CONDUIT CAPITAL LIMITED

(formerly IMR Investments Limited)

(Registration number 1998/017351/06)

ANNUAL FINANCIAL STATEMENTS

28 February 2006

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CHAIRMAN'S REPORT

GENERAL

The period under review is the first operating period for the current management and directors of Conduit Capital Limited (formerly IMR Investments Limited) ("Conduit Capital", "the company" or "the group"), as well as the first period whereby the group's financial results are presented in terms of International Financial Reporting Standards. The period was characterised by significant restructuring and the successful conclusion of a number of outstanding issues by the group, as detailed below.

REVIEW OF OPERATIONS

Recapitalisation

In September 2005 the company was successful in raising R5,842 million in working capital by way of a general issue of shares for cash.

Acquisitions

During the period under review, the company concluded a transaction with Jason Druian and Paul Diamond to acquire certain of their early stage investments, including previously identified investment opportunities and advisory mandates (which for the purpose of the transaction was housed in a shelf company, Marble Gold 213 (Proprietary) Limited). The effective date of the transaction was 1 March 2005 and it was approved by shareholders at a general meeting of shareholders on 3 November 2005.

The company also concluded an agreement with Mindfield Investments (Proprietary) Limited to acquire a 40% stake in Anthony Richards and Associates (Proprietary) Limited ("ARA") with effect from 1 November 2005 ("the transaction"). In addition, the company has been granted an option until 31 December 2006 to acquire a further 10% stake in ARA from the minority shareholders of ARA with effect from 1 November 2005 ("the option"). The option has not yet been exercised.

General

Below are some key indicators that describe the progress that the group has made during the 2006 financial year:

	2006	2005
Net asset value	**R20,092 million**	R5,914 million
Tangible net asset value	**R9,673 million**	R5,914 million
Total assets	**R29,631 million**	R8,148 million
Tangible assets	**R19,212 million**	R8,148 million
Total revenue	**R8,992 million**	R2,801 million
Operating loss before tax	**(R1,801 million)**	(R6,784 million)
Headline earnings (loss)	**R0,142 million**	(R0,014 million)
Number of shares in issue (net of treasury shares) ('000)	**94 782**	81 882
Weighted average number of shares in issue ('000)	**85 901**	81 888
Fully diluted number of shares in issue ('000)	**131 721**	81 882
Net asset value per share (cents)	**21,20**	7,22
Tangible net asset value per share (cents)	**10,21**	7,22
Operating loss before tax per share (cents)	**(2,10)**	(8,28)
Total loss per share (after impairment of goodwill) (cents)	**(25,71)**	(0,32)
Headline earnings (loss) per share (cents)	**0,17**	(0,02)
Fully diluted loss per share (after goodwill impairment) (cents)	**(25,71)**	(0,32)
Fully diluted headline earnings (loss) per share (cents)	**0,11**	(0,02)

POST BALANCE SHEET EVENTS

The directors' report gives detailed disclosure of all post balance sheet events under the heading "Subsequent events".

CONCLUSION

Conduit Capital is satisfied with the progress made in its first financial year under new management. Operating losses were stemmed, cash resources increased, litigation matters resolved and profitable investments were made. Most notably, the ARA acquisition and the anticipated implementation of the CICL transaction present significant prospects for the group.

R S Berkowitz
Chairman

Johannesburg
18 September 2006

CORPORATE GOVERNANCE STATEMENT

The directors fully support the principles of good corporate governance established by the Code of Corporate Practices and Conduct ("the Code") of the King Report on corporate governance and are committed to the implementation thereof and have complied with the Code to the following extent:

FINANCIAL STATEMENTS

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

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

GOING CONCERN

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

STRUCTURE OF THE BOARD

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

- Jason Druian — Chief Executive Officer
- Reginald Berkowitz — Non-Executive Director and Chairman
- Paul Diamond — Executive Director
- Lourens Louw — Executive Director
- Stanley Shane — Executive Director
- Megan Kruger — Non-Executive Director
- Scott Campbell [#] — Non-Executive Director

[#] New Zealander

The roles of the chairman and the chief executive officer are separated. The directors have a wide range of skills and the majority have financial services experience. At least four board meetings are held per annum. In addition to these, monthly management meetings are held and attended by the majority of members of the board.

ATTENDANCE OF BOARD MEETINGS

The table below summarises the attendance of board meetings by individual board members during the financial year that ended on 28 February 2006:

Name	10 March 2005	24 May 2005	02 Nov 2005	12 Dec 2005	14 Feb 2006	Total P	Total A	Total *
Berkowitz, Reginald	*	*	P	P	P	3	–	2
Campbell, Scott	P	P	P	P	P	5	–	–
Diamond, Paul	*	*	P	P	P	3	–	2
Diem, Armin	P	P	*	*	*	2	–	3
Druian, Jason	*	*	P	P	P	3	–	2
Kruger, Megan	*	*	P	P	A	2	1	2
Louw, Lourens	P	P	P	P	P	5	–	–
Schmulian, Jason	P	P	*	*	*	2	–	3
Shane, Stanley	P	P	P	P	P	5	–	–
Number of board members	5	5	7	7	7	31	-	
Number present	5	5	7	7	6	30	1	

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

AUDIT COMMITTEE

The audit committee consists of the Chairman, the Chief Executive Officer, the Financial Director and one non-executive director, Scott Campbell, who is the Chairman of the committee. The committee meets periodically with executive management to review accounting, auditing and financial reporting matters in order to ensure that an effective control environment in the group is maintained. The committee also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses the accounting implications of major transactions.

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

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

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

REMUNERATION COMMITTEE

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

The remuneration committee comprises the Chairman, a non-executive director and the Chief Executive Officer.

RISK MANAGEMENT

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

The risk management committee comprises the Chairman, the Financial Director and the Group Financial Manager.

EMPLOYMENT EQUITY AND PRACTICES

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

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

ENVIRONMENT

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

REVIEW OF MANAGEMENT AND FINANCIAL CONTROLS

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

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

INTERNAL CONTROL

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

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and asset safeguarding. Furthermore, the effectiveness of an internal control system can change with circumstances.

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

DIRECTOR'S RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

as at 28 February 2006

The directors are responsible for the preparation of the annual financial statements and to ensure that they fairly present the state of affairs of the company and of the group.

The annual financial statements have been prepared by management in accordance with the Companies Act, 1973, as amended, and International Financial Reporting Standards and are based on consistently applied and appropriate accounting standards.

In discharging their responsibility to ensure the fairness and integrity of the financial statements, the directors rely on the group's systems of internal control, the risk management procedures adopted within the group, and information supplied by the external auditors.

The directors are of the opinion that:

– appropriate accounting policies have been consistently applied and are supported by reasonable and prudent judgements and estimates;

– proper accounting records have been maintained;

– internal controls are adequate and are operating effectively; and

– the financial statements fairly present the financial position of the group and the company as at 28 February 2006 and the results of its operations for the year then ended.

The directors have no reason to believe that the business will not continue as a going concern for the foreseeable future and the annual financial statements will continue to be prepared on a going concern basis.

The annual financial statements as set out on pages 9 to 57 were approved by the Board of directors and are signed on its behalf.

R S Berkowitz
Chairman

J D Druian
Chief Executive Officer

Johannesburg
18 September 2006

COMPANY SECRETARY'S CERTIFICATE

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

Gruzzet Secretarial & Trust Company (Pty) Ltd

Gruzzet Secretarial & Trust Company (Proprietary) Limited
Company Secretary

Johannesburg
18 September 2006

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CONDUIT CAPITAL LIMITED

We have audited the company and group annual financial statements of Conduit Capital Limited, set out on pages 9 to 57, for the year ended 28 February 2006. These annual financial statements are the responsibility of the entity's directors. Our responsibility is to express an opinion on these annual financial statements, based on our audit.

SCOPE

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company and of the group at 28 February 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

Grant Thornton

Grant Thornton
Chartered Accountants (S.A.)
Registered Auditors
South African member of Grant Thornton International

18 September 2006

The directors have pleasure in presenting their report for the financial year ended 28 February 2006.

NATURE OF THE BUSINESS

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

Conduit Capital is an investment company that holds listed and unlisted equities and cash resources. The company also acts as advisor/principal in transactions that involve black empowerment initiatives.

CHANGE OF NAME

On 3 November 2005 shareholders approved a special resolution to change the name of the company from IMR Investments Limited to Conduit Capital Limited. The name change was effected by the Registrar of Companies on 8 November 2005.

SHARE CAPITAL

The authorised share capital of the company remained unchanged during the year. In order to recapitalise the company the issued share capital was increased as follows:

- 1,9 million ordinary shares were issued at a premium of 17 cents per share, for a total consideration of R342 000; and
- 11 million shares were issued at a premium of 49 cents per share, for a total consideration of R5,5 million.

The shares were issued by way of a general issue of shares in terms of an authority granted to the directors by way of a resolution of shareholders that was passed at the previous annual general meeting of shareholders.

SHARE PREMIUM

After the issue of ordinary shares as described above, the share premium account amounted to R10 609 412 (2005: R4 956 297).

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

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

1. Fixed assets of approximately R194 000 (2005: R111 000);
2. Subsidiaries of R2,234 million (2005: Rnil); and
3. Associates of approximately R349 000 (2005: R626 000).

In addition to the cash amount of R2,234 million paid in 2 above, the group is expected to pay an additional R1,767 million in cash and issue shares to the value of R30,479 million in order to pay for its acquisition of the entire share capital of Marble Gold 213 (Proprietary) Limited, as well as a 40% interest in the share capital of Anthony Richards and Associates (Proprietary) Limited. Full details of the acquisitions are disclosed in note 14 of the annual financial statements.

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

1. Fixed assets with a book value of approximately R6 000 were written off to nil on discontinuation of usage (2005: assets to the value of R71 000 were sold for R38 000);
2. An investment in Icon Retail Information Systems (Proprietary) Limited was impaired through the income statement at a loss of approximately R78 000 (2005: R1 091 000);
3. Goodwill of R22,219 million, resulting from the acquisition of various subsidiaries, were impaired through the income statement (2005: R0,215 million).

DIRECTORS' REPORT

(continued)

INTEREST IN SUBSIDIARIES

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

	2006 R'000	2005 R'000
Profits	**1 928**	5 756
Losses	**(1 164)**	(1 511)

SUBSEQUENT EVENTS

Acquisition of a significant controlling stake in CICL Investment Holdings (Proprietary) Limited ("CICL") ("the CICL transaction") and issue of shares for cash

As announced on 16 March 2006, Conduit Capital has concluded a number of agreements to acquire a significant controlling stake (in excess of 75%) in CICL, the holding company of a diversified insurer and risk services group, which derives its revenue from both risk and non-risk bearing activities. CICL's group premium income for the year to 31 August 2005 exceeded R1,12 billion, while net profit before taxation amounted to R34,66 million.

Shareholders' approval for the transaction was granted at a general meeting of shareholders that was held on 23 August 2006. Competition Commission approval for the transaction was granted on 28 June 2006 and a decision from the Financial Services Board is expected in due course.

As part of the funding of the CICL transaction the group has reached agreement with various high net worth individuals and funds in terms whereof such parties have agreed to subscribe for 65 million ordinary shares in Conduit Capital at one rand per share. These agreements are subject to the CICL transaction being implemented and all other requisite approvals being obtained. Shareholder approval for the issue of shares was granted at a general meeting of shareholders that was held on 23 August 2006.

Increase of authorised share capital in the company

In order to give effect to the above it was necessary to increase the authorised share capital of Conduit Capital from 200 000 000 ordinary shares of one cent each to 500 000 000 shares of one cent each. The special resolution to increase the company's authorised share capital was approved at a general meeting of shareholders that was held on 30 August 2006.

DIRECTORS AND OFFICERS

The following persons acted as directors during the year:

Name			**Appointed**	**Resigned**
Reginald S Berkowitz	(Chairman)	#*R	24/05/2005	
Jason D Druian	(Chief Executive Officer)	#R	24/05/2005	
Scott M Campbell	(New Zealand)	#*R	09/04/2000	
Paul Diamond			24/05/2005	
Armin H Diem	(Austrian)		06/07/1999	24/05/2005
Megan Kruger		*	24/05/2005	
Lourens E Louw	(Financial Director)	#	25/08/2004	
Jason M Schmulian			31/08/2002	24/05/2005
Stanley D Shane			21/01/1999	

Key: * Non-executive (non-independent)
Audit Committee
R Remuneration Committee

The company secretary is Gruzzet Secretarial & Trust Company (Proprietary) Limited. Its business address is 2nd Floor, 3 Sturdee Building, 3 Sturdee Avenue, Rosebank, 2196. Its postal address is P O Box 2091, Parklands, 2121.

DIRECTORS' SHAREHOLDING

As at 28 February 2006 certain directors beneficially owned 58 137 362 ordinary shares (2005: 32 821 974) (note 29 to the financial statements). The directors did not hold further rights to any share options under the IMR share trust (note 12 to the financial statements).

DIRECTORS' INTEREST IN CONTRACTS

Other than their letters of employment with the company and their interests in the company's acquisitions of Marble Gold and ARA, as described above and elsewhere in these annual financial statements, no director of the company has an interest in any contract that a company within the group has entered into.

BORROWING LIMITATIONS OF DIRECTORS

In terms of the Articles of Association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate. At 28 February 2006 the company's borrowings totalled as follows:

	2006 R'000	2005 R'000
Borrowings from other group companies	**1 612**	52 814
Borrowings from external sources	**25**	–
Total borrowings	**1 637**	52 814

DIVIDENDS

No dividend payment was recommended by the directors for the year ended 28 February 2006 (2005: Rnil).

AUDITORS

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

SPECIAL RESOLUTIONS

- As detailed above, shareholders on 3 November 2005 approved a special resolution to change the name of the company from IMR Investments Limited to Conduit Capital Limited.
- A special resolution that extended the mandate given to the company (or one of its wholly-owned subsidiaries), by way of a general approval, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the provisions of the Companies Act, 1973, as amended, and the Listings Requirements of JSE Limited and subject to certain terms and conditions, was approved by shareholders at the company's annual general meeting that was held on 3 November 2005. The special resolution was registered with the Registrar of Companies on 8 November 2005.

BALANCE SHEETS

as at 28 February

		GROUP		COMPANY	
		2006	2005	**2006**	2005
	Note	**R'000**	R'000	**R'000**	R'000
ASSETS					
Non-current assets		**16 703**	2 891	**23 277**	62 288
Property, plant and equipment	2	**1 315**	383	**261**	332
Goodwill	3	**10 419**	–	**–**	–
Other intangible assets	4	**381**	240	**25**	6
Deferred tax	5	**569**	–	**–**	–
Investment in associates	6	**181**	–	**–**	–
Investment in subsidiaries	7	**–**	–	**22 991**	61 950
Investments held at fair value	8	**3 838**	2 268	**–**	–
Current assets		**12 928**	5 257	**2 866**	606
Investments held at fair value	8	**1 194**	1 953	**–**	–
Loans receivable	9	**404**	1 292	**536**	152
Trade and other receivables	10	**6 064**	272	**641**	187
Short-term deposits and cash	11	**5 266**	1 740	**1 689**	267
		29 631	8 148	**26 143**	62 894
EQUITY AND LIABILITIES					
Total equity		**21 805**	5 914	**21 728**	9 333
Share capital	12	**948**	819	**995**	866
Share premium	13	**9 182**	3 529	**33 660**	28 007
(Accumulated deficit) Retained earnings		**(20 517)**	1 566	**(43 406)**	(19 540)
Shares to be issued to vendors	14	**30 479**	–	**30 479**	–
		20 092	5 914	**21 728**	9 333
Minority interest	15	**1 713**	–	**–**	–
Non-current liabilities					
Vendors for cash	14	**1 767**	–	**1 767**	–
Current liabilities		**6 059**	2 234	**2 648**	53 561
Loans payable		**–**	–	**1 612**	52 814
Trade and other payables	16	**4 624**	2 231	**1 011**	747
Short term borrowings	17	**500**	–	**–**	–
Current tax payable		**910**	–	**–**	–
Bank overdraft	11	**25**	3	**25**	–
		29 631	8 148	**26 143**	62 894

INCOME STATEMENTS

for the year ended 28 February

		GROUP		COMPANY	
		2006	2005	**2006**	2005
	Note	**R'000**	R'000	**R'000**	R'000
Revenue	18	**6 377**	2 270	**3 993**	2 210
Investment income	19	**2 447**	442	**310**	384
Other income	20	**168**	89	**46**	4
		8 992	2 801	**4 349**	2 598
Employee costs		**(4 380)**	(2 562)	**(3 526)**	(2 373)
Depreciation		**(307)**	(311)	**(165)**	(200)
Impairment of financial assets and investments		**(938)**	(1 601)	**(21 772)**	(675)
Operating leases		**(905)**	(1 028)	**(786)**	(989)
Interest paid		**(82)**	(1)	**(49)**	(1)
Other operating expenses		**(4 029)**	(3 328)	**(1 917)**	(1 577)
Share of associates' losses		**(152)**	(754)	**–**	–
Net operating loss	21	**(1 801)**	(6 784)	**(23 866)**	(3 217)
Impairment of goodwill	3	**(22 219)**	(215)	**–**	–
Loss before taxation		**(24 020)**	(6 999)	**(23 866)**	(3 217)
Taxation	23	**2 072**	6 737	**–**	2
Loss for the year		**(21 948)**	(262)	**(23 866)**	(3 215)

Attributable to:		
Equity holders of the parent	**(22 083)**	(262)
Minority interest	**135**	–
Loss for the year	**(21 948)**	(262)

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February

COMPANY	Note	Share capital R'000	Share premium R'000	Non distributable reserve R'000	Retained earnings (Accumulated deficit) R'000	Shares to be issued to vendors R'000	Total R'000
Balance at 1 March 2004, as restated		866	28 007	–	(16 325)	–	12 548
As previously stated		866	28 007	–	(16 341)	–	12 532
IFRS adjustments	1.7	–	–	–	16	–	16
Net loss for the year, as restated		–	–	–	(3 215)	–	(3 215)
As previously stated		–	–	–	(3 175)	–	(3 175)
IFRS adjustments	1.8	–	–	–	22	–	22
Other adjustments	1.8	–	–	–	(62)	–	(62)
Balance at 28 February 2005, as restated		866	28 007	–	(19 540)	–	9 333
Proceeds from issue of shares		129	5 713	–	–	–	5 842
Costs of issue of shares		–	(60)	–	–	–	(60)
Acquisition of interest in subsidiaries		–	–	–	–	30 479	30 479
Loss for the year		–	–	–	(23 866)	–	(23 866)
Balance at 28 February 2006		995	33 660	–	(43 406)	30 479	21 728

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February

GROUP	Note	Share capital R'000	Share premium R'000	Non distri-butable reserve R'000	Retained earnings (Accum-mulated deficit) R'000	Shares to be issued to vendors R'000	Minority interest R'000	Total R'000
Balance at 1 March 2004, as restated		820	3 539	–	1 828	–	–	6 187
As previously stated		820	4 966	7 165	(6 721)	–	–	6 230
Transitional reclassifications		–	(1 427)	(7 165)	8 592	–	–	–
IFRS adjustments	1.6	–	–	–	(38)	–	–	(38)
Other adjustments	1.6	–	–	–	(5)	–	–	(5)
Treasury stock set-off		(1)	(10)	–	–	–	–	(11)
Net loss for the year, as restated		–	–	–	(262)	–	–	(262)
As previously stated		–	–	85	28	–	–	113
IFRS adjustments	1.8	–	–	–	(41)	–	–	(41)
Other adjustments	1.8	–	–	(85)	(249)	–	–	(334)
Balance at 28 February 2005, as restated		819	3 529	–	1 566	–	–	5 914
Proceeds from issue of shares		129	5 713	–	–	–	–	5 842
Costs of issue of shares		–	(60)	–	–	–	–	(60)
Acquisition of interest in subsidiaries		–	–	–	–	30 479	1 578	32 057
Loss for the year		–	–	–	(22 083)	–	135	(21 948)
Balance at 28 February 2006		948	9 182	–	(20 517)	30 479	1 713	21 805

CASH FLOW STATEMENTS

for the year ended 28 February

		GROUP		COMPANY	
		2006	2005	**2006**	2005
	Note	**R'000**	R'000	**R'000**	R'000
Cash flows from operating activities		**(2 706)**	(3 946)	**(2 212)**	(2 390)
Cash absorbed by operations	27.2	**(4 763)**	(4 674)	**(2 473)**	(2 773)
Interest received		**437**	451	**310**	384
Interest paid		**(82)**	(1)	**(49)**	(1)
Dividends received		**107**	280	**–**	–
Taxation refund (paid)	27.3	**1 595**	(2)	**–**	–
Cash flows from investing activities		**(893)**	(251)	**(2 173)**	(656)
Acquisition of subsidiaries	27.4	**(2 234)**	–	**–**	-
Acquisition of associates		**(349)**	(626)	**–**	(607)
Acquisition of property, plant and equipment		**(171)**	(85)	**(95)**	(85)
Disposal of property, plant and equipment		**–**	38	**–**	38
Acquisition of other intangible assets		**(23)**	(26)	**(24)**	(2)
Acquisition of financial investments		**(3 715)**	(5 066)	**(2 054)**	–
Disposal of financial investments		**5 599**	5 514	**–**	–
Cash flows from financing activities		**5 782**	(11)	**5 782**	–
Proceeds from new share issue		**5 782**	–	**5 782**	–
Acquisition of treasury shares		**–**	(11)	**–**	–
Increase (decrease) in cash and cash equivalents		**2 183**	(4 208)	**1 397**	(3 046)
At the beginning of the year		**1 737**	5 945	**267**	3 313
Cash acquired		**1 321**	–	**–**	–
Cash and cash equivalents at end of year	11	**5 241**	1 737	**1 664**	267

SEGMENTAL ANALYSIS OF EARNINGS

for the year ended 28 February 2006

	Note	Head office R'000	Trading R'000	E-commerce R'000	Credit recovery and call centre R'000	Total R'000
Revenue	18	2 953	–	1 810	1 614	6 377
Investment income	19	405	2 018	24	–	2 447
Other income	20	168	–	–	–	168
		3 526	2 018	1 834	1 614	8 992
Employee costs		(2 716)	(720)	(386)	(558)	(4 380)
Depreciation		(235)	–	(42)	(30)	(307)
Impairment of financial assets and investments		(924)	–	(14)	–	(938)
Operating leases		(779)	–	(43)	(83)	(905)
Interest received (paid)		112	(33)	(161)	–	(82)
Other operating expenses		(2 068)	(45)	(1 298)	(618)	(4 029)
Share of associates' losses		(147)	–	–	(5)	(152)
Net operating (loss) profit	21	(3 231)	1 220	(110)	320	(1 801)
Impairment of goodwill	3	–	(18 573)	(180)	(3 466)	(22 219)
Loss before taxation		(3 231)	(17 353)	(290)	(3 146)	(24 020)
Taxation	23	1 885	282	–	(95)	2 072
Loss for the year		(1 346)	(17 071)	(290)	(3 241)	(21 948)
Attributable to:						
Equity holders of the parent		(1 346)	(17 071)	(290)	(3 376)	(22 083)
Minority interest		–	–	–	135	135
Loss for the year		(1 346)	(17 071)	(290)	(3 241)	(21 948)
Headline (loss) profit for the year		(1 340)	1 502	(110)	90	142

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The group is reporting its annual financial statements, for the first time, in accordance with International Financial Reporting Standards ("IFRS"). The date of transition from South African Statements of Generally Accepted Accounting Practice ("GAAP") to IFRS is 1 March 2004 ("the transition date"). These financial statements have therefore been prepared using accounting policies compliant with IFRS and the South African Companies Act, 1973 (as amended).

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.

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value and incorporate the principal accounting policies set out below.

2. BASIS OF CONSOLIDATION

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

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

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

3. 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 continuously reassessed and its carrying value is restated by applying an appropriate depreciation charge against the income statement, unless the depreciation charge is included in the carrying amount of another asset.

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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Category	Expected useful life
Vehicles	5 years
Computer equipment	3 years
Furniture and fittings	6 – 10 years
Office equipment	5 – 10 years
Leasehold improvements	3 years

4. GOODWILL

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

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

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

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

5. OTHER INTANGIBLE ASSETS

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

Intangible assets are initially recognised at cost.

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

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

Category	Expected useful life
Computer software	2 – 3 years

6. ASSOCIATE COMPANIES

Group

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

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

6. ASSOCIATE COMPANIES (continued)

Impairment losses reduce the carrying amount of investments in associates.

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

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

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

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

Company

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

7. INVESTMENT IN SUBSIDIARIES

Company

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

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

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

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

8. FINANCIAL INSTRUMENTS

8.1 Initial recognition

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

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

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

8.2 Subsequent measurement

After initial recognition, these instruments are measured as follows:

Investments in securities

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

8. FINANCIAL INSTRUMENTS (continued)

8.2 Subsequent measurement (continued)

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

Derivative financial instruments

Derivative financial instruments are initially recorded at cost and are valued at fair value, without any deduction for transaction costs which may incur on sale or other disposal, at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised in the income statement.

Loans, trade and other receivables

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

Trade and other payables

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

Borrowings

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

8.3 Gains and losses

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

– a gain or loss on a financial asset or liability classified as at fair value through profit or loss is recognised in the income statement;
– a gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity, is recognised in profit and loss;
– where financial assets and liabilities are carried at amortised cost, a gain or loss is recognised in profit or loss through the amortisation process when the financial asset or liability is derecognised or impaired.

9. LOANS TO/FROM GROUP COMPANIES

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

10. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents are measured at fair value.

11. 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.

12. PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

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

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

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

Provisions shall not be recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

Contingent assets and contingent liabilities are not recognised.

13. OFFSETTING

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

14. TURNOVER AND COST OF SALES

Turnover and cost of sales are not concepts relevant to the group's business and are accordingly not disclosed.

15. REVENUE RECOGNITION

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

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

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

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

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

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

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

16. INCOME FROM INVESTMENTS

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

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

17. OPERATING LEASES

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

18. IMPAIRMENT OF ASSETS

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

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

19. TAXATION

Current tax assets and liabilities

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

19. TAXATION (continued)

Current tax assets and liabilities (continued)

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

Current taxation rates

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

Deferred taxation

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

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

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

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

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

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

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

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

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

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

19. TAXATION (continued)

Secondary taxation on companies (STC)

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

Tax expenses

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

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

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

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

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

20. FOREIGN CURRENCIES

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

At each balance sheet date:

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

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

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

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

20. FOREIGN CURRENCIES (continued)

Investments in subsidiaries, joint ventures and associates

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

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

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

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

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

Currency conversion guide

Approximate value of the British Pound (“GBP”) relative to the Rand (“ZAR”) at 28 February:

	2006	2005
Spot rate (ZAR per GBP)	10,8091	11,1403
Weighted average rate during the year (ZAR per GBP)	11,4804	11,4798

21. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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:

– the determination of the fair value of the shares to be issued to vendors on the acquisition of subsidiary companies (note 14);
– the impairment testing of goodwill with an indefinite life (note 3); and
– the valuation of unlisted shares (note 8.3).

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

1. EFFECT OF FIRST TIME ADOPTION OF IFRS AND OTHER PRIOR YEAR ADJUSTMENTS

In terms of IFRS 1: First Time Adoption of International Financial Reporting Standards, the group has restated its opening consolidated balance sheet and reserves at 1 March 2004, the consolidated balance sheet as at 28 February 2005 and the consolidated income statement for the year then ended. Similarly, the company has restated its opening balance sheet and reserves at 1 March 2004, the balance sheet as at 28 February 2005 and the consolidated income statement for the year then ended. There has been no adjustment to the cash flows as previously reported.

Where applicable, the group and the company have elected to utilise the following transitional provisions on the adoption of IFRS:

- the cumulative translation differences on foreign operations have been deemed to be zero at the transition date;
- negative goodwill arising from business combinations before the transition date has been recognised; and
- corresponding adjustments have been made to retained earnings at the transition date for the aforementioned changes.

Following the aforementioned changes, the portion of the treasury shares that had previously been set off against non-distributable reserves in the consolidated financial statements, has been set off against share premium.

The following changes in accounting policies were made on the adoption of IFRS and comparative figures have been adjusted accordingly:

1.1 IAS 1: Presentation of Financial Statements

Certain balance sheet and income statement classifications have been amended after consideration of IAS 1.

1.2 IFRS 3: Business Combinations, IAS 36: Impairment of Assets and IAS 38: Intangible Assets

Business combinations after the transition date and the related goodwill arising on the difference between the cost of the acquisition and the group's share of the identifiable assets and liabilities of the acquiree at the date of acquisition, have been accounted for in terms of IFRS 3, IAS 36 and IAS 38. In terms of these standards, goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Goodwill arising prior to the transition date required no adjustment as it had been fully impaired at 28 February 2005. Negative goodwill at the transition date has been reclassified as set out above.

1.3 IAS 16: Property, Plant and Equipment

The useful lives and residual values of property, plant and equipment have been reassessed in terms of IAS 16 and the related carrying values and depreciation charges have been restated accordingly.

1.4 IAS 39: Financial Instruments – Recognition and Measurement

Investments that were previously classified as available for sale and held for trading have been classified as held at fair value through profit and loss. As the fair value adjustments on available for sale and held for trading investments had previously been recognised in income, this reclassification did not result in any adjustment to income.

1. EFFECT OF FIRST TIME ADOPTION OF IFRS AND OTHER PRIOR YEAR ADJUSTMENTS (continued)

1.5 Other adjustments

IAS 21: The Effects of Changes in Foreign Exchange Rates

In terms of IAS 21, foreign operations that are integral to the group must be measured in the functional currency of the group and the effects of any changes in foreign exchange rates must therefore be recognised in income. These changes were previously charged directly to equity and the appropriate adjustments have therefore been made to the 2005 income statement.

Impairment of financial assets

In terms of IAS 39, where there is evidence that loans or receivables should be impaired, an amount equivalent to the difference between the asset's carrying amount and the net present value of the estimated future cash flows associated with the asset must be debited against the income statement. IAS 39 was not applied in the 2005 annual financial statements and the prior year figures have therefore been restated to account for the impairment of certain loans and receivables at 28 February 2004 and 28 February 2005.

1.6 Reconciliations and descriptions of the effect of the transition from GAAP to IFRS and the effect of the other adjustments on the GROUP's assets, liabilities and equity are provided below:

	Assets R'000	**Liabilities R'000**	**Equity R'000**
1 March 2004			
As previously stated	14 292	8 062	6 230
Adjusted for:			
– Impairment of loans receivable	(5)	–	(5)
	14 287	8 062	6 225
IFRS restatements:			
– IAS 16: Property, plant and equipment	(38)	–	(38)
As reported under IFRS	14 249	8 062	6 187
28 February 2005			
As previously stated	8 566	2 234	6 332
Adjusted for:			
– Impairment of loans receivable	(339)	–	(339)
	8 227	2 234	5 993
IFRS restatements:			
– IAS 16: Property, plant and equipment	(79)	–	(79)
As reported under IFRS	8 148	2 234	5 914

1. EFFECT OF FIRST TIME ADOPTION OF IFRS AND OTHER PRIOR YEAR ADJUSTMENTS (continued)

1.7 Reconciliations and descriptions of the effect of the transition from GAAP to IFRS and the effect of the other adjustments on the COMPANY's assets, liabilities and equity are provided below:

	Assets R'000	Liabilities R'000	Equity R'000
1 March 2004			
As previously stated	65 134	52 602	12 532
IFRS restatements:			
– IAS 16: Property, plant and equipment	16	–	16
As reported under IFRS	65 150	52 602	12 548
28 February 2005			
As previously stated	62 918	53 561	9 357
Adjusted for:			
– Impairment of loans receivable	(62)	–	(62)
	62 856	53 561	9 295
IFRS restatements:			
– IAS 16: Property, plant and equipment	38	–	38
As reported under IFRS	62 894	53 561	9 333

1.8 Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on the group and the company's profitability are provided below:

	Group as restated 28 February 2005 R'000	Company as restated 28 February 2005 R'000
Profit (loss) attributable to equity holders of the parent		
As previously reported	28	(3 175)
Adjusted for:		
– Reclassification of changes in foreign exchange rates	85	–
– Impairment of loans receivable	(334)	(62)
	(221)	(3 237)
IFRS restatements:		
– IAS 16: Property, plant and equipment	(41)	22
As reported under IFRS	(262)	(3 215)

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Company

	2006			2005		
	Cost R'000	**Accumulated depreciation R'000**	**Net carrying value R'000**	Cost R'000	Accumulated depreciation R'000	Net carrying value R'000
– Computer hardware	**140**	**(91)**	**49**	121	(43)	78
– Office equipment	**49**	**(19)**	**30**	38	(12)	26
– Furniture and fittings	**522**	**(360)**	**162**	466	(267)	199
– Motor vehicles	**32**	**(12)**	**20**	32	(3)	29
	743	**(482)**	**261**	657	(325)	332

	Computer hardware R'000	**Office equipment R'000**	**Furniture and fittings R'000**	**Motor vehicles R'000**	**Total R'000**
2006					
Movement for the year					
– Opening carrying value	**78**	**26**	**199**	**29**	**332**
– Additions	**19**	**11**	**65**	**–**	**95**
– Write-offs	**–**	**–**	**(6)**	**–**	**(6)**
– Depreciation	**(48)**	**(7)**	**(96)**	**(9)**	**(160)**
	49	**30**	**162**	**20**	**261**
2005					
Movement for the year					
– Opening carrying value	106	27	333	33	499
– Additions	26	6	53	–	85
– Disposals	(15)	–	(23)	–	(38)
– Write-offs	(12)	–	(21)	–	(33)
– Depreciation	(27)	(7)	(143)	(4)	(181)
	78	26	199	29	332

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2.2 Group

	2006 Cost R'000	2006 Accumulated depreciation R'000	2006 Net carrying value R'000	2005 Cost R'000	2005 Accumulated depreciation R'000	2005 Net carrying value R'000
– Computer hardware	**698**	**(169)**	**529**	193	(77)	116
– Office equipment	**404**	**(32)**	**372**	49	(17)	32
– Furniture and fittings	**760**	**(366)**	**394**	474	(268)	206
– Motor vehicles	**32**	**(12)**	**20**	32	(3)	29
	1 894	**(579)**	**1 315**	748	(365)	383

	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
2006					
Movement for the year					
– Opening carrying value	**116**	**32**	**206**	**29**	**383**
– Additions	**35**	**45**	**91**	**–**	**171**
– Write-offs	**–**	**–**	**(6)**	**–**	**(6)**
– Depreciation	**(92)**	**(15)**	**(102)**	**(9)**	**(218)**
– Acquired as part of business combination	**470**	**310**	**205**	**–**	**985**
	529	**372**	**394**	**20**	**1 315**
2005					
Movement for the year					
– Opening carrying value	165	27	349	33	574
– Additions	26	6	53	–	85
– Disposals	(15)	–	(23)	–	(38)
– Write-offs	(12)	–	(21)	–	(33)
– Depreciation	(48)	(1)	(152)	(4)	(205)
	116	32	206	29	383

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
3. GOODWILL				
3.1 Net carrying value				
Cost	**32 638**	430	**–**	–
Impairment	**(22 219)**	(430)	**–**	–
	10 419	–	**–**	–
3.2 Movement for the year				
At beginning of year	**–**	215	**–**	–
Goodwill on the acquisition of Marble Gold 213 (Proprietary) Limited	**18 573**	–	**–**	–
Goodwill on the acquisition of the Lotto Manager business	**180**	–	**–**	–
Goodwill on the acquisition of Anthony Richards & Associates (Proprietary) Limited	**13 885**	–	**–**	–
Impairment	**(22 219)**	(215)	**–**	–
At end of year	**10 419**	–	**–**	–

3.3 Impairment testing of goodwill

3.3.1 Goodwill acquired through business combinations have been allocated to three individual cash generating units, which are reportable segments for impairment testing as follows:

- On Line Lottery Services (Proprietary) Limited and the Lotto Manager business;
- Marble Gold 213 (Proprietary) Limited ("Marble Gold"); and
- Anthony Richards & Associates (Proprietary) Limited.

3.3.2 The recoverable amount of each unit, except Marble Gold 213, has been determined based on a "value in use calculation" that:

- uses cash flow projections based on actual results covering a one year period;
- adjusts such projections with a variable growth rate of between 10% and 20% in order to take account of future prospects in each unit for a period of five years;
- extrapolates cash flows beyond the fifth year by using a growth rate of between 10% and 12,5%, depending on the business; and
- discounts cash flows at an after tax rate of 20%.

3.3.3 The recoverable amount of Marble Gold has been determined by valuing its primary aspect, being an indirect investment in CICL Investment Holdings (Proprietary) Limited ("CICL"), based on the price that Conduit Capital has offered to pay for the shares in CICL (refer to the heading "Subsequent events" in the directors' report for further information).

(Also refer to note 14)

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
4. OTHER INTANGIBLE ASSETS				
4.1 Computer software				
Cost	**667**	437	**66**	42
Depreciation	**(286)**	(197)	**(41)**	(36)
Net carrying value	**381**	240	**25**	6
4.2 Computer software – Movement for the year				
At beginning of year	**240**	321	**6**	21
Additions	**23**	26	**24**	2
Acquired as part of business combination	**207**	-	**–**	–
Depreciation	**(89)**	(107)	**(5)**	(17)
At end of year	**381**	240	**25**	6

4.3 Impairment testing of intangible assets

The useful life and residual value of each asset is continuously reassessed and its carrying value is restated by applying the appropriate depreciation charge against the income statement.

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
5. DEFERRED TAX				
Balance at beginning of year	**–**	–	**–**	–
Charge against the income statement	**569**	–	**–**	–
Balance at end of year	**569**	–	**–**	–
Comprising:				
Employee accruals	**19**	–	**–**	–
Unrealised losses on investments	**550**	–	**–**	–
	569	–	**–**	–
6. INVESTMENT IN ASSOCIATES				
Total attributable net assets of associates:				
Unlisted shares at cost, less amounts written off	**–**	–	**–**	–
Attributable portion of post-acquisition deficit	**(1 521)**	(1 369)	**–**	–
Loans	**2 871**	2 460	**–**	–
Impairment	**(1 169)**	(1 091)	**–**	–
Balance at end of year	**181**	–	**–**	–

	GR.OUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
6. INVESTMENT IN ASSOCIATES (continued)				
6.1 Total attributable net assets of Icon Retail Information Systems (Proprietary) Limited:				
Unlisted shares at cost, less amounts written off	**–**	–	**–**	–
Attributable portion of post-acquisition deficit	**(1 439)**	(1 369)	**–**	–
Loans	**2 608**	2 460	**–**	–
Impairment	**(1 169)**	(1 091)	**–**	–
Balance at end of year	**–**	–	**–**	–
Directors' valuation	**–**	–	**–**	–
6.2 Total attributable net assets of Maruapula Capital (Proprietary) Limited:				
Unlisted shares at cost, less amounts written off	**–**	–	**–**	–
Attributable portion of post-acquisition deficit	**(77)**	–	**–**	–
Loans	**161**	–	**–**	–
Balance at end of year	**84**	–	**–**	–
Directors' valuation	**84**	–	**–**	–
6.3 Total attributable net assets of Mail Credit Management (Proprietary) Limited:				
Unlisted shares at cost, less amounts written off	**–**	–	**–**	–
Attributable portion of post-acquisition deficit	**(5)**	–	**–**	–
Loans	**102**	–	**–**	–
Balance at end of year	**97**	–	**–**	–
Directors' valuation	97	-	-	-
6.4 Associates' summary information				
6.4.1 Icon Retail Information Systems (Proprietary) Limited:				
– Total assets	**328**	425	**–**	–
– Total liabilities	**(4 017)**	(3 934)	**–**	–
– Revenue	**16**	2 197	**–**	–
– Net loss after tax	**(180)**	(1 784)	**–**	–

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
6. INVESTMENT IN ASSOCIATES (continued)				
6.4 Associates' summary information (continued)				
6.4.2 Maruapula Capital (Proprietary) Limited:				
– Total assets	**1**	–	**–**	–
– Total liabilities	**(225)**	–	**–**	–
– Revenue	**–**	–	**–**	–
– Net loss after tax	**(193)**	–	**–**	–
6.4.3 Mail Credit Management (Proprietary) Limited:				
– Total assets	**99**	–	**–**	–
– Total liabilities	**(120)**	–	**–**	–
– Revenue	**87**	–	**–**	–
– Net loss after tax	**(21)**	–	**–**	–

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

	Country of incorporation	Country of operation	Number of shares held '000	Interest held %	Nature of business
Icon Retail Information Systems (Proprietary) Limited (in liquidation)	RSA	RSA	–	39,0	Development and retail of point-of-sale software
Maruapula Capital (Proprietary) Limited	RSA	RSA	–	40,0	Investment company
Mail Credit Management (Proprietary) Limited	RSA	RSA	–	33,3	Credit recovery company

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
7. INVESTMENT IN SUBSIDIARIES				
Unlisted shares at cost, less amounts written off	**–**	–	**12 749**	488
Amounts due by subsidiaries	**–**	–	**10 325**	61 462
Less: Impairment	**–**	–	**(83)**	–
Total (refer notes 30.1 and 30.2)	**–**	–	**22 991**	61 950
Directors' valuation	-	-	**22 991**	61 950

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
8. INVESTMENTS HELD AT FAIR VALUE				
8.1 Long term investments:				
Listed investments (note 8.1.1)	**1 622**	2 195	**–**	–
Unlisted investments (note 8.1.2)	**2 216**	73	**–**	–
	3 838	2 268	**–**	–
8.1.1 Listed shares at valuation				
Opening net book value	**2 195**	3 084	**–**	–
Disposals	**–**	(36)	**–**	–
Fair value adjustment	**(573)**	(853)	**–**	–
Closing net book value	**1 622**	2 195	**–**	–
8.1.2 Unlisted shares at valuation				
Opening net book value	**73**	100	**–**	–
Additions	**–**	6	**–**	–
Acquisition of subsidiary	**792**	-	**–**	–
Fair value adjustment	**1 351**	(33)	**–**	–
Closing net book value	**2 216**	73	**–**	–
Directors' valuation	**2 216**	73	**–**	–
8.2 Short term investments:				
Locally listed investments (note 8.2.1)	**–**	356	**–**	–
Overseas listed investments (note 8.2.2)	**1 194**	1 597	**–**	–
	1 194	1 953	**–**	–
8.2.1 Locally listed shares at valuation				
Opening net book value	**356**	1 775	**–**	–
Additions	**3 715**	1 409	**–**	–
Disposals	**(4 561)**	(5 478)	**–**	–
Fair value adjustment	**490**	2 650	**–**	–
Closing net book value	**–**	356	**–**	–

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000

8. INVESTMENTS HELD AT FAIR VALUE (continued)

8.2 Short term investments (continued)

8.2.2 Overseas listed shares at valuation

	GROUP 2006 R'000	GROUP 2005 R'000	COMPANY 2006 R'000	COMPANY 2005 R'000
Opening net book value	**1 597**	–	**–**	–
Additions	**–**	3 651	**–**	–
Disposals	**(1 038)**	–	**–**	–
Fair value adjustment	**635**	(2 054)	**–**	–
Closing net book value	**1 194**	1 597	**–**	–

In terms of the provisions of the Companies Act 1973, a complete register of investments is available for inspection at the group's registered office.

8.3 Determination of fair value

The fair values of investments were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price;
- The fair values of investments in shares or equities, other than the shares or equities of listed or quoted companies, are estimated using:
  - 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 else
  - the net asset value of the investment; and
- The fair value of investments in options are estimated using the Black-Scholes option pricing model for European-type options, with the fair value of the underlying investment being used as the basis for the valuation.

Fair values for listed or quoted investments are determined monthly, while fair values for investments other than listed or quoted investments are determined semi-annually at the balance sheet date.

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
9. LOANS RECEIVABLE				
Secured	**136**	240	**–**	–
Unsecured	**1 318**	1 476	**637**	822
Less: Impairment	**(1 050)**	(424)	**(101)**	(670)
	404	1 292	**536**	152
– Secured receivables relate to loans made to a director and an ex-director of the company by the IMR Share Trust, secured by shares	**136**	240	**–**	–
– Value of security relating to the above loans	**1 600**	480	**–**	–

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

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

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

	GROUP		COMPANY	
	2006	2005	**2006**	2005
10. TRADE AND OTHER RECEIVABLES				
Deposits	**15**	25	**15**	25
Prepaid expenses	**189**	–	**135**	–
Trade receivables	**4 271**	247	**710**	162
Other receivables	**1 808**	–	**–**	–
Less: Impairment	**(219)**	–	**(219)**	–
	6 064	272	**641**	187
11. SHORT TERM DEPOSITS AND CASH				
Comprising:				
– Cash	**1**	–	**–**	–
– Call accounts	**3 094**	1 500	**1 675**	262
– Current accounts - Local	**2 147**	215	**14**	5
– Current accounts - Overseas	**24**	25	**–**	–
	5 266	1 740	**1 689**	267
– Bank overdraft	**(25)**	(3)	**(25)**	–
Net cash and cash equivalents	**5 241**	1 737	**1 664**	267

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

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
12. SHARE CAPITAL				
Authorised				
– 200 000 000 ordinary shares of 1c each (2005: 200 000 000)	**2 000**	2 000	**2 000**	2 000
Issued				
– 99 470 472 ordinary shares of 1c each (2005: 86 570 472)	**995**	866	**995**	866
– Treasury stock held by IMR 1 (Proprietary) Limited: 3 038 215 ordinary shares of 1c each (2005: 3 038 215)	**(30)**	(30)	**–**	–
– Treasury stock held by the IMR Share Trust: 1 650 370 ordinary shares of 1c each (2005: 1 650 370)	**(17)**	(17)	**–**	–
	948	819	**995**	866

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

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

	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
– Opening balance	**81 881 887**	81 998 927	**86 570 472**	86 570 472
– General issue of shares	**12 900 000**	–	**12 900 000**	–
– Shares acquired in the market by the IMR Share Trust	**–**	(117 040)	**–**	–
	94 781 887	81 881 887	**99 470 472**	86 570 472

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 and there were no contracts in place for the sale of shares (2005: Nil).

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
13. SHARE PREMIUM				
Reconciliation of movement in share premium:				
– Opening balance	**3 529**	4 966	**28 007**	28 007
– Transitional reclassifications	**–**	(1 427)	**–**	–
– Opening balance (as restated)	**3 529**	3 539	**28 007**	28 007
– General issue of shares (less costs)	**5 653**	–	**5 653**	–
– Shares acquired in the market by the IMR Share Trust	**–**	(10)	**–**	–
	9 182	3 529	**33 660**	28 007

14. ACQUISITION OF MARBLE GOLD 213 (PROPRIETARY) LIMITED ("Marble Gold") AND ANTHONY RICHARDS AND ASSOCIATES (PROPRIETARY) LIMITED ("ARA")

14.1 Marble Gold

As detailed in a circular to shareholders dated 11 October 2005, the company concluded a transaction with Jason Druian ("Druian") and Paul Diamond ("Diamond") to acquire a number of their early stage investments, investment opportunities and advisory mandates (which for the purpose of the transaction was housed in a shelf company, Marble Gold) with effect from 1 March 2005 ("the Marble Gold assets"). Furthermore, Stanley Shane ("Shane"), Druian, Diamond and their associates have concluded a voting pool agreement that includes an option in favour of Shane to acquire one third of any consideration shares issued by the company to Druian and Diamond pursuant to the acquisition of Marble Gold at the same price at which the shares are issued to Druian and Diamond.

Given the difficulty in valuing the Marble Gold assets, the purchase consideration payable in terms of the acquisition was structured on the following basis:

14.1.1 the consideration is to be discharged by the issue of shares in Conduit Capital ("the MG consideration shares") at a price of 9 cents per share, being the price at which the company's shares were trading when the principal terms of the acquisition were agreed;

14.1.2 the number of MG consideration shares to be issued will be dependent upon the pre-tax returns from the Marble Gold assets ("the Marble Gold returns") over the three year period ending 1 March 2008;

14.1.3 the MG consideration shares will be issued on an annual basis as soon as practically possible after 1 March 2006, 2007 and 2008;

14.1.4 on each pay date Conduit Capital will issue so many MG consideration shares as is equivalent (at an issue price of 9 cents per share) to the Marble Gold returns for the relevant twelve month period;

14.1.5 by way of example if the Marble Gold returns for each twelve month period were R720 000, Conduit Capital would issue 8 000 000 MG consideration shares at an aggregate issue price of R720 000 on each of the pay dates;

14. ACQUISITION OF MARBLE GOLD 213 (PROPRIETARY) LIMITED ("Marble Gold") AND ANTHONY RICHARDS AND ASSOCIATES (PROPRIETARY) LIMITED ("ARA") (continued)

14.1 Marble Gold (continued)

14.1.6 the number of MG consideration shares that can be issued in terms of the acquisition is capped at 24 000 000 shares.

Based on the information on hand at the time of finalising the annual financial statements, the directors have accounted for the purchase consideration on the basis that it will be settled by the issue of 24 million shares in May 2008.

14.2 ARA

As detailed in a circular to shareholders dated 26 May 2006, the company concluded an agreement with Mindfield Investments (Proprietary) Limited ("Mindfield"), a company in which Jason Druian held a 20% interest, to acquire a 40% stake in ARA with effect from 1 November 2005. The purchase price payable by the company in respect of the acquisition of the 40% stake comprises:

14.2.1 an initial price of R4 984 000; plus

14.2.2 a deferred price equivalent to 5,67 times the amount by which ARA's profit after tax for the 24 months ended 28 February 2007 exceeds R4 850 000 (subject to a maximum deferred price of R6 010 200) and provided that, if ARA's profit after tax for the 12 months ended 28 February 2007 is less than R2 200 000, the deferred price will be nil.

Conduit Capital has discharged the initial price referred to in paragraph 14.2.1 by paying R1 464 000 in cash and issuing 5 866 666 consideration shares at 60 cents per share ("ARA consideration shares"). The company will discharge the deferred price referred to in paragraph 14.2.2, if any, by paying 29,40% of the deferred price in cash and issuing ARA consideration shares in respect of the balance on the date on which the deferred price is finally determined.

Based on the information that the directors had at the time of finalising the annual financial statements, it is likely that the full deferred consideration will be payable and the directors have therefore included the deferred consideration in the purchase consideration payable on acquisition.

14.3 Details and valuation of consideration shares to be issued

The estimated fair values of the MG consideration shares and the ARA consideration shares to be issued in terms of the acquisitions of Marble Gold and ARA respectively, have been determined using the Black-Scholes option pricing model for European-type call options, and the "Shares to be issued to vendors" amount reflected in the balance sheet is made up as follows:

	GROUP 2006	COMPANY 2006
– Marble Gold, payable to Druian and Diamond (note 14.3.1)	**18 905**	**18 905**
– ARA (initial consideration), payable to Mindfield (note 14.3.2)	**4 657**	**4 657**
– ARA (deferred consideration) payable to Mindfield (note 14.3.3)	**6 917**	**6 917**
.	**30 479**	**30 479**

14. ACQUISITION OF MARBLE GOLD 213 (PROPRIETARY) LIMITED ("Marble Gold") AND ANTHONY RICHARDS AND ASSOCIATES (PROPRIETARY) LIMITED ("ARA") (continued)

14.3 Details and valuation of consideration shares to be issued (continued)

	GROUP 2006	COMPANY 2006
The following inputs and assumptions were used to determine the fair value of the shares to be issued:		
14.3.1 Marble Gold		
– Weighted average share price as at 3 November '05 (cents)	**54,1895**	**54,1895**
– Expected dividends (cents per share)	**0,0000**	**0,0000**
– Settlement date	**31 May '08**	**31 May '08**
– Risk free interest rate (percent)	**7,1200**	**7,1200**
– Expected volatility (percent)	**65,0050**	**65,0050**
– Expected fair value per share (cents)	**78,7689**	**78,7689**
– Expected number of settlement shares to be issued	**24 000 000**	**24 000 000**
– Fair value of consideration shares (R'000)	**18 905**	**18 905**
14.3.2 ARA (initial consideration)		
– Weighted average share price as at 31 January '06 (cents)	**73,9619**	**73,9619**
– Expected dividends (cents per share)	**0,0000**	**0,0000**
– Settlement date	**28 Feb '06**	**28 Feb '06**
– Risk free interest rate (percent)	**7,1200**	**7,1200**
– Expected volatility (percent)	**64,0655**	**64,0655**
– Expected fair value per share (cents)	**79,3865**	**79,3865**
– Expected number of settlement shares to be issued	**5 866 666**	**5 866 666**
– Fair value of consideration shares (R'000)	**4 657**	**4 657**

14.3.3 ARA (deferred consideration)

In terms of the sale of shares agreement entered into between Conduit and Mindfield, Conduit may pay a deferred consideration to Mindfield as described in note 14.2 above.

Based on budgets submitted by the management of ARA and ARA's results to date, it is expected that the deferred consideration will become payable. The fair value of the deferred consideration shares was then calculated using the following inputs and assumptions:

	GROUP 2006	COMPANY 2006
– Weighted average share price as at 31 January '06 (cents)	**73,9619**	**73,9619**
– Expected dividends (cents per share)	**0,0000**	**0,0000**
– Settlement date	**31 May '07**	**31 May '07**
– Risk free interest rate (percent)	**7,1200**	**7,1200**
– Expected volatility (percent)	**64,0655**	**64,0655**
– Expected fair value per share (cents)	**97,8029**	**97,8029**
– Expected number of settlement shares to be issued	**7 072 002**	**7 072 002**
– Fair value of consideration shares (R'000)	**6 917**	**6 917**

14. ACQUISITION OF MARBLE GOLD 213 (PROPRIETARY) LIMITED ("Marble Gold") AND ANTHONY RICHARDS AND ASSOCIATES (PROPRIETARY) LIMITED ("ARA") (continued)

14.3 Details and valuation of consideration shares to be issued (continued)

In notes 14.3.1 to 14.3.3 above:

- the weighted average share price that was used was the company's thirty day volume weighted average share price as at the implementation date of each acquisition; and
- expected volatility was calculated using the generalised autoregressive conditional heteroscedasticity ("GARCH") model to return forecast volatility for the period to the settlement date, by using the historic annualised volatility of the company's share price, based on the company's historical 30-day volume weighted average share price of the past 4 to 5 years.

The group has treated the consideration shares as equity instruments ("Shares to be issued to vendors") and has accounted for such on the respective acquisitions' implementation dates at the estimated fair values on the future dates of issue, discounted to a net present value. As the amount has been classified as equity, the fair value has been determined at initial recognition and will not be adjusted for changes in the fair value of the consideration shares as would be the case had the amount been classified as a liability. The portion of the purchase consideration to be settled in cash has been recognised as a liability ("Vendors for cash").

As there were significant increases in the value of Conduit Capital's shares between the dates on which the respective agreements were signed and the respective implementation dates, substantial additional goodwill arose in the group for each acquisition. In terms of IFRS, these goodwill amounts were tested for impairment and the appropriate impairment debits have been raised through the income statement (also see note 3.3). Similarly, the investments in Marble Gold and ARA in the company's books of account have been impaired accordingly and the impairment charge has been shown in the income statement.

14.4 Details of cash to be paid ("Vendors for cash")

The estimated cash payable on the above transactions is broken down as follows:

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
– ARA deferred consideration payable to Mindfield	**1 767**	–	**1 767**	–

14.5 ARA option

The group has an option to acquire a further 10% interest in ARA from ARA's minority shareholders. The option must be exercised by 31 December 2006 and can only be exercised if, at the time of exercising the option, Black Economic Empowerment shareholders own at least 30% of the shares in the group.

The group has not paid anything for the option and the directors are of the opinion that the fair value of the option at year-end is nil. As such, no value has been placed on the option in these financial statements.

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
15. MINORITY INTEREST				
– Share of equity	**1 713**	–	**–**	–
16. TRADE AND OTHER PAYABLES				
Accruals	**1 286**	1 204	**580**	362
Deposits received	**–**	16	**–**	16
Trade payables	**3 324**	997	**417**	355
Dividends payable	**14**	14	**14**	14
	4 624	2 231	**1 011**	747
17. SHORT TERM BORROWINGS				
Unsecured				
– Mindfield Investments (Proprietary) Limited	**500**	–	**–**	–

This indefinite period fluctuating loan bears interest at fluctuating rates and there are no fixed terms of repayment.

(Also refer to note 31.5)

18. REVENUE				
Advisory-, consulting- and management fees received from group companies	**–**	–	**918**	1 510
Advisory-, consulting- and management fees received from other sources	**2 645**	413	**2 635**	–
Commissions	**3 300**	1 360	**–**	–
Subletting of property	**432**	497	**440**	700
	6 377	2 270	**3 993**	2 210
19. INVESTMENT INCOME (LOSS)				
Interest received	**437**	451	**310**	384
Investment income – Listed shares	**654**	24	**–**	–
– Dividend income	**107**	280	**–**	–
– Unrealised gains (losses)	**79**	(2 913)	**–**	–
– Net profit on sale of investments	**468**	2 657	**–**	–
Fair value adjustments – Unlisted shares	**1 356**	(33)	**–**	–
	2 447	442	**310**	384

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
20. OTHER INCOME				
Other income includes:				
– Foreign exchange profit	**6**	85	**–**	–
21. NET OPERATING LOSS				
Net operating loss is stated after charging:				
– Auditors remuneration	**583**	722	**398**	412
Current year	**516**	443	**420**	387
Other services	**28**	279	**11**	25
Prior year under (over) provision	**39**	–	**(33)**	–
– Consulting fees paid	**423**	6	**333**	66
– Depreciation	**307**	311	**165**	200
– Impairment of financial assets	**938**	1 601	**21 772**	675
Bad debts	**15**	69	**–**	6
Fair value adjustments - Unlisted shares	**–**	–	**22 039**	–
Impairment of loans	**923**	1 532	**403**	669
Impairments reversed	**–**	–	**(670)**	–
– Loss on disposal of equipment	**6**	33	**6**	33
– Operating lease charges	**905**	1 028	**786**	989
Equipment	**34**	37	**21**	26
Premises	**871**	991	**765**	963
– Secretarial fees	**62**	37	**12**	18
– Staff costs: Salaries and wages	**1 905**	1 295	**1 051**	1 106

22. DIRECTORS' EMOLUMENTS

	Directors fees	Basic salary	Medical aid	Consulting fees	Total
22.1 2006					
Non-executive					
– Reggie Berkowitz	**–**	**90**	**–**	**–**	**90**
– Scott Campbell	**35**	**–**	**–**	**–**	**35**
– Armin Diem	**15**	**–**	**–**	**–**	**15**
– Megan Kruger	**20**	**–**	**–**	**–**	**20**
– Jason Schmulian	**8**	**–**	**–**	**–**	**8**
Executive					
– Paul Diamond	**–**	**555**	**–**	**–**	**555**
– Jason Druian	**–**	**555**	**–**	**–**	**555**
– Lourens Louw	**–**	**481**	**32**	**–**	**513**
– Stanley Shane	**–**	**658**	**26**	**–**	**684**
	78	**2 339**	**58**	**–**	**2 475**

22. DIRECTORS' EMOLUMENTS (continued)

	Directors fees	Basic salary	Medical aid	Consulting fees	Total
22.2 2005					
Non-executive					
– Scott Campbell	30	-	-	-	30
– Armin Diem	38	-	-	-	38
– Jason Schmulian	7	-	-	22	29
Executive					
– Lourens Louw	-	280	18	-	298
– Wayne Rosenberg	-	240	62	-	302
– Jason Schmulian	-	302	9	-	311
– Stanley Shane	-	240	19	-	259
	75	1 062	108	22	1 267

During the year:
- Jason Druian and Paul Diamond became executive directors of the group;
- Reggie Berkowitz and Megan Kruger became non-executive directors of the group; and
- Armin Diem and Jason Schmulian resigned as non-executive directors of the group.

Directors' service contracts

- In order to retain key members of the executive management team, service contracts have been entered into where directors are required to either give or receive notice of resignation for periods equal to one year, with the provision that the company could pay the full remuneration that a director would have been entitled to in respect of the notice period in lieu of the notice period. One executive director had such a contract at the year end.

  Subsequent to the year end, all executive directors' service contracts were amended to the effect that the contracts are terminable on two months' notice. Each director is remunerated in full during his notice period.

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

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
23. TAXATION				
23.1 Taxation				
South African normal taxation	**1 503**	6 737	**–**	2
– Current year	**(92)**	–	**–**	–
– Previous year overprovision	**1 595**	6 737	**–**	2
Deferred taxation	**569**	–	**–**	–
Total tax credit in income statement	**2 072**	6 737	**–**	2
23.2 Taxation reconciliation				
Loss before tax	**(24 020)**	(6 999)	**(23 783)**	(3 217)
Standard South African normal taxation	**6 966**	2 100	**6 897**	965
Non-taxable income	**1 276**	143	**13**	36
Non-deductible expenses	**(6 977)**	(1 560)	**(85)**	(277)
Previous years' overprovision	**1 595**	6 737	**–**	2
Deferred tax asset not raised in companies with losses	**(811)**	(2 960)	**(6 825)**	(724)
Utilisation of previously unrecognised tax losses	**23**	2 277	**–**	–
Tax credit	**2 072**	6 737	**–**	2

Deferred tax assets have not been recognised in group companies that do not anticipate generating sufficient taxable income to utilise these assets in the foreseeable future. The assets not so recognised amount to R20 786 653 (2005: R21 198 991).

The group has unutilised credits that arose in respect of Secondary Tax on Companies of R136 713 (2005: R123 375). This credit is not recognised as an asset as the group does not anticipate paying any dividends in the foreseeable future.

24. COMMITMENTS AND CONTINGENT LIABILITIES

24.1 Commitments: Operating leases

	GROUP		COMPANY	
	2006	2005	**2006**	2005
At the balance sheet date the entities had outstanding commitments under non-cancellable operating leases which fall due as follows:				
– Within one year	**997**	939	**175**	493
– After more than one year	**1 732**	276	**–**	175
	2 729	1 215	**175**	668

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

24. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

24.1 Commitments: Operating leases (continued)

In the instance of properties rented by the company, the directors have assessed the impact of JSE Circular 7/2005 and have determined that no adjustment is necessary as the impact is considered to be immaterial.

After year-end, the group has exercised an option to renew the lease of its Johannesburg-based premises. There is however a dispute regarding the escalation of the monthly rate payable for the premises. The parties are in the process of negotiating the escalation, which will, in accordance with the lease agreement, be decided by an expert if the parties are unable to reach any agreement.

24.2 Contingent liabilities

24.2.1 A dormant subsidiary of the group has received an assessment from the South African Revenue Services ("SARS"), reflecting an amount payable of R3,63 million that relates to the late payment of 1999 income tax. Further information regarding the outstanding amount is being sought from SARS and the previous management of the group, as records in the group's possession do not reflect any amounts payable to SARS.

24.2.2 There is currently litigation between Uthingo Management (Proprietary) Limited and the National Lotteries Board on the one hand and On Line Lottery Services (Proprietary) Limited ("Lottofun"), a group subsidiary, on the other hand, relating to Lottofun's business and the use of the word "Lotto". The matter has been heard and judgement is expected in due course. The outcome of this litigation will not have a material impact on the group's earnings.

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

– Sentinel Mining Industry Retirement Fund for office rent	R250 000
– CBS Property Portfolio Limited for office rent	R195 808
– South African Post Office Limited for postage	R 75 000

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

25. RETIREMENT BENEFITS

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

	GROUP	
	2006	2005
	R'000	R'000
26. EARNINGS (LOSS) PER SHARE		
26.1 Reconciliation between loss attributable to equity holders of the parent and headline earnings (loss)		
Loss attributable to equity holders of the parent	**(22 083)**	(262)
Add: Impairment of goodwill	**22 219**	215
Loss on disposal of fixed assets	**6**	33
Headline earnings (loss)	**142**	(14)

	GROUP	
	2006	2005
	('000)	('000)

26. EARNINGS (LOSS) PER SHARE (continued)

26.2 Number of ordinary shares

	2006 ('000)	2005 ('000)
Total shares in issue (weighted average)	**90 590**	86 570
Less: Shares held as treasury shares (weighted average)	**(4 689)**	(4 682)
Weighted average number of shares	**85 901**	81 888
Fully diluted weighted average number of shares	**131 721**	81 882

26.3 Earnings (loss) per share (cents)

	2006	2005
Loss per share	**(25,71)**	(0,32)
Headline earnings (loss) per share	**0,17**	(0,02)
Fully diluted loss per share	**(25,71)**	(0,32)
Fully diluted headline earnings (loss) per share	**0,11**	(0,02)

27. NOTES TO THE CASH FLOW STATEMENTS

27.1 The following convention applies to figures other than adjustments:

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

27.2 Reconciliation of loss before taxation to cash absorbed by operations

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Loss before taxation	**(24 020)**	(6 999)	**(23 866)**	(3 217)
Adjustments	**21 257**	2 473	**21 682**	525
– Depreciation	**307**	311	**165**	200
– Dividends received	**(107)**	(280)	**–**	–
– Impairments	**938**	1 601	**(267)**	675
– Impairment of goodwill	**22 219**	215	**–**	–
– Interest expense	**82**	1	**49**	1
– Interest income	**(437)**	(451)	**(310)**	(384)
– Loss on disposal of equipment	**6**	33	**6**	33
– Revaluation of investments	**(1 903)**	289	**22 039**	–
– Share of associates' losses	**152**	754	**–**	–
Operating cash flows before working capital changes	**(2 763)**	(4 526)	**(2 184)**	(2 692)
Working capital changes	**(2 000)**	(148)	**(289)**	(81)
– Decrease (increase) in current loans receivable	**248**	(1 176)	**51 322**	(1 206)
– (Decrease) increase in current loans payable	**–**	–	**(51 202)**	962
– Increase in trade and other receivables	**(2 400)**	(100)	**(673)**	(54)
– Increase in trade and other payables	**152**	1 128	**264**	217
Cash absorbed by operations	**(4 763)**	(4 674)	**(2 473)**	(2 773)

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
27. NOTES TO THE CASH FLOW STATEMENTS (continued)				
27.3 Taxation received (paid)				
Opening balance	**–**	(6 739)	**–**	(2)
Acquisition of subsidiary	**(818)**		**–**	–
Income statement movement	**1 503**	6 737	**–**	2
Closing balance	**910**	–	**–**	–
	1 595	(2)	**–**	–
27.4 Acquisition of subsidiaries				
Marble Gold 213 (Proprietary) Limited	**(458)**	–	**–**	–
Lotto Manager business	**(180)**	–	**–**	–
Anthony Richards & Associates (Proprietary) Limited	**(1 596)**	–	**–**	–
	(2 234)	–	**–**	–
27.4.1 Acquisition of Marble Gold 213 (Proprietary) Limited				
– Investments	**(791)**	–	**–**	–
– Trade and other payables	**1**	–	**–**	–
– Net asset value acquired	**(790)**	–	**–**	–
– Goodwill on acquisition	**(18 573)**	–	**–**	–
– Purchase price	**(19 363)**	–	**–**	–
– Shares to be issued	**18 905**	–	**–**	–
– Net cash outflow	**(458)**	–	**–**	–
27.4.2 Acquisition of the Lotto Manager business				
– Net asset value acquired	**–**	–	**–**	–
– Goodwill on acquisition	**(180)**	–	**–**	–
– Net cash outflow	**(180)**	–	**–**	–
27.4.3 Acquisition of Anthony Richards & Associates (Proprietary) Limited				
– Property, plant & equipment	**(985)**	–	**–**	–
– Other intangible assets	**(207)**			
– Investment in associates	**(63)**	–	**–**	–
– Trade and other receivables	**(3 611)**	–	**–**	–
– Cash and cash equivalents	**(1 321)**			
– Trade and other payables	**2 240**	–	**–**	–
– Short term borrowings	**500**	–	**–**	–
– Tax payable	**817**	–	**–**	–
– Minority interest	**1 578**	–	**–**	–
– Net asset value acquired c/f	**(1 052)**	–	**–**	–

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
27. NOTES TO THE CASH FLOW STATEMENTS (continued)				
27.4 Acquisition of subsidiaries (continued)				
27.4.3 Acquisition of Anthony Richards & Associates (Proprietary) Limited (continued)				
– Net asset value acquired b/f	**(1 052)**	–	**–**	–
– Goodwill on acquisition	**(13 885)**	–	**–**	–
– Purchase price	**(14 937)**	–	**–**	–
– Future cash payment	**1 767**	–	**–**	–
– Shares to be issued	**11 574**	–	**–**	–
– Net cash outflow	**(1 596)**	–	**–**	–

28. RISK MANAGEMENT

Currency risk

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

The group and the company are exposed to currency risk with regards to its shareholdings in IMR (CI) Limited (an inactive company based in Gurnsey, Channel Islands), AIIM Capital Investments Limited (a dormant company based in the United Kingdom) and Appleton Portfolio Managers International Limited (a dormant company based in the United Kingdom). The risk is deemed to be not material.

Interest rate risk

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

The group and the company are exposed to interest rate risk associated with fluctuations in the market rates and prices of financial instruments. These fluctuations in market rates and prices impacts on the value and revaluation gains and losses of financial instruments stated at fair value. The group does not manage this risk.

Credit risk

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

Trade accounts receivable consist mainly of accounts receivable from the group's customer base. Group companies monitor the financial position of their customers on an ongoing basis. Credit is extended in terms of an agreement and provision is made for both specific and general bad debts. At the year end management did not consider there to be any material credit risk exposure that was not already covered by a bad debt provision.

It is group policy to deposit short term cash investments with reputable financial institutions.

28. RISK MANAGEMENT (continued)

Market risk

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

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

Liquidity risk

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

- the granting of credit to clients and the acquisition of non-cash investments do not place an unnecessary strain on the group's cash resources; and
- sufficient short term investments are timeously converted back to cash, as and when it is needed to repay creditors.

29. DIRECTORS' INTEREST IN SHARES

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

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

	Direct	Indirect	Total
2005			
– Campbell, S M	1 648 000	923 100	2 571 100
– Diem, A H	200 000	550 874	750 874
– Louw, L E	–	2 000 000	2 000 000
– Shane, S D	20 000 000	5 500 000	25 500 000
– Schmulian, J M	–	2 000 000	2 000 000
	21 848 000	10 973 974	32 821 974

30. INVESTMENT IN SUBSIDIARIES

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

Name of subsidiary	Nature of business	Issued ordinary share capital 2006	Issued ordinary share capital 2005	Interest 2006 %	Interest 2005 %	Shares at cost less amounts written off 2006 R'000	Shares at cost less amounts written off 2005 R'000	Indebtedness to (by)/holding company 2006 R'000	Indebtedness to (by)/holding company 2005 R'000
Directly owned, incorporated in South Africa									
Anthony Richards & Associates (Proprietary) Limited *	Credit recovery and call centre service	**100**	–	**40**	–	**11 471**	–	**3**	–
Copper Sunset Trading 186 (Proprietary) Limited	Investment company	**100**	–	**100**	–	**–**	–	**–**	–
IMR 2 (Proprietary) Limited	Inactive	**50 000**	50 000	**100**	100	**–**	–	**–**	3 187
IMR 5 (Proprietary) Limited	Inactive	**1 350**	1 350	**100**	100	**–**	–	**–**	4 583
IMR 9 Holdings Limited	Holding company	**120 000 000**	120 000 000	**100**	100	**488**	488	**–**	40 333
IMR 10 Holdings Limited	Holding company	**1 000**	1 000	**100**	100	**–**	–	**–**	10 318
Marble Gold 213 (Proprietary) Limited *	Investment company	**100**	–	**100**	–	**790**	–	**1**	–
Directly owned, incorporated outside South Africa									
AIIM Capital Investments Limited	Dormant	**100**	100	**100**	100	**–**	–	**33**	33
Appleton Portfolio Managers International Limited	Dormant	**50**	50	**100**	100	**–**	–	**50**	50
Held through a subsidiary, incorporated in South Africa									
Appleton Pula (Proprietary) Limited	Inactive	–	100	**–**	100	**–**	–	**–**	10
IMR 1 (Proprietary) Limited	Equities and derivatives trading	**140 000**	140 000	**100**	100	**–**	–	**8 278**	(18 463)
IMR 4 (Proprietary) Limited	Inactive	**500**	500	**100**	100	**–**	–	**–**	(340)
IMR 6 (Proprietary) Limited	Inactive	**100**	100	**100**	100	**–**	–	**–**	322
IMR 7 (Proprietary) Limited	Holding company	**100**	100	**100**	100	**–**	–	**–**	2 070
IMR 8 (Proprietary) Limited	Inactive	–	10	**–**	100	**–**	–	**–**	(271)
IMR 11 (Proprietary) Limited	Investment company	**100**	100	**100**	100	**–**	–	**–**	(32 907)
IMR Share Trust	Share trust	–	–	**100**	100	**–**	–	**(1 565)**	(786)
International Gaming Technologies (Proprietary) Limited	Investment company	**100**	100	**100**	100	**–**	–	**–**	–
On Line Lottery Services (Proprietary) Limited	E-commerce agent	**150**	150	**80**	80	**–**	–	**1 960**	556
Held through a subsidiary, incorporated outside South Africa:									
IMR (CI) Limited	Inactive	**100**	100	**100**	100	**–**	–	**(47)**	(47)
						12 749	488	**8 713**	8 648

Notes:

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

**(Also refer to note 14)*

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
30. INVESTMENT IN SUBSIDIARIES (continued)				
30.2 Allocated as follows				
Investment in subsidiaries (note 7)	**–**	–	23 074	61 950
Loans payable	**–**	–	(1 612)	(52 814)

31. RELATED PARTY TRANSACTIONS

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

31.1 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 31.3.

31.2 Companies within the group

31.2.1 Subsidiaries

Details of investments in and loans to/from subsidiary companies are disclosed in note 30. Additional information about the impact that these balances have on the group and the company's annual financial statements are disclosed in notes 7, 9, 14 and 31.5.1.

31.2.2 Associates

Details of investments in associate companies are disclosed in note 6. Loans to associates are interest free and have no fixed repayment terms, unless disclosed otherwise.

Details of trading transactions with associate companies are reflected in note 31.5.2.

31.2.3 Investments

Details of investments other than investments in subsidiary and associate companies are disclosed in note 8. In terms of the provisions of the Companies Act 1973, a complete register of listed and unlisted investments is available for inspection at the group's registered office.

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

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

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

- Black Ginger 92 (Proprietary) Limited ("Black Ginger"): The group offers corporate advisory services, as well as administrative services to Black Ginger. Stanley Shane, a group director, also serves on Black Ginger's board. No income has been derived from these services during the years under review.

31. RELATED PARTY TRANSACTIONS (continued)

31.3 Directors

31.3.1 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 22), shareholdings (note 29) and share options in the company.

The directors named in the directors' report each held office as a director of the company during the years ending 28 February 2005 and 28 February 2006. Resignations and additions to the board of directors have also been disclosed.

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

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

- Prior to Jason Druian ("Druian") and Paul Diamond ("Diamond") becoming directors of the company, they have acted as consultants to the group during the period from 1 March 2005 to 23 May 2005.
- As disclosed in note 14, the group acquired the entire share capital of Marble Gold 213 (Proprietary) Limited ("Marble Gold") from Druian and Diamond. Furthermore, Stanley Shane ("Shane"), Druian, Diamond and their associates have concluded a voting pool agreement that includes an option in favour of Shane to acquire one third of any consideration shares issued by the company to Druian and Diamond pursuant to the acquisition of Marble Gold at the same price at which the shares are issued to Druian and Diamond.
- As disclosed in note 14, the group acquired a 40% interest in the share capital of Anthony Richards & Associates (Proprietary) Limited ("ARA") from Mindfield Investments (Proprietary) Limited ("Mindfield"). Druian is a 20% equity shareholder in Mindfield.

Further details of all these transactions are disclosed in note 31.5.3.

During the year ended 28 February 2005 the group has had no dealings with directors other than in their capacity as directors.

31.4 Other parties

- Aikona Media (Proprietary) Limited ("Aikona Media") rented office space from the group and made use of administrative services provided by the group. Jason Druian also serves on Aikona Media's board.
- Indiza Capital (Proprietary) Limited (previously IMR 8 (Proprietary) Limited) ("Indiza Capital") was a subsidiary of IMR 7 (Proprietary) Limited until its entire share capital was sold to Indiza Investments (Proprietary) Limited in April 2005.
- Indiza Infrastructure Solutions (Proprietary) Limited is a subsidiary of Indiza Capital.
- Mamba Media (Proprietary) Limited ("Mamba Media") is a company to which the group provides administrative services. Jason Druian also serves on Mamba Media's board.
- Umzingazi Mineral Consortium (Proprietary) Limited ("Umzingazi") rented office space from the group. Paul Diamond also serves on Umzingazi's board.

Details of trading transactions with the above parties are reflected in note 31.5.4.

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
31. RELATED PARTY TRANSACTIONS (continued)				
31.5 Trading transactions				
31.5.1 Subsidiaries				
IMR 1 (Proprietary) Limited				
– Consulting fees received	**–**	–	**632**	720
On Line Lottery Services (Proprietary) Limited				
– Administrative fees received	**–**	–	**284**	725
– Interest received	**–**	–	**161**	79
– Rent received	**–**	–	**8**	38
31.5.2 Associates				
Icon Retail Information Systems (Proprietary) Limited				
– Administrative fees received	**3**	184	**3**	184
– Interest received	**12**	157	**12**	157
– Rent received	**33**	165	**33**	165
– Impairment of investment	**(78)**	(1 091)	**514**	(607)
Maruapula Capital (Proprietary) Limited				
– Rent received	**55**	–	**55**	–
31.5.3 Directors and directors' companies				
Paul Diamond				
– Consulting fee paid	**165**	–	**165**	–
Jason Druian				
– Consulting fee paid	**165**	–	**165**	–
Paul Diamond, Jason Druian and Stanley Shane				
– Expected value of consideration shares payable for entire share capital of Marble Gold	**(30 479)**	–	**(30 479)**	–

	GROUP		COMPANY	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
31. RELATED PARTY TRANSACTIONS (continued)				
31.5 Trading transactions (continued)				
31.5.3 Directors & directors' companies (continued)				
Mindfield Investments (Proprietary) Limited				
– Cash payment made as part consideration for acquisition of 40% shareholding in ARA	**(1 464)**	–	**(1 464)**	–
– Interest paid on cash amount paid as part consideration for acquisition of 40% shareholding in ARA	**(42)**	–	**(42)**	–
– Expected future cash payment to be made as part consideration for acquisition of 40% shareholding in ARA	**(1 767)**	–	**(1 767)**	–
– Expected value of consideration shares payable as part consideration for acquisition of 40% shareholding in ARA	**(11 574)**	–	**(11 574)**	–
– Value of working capital loan advanced to Anthony Richards and Associates (Proprietary) Limited (also refer to note 17)	**500**	–	**–**	–
31.5.4 Other parties				
Aikona Media (Proprietary) Limited				
– Administrative fees received	**135**	–	**135**	–
– Rent received	**16**	–	**16**	–
Indiza Infrastructure Solutions (Proprietary) Limited				
– Advisory fees received	**2 450**	–	**2 450**	–
– Rent received	**33**	–	**33**	–
Mamba Media (Proprietary) Limited				
– Administrative fees received	**50**	–	**50**	–
Umzingazi Mineral Consortium (Proprietary) Limited				
– Rent received	**–**	58	**–**	58
– Impairment of loans	**(536)**	–	**–**	–

SHAREHOLDER INFORMATION

as at 28 February 2006

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	526	70,04	175 186	0,18
1 001 – 10 000 shares	136	18,11	480 265	0,48
10 001 – 100 000 shares	50	6,66	2 059 402	2,07
100 001 – 1 000 000 shares	20	2,66	8 284 240	8,33
1 000 001 shares and over	19	2,53	88 471 379	88,94
	751	100,00	99 470 472	100,00

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Close corporations	4	0,53	2 000 650	2,01
Individuals	639	85,09	70 732 564	71,11
Nominees and trusts	58	7,72	4 183 598	4,21
Other persons and corporations	29	3,86	2 445 467	2,46
Private companies	14	1,86	15 503 055	15,59
Public companies	5	0,67	954 768	0,95
Share trust	2	0,27	3 650 370	3,67
	751	100,00	99 470 472	100,00

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Non-public shareholders	11	1,46	65 829 534	66,18
Directors and associates' holdings	8	1,06	59 140 949	59,46
Own holdings	1	0,13	3 038 215	3,05
Share trust	2	0,27	3 650 370	3,67
Public shareholders	740	98,54	33 640 938	33,82
	751	100,00	99 470 472	100,00

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

	Number of shares	%
Diamond, P	20 023 316	20,13
Druian, J D	17 023 316	17,11
Shane, S D	13 516 143	13,59
Indenture Requirements (Proprietary) Limited	6 007 174	6,04
Machlup, PM	3 478 289	3,50
IMR 1 (Proprietary) Limited	3 038 215	3,05
DMI Investments (Proprietary) Limited	3 000 000	3,02
Kramer, A J	3 000 000	3,02
	69 086 453	69,46

DIRECTORATE, ADMINISTRATION AND CORPORATE INFORMATION

DIRECTORS' INFORMATION

Reginald S Berkowitz (69) – LLB
Chairman and non-executive director
Director of companies

Jason D Druian (33)
Chief executive officer
Director of companies

Scott M Campbell* (38) – BBS; Dip Bus Studies
Non-executive director
Director/Head of Portfolio Management at Optimal Fund Management

Paul Diamond (35)
Executive director
Director of companies

Megan Kruger (49)
Non-executive director
Director of companies

Lourens E Louw (36) – B Comm
Financial director

Stanley D Shane (34) – B Com
Member – SA Institute of Stockbrokers
Executive director
Director of companies

* New Zealander

ADMINISTRATION

Registered office

1st Floor
3 Melrose Square
Melrose Arch, 2076

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

Alpha code

CND

ISIN

ZAE000073128

Registration number

1998/017351/06

CORPORATE INFORMATION

Company Secretary

Gruzzet Secretarial & Trust Company (Proprietary) Limited

2nd Floor, 3 Sturdee Building
3 Sturdee Avenue, Rosebank, 2196

PO Box 2019, Parklands, 2121

Transfer secretaries

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

Ground Floor
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107

Sponsors

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

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

PO Box 781106
Sandton, 2146

Independent reporting accountants and auditors

Grant Thornton
Chartered Accountants (SA)

137 Daisy Street, Cnr 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

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

CONDUIT CAPITAL

CONDUIT CAPITAL LIMITED

(formerly IMR Investments Limited)

Incorporated in the Republic of South Africa

(Registration number 1998/017351/06)

Share Code: CND ISIN: ZAE000073128

("Conduit Capital" or "the company")

Directors	Company Secretary	
Reginald S Berkowitz *	Gruzzet Secretarial & Trust Company	* Non-executive
Scott M Campbell *+	(Proprietary) Limited	+ New Zealander
Paul Diamond		
Jason D Druian		
Megan Kruger *		
Lourens Louw		
Stanley D Shane		

Notice is hereby given that the fifth annual general meeting of members of Conduit Capital will be held in the company's boardroom, 1st Floor, 3 Melrose Square, Melrose Arch, Melrose North, Johannesburg, 2076, at 10:00 on Wednesday, 1 November 2006, for the following purposes:

RESOLUTIONS

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

1. **Ordinary Resolution Number 1 – Adoption of annual financial statements**

   To consider and adopt the annual financial statements of the group and the company for the financial year ended 28 February 2006.

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

   To confirm the re-appointment of Grant Thornton as the auditors of the company and to authorise the Board to determine the remuneration of the auditors.

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

   To ratify the appointment of Robert Lindsey Shaw as an executive director of the company.

   The occupation and relevant business experience of Robert Lindsey Shaw is set out below:

   Name: Robert Lindsey Shaw

   Age: 56

   Role: Executive director

   Qualifications: Matric

   Address: PO Box 68756, Bryanston, 2021

   Robert commenced his career in 1968 when he joined Barclays National Bank Limited where he gained experience in all aspects of commercial banking, particularly foreign exchange and advances. In 1972 he joined Munich Reinsurance Company of South Africa Limited. He trained extensively in Munich during his tenure, which lasted until 1983. From 1974 until 1981 he was in charge of the Non-life Technical Underwriting Departments and the marketing of new business. From 1981 to 1983 he was responsible for corporate planning, marketing and development of Reinsurance Business, all clients liaison, research and intelligence covering both Life and Non-life fields and he was a member of the EDP Steering Committee and a member of Personnel Advisory Committee - Staff Planning/Benefits. In 1983, Robert was appointed as a consultant to and acted as Managing Director in a consultancy capacity for Edstone Broking Holdings (Proprietary) Limited, which was the financial holding company for three non-life insurance broking companies and a life and pension broking company. Since then, he has founded Reinsurance Consultants and Intermediaries (Proprietary) Limited and Shavian Management Consultants

(Proprietary) Limited, which specialise in insurance and reinsurance research. His activities from 1986 to date include being appointed as: a consultant to the Joint Liquidators of AA Mutual Short Term Insurance Business (in liquidation); the Southern African Regional Representative of and consultant to the Hannover Reinsurance Company eisen und Stahl Resinsurance Company in West Germany; Managing Director of Hannover Services RSA (Proprietary) Limited; Executive chairman of SGI Guarantee Acceptances (Proprietary) Limited and CEO of CICL Investment Holdings Limited. He also serves on the boards of various listed companies.

4. **Ordinary Resolution Number 4 – Approval of directors' annual remuneration**

To confirm the directors' fees paid by the company for the financial period ended 28 February 2006 and to determine any change therein for the year commencing 1 March 2006.

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

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

6. **Ordinary Resolution Number 6 – General issue of shares for cash**

Resolved that, subject to the passing of Ordinary Resolution Number 5, the directors of the company be and are hereby authorised, by way of general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash, as they in their discretion deem fit, subject to the following limitations:

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

Voting

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

7. **Special Resolution Number 1 – General authority for share buy-back**

Resolved, as a special resolution, that the mandate given to the company (or one of its wholly-owned subsidiaries), providing authorisation 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 Act, as amended, and the Listings Requirements, be extended, subject to the following terms and conditions:

- any repurchase of securities 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;
- at any point in time, the company may only appoint one agent to effect any repurchase;
- this general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this Special Resolution (whichever period is shorter);

- an announcement be published as soon as the company has cumulatively repurchased 3% of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- repurchases by the company in aggregate in any one financial year may not exceed 20% of the company's issued share capital as at the date of passing of this Special Resolution or 10% of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was effected;
- repurchases may not be undertaken by the company or one of its wholly-owned subsidiaries during a prohibited period and may also not be undertaken if it will impact negatively on shareholder spread as required by the JSE;
- the company and the group will be able in the ordinary course of business to pay its debts for the next twelve months;
- the consolidated assets of the company and the group will be in excess of the liabilities of the company and the group for the next twelve months. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for the next twelve months;
- the working capital of the company and the group will be adequate for ordinary business purposes for the next twelve months; and
- the company may not enter the market to proceed with the repurchase of its ordinary shares until the company's sponsor has confirmed the adequacy of the company's working capital for the purpose of undertaking a repurchase of shares in writing to the JSE.

The effect of the Special Resolution and the reason therefore is to extend the general authority given to the directors in terms of the Act and the Listings Requirements for the acquisition by the company of its own securities, which authority shall be used at the director's discretion during the course of the period so authorised.

8. **Ordinary Resolution Number 7 – Authority of directors to implement resolutions.**

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

Thereafter, to transact such other business as may be transacted at an annual general meeting.

Disclosure

In terms of the Listing Requirements, the following disclosures are required with reference to the general authority set out in Special Resolution Number 1 above, some of which are set out elsewhere the annual report of which this notice forms part ("this annual report"):

Directors and management – refer page 59
Major shareholders – refer page 58
Directors' interest in the company's securities – refer page 52
Share capital – refer note 12
Directors' responsibility statement – refer page 7

Litigation statement

Conduit Capital's directors, whose names are given on page 4 of this annual report, are not aware of any legal or arbitration proceedings pending or threatened against the group, other than as disclosed below:

- There is currently litigation between Uthingo Management (Proprietary) Limited and the National Lotteries Board on the one hand and On Line Lottery Services (Proprietary) Limited ("Lottofun"), a subsidiary of Conduit Capital, on the other hand. The litigation relates to the business of Lottofun and the use of the word "Lotto". The matter has been heard and judgment is expected in due course. The outcome of this litigation will not have a material effect on the group.

  In the opinion of the company's directors and its attorneys dealing with these matters, there are reasonable prospects of successfully defending these proceedings, as currently pleaded.

Material change

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this annual report and the posting date hereof.

Voting and proxies

Certificated shareholders and dematerialised shareholders who have elected "own name" registration in a sub-register of Conduit Capital maintained by a Central Securities Depository Participant ("CSDP") may attend, speak and vote at the annual general meeting. These shareholders who are unable to attend the annual general meeting but who wish to be represented thereat, are requested to complete and return the attached form of proxy in accordance with the instructions contained therein. The duly completed forms of proxy must be received by the transfer secretaries by no later than 09:00 on Monday, 30 October 2006.

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

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

Conduit Capital does not accept responsibility and will not be held liable for any failure on the part of the CSDP of a dematerialised shareholder to notify such shareholder of the general meeting or any business to be conducted thereat.

A proxy form is attached for use by members holding certificated ordinary shares in the company or dematerialised ordinary shares in the company through a CSDP and who have selected "own name" registration. Such proxy form, duly completed, should be forwarded to reach the company's transfer secretaries by not less than 24 hours before the appointed time of the meeting.

By order of the Board
CONDUIT CAPITAL LIMITED

Gruzzet Secretarial & Trust Company (Proprietary) Limited
Company Secretary

Melrose Arch
18 September 2006

Registered Office

1st Floor
3 Melrose Square
Melrose Arch, 2076

PO Box 97, Melrose Arch, 2076

Transfer Secretaries

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

Ground Floor, 70 Marshall Street
Johannesburg, 2001

PO Box 61051, Marshalltown, 2107

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CONDUIT CAPITAL

CONDUIT CAPITAL LIMITED

(formerly IMR Investments Limited)
Incorporated in the Republic of South Africa
(Registration number 1998/017351/06)
Share Code: CND ISIN: ZAE000073128
("Conduit Capital" or "the company")

Directors
Reginald S Berkowitz *
Scott M Campbell *+
Paul Diamond
Jason D Druian
Megan Kruger *
Lourens Louw
Stanley D Shane

Company Secretary
Gruzzet Secretarial & Trust Company (Proprietary) Limited

* Non-executive
\+ New Zealander

For use by Conduit Capital shareholders holding certificated shares, dematerialised shareholders who have elected own-name registration, nominee companies of CSDPs and brokers' nominee companies ("shareholders") at the annual general meeting of shareholders to be held at 10:00 on Wednesday, 1 November 2006 in the boardroom of the company, 1st Floor, 3 Melrose Square, Melrose Arch, Johannesburg, 2076.

I/We ______________________________

(NAME/S IN BLOCK LETTERS)

of ______________________________

(ADDRESS IN BLOCK LETTERS)

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

1. ______________________________ of

______________________________ or failing him/her

2. ______________________________ of

______________________________ or failing him/her

3. the Chairman of the annual general meeting

as my/our proxy to vote or abstain from voting on my/our behalf at the annual general meeting of the company to be held at 10:00 on Wednesday, 1 November 2006 in the boardroom of the company, 1st Floor, 3 Melrose Square, Melrose Arch, Johannesburg, 2076 (and at any adjournment thereof), for the purpose of considering, and if deemed fit, passing, with or without modification, the following resolutions:

Resolutions	For*	Against*	Abstain*
1. Ordinary Resolution Number 1 Adoption of annual financial statements			
2. Ordinary Resolution Number 2 Re-appointment and remuneration of auditors			
3. Ordinary Resolution Number 3 Ratification of the appointment of R L Shaw as an executive director			
4. Ordinary Resolution Number 4 Approval of directors' annual remuneration			
5. Ordinary Resolution Number 5 Authority placing shares under directors' control			
6. Ordinary Resolution N0umber 6 General issue of shares for cash			
7. Special Resolution Number 1 General authority for share buy-back			
8. Ordinary Resolution Number 7 Authority of directors to implement resolutions			

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

FORM OF PROXY

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

SIGNED this ______________ day of ______________ 2006.

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

Assisted by (where applicable):

NAME (in full) ______________ SIGNATURE ______________

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

Forms of proxy must be deposited at Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, or posted to PO Box 61051, Marshalltown, 2107 so as to arrive by no later than 09:00 on Monday, 30 October 2006.

Notes

1. A shareholder who holds shares that are not dematerialised or who holds dematerialised shares in their "own name" may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting the words "the Chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by means of a tick or a cross in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat relating to the resolutions proposed in this form of proxy.

3. The forms of proxy should be lodged at Computershare Investor Services 2004 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted to PO Box 61051, Marshalltown, 2107 so as to be received by not later than 09:00 on Monday, 30 October 2006.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

5. The Chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes, provided that he is satisfied as to the manner in which a member wishes to vote.

6. Any alteration to this form of proxy, other than a deletion of alternatives, must be initialled by the signatory/ies.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company.

8. Where there are joint holders of shares:

   8.1. any one holder may sign the form of proxy; and

   8.2. the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.

9. Every holder of ordinary shares present in person or by proxy at the annual general meeting of the company shall be entitled to vote on a show of hands and on a poll, every holder of ordinary shares present in person or by proxy shall been entitled to one vote for every ordinary share held by him, subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the company's articles.

10. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held.

11. A vote in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal, or revocation of the power or transfer of the shares in respect of which the vote is given, provided no intimation in writing of the death, revocation or transfer shall have been received at the registered office of the company or by the Chairman of the annual general meeting before the vote is given.

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