	50	**396**	249	**(303)**	–
							396	3 151	**(303)**	415

Notes:

– The Group's joint ventures are all in unlisted companies.

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000

34.4 Allocated as follows:

• Book value of investment	**396**	3 151	**–**	–
• Indebtedness (by) to the Group	**(303)**	415	**–**	–
• Investment in joint ventures (note 10)	**93**	3 566	**–**	–

34. INVESTMENT IN SUBSIDIARIES, JOINT VENTURES 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	
			2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
					%	%	**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	**–**	40	**–**	11 568	**–**	–
Conduit Fund Managers Proprietary Limited	Asset manager	RSA	**1**	1	**100**	100	**–**	–	**179**	–
Conduit Management Services Proprietary Limited	Management services; equities and derivatives trading	RSA	**140 000**	140 000	**100**	100	**140**	140	**39 224**	32 920
Copper Sunset Trading 186 Proprietary Limited	Holding company	RSA	**100**	100	**100**	100	**2**	2	**102 642**	99 715
Marble Gold 213 Proprietary Limited	Holding company	RSA	**100**	100	**100**	100	**790**	790	**(188)**	(202)
On Line Lottery Services Proprietary Limited	E-commerce agent	RSA	**150**	150	**80**	80	**585**	585	**–**	–
Held through a subsidiary										
Black Ginger 92 Proprietary Limited	Investment Company	RSA	**100**	100	**100**	100	**–**	–	**11 192**	10 208
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	**–**	–	**–**	–
Constantia Life Limited	Long-term insurer	RSA	**696 000**	696 000	**100**	100	**–**	–	**–**	–

d) Prior to 1 September 2013 Anthony Richards and Associates Proprietary Limited ("ARA") was treated as a subsidiary due to the fact that Conduit Capital exercised board control, which has subsequently been relinquished. ARA is now treated as an associate.

34. INVESTMENT IN SUBSIDIARIES, JOINT VENTURES 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	
			2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
					%	%	**R'000**	R'000	**R'000**	R'000
Held through a subsidiary (continued)										
General Legal and Administration Services Limited	Administration services provider	RSA	**1 002**	1 002	**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	**–**	–	**–**	–
Goodall and Bourne Trust Company Limited	Holding company	RSA	**200**	200	**100**	100	**–**	–	**–**	–
Goodall and Co Undertakers Proprietary Limited	Holding company	RSA	**2 000**	2 000	**100**	100	**–**	–	**–**	–
Hurriclaim Proprietary Limited	Claims administrator	RSA	**352 000**	352 000	**100**	100	**–**	–	**–**	–
IMR 11 Proprietary Limited	In deregistration	RSA	**100**	100	**100**	100	**–**	–	**(1 834)**	(1 834)
IMR Share Trust	Share trust	RSA	**–**	–	**–**	–	**–**	–	**(2 816)**	(2 645)
Internetwork Property Services Proprietary Limited	Administrative company	RSA	**100**	100	**100**	100	**–**	–	**–**	–
Inventory and Risk Surveys Holdings Proprietary Limited	Risk surveyor	RSA	**100**	100	**61**	61	**–**	–	**–**	–
TGI Investment Holding Proprietary Limited	Investment company	RSA	**9 680 036**	9 680 036	**60**	60	**–**	–	**–**	–
The Goodall and Company Funeral Assurance Society Limited	Long-term insurer (dormant)	RSA	**5 000 000**	5 000 000	**100**	100	**–**	–	**–**	–
Transqua Administrative Services Proprietary Limited	Underwriting manager	RSA	**500 000**	500 000	**100**	100	**–**	–	**–**	–
							1 517	13 085	**148 399**	138 162

34. INVESTMENT IN SUBSIDIARIES, JOINT VENTURES 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 no specific repayment date has been set.*

– *The loan to Conduit Fund Managers Proprietary Limited is unsecured, attracts no interest and no specific repayment date has been set.*

– *R20 million of the loan to Conduit Management Services Proprietary Limited is designated an equity loan, is unsecured, attracts no interest and is repayable at the election of the borrower.*

– *The remainder of the loan to Conduit Management Services Proprietary Limited is unsecured, attracts no interest and is repayable before 31 August 2017.*

– *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 31 August 2017.*

– *The loan payable to the IMR Share Trust is unsecured, attracts interest at rates linked to prime and is repayable before 31 August 2017.*

	COMPANY	
	31 August 2014 R'000	31 August 2013 R'000
34.6 Allocated as follows:		
• Shares at cost	**1 517**	13 085
• Equity loans	**122 642**	100 115
• Other amounts due by subsidiaries	**30 595**	42 728
• Investment in subsidiaries (note 11)	**154 754**	155 928
• Loans payable	**(4 838)**	(4 681)
	149 916	151 247

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 11.9% to the Group's gross premium income for the 2014 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.

As at the reporting date the Group had the following USD exposure:

	Exposure in USD '000	Converted to ZAR '000	Rand weakens 10%	Rand strengthens 10%
31 August 2014				
– Assets	**8 765**	**93 350**	**102 685**	**84 864**
– Liabilities	**(7 948)**	**(84 650)**	**(93 115)**	**(76 955)**
– Net	**817**	**8 700**	**9 570**	**7 909**
31 August 2013				
– Assets	13 513	138 509	152 360	125 917
– Liabilities	(9 881)	(101 283)	(111 411)	(92 076)
– Net	3 632	37 226	40 949	33 841

35. RISK MANAGEMENT (continued)

35.1 Currency risk (continued)

The Company had no foreign currency exposure.

The Group has mitigated its currency exposure by entering into forward exchange contracts in terms whereof USD are sold on the South African Futures Exchange ("SAFEX") at a fixed rate at a future date. The forward cover position is marked-to-market by SAFEX on a daily basis with the movement in the ZAR/USD exchange rate used as a reference. Profits and losses resulting from the daily mark-to-market movements are settled in cash. Assets exposed to currency risks are assessed regularly and adjustments are made to forward cover positions in order to ensure that adequate cover is maintained at all times.

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:

Financial assets	2014 2% increase R'000	2013 2% increase R'000	2014 2% decrease R'000	2013 2% decrease R'000
Investments in debt securities	(117)	(127)	119	129
Cash and interest bearing loans	4 926	4 125	(4 926)	(4 125)
	4 809	3 998	(4 807)	(3 996)

Financial liabilities	2014 2% increase R'000	2013 2% increase R'000	2014 2% decrease R'000	2013 2% decrease R'000
Interest bearing borrowings	(132)	(121)	132	121

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:

Financial assets	2014 2% increase R'000	2013 2% increase R'000	2014 2% decrease R'000	2013 2% decrease R'000
Cash and interest bearing loans	584	404	(584)	(404)

Financial liabilities	2014 2% increase R'000	2013 2% increase R'000	2014 2% decrease R'000	2013 2% decrease R'000
Loans payable	(55)	(48)	55	48

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	BB R'000	B R'000	Not rated R'000	Carrying value R'000
35.4.1 GROUP						
31 August 2014						
Investments in debt securities held at fair value	**45 703**	**76 062**	**50 318**	**7 627**	**–**	**179 710**
Unlisted investments held at fair value	**–**	**–**	**–**	**–**	**4 814**	**4 814**
Loans receivable	**–**	**–**	**–**	**–**	**18 097**	**18 097**
Trade and other receivables	**–**	**–**	**–**	**–**	**128 743**	**128 743**
Cash and cash equivalents	**9 651**	**52 793**	**–**	**–**	**26 518**	**88 962**
	55 354	**128 855**	**50 318**	**7 627**	**178 172**	**420 326**
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	224 007	–	–	8 377	276 449
	44 065	228 107	2 042	–	213 285	487 499

35. RISK MANAGEMENT (continued)

35.4 Credit risk (continued)

	Credit rating					
	A R'000	BBB R'000	BB R'000	B R'000	Not rated R'000	Carrying value R'000
35.4.2 COMPANY						
31 August 2014						
Trade and other receivables	**–**	**–**	**–**	**–**	**1 393**	**1 393**
Cash and cash equivalents	**7 458**	**635**	**–**	**–**	**–**	**8 093**
	7 458	**635**	**–**	**–**	**1 393**	**9 486**
31 August 2013						
Trade and other receivables	–	–	–	–	163	163
Cash and cash equivalents	–	13 584	–	–	–	13 584
	–	13 584	–	–	163	13 747

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

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

Impairment history

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

		Financial assets that are past due but not impaired						
	Neither past due nor impaired R'000	2 – 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 2014								
Investments in debt securities held at fair value	**179 710**	**–**	**–**	**–**	**–**	**–**	**–**	**179 710**
Unlisted investments held at fair value	**4 814**	**–**	**–**	**–**	**–**	**–**	**–**	**4 814**
Loans receivable	**18 097**	**–**	**–**	**–**	**–**	**1 811**	**(1 811)**	**18 097**
Trade and other receivables	**83 749**	**15 911**	**3 179**	**21 985**	**3 919**	**225**	**(225)**	**128 743**
Cash and cash equivalents	**88 962**	**–**	**–**	**–**	**–**	**–**	**–**	**88 962**
	375 332	**15 911**	**3 179**	**21 985**	**3 919**	**2 036**	**(2 036)**	**420 326**

35. RISK MANAGEMENT (continued)

35.4 Credit risk (continued)

	Neither past due nor impaired R'000	Financial assets that are past due but not impaired 2 – 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 (continued)								
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
35.4.4 COMPANY								
31 August 2014								
Trade and other receivables	**1 393**	**–**	**–**	**–**	**–**	**–**	**–**	**1 393**
Cash and cash equivalents	**8 093**	**–**	**–**	**–**	**–**	**–**	**–**	**8 093**
	9 486	**–**	**–**	**–**	**–**	**–**	**–**	**9 486**
31 August 2013								
Trade and other receivables	163	–	–	–	–	–	–	163
Cash and cash equivalents	13 584	–	–	–	–	–	–	13 584
	13 747	–	–	–	–	–	–	13 747

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				
2014				
Interest-bearing borrowings	**–**	**–**	**–**	**–**
Trade and other payables	**137 081**	**–**	**–**	**137 081**
	137 081	**–**	**–**	**137 081**

35. RISK MANAGEMENT (continued)

35.5 Liquidity risk

	Within 1 year R'000	2 to 5 years R'000	More than 5 years R'000	Total R'000
35.5.1 GROUP (continued)				
2013				
Interest-bearing borrowings	–	–	2 695	2 695
Trade and other payables	207 412	–	–	207 412
	207 412	–	2 695	210 107
35.5.2 COMPANY				
2014				
Loans payable	**4 838**	**–**	**–**	**4 838**
Trade and other payables	**338**	**–**	**–**	**338**
	5 176	**–**	**–**	**5 176**
2013				
Loans payable	4 681	–	–	4 681
Trade and other payables	416	–	–	416
	5 097	–	–	5 097

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. RISK MANAGEMENT (continued)

35.6 Insurance risk (continued)

35.6.2 Concentration of insurance risk

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

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

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	**2014 R'000**	2013 R'000
Short term		
• Property	**202 448**	256 115
• Motor	**84 915**	185 194
• Accident/Health	**393 989**	377 561
• Guarantee	**20 591**	18 659
• Miscellaneous (including legal expenses, retrenchment cover)	**156 224**	179 913
Long term	**24 831**	22 021
	882 998	1 039 463

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. RISK MANAGEMENT (continued)

35.6 Insurance risk (continued)

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;
- SCOR Africa Limited; and
- Infinity Re: A division of Infinity Insurance Limited.

Claims risk

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

Lapse risk

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

Expense risk

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

Pricing and Underwriting risk

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

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 shareholders and benefits for other stakeholders; and
- to maintain an optimal capital structure that balances the required returns on shareholders' capital with the risks associated with the entity's business.

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

35. RISK MANAGEMENT (continued)

35.7 Capital risk management (continued)

Consistent with others in the industry, the Group monitors capital in its insurance businesses on the basis of solvency and the capital adequacy ratio ("CAR"). 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 56.0% (2013: 53.5%), while its CAR at year-end was 1.45 overall and 1.53 on its domestic business. Constantia Life and Health Limited and Constantia Life Limited's CARs were 2.44 and 2.84 respectively (2013: 2.05 and 2.41).

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 2014			
• 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	**3 800 000**	**–**	**3 800 000**
• Shaw, R L	**516 688**	**–**	**516 688**
• Steffens, G Z	**–**	**–**	**–**
• Toet, G	**1 841 236**	**–**	**1 841 236**
	31 489 965	**5 110 734**	**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 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

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

36.2 Interest in share options

	Direct	Total
31 August 2014		
• 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 2013		
• Berkowitz, R S	–	–
• Bruyns, S R	–	–
• Campbell, S M	–	–
• Druian, J D	–	–
• Louw, L E	–	–
• Shane, S D	–	–
• Steffens, G Z	–	–
• Toet, G	–	–
	–	–

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 Joint ventures

Details of investments in joint ventures are disclosed in notes 34.3 and 34.4.

Details of trading transactions with joint ventures 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.

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 joint ventures are disclosed in note 12.

37. RELATED PARTY TRANSACTIONS (continued)

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 transacted with and 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 2014 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.

37.4 Trading transactions and outstanding balances other than loan balances

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
37.4.1 Subsidiaries				
Anthony Richards and Associates Proprietary Limited				
• Dividend received	**–**	–	**–**	9 906
Black Ginger 92 Proprietary Limited				
• Interest received	**–**	–	**941**	827
Conduit Fund Managers Proprietary Limited				
• Management and administration fees paid	**–**	–	**–**	(6)
• Balance due by (to)	**–**	–	**19**	(2)
Conduit Management Services Proprietary Limited				
• Management and administration fees received	**–**	–	**2 400**	1 260
• Balance due by	**–**	–	**1 143**	–
Constantia Insurance Group				
• Balance due by	**–**	–	**17**	–
IMR Share Trust				
• Interest paid	**–**	–	**(105)**	(83)

37. RELATED PARTY TRANSACTIONS (continued)

	GROUP		COMPANY	
	31 August 2014 R'000	31 August 2013 R'000	**31 August 2014 R'000**	31 August 2013 R'000
37.4 Trading transactions and outstanding balances other than loan balances (continued)				
37.4.2 Associates				
Anthony Richards and Associates Proprietary Limited				
• Dividend received	**4 800**	–	**4 800**	–
Administration Plus Proprietary Limited				
• Dividend received	**485**	–	**–**	–
• Management fees paid	**(2 514)**	–	**–**	–
• Profit commission paid	**(2 421)**	–	**–**	–
Autotrade Underwriters Proprietary Limited				
• Management fees paid	**(4 993)**	(3 861)	**–**	–
• Profit commission paid	**(785)**	–	**–**	–
37.4.3 Joint ventures				
Catalyst Insurance Consultants Proprietary Limited				
• Interest received	**9**	50	**–**	–
• Directors fees received	**32**	96	**–**	–
Riverstone Insurance Brokers Proprietary Limited				
• Directors fees received	**80**	–	**–**	–
• Interest paid	**(3)**	–	**–**	–
• Balance of interest-bearing borrowings	**(303)**	–	**–**	–
37.4.4 Directors, directors' companies and key management				
Anslow Management Consultants Proprietary Limited				
• Management fees paid	**(360)**	(360)	**–**	–
• Rental paid	**(510)**	(580)	**–**	–
Shavian Investment Holdings Proprietary Limited				
• Rental paid	**(540)**	(608)	**–**	–
Unison Guarantee Acceptances Proprietary Limited				
• Management fees paid	**(3 825)**	(2 554)	**–**	–
Key management				
• Salaries and bonuses paid to key management (short-term employee benefits)	**–**	(5 527)	**–**	–

SHAREHOLDER INFORMATION
as at 31 August 2014

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	480	29.20	180 560	0.07
1 001 – 10 000 shares	757	46.05	3 684 505	1.44
10 001 – 100 000 shares	298	18.13	8 900 951	3.47
100 001 – 1 000 000 shares	72	4.38	22 719 691	8.86
1 000 001 shares and over	37	2.24	220 894 111	86.16
	1 644	**100.00**	**256 379 818**	**100.00**

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Close corporations	16	0.97	4 053 646	1.58
Individuals	1 405	85.46	72 077 426	28.11
Nominees and trusts	116	7.06	9 468 302	3.69
Other persons and corporations	58	3.53	65 853 767	25.69
Private companies	39	2.37	89 652 410	34.97
Public companies	8	0.49	15 188 031	5.92
Share trusts	2	0.12	86 236	0.04
	1 644	**100.00**	**256 379 818**	**100.00**

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholdings	%	Number of shares	%
Non-public shareholders	16	0.97	48 225 326	18.81
Directors and associates' holdings	14	0.85	48 136 869	18.78
Own holdings	1	0.06	3 221	–
Share trust	1	0.06	85 236	0.03
Public shareholders	1 628	99.03	208 154 492	81.19
	1 644	**100.00**	**256 379 818**	**100.00**

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	Number of shares	%
LLC Pershing	34 182 126	13.33
Mr Jason Dean Druian	27 521 775	10.73
Snowball Wealth Proprietary Limited	24 215 175	9.45
Morning Tide Investments 82 Proprietary Limited	13 000 000	5.07
Mr Wayne Anthony Druian	11 450 934	4.47
First National Investors Proprietary Limited	12 181 818	4.75
RE: CM and Calibre Limited	11 291 999	4.40
Ellerine Bros Proprietary Limited	10 000 000	3.90
UBS AG London Branch Account Client	8 076 611	3.15
	151 920 438	59.25

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 (77) – LLB
Independent chairman and non-executive director

Jason D Druian (42)
Chief executive officer

S Richard Bruyns (61) – CA (SA); PDM (Harvard)
Independent non-executive director

Scott M Campbell** (46) – BBS; Dip Bus Studies
Independent non-executive director

Lourens E Louw (44) – B Comm
Financial Director

Robert L Shaw (64)
Executive director

Günter Z Steffens* (77)
Independent non-executive director

Gavin Toet (40)
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
Investec Bank
Nedbank
Standard Bank

Company Secretary

CIS Company Secretaries
Proprietary Limited
(Registration number: 2006/024994/07)

70 Marshall Street
Johannesburg, 2001

PO Box 61763, Marshalltown, 2107

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 Proprietary Limited t/a 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

NOTICE OF ANNUAL GENERAL MEETING

CONDUIT CAPITAL LIMITED

Incorporated in the Republic of South Africa

(Registration number 1998/017351/06)

Share code: CND ISIN: ZAE000073128

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

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional 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 Monday, 2 March 2015 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, 20 February 2015. 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, 13 February 2015.

1. To receive, consider and adopt the annual financial statements of the Company and the Group for the financial year ended 31 August 2014, including the reports of the auditors, directors and the Audit Committee.
2. To re-elect Mr Reginald Selwyn Berkowitz 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 Stephen Richard Bruyns 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 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. SPECIAL RESOLUTION NUMBER 1

Non-executive directors' remuneration

"**Resolved that**

a) in terms of the provisions of sections 66(9) of the Companies Act, 2008 (Act 71 of 2008), as amended, the annual remuneration payable to the non-executive directors of Conduit Capital Limited ("the Company") for their services as directors of the Company for the financial year ending 31 August 2015, be and is hereby approved as follows:

Position	Name	Proposed fee in ZAR for the year ending 31 August 2015*
Chairman of the Board	R S Berkowitz	490 000
Chairman of the Audit, Risk and Social & Ethics Committees	G Z Steffens	408 200
Chairman of the Nominations and Remuneration Committee	S R Bruyns	268 500
Non-executive Director	S M Campbell	268 500

** Note: The above fees include fees for acting as chairmen or members of applicable sub-committees*

b) an annual increase, to be approved by the Board of Directors (but not exceeding 10% of the fees payable to the non-executive directors for their services as directors), be hereby approved for the financial year ending 31 August 2016."

Explanatory note

In terms of section 66(9) of the Companies Act, a company is required to pre-approve the payment of remuneration to non-executive directors for their services as directors for the ensuing financial year by means of a special resolution passed by shareholders of the Company within the previous two years.

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.

9. 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.

10. ORDINARY RESOLUTION NUMBER 2

Control of authorised but unissued ordinary shares

"**Resolved 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.

11. SPECIAL RESOLUTION NUMBER 2

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), or a maximum of 10% (ten percent) if the acquisition is by a subsidiary, 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.

11.1 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 26;
- major shareholders of the Company – page 84;
- directors' interests in securities – page 80; and
- share capital of the Company – page 58.

11.2 Litigation statement

The directors, whose names appear on page 26 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.

11.3 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.

11.4 Directors' responsibility statement

The directors, whose names appear on page 26 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.

11.5 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 of 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.

12. SPECIAL RESOLUTION NUMBER 3

Loans or other financial assistance to subsidiaries and other related or inter-related companies

"**Resolved that,** as a special resolution, in terms of section 45 of the Companies Act, 2008 (Act 71 of 2008) ("Companies Act"), as amended, the shareholders of Conduit Capital Limited ("the Company") hereby approve of the Company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) 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, provided that:

(a) the board of directors of the Company ("the Board"), from time to time, determines: (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance and (iii) the terms and conditions under which such financial assistance is provided; and

(b) the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance."

Explanatory note

The purpose of this special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act to a present or future subsidiary and any other related or inter-related company or corporation.

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.

Notice given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance in respect of special resolution number 3:

(a) By the time that this notice of Annual General Meeting is delivered to shareholders of the Company, the Board will have adopted a resolution ("Section 45 Board Resolution") authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 3 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a present or future subsidiary and any other related or inter-related company or corporation;

(b) the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 3 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and

(c) in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

13. 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.

14. 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

CIS Company Secretaries Proprietary Limited
Company Secretary

27 November 2014
Johannesburg

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

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

Name: Reginald Selwyn Berkowitz

Age: 77

Role: Independent Non-executive Director and Chairman of the Board

Reggie studied for his Natal Law Certificate at the University of Natal and won the Connor Memorial Prize as top student in the final exam in 1956. He was admitted as an attorney and a Notary Public and Conveyancer to the Natal Supreme Court in 1959. Reggie established the law practice Berkowitz Kirkel Cohen Wartski Greenberg in 1965. In 1992 he joined Investec and became Group Legal Advisor. He retired in 2003 and was retained as a consultant until May 2005. He is currently a Non-Executive Director of numerous public and private companies. In addition, he is the Chairman and a trustee of the Beare Foundation and a former member of the Securities Regulation Panel.

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

Name: Stephen Richard Bruyns

Age: 61

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. His experience includes turning one of Africa's largest operators and managers of high-end bush lodges from losses to strong profitability and culminating with "best hotel in Africa and the Middle East" and "second best small hotel in the world 2005" for two of the group's lodges. 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: 46

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: 77

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 38 years Günter gained extensive experience in the financial services industry, most notably with Dresdner Bank AG. During this time he established and managed Dresdner Bank AG in London and later represented the bank in the capacity of Geographic Head for Southern Africa.

ANNEXURE B

SALIENT FEATURES OF CONDUIT CAPITAL'S REMUNERATION POLICY

PURPOSE

Conduit Capital's remuneration policy ("the Policy") sets the guidelines within which the Board 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 (six) 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, whereafter 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 months' notice period is applicable.

The executive is remunerated in full during the notice period.

NOTES

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 Monday, 2 March 2015 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 2014			
2.	To approve the re-election as director of Mr Reginald Selwyn Berkowitz who retires by rotation			
3.	To approve the re-election as director of Mr Stephen Richard Bruyns 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 Reuben being the individual registered auditor for the ensuing financial year			
8.	Special resolution number 1 Approval of the Non-executive Directors' remuneration			
9.	Ordinary resolution number 1 Approval of the remuneration policy			
10.	Ordinary resolution number 2 Control of authorised but unissued ordinary shares			
11.	Special resolution number 2 General approval to acquire shares			
12.	Special resolution number 3 Loans or other financial assistance to subsidiaries and other related or inter-related companies			
13.	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 ______________________________ 2015

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:
    Computershare Investor Services Proprietary Limited
    Ground Floor, 70 Marshall Street
    Johannesburg
    2001

    Postal deliveries to:
    Computershare Investor Services Proprietary Limited
    PO Box 61050
    Marshalltown
    2107

    to be received by no later than 08:00 on Thursday, 26 February 2015 (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