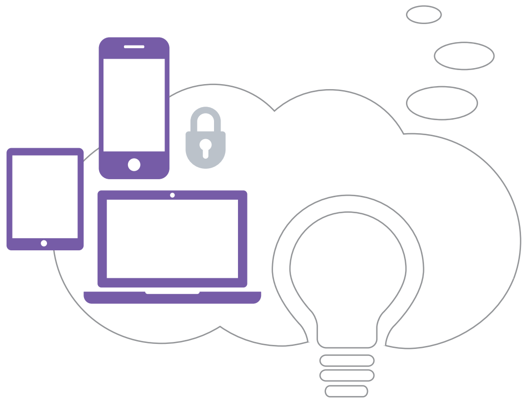
www.purplegroup.co.za

PURPLE GROUP
LIMITED

INTEGRATED ANNUAL REPORT
for the year ended 31 August 2014

PURPLE GROUP LIMITED INTEGRATED ANNUAL REPORT for the year ended 31 August 2014

CHAIRMAN'S LETTER



In 2014 Purple Group found the firm ground on which we intend to build our future.

Purple Group is where people come in pursuit of their own financial independence. There is no higher goal in your personal financial development.

Personal financial independence is not about how much money you start with, it is about being in control of your economic life – that's our cause.

Financial independence doesn't elude you because you don't start with money – it eludes you because you don't have the knowledge or understanding to take charge of your own financial future.

Owners of wealth hold on to it because of paternal caution, because of control, and because the keys to wealth creation are guarded closely by their practitioners, as if it was a mystery. We don't buy that, it isn't.

So often, when money is finally passed on, it is without knowledge – an inheritance or allowance of one form or another. By then it is too late for the recipient to do much more than preserve the capital and hope that its yield will keep you going. Even if there is plenty, many have never been empowered to know what to do with it when they get it. We can't accept that.

The barriers to financial independence are time and knowledge, not money.

Our sole purpose within the Purple Group is to accompany you on your journey towards financial independence, that's it.

We like to start early in your life and we start by teaching you, well before you actually invest your money. We are the 2014 savvy person's personal investment partner. We tailor our offering to your risk profile, and we engage.

Because we have GT247.com's derivatives platform systems and Emperor's quantitative momentum investing strategy in the same house, we can integrate real-time technology and fundamental analysis. You get choice, you participate – in a transparent, real time and interactive involvement with your money. Not now and again, not only when you call us, not seven days after month end – we're on your mobile, not in the post. Investment is personal, all of us at Purple get that.

Purple Group provides access to trading and investment, at your fingertips, at the cheapest rate in town. What's Stopping You?

I work with a great team. I thank them for a year of remarkable delivery into our strategy.

I look forward to another year of growth, with our clients.

Mark Barnes
Chairman

QR code
Scan the QR code with your mobile device to view supplementary information.

QR Reader
Download your reader from your favourite app store

The logo is inspired by the three businesses operating under the Purple Group brand. We have used a simple circular shape as a holding device for three smaller circles to symbolise the company's structure.

Definitions
This reference defines a financial term.

Notes
Explanatory notes to the information is provided.

Read more about investing with us

Investing and trading solutions for everyone

Purple Group provides trading and investment solutions to its target market through three distinct client offerings: GT247.com, GT Private Broking and Emperor Asset Management.

AWARDS

BusinessDay

Business Day Investors Monthly Stockbroker of the year awards 2014

<GT247.COM>
What's Stopping You?

2nd place
"Best Broker for the Active Day Trader"

3rd place
"SA's Top Retail Stockbroker for 2014"

EasyEquities
Powered by <GT247.COM>

1st place
"Best Broker for the Young Saver"

CONTENTS

CHIEF EXECUTIVE OFFICER'S REPORT

Purple Group has achieved much this year and I am extremely proud of the team effort that has led us to this year's results. Our success has not been restricted to the numbers in our income statement, we have won over considerable public, media and competitor recognition for our efforts which culminated in GT247.com being awarded in three categories in this year's Business Day Investors Monthly Stockbroker of the Year awards 2014.

Purple Group is a retail focused financial services group that engages with clients who are aspirational about their wealth. Commonly referred to as the mass and emerging affluent, this target audience holds much promise for the group, not only because of its strong forecast growth prospects but also because it is an under-serviced sector.

The strategy of the Group is focused on these key pillars:

- Building brand trust and loyalty;
- Increasing the effectiveness and agility of our sales, service and marketing approach;
- Empowering investment education and financial independence; and
- Reducing trading and investment barriers and making products and platforms easy.

The continued exclusionary practices of the broader financial services sector have offset a large portion of the growth opportunities that have existed for more than two decades. Our response has been to innovate. Products and services that engage, educate, inspire, include, simplify and, most importantly, cast aside barriers and present a new friendly face for the future of financial services. I am convinced that the growth that the industry left behind can be captured if we just focus on making things easier. An easy strategy if you like.

Since launching Emperor Asset Management we have made much progress and the significant client growth experienced by this business has given us further confidence in our "make it easy" approach. Perhaps the largest stride was taken this year through the launch of our EasyEquities platform. Share investing is the foundation of almost everything investing and so it presented the greatest opportunity for us to make easy. The goal is to design an easy, affordable, secure, share investing platform for everyone that creates a friendly and rewarding user experience.

The brief was simple: think Amazon, Twitter, Facebook and Uber for investing in shares. If it's been done before don't do it.

The result has been quite extraordinary and before it even went live EasyEquities was anointed by Business Day Investors Monthly, in their Stockbroker of the year awards 2014, as the best platform for the "Young Saver". The product review reported "EasyEquities is structured to specifically remove traditional barriers ....it is now without doubt the best value and most convenient offering for entry level investors". Gus Silber, of the Mail & Guardian, echoed this sentiment when he commented "Trading on the JSE has always been an intimidating prospect for the small investor. Your easy-as-an-app platform makes it a viable prospect, and encourages saving and participation in the broader market economy. With due caution and proper research on the part of the investor, your platform could go a long way towards the democratisation of the Stock Exchange. Looking forward to sharing!"

The overwhelming response received has just confirmed that our "make it easy" approach with your money is on the money. Whilst we recognise that we still have much to do, across all our products and platforms, there is sufficient evidence that we are having a strong impact on the industry and winning over more and more support.

In the year ahead our focus remains on building on our key strategic pillars and continuing to pioneer new alternatives that empower individuals towards greater understanding and more control over their trading and investments. The foundations and strategy focus that I communicated in last year's annual report have proved to be firm.

I am grateful to our shareholders for their resolute support and I am confident that we will continue to deliver strong earnings growth in the year ahead.

Charles Savage
Group CEO

SALIENT FEATURES

EBITDA*
R20,8m
CONTINUING OPERATIONS
Prior year: R13,3m

DISTRIBUTION
ONE cent
PER SHARE
Prior year: Two cents

CLIENT FUNDS
R572,2m
Prior year: R423,4m

REVENUE
R93,9m
CONTINUING OPERATIONS
Prior year: R82,9m

- EBITDA* **increased by 56,4%** to **R20,8 million**
- Capital distribution of **one cent** per share
- Client funds **increased by 35,1%** to **R572,2 million**
- Revenue from continuing operations **increased by 13,3%** to **R93,9 million**

**Earnings – before interest, tax, depreciation, amortisation, fair value adjustments and impairments.*

salient features

OUR TARGET MARKET
AND INVESTOR TYPES

Institutional and HNWI

The Purple Group targets high net worth individuals (HNWI) and institutions through the following products and services:

EMPEROR – *Unit Trusts*

EMPEROR – *Hedge Fund*

EMPEROR – *Segregated Portfolios*

GT Private Broking

Emerging and mass affluent

The core target market of the Group remains the retail market and more specifically the emerging and mass affluent, who are aspirational about their wealth.

EasyEquities

<GT247.COM>

GT Private Broking

EMPEROR – *Unit Trusts*

EMPEROR – *Segregated Portfolios*

EMPEROR – *Hedge Fund*

Emerging and mass affluent

Low – Moderate – High

EMERGING AND MASS AFFLUENT

A distinguishing characteristic of the emerging and mass affluent is that they are aspirational about their wealth; hence willing and capable of taking investment risk. They are not qualified as a result of their wealth status, income group or demographic, but, rather their capacity to invest in liquid financial assets such as shares, bonds, savings and unit trusts. Typically they find themselves either in the wealth accumulation phase of their investment journey seeking financial independence for themselves or under invested in their retirement and actively seeking higher risk/return investment options. They tend to save more than they spend and invest for their future. They typically have a household income of more than R250 000 per annum, already have investments in liquid financial assets and are adults between the age of 23 and 65.

+/-1 070 000

OLD SCHOOL INVESTORS Age group bias: 50 – 65

Peter is anxious about his wealth as he hasn't yet saved enough for his retirement. He is therefore actively looking to invest in higher risk investments in the pursuit of better returns. His primary financial goal is to secure a better retirement lifestyle. He is currently comfortable investing in property, shares and Kruger Rands. He prefers to transact over the telephone with the assistance of a private broker, demands access to online research, portfolio and other investment information. He is comfortable making his own financial decisions and primarily relies on the following sources of information to support his decision making:

Newspapers | TV | Stockbroker | Asset manager

Old school investors

Low – Moderate – High

Target market size **+/-350 000**

Group products that can support Peter's financial goals include:

EMPEROR – *Unit Trusts, Hedge Funds, Segregated Portfolios*

GT Private Broking

EasyEquities

YOUNG SAVER Age group bias: 23 – 30

Khotso has just been introduced to investing and understands the power that time and compound returns can have on his future wealth. He is focused on providing for his family and ambitious about achieving financial independence at an early age. He wants to start saving right away. His investment time horizon is such that he is willing to take investment risk. He is currently comfortable placing his money in a savings account but wants to learn more about other forms of investing. He prefers to transact in small amounts and demands simple, transparent, real time mobile access and low cost structures. He is uncomfortable making his own financial decisions and primarily relies on the following sources to support his decision making:

Radio | Bank | Financial advisor | Friends and family

Young saver

Low – Moderate – High

Target market size **+/-300 000**

Group products that can support Khotso's financial goals include:

EMPEROR – *Segregated Portfolios, Unit Trusts*

EasyEquities

ASPIRANT EXECUTIVE Age group bias: 35 – 50

Gary is aspirational about his wealth and achieving financial independence for him and his family within the next decade. He has a thorough understanding of investing and manages a portion of his investable assets through his online stockbroker. He wants to diversify his income and is willing to invest in higher risk products in the pursuit of short term returns. He is currently comfortable investing in unit trusts, shares, ETF's and property and is very interested in alternative investment opportunities. His preference is to transact online via his work PC, mobile and tablet applications that give him real time transparent access to his investments. He plays an active role in his investment decision making and does some of his own research. He is inclined to seek out professional advice and be guided by a wide range of resources to support his decision making:

Online Media | Newspapers | TV | Asset manager | Stockbroker | Financial advisor

Aspirant executive

Low – Moderate – High

Group products that can support Gary's financial goals include:

EMPEROR – *Unit Trusts, Hedge Funds, Segregated Portfolios*

<GT247.COM>

EasyEquities

GT Private Broking

Target market size **+/-240 000**

ACTIVE INVESTOR Age group bias: 30 – 50

Ravi is well on track to securing a comfortable retirement. He has been actively involved in trading and investing for some time now and plays a steering role in all his financial activities. His primary financial goal is to enhance his current lifestyle. He has excess capital that he is willing to take considerable risk with in the pursuit of short-term returns. He is currently comfortable investing in shares, CFDs, currencies, bonds, commodities and options. His preference is to transact online and he demands high speed access to low cost, functionally rich trading platforms. He is confident making his own decisions and relies mostly on his own research but may use the following sources to support his decision making:

Newswires e.g Bloomberg and Reuters | Broker research | Online resources | Social media

Active investor

Low – Moderate – High

Target market size **+/- 180 000**

Group products that can support Ravi's financial goals include:

EMPEROR – *Segregated Portfolios*

<GT247.COM>

EasyEquities

GT Private Broking

Income group: Low – Middle | Middle – Upper | Upper

Target market size: = 100 000

Risk profile: Low – Moderate – High

WHAT WE OFFER

Online trading

DIY trading solutions

GT247.com

GT247.com is a leading South African Discount Broker focusing on the provision of low cost online trading and investing products. Its strategy is focused on innovation that "makes it easy", reducing barriers to entry and engaging clients to take control of their trading and investing activities. It provides access to local and international markets through Shares, CFDs, Futures (Spread Trading), Currencies, Commodities, Bonds and Binary Options.

EasyEquities

Powered by <GT247.COM>

KEY DIFFERENTIATORS

- Fun, friendly and easy to understand and use
- Lowest cost and no minimum investment value
- Fractional Share Rights
- Social trading (Twitter cloud; Hoots)

INSTRUMENTS

- **Shares** listed on – JSE
- **Fractional Share Rights** (FSRs)

STANDARD FEES

- Commission – 25bps (no minimum)
- Zero platform fees
- Zero monthly fees

Investor type: Old school, Young saver, Active, Aspirant

Risk meter: Low, Moderate, High

<GT247.COM> What's Stopping You?

KEY DIFFERENTIATORS

- Low cost
- Social trading (Smart Traders; The Wire)
- Trade local and international markets using Rands
- Enhanced liquidity
- Fast and functional trading platforms

INSTRUMENTS

- **CFDs** on – Shares, indices, currencies and commodities
- **Spread Trading** (Futures) on – Local and international indices, currencies, commodities and bonds
- **Binary Options** on – Local and international indices

STANDARD FEES

- CFD commission – 10 bps
- Long and short funding – Safey +2.5/-2.5
- Zero platform fees
- Zero monthly fees
- Spread commission – 1 to 2 points
- Inactivity fee – No activity for > 12 months
- JSE data fees apply

Investor type: Active, Aspirant

Risk meter: Low, Moderate, High

Spread

Financial spread trading provides clients with exposure to the price movement of an asset. The size of the clients profit or loss is driven by the extent and direction of the price movement. Clients can obtain exposure to the movement in a wide range of international and local indices, commodities and currencies.

Binaries

Binary Options are instruments that provide a client with the opportunity to predict whether the price of a specific asset will behave in a specific way during a specified period, for instance "will the price of an asset group go up or down during the day?"

Private broking

Assisted trading solutions

GT Private Broking

GT Private Broking is a private label of GT247.com. It leverages off the Group wide products and services and focuses its strategy on the delivery of a high touch personal execution and trade assisted service that is tailored to meet the clients' unique trading profile and investment preferences.

GT Private Broking

KEY DIFFERENTIATORS

- Dedicated private broker providing high touch service
- Account value > R250 000
- Fundamental and technical research
- Online and mobile DMA platforms
- Tailored segregated managed portfolios

INSTRUMENTS

- **CFDs** on – Shares, indices, currencies and commodities
- **Shares** on – JSE

STANDARD FEES

- CFD commission – 35 bps
- Long and short funding – Safey +2/-2
- Zero platform fees
- Zero monthly fees
- These fees are negotiable

Investor type: Active, Old school, HNWI, Aspirant

Risk meter: Low, Moderate, High

CFDs

CFDs are leveraged instruments that allow clients to take advantage of a change in share price, through placing a fraction of the value of the underlying share's value with the business. We offer CFDs on shares listed on the Johannesburg Stock Exchange that satisfy our predetermined liquidity requirements.

Shares

An instrument that signifies an ownership position in a company. We offer shares that are listed for trade on recognised stock exchanges.

Asset management

Managed investment solutions

Emperor Asset Management (EAM)

Emperor Asset Management provides a unique range of asset management products including unit trusts, segregated portfolios and hedge funds. Each of our investment strategies leverages off our unique, quantitative, momentum style approach, which has a proven 10-year track record of benchmark beating returns. Tailored risk and return, real-time access and aligned performance fee structures are some of the characteristics that set EAM apart.

EMPEROR ASSET MANAGEMENT

KEY DIFFERENTIATORS

Segregated Portfolios

- Quantitative momentum-based investment style
- Tailored risk and return
- Total transparency
- Daily and real-time reporting
- Tailored investment universe
- Performance fees always at risk to performance

INSTRUMENTS

- CFDs
- Options
- Futures
- Shares

STANDARD FEES

- Management fee – 1.2% pa
- Performance fee – 20% of out performance over the benchmark

Investor type: Old school, Active, Aspirant, Young saver, Institutions and HNWI

Risk meter: Low, Moderate, High

Unit Trusts

- Quantitative momentum-based investment style
- Management and performance fees at risk to performance

INSTRUMENTS

- Shares

STANDARD FEES

- Management fee – 1.5% pa if we hit the benchmark
- Performance fee – 20% of out performance over the benchmark

Investor type: Institutions and HNWI, Old school, Young saver, Aspirant

Risk meter: Low, Moderate, High

Hedge Fund

- Quantitative momentum-based long/short equity investment style
- Performance fees at risk to performance

INSTRUMENTS

- CFDs
- Shares
- Futures
- Options

STANDARD FEES

- Management fee – 1.2% pa
- Performance fee – 20% of out performance over the benchmark

Investor type: Institutions and HNWI, Old school, Aspirant

Risk meter: Low, Moderate, High

Fractional share rights

Where you cannot afford to buy a whole share on our EasyEquities platform, we issue you with a 100% margined CFD that mirrors the economic benefit associated with that fraction of the underlying share, except for voting rights.

HOW WE WORK

PURPLE GROUP MANAGEMENT

EXECUTIVE DIRECTORS

Mark Barnes

Executive Chairman

Mark Barnes graduated from UCT with an Honours Degree in Actuarial Science and attended a Management Programme at Harvard Business School.

Mark is widely known as an Investment Banker in South Africa. He has had 30 years of experience in financial services, holding positions of leadership at Standard Bank, Capital Alliance and Brait. Mark has had a wide exposure to financial markets previously as Head of the biggest Treasury operation in South Africa and as Chairman of the South African Futures Exchange. He is currently the Chairman and a significant shareholder in the Purple Group.

Never without an opinion, and a good story teller, Mark has taken to writing a weekly column in the leading business newspaper in South Africa, the Business Day. He has a regular TV program on his column, "Straight Talk with Mark Barnes" where his challenging opinions are presented. Mark is a regular panellist on "Editing Allowed" a weekly television talk show with the country's leading business Editors.

Charles Savage

Group CEO

Charles completed a BCom Accounting and Information Systems at the University of Cape Town in 1996. For the past 17 years he has been active in derivative financial markets with a strong focus on technology, business development and leadership. Charles was part of the team that pioneered CFD and spread trading in South Africa and in 2000 he led the development of the world's first fully automated online Spread Trading platform. He was elected to manage GT247.com's South African operations in 2003 where he was part of the Global Trader Executive. Charles is now responsible for strategically leading the operating business units of the group.

Gary van Dyk

Group CFO

Gary completed his articles at KPMG at the end of 2002 at which time he qualified as a Chartered Accountant. He then spent four years in the Transaction Advisory Division prior to joining Purple Group in November 2006. Gary was Head of Corporate Finance until April 2013 at which time he was appointed as the Group's Chief Financial and Operations Officer.

NON-EXECUTIVE DIRECTORS

Ronnie Lubner

Ronnie is Chairman of the PG Group, South Africa's leading integrated glass business. He is also Chairman of the international Belron group, the world's largest, dedicated vehicle glass repair and replacement company.

Craig Carter

Craig has over 30 years experience, predominantly in technology and financial services, including treasury, corporate finance, venture capital, banking and mobile payments. Craig joined Purple Group at its inception as COO and was most recently COO for WIZZIT International. He is currently an independent management consultant.

Thembeka Gwagwa

Thembeka is the General Secretary of DENOSA and is a director of DIHOLD. Thembeka is involved in healthcare sector training and teaches nursing students, community members and workers. She is involved in planning, organising and designing health and safety courses for workers and management.

Dennis Alter

Dennis Alter served as the Chairman and Chief Executive Officer of Advanta Corporation for nearly forty years. Advanta was one of the largest issuers of MasterCard credit cards to consumers and small businesses in the United States. It pioneered the solicitation of credit cards nationwide by direct response, no fee credit cards, balance transfers and the comprehensive use of analytics in marketing and credit analysis decisions. At its peak, it employed more than 5 000 people and had seven million customers. During his tenure the company grew its assets, earnings and returns exponentially. Mr Alter also owned the country's largest dating company, pioneering dating as a business in the mid-nineties.

Purple Group Limited is a company listed on the Johannesburg Stock Exchange

GT247.com and Emperor Asset management are licensed Financial Services Providers

FINANCIAL SERVICES PROVIDER LICENCES

EXECUTIVE COMMITTEE

Bradley Leather

Executive : GT Private Broking

Bradley is a co-founder of GT247.com, bringing years of international broking and trading experience to the GT Private Broking team.

Brad gained his early market experience trading on the traditional trading floors of the London and Sydney Futures exchanges, before moving to screen based broking where he brokered emerging market bonds for Intercapital Brokers in London and New York. He then moved to Cantor Fitzgerald in New York before relocating to South Africa and was instrumental in setting up Cantor Fitzgerald's SA Bond desk.

Paul Jansen van Vuuren

Chief Technology Officer

Paul's career in the technology development space spans nearly 20 years. Paul spent a number of years at Zaptronix Limited as a senior developer before starting his own development company. It was during this time that Paul developed his passion for user experience and developing software to cater to UX. Paul joined the GT247.com team during 2010 and was appointed as the Chief Technology Officer in 2013.

Beverley Ferreira

Chief Human Resources Officer

Bev graduated from R.A.U (now U.J) in 1997, having completed a BA Degree in Personnel Management as well as Honours Degrees in both Industrial Relations and Industrial Psychology. She was employed by Interpark (SA) (Pty) Ltd in 1995 and became HR Director in 1999. In 2005 she joined Interpark's holding company, Excellerate Holdings Ltd in the capacity of Group General Manager: HR. In 2006 Bev started to practice as a freelance HR and IR consultant before joining Purple Group in 2008, where she now serves the business as Chief HR Officer.

MANAGEMENT COMMITTEE

Crystal Giuricich

Head of Finance

Crystal completed her articles at Deloitte and qualified as a Chartered Accountant in 2010. Shortly after her articles, she joined the Purple Group, in the Group Reporting role and was appointed as Head of Finance in 2013.

Craig Margolius

Head of Operations

Craig joined Purple Group in July 2011 and has over 4 years of corporate finance experience, having worked on a variety of advisory transactions, spanning various sectors. Craig was appointed Head of Operations in March 2013. Prior to joining Purple Group, Craig worked for Standard Bank CIB and Merchantec Capital. He qualified as a Chartered Accountant in 2009.

Tristan Finnemore

Head of Sales

Tristan joined GT247.com in 2006. He implemented our CRM system in 2007 and joined the Sales team as a Sales Performance Manager in 2009. He was Regional Sales Manager Gauteng from 2012, and went on to become Head of Sales in March 2013. Tristan has a Bachelor of Information Systems degree from Bond University.

Almero Oosthuizen

Head of Marketing

Almero joined GT247.com (Purple Group) in March 2010, after spending 4 years in London in the television production industry and 3 years in the publishing industry with Ramsay Media. Almero heads up a team responsible for the marketing and public relations of the Purple Group.

Almero graduated from the University of Stellenbosch with a Bachelor of Commerce in Marketing and Financial Management.

Carlos Fernandes

Head of IT

Carlos joined GT247.com in 2005, and currently serves as the Head of IT. He has been working in the computer and telecommunication field for over 10 years. During this time, he has held a number of leadership roles working as an IT Support Technician, Infrastructure, Application Manager and IT Manager.

Carlos holds Comptia A+, N+ & i-Net+ certifications and is working towards his MCDBA and MCSE.

Nilan Morar

Head of Trading

Nilan Morar has been involved in financial markets for the past 19 years. His experience hails mostly from major financial institutions and his areas of expertise include money markets, fixed income administration and trading derivatives.

Nilan completed his RPE exams, South African Regulatory module through the Securities Institute in London as well as the regulatory RE1 and RE5 modules.

First World Trader (FWT) t/a GT247.com

- Non-discretionary **Category I FAIS licence**, which provides FWT the ability to conduct an intermediary and advisory service on derivatives, shares, money market and collective investment scheme products.
- Discretionary **Category II FAIS licence** which provides FWT the ability to conduct an intermediary service on derivatives, shares, money market and collective investment scheme products.

Emperor Asset Management (EAM)

- Discretionary **Category II FAIS licence**, which provides EAM the ability to conduct an intermediary service on derivatives, shares, money market and collective investment scheme products.
- Discretionary **Category IIA FAIS Licence** that allows EAM the ability to provide an intermediary investment management service and the ability to manage a hedge fund.

First World Trader Nominees (FWTN)

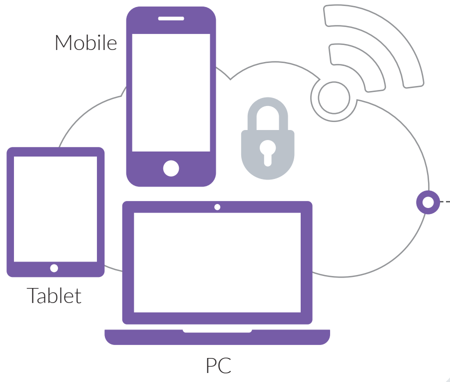
- Approved by the FSB to operate and hold clients' assets in the name of the nominee.
- STRATE approval to hold equity securities on behalf of clients.

Emperor Asset Management Nominees (EAMN) has the following approvals:

- Approved by the FSB to operate and hold clients' assets in the name of the nominee.

TECHNOLOGY

We have **invested over R200 million in technology** over the past 14 years and currently spend around R12 million pa on IT-related expenses.



Online trading platforms

We have developed three **online trading platforms** for our three instrument types, being CFDs, Spread Trading and most recently Easy Equities. Our clients can access these platforms through their PCs, mobile phones or tablets, enabling them to trade at anytime and any place.

One of the core pillars of our business is **risk management.** Our risk management systems enable the business to identify risk on a real-time basis.

Product offering

As our core trading systems are proprietary, we are able to conceptualise new **product offerings** and implement these technologically within a relatively short timeframe (a recent example of which is our Easy Equities platform).

Real-time reporting and access

Our systems enable us to provide real-time **reporting and access to our clients**.

Social trading

Another aspect of our business that is enabled by our technology assets are our social trading products and initiatives:

Smart Trader

By subscribing to Smart Traders, you will receive a wealth of trading insights from some of the industry's most successful traders, eliminating unnecessary risk and guesswork from your trading. The Smart Traders strategies are based on either a fundamental or technical analysis, or a combination of both fundamental and technical analyses. The Smart Traders also get classified on whether their trading style is short, medium or long-term based. Having this knowledge can aid your own trading strategy, increasing your chances of making money on the markets.

The Wire

The Wire is a radical approach to trading that delivers meaningful, actionable financial information that enables collaboration and communication and breaks down the barriers between those that trade and those who should trade.

Twitter investing cloud

Our Twitter Investment Cloud is a service that lets you generate a cool looking word cloud of the buys and sells within the Easy Equities platform. The cloud provides the user with insights into the investment sentiment of the Easy Equities client base. These insights are generated from Tweets posted on Twitter by users.

Hoots collaborative recommendation engine

Ever purchased something on Amazon.com and end up buying something else because of a recommendation from like-minded consumers? This is the essence of Hoots. Hoots is a post-execution collective summation of other instruments traded by customers who have also bought the very same instrument you are buying. You get a broad view of sentiment within the investment community based on their transactions executed. It's similar to broker consensus, as we know it today.

INTELLECTUAL PROPERTY

Asset management strategies | **In depth product knowledge**

- GT247.com was the first broker to offer CFDs in the South African retail market, back in 2000.
- Our CEO, Charles Savage has been with GT247.com since 2001 and our Head of GT Private Broking, Bradley Leather, was one of the founding members of GT247.com in South Africa, back in 2000.
- Our traders and risk managers have decades of experience in the financial markets across a multitude of instruments.
- Our Chief Investment Officer, Tom de Lange has been investing on behalf of others since 2004 and active in the financial markets, developing various investment strategies for over 30 years;
- As a result we have built up an **in depth product knowledge** of the products that we offer our clients, from derivative instruments to asset management strategies.
- Our core **asset management strategy**, the Robert Falcon Scott strategy has a 10-year track record, during which time it has delivered superior returns.
- The knowledge and experience gained from this strategy has been expanded upon to develop new strategies with differing risk/return profiles.
- In addition, the business offers a quantitative **research** tool called Validea **(www.validea.co.za)** to the South African market. Based on the premise that the best way to outperform the market is to learn from those who have consistently done so in the past, Validea compiles model portfolios that select value, dividend and growth stocks based on its interpretation of the published writings of well known stock market gurus, including Warren Buffet, Peter Lynch, Benjamin Graham, Kenneth Fisher, Martin Zweig, David Dreman, Joseph Piotroski and Joel Greenblatt.

OUR PEOPLE

Our team at Purple Group comprises of **60 people**, each experienced in their respective areas and ultimately incentivised to provide our clients with the best possible experience when dealing with the business.

Each and everyone of our people are set **quarterly key performance metrics** against which they are reviewed and incentivised or disciplined accordingly.

We are consistently trying to improve our level of customer service and product offering.

RISK MANAGEMENT

From a business perspective

Client credit risk

Client credit risk arises when a client's total funds on deposit are insufficient to cover trading losses. Our tiered margining policy and real-time monitoring of client risk are our primary tools for mitigating client credit risk. This essentially involves holding a margin on every open client position which is sufficient to absorb sudden movements in a client's open positions, thereby providing the client with the opportunity to top up his margin in order to hold the position or alternatively allowing the business sufficient time to close out the client's positions prior to any loss being incurred.

The business is able to close out any client position, if required, intraday, almost instantly, as we only offer CFD's on the most liquid shares.

Our online platforms allow clients to manage their own exposures through guaranteed and non-guaranteed stop and other order types.

Market risk

Market risk arises as a result of general market price movement. Our risk department monitors all client positions on a real-time basis to ensure adherence to market risk limits set by the Risk Committee. The business operates within these limits by hedging our market risk exposure with our prime broker as and when required. Due to the size of our book, client positions often offset each other, creating a natural hedge.

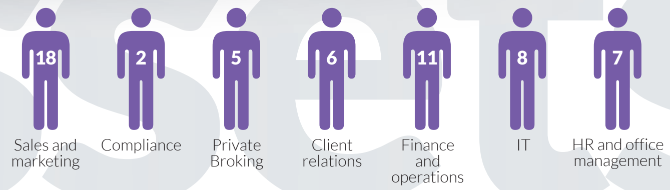
From a client perspective

Protection of client assets

In order to protect and ringfence client funds from those of the business, the following measures are in place:

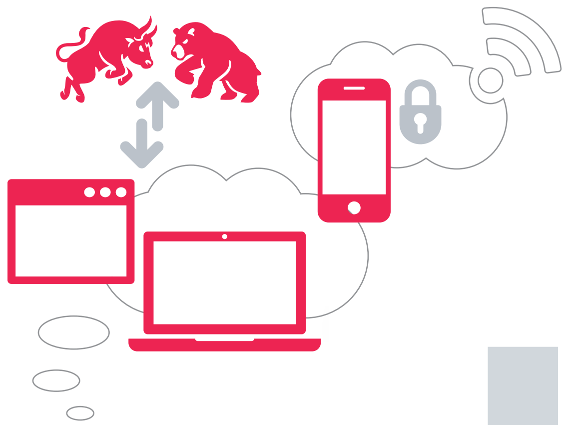
- All client funds (excluding margin cash) are held in a separate bank account, separate from GT247.com accounts. The bank account is a **Client Funds Trust Account** clearly ringfencing these funds from those of the business. This is a regulatory requirement and our auditors are required to report compliance with this provision to the Financial Services Board each year.
- We have registered a **Nominee Company**, which is a separate ringfenced entity, specifically licensed by the Financial Services Board, to only hold client assets.
- We will be transferring all client funds to this nominee company soon, in order to provide our clients with that extra peace of mind.
- The majority of clients' funds on margin are held at our prime broker and to a lesser extent with other hedging institutions. Client funds on margin at our prime broker are protected through an **ISDA agreement** (between GT247.com/ Emperor Asset Management and the prime broker) in the event of the prime broker being liquidated, in which case all transactions are closed out and the margin cash and any profits are immediately paid to GT247.com/ Emperor Asset Management. Funds from prime brokers are paid directly into the **Client Funds Trust Account**.

core assets



WHAT WE DO
BUSINESS OVERVIEW

Your question on GT247.com answered.



online trading

5 steps to trading

<GT247.COM> What's Stopping You?

EasyEquities Powered by <GT247.COM>

EasyEquities intro

GT247.com posted strong revenue growth of 18.2% during the current year. This was an impressive result when considered in context of the continued suppressed levels of market volatility and the progressively higher stock valuations experienced. These factors impacted negatively on growth prospects as lower levels of volatility and higher share prices resulted in growing circumspection, lower investor confidence, less trading opportunities and therefore lower trading volumes.

Growth in revenue was strongly supported by income attributable to the products and services provided to asset managers, most notably to the Groups asset management business, Emperor Asset Management (EAM).

In addition a marked increase of 68.5% in nominal value traded, predominantly on our spread trading platform, supported revenue growth and whilst there was not a commensurate increase in income, because of the low cost nature of the product, the trend is notable and a positive indicator for increased client trust and confidence in our offering.

The symbiotic relationship between GT247.com and EAM continues to fuel growth and diversify the Groups sources of income. The shared services model employed means that we are capable of delivering products and services more efficiently. In addition cross and up selling opportunities reduces our cost of client acquisition.

The online investing and trading platforms and services provided by GT247.com received a significant boost this year with the launch of our easy, low cost, online share investment platform, EasyEquities. Until recently GT247.com has only focused on over the counter derivative products (CFDs, futures and binary options) which are targeted at more active short term speculative traders. With the addition of this platform we have increased our breadth of service and with it the size of our target audience to now include the more passive, medium and long term investor.

The addition of this core product set enhances the range and diversity of our offering and further entrenches our claims to South Africa's leading Discount Broker[1]. Plans to extend EasyEquities to other international stock exchanges are already underway and the prospect of offering our clients not only international derivative products but also listed shares is very exciting.

Discount Broker growth has been explosive elsewhere in the world, but not so in South Africa. Whilst many of our stockbrokers have invested heavily in internet based trading platforms, the industry has been less willing to aggressively reduce barriers to entry, limiting the impact of these platforms to the more well-heeled and sophisticated investor.

GT247.com's strategic response has been to "make it easy". Our size, technology base, people and related intellectual property combine to deliver a team capability that can go head to head with the best of our local and international peers.

Innovation remains our competitive advantage, supported by easy access and low cost structures, we are confident that we will open up new target audiences and win over cost conscious clients. We are a proudly South African business that trusts in our capability to deliver superior innovation and products and services that can compete globally.

We are excited about the future prospects of GT247.com

Discount broker

A stockbroker who carries out buy and sell orders at a reduced commission compared to a full-service broker, but provides no investment advice.

It used to be that only the wealthy could afford a broker and access to the stock market. The internet has brought an explosion of discount brokers which let you trade at a smaller fee. However, it is important to remember that discount brokers don't provide personalised advice. Because of discount brokers, nearly anybody can afford to invest in the market.

For those who wish to do their own research or don't want to invest a lot of money, a discount broker is an excellent way to invest.

Source: Investopedia.com

Complete an online application for GT247.com

Complete an online application for EasyEquities

Business Day Top Brokers

REVENUE

R71,5m

2013: R60,5m

NOMINAL TRADED

R243,7bn

2013: R144,6bn

AWARDS

BusinessDay

Business Day Investors Monthly Stockbroker of the year awards 2014

<GT247.COM> What's Stopping You?

2nd place
"Best Broker for the Active Day Trader"

3rd place
"SA's Top Retail Stockbroker for 2014"

EasyEquities Powered by <GT247.COM>

1st place
"Best Broker for the Young Saver"

private broking

Your question on GT Private Broking answered.

Complete an online application.

GT Private Broking

GT Private Broking (GTPB), the private client division of GT247.com, posted a mixed set of results. Ever rising equity valuations and the caution of a possible strong market retracement drove volumes away from equities and into other asset classes. This impacted on revenue, which was down 7.4% for the current year.

There was however an increase in nominal value traded of 9.8% in the current year.

GTPB is a private label of GT247.com and as such its strategy focuses on the delivery of a high touch personal execution and trade assisted service that is tailored to meet the client's unique trading profile and preferences. Over the last 12 months significant progress was made at further differentiating the offering through research, education and managed portfolio solutions.

GTPB's managed portfolio was designed with their target audience in mind. The Group's asset management division, Emperor Asset Management was tasked with implementing a solution that sought to extract maximum equity returns whilst taking more risk than the general equity market. The time horizon was set at 5 years or more and capital contributions were limited to a maximum of 10% to 15% of the investor's equity assets. The primary goal of the strategy is to serve the risk side of the investor's budget and to diversify their portfolios, positioning them for greater wealth creation over the long term.

GTPB targets clients who fall outside the larger private banks as well as those that demand a high touch professional and personalised service. Its investors are typically more sophisticated in approach and style. The traders are co-pilots to our client's wealth, investing and trading ambitions and given their depth of experience, skill and access to markets and information, together with their clients, they make a formidable investment team.

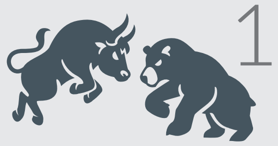
The prospects for the business in the year ahead are encouraging and we expect the division to return to double digit growth.

REVENUE

R17,4m

2013: R18,8m

VOLATILITY INDEX AVERAGE



14.4

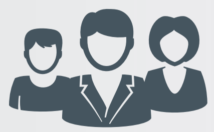
2013: 14.9

NOMINAL TRADED

R17,9bn

2013: R16,3bn

CLIENT FUNDS



R103,9m

2013: R113,4m

EMPEROR ASSET MANAGEMENT

asset management

Complete an online application.

Your question on Emperor Asset Management answered.

Emperor Asset Management (EAM), the asset management division of the Group, increased assets under management (AUM) in its segregated managed portfolios by 54% during the current year, totalling R405 million at 31 August 2014. Revenue growth was not commensurate with growth in AUM as performance fees were substantially down from last year.

A key differentiator of our approach is that our fee structure is designed to always be aligned with our client interests. This is achieved through our performance fee structure which rewards the manager, beyond management fees earned, for benchmark (JSE/FTSE Top 40) beating returns. Distinctly, a large portion of performance fees accrued always remain at risk to future performance. Last year the Robert Falcon Scott Strategy (RFS) posted 12 months returns to 30th September 2013 of 39.2% over the benchmark of 25.2% whereas this year it posted 10.9% vs. 11.9%, in the result impacting on the revenue contribution from performance fees (figure 1).

Growth in AUM was fuelled mostly by strong client acquisition during the first half of the financial year. The slow-down in growth during the second half of the year reflected tougher trading conditions and a more considered approach to ever rising equity valuations. Our own cautious market outlook, set out in our February 2014 market update to clients, raised caution of a strong possible market retracement, which we then positioned our client portfolios for. This positioning cost our investors some upside returns as the market continued unabated. However, the decision to be more cautiously positioned was well made and since the market top and subsequent retracement in late September and October we have almost closed the gap in performance against our benchmark and are optimistic about our return prospects into the calendar year end.

Factsheets

Strategy Update

1+1 = 22

No we haven't lost our calculators… the sum serves to illustrate the point, that all too often simple maths just lets us down. We are taught to expect ordinary outcomes and yet sometimes when you get the ingredients just right you can deliver the extraordinary. At Emperor Asset Management we set ordinary aside and we measure ourselves against the extraordinary few that deliver investment excellence.

Turning 10 years old is one of the yardsticks that every asset manager proudly displays, it's a badge that says "been there, seen that…." It's a heady milestone and there are no shortcuts to achieving it. Less managers than you might think ever make it and less than 20% post returns that outstrip their benchmark, and in so doing, deliver investment excellence.

Emperor blog

Our Robert Falcon Scott Strategy (RFS) turned 10 in October 2014 and happy birthday certainly is in order. Delivering an annual return of 22.6% vs the benchmark of 15%, over the 10-year period deserves special mention. It's an achievement that places EAM amongst the league of the extraordinary few asset managers.

Our most recent fact sheet is an enviable track record that stood the biggest test of our times, the Global Financial Crisis, and through all has won the trust of thousands of clients.

Turning 10 gives us the ideal opportunity to focus on our future and set a path for ourselves that is greater than our past. Our growth has allowed us to be more ambitious and our clients have challenged us to deliver more investment strategies, products and services.

Some of these are just part of growing up and others more true to our brand of discovery, where we strive to set ordinary aside.

Some are available already, others will be launching very soon and others still are caught up in brainstorming, testing and development sessions.

Going forward the business will be housed in Emperor Asset Management (Proprietary) Limited, a registered and authorised discretionary (category 2) and hedge fund (category 2A) asset manager (Financial Services Board number 44978). This entity is a 100% owned subsidiary of the Group.

The year ahead holds much promise as we extend our offering to:

- Local and international asset management solutions;
- Access to more investment strategies, giving investors greater choice when it comes to risk, return and investment style;
- Additional investment structures beyond our segregated portfolios to include unit trusts and en-commandite partnership structures;
- Increased investment disclosure through web-based and mobile portfolio viewers;
- Simplified account opening processes with optimised FICA requirements;
- Debit order functionality; and
- Even greater segregation and protection of investor assets, through an approved nominee company structure.

Exciting new investment strategy options

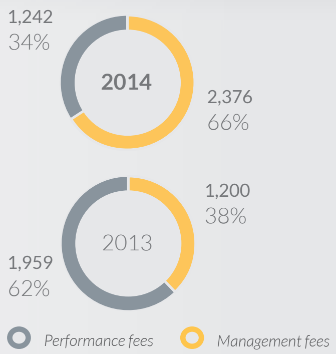
Over the last 12 months we have heavily invested in researching, diversifying and further optimising our quantitative momentum style investment approach. At the same time we have listened to our clients. We are incredibly excited about launching this new range of strategies and supporting structures that further complement the extraordinary RFS Strategy. (refer to next page).

REVENUE

R3,6m

2013: R3,2m

FIGURE 1

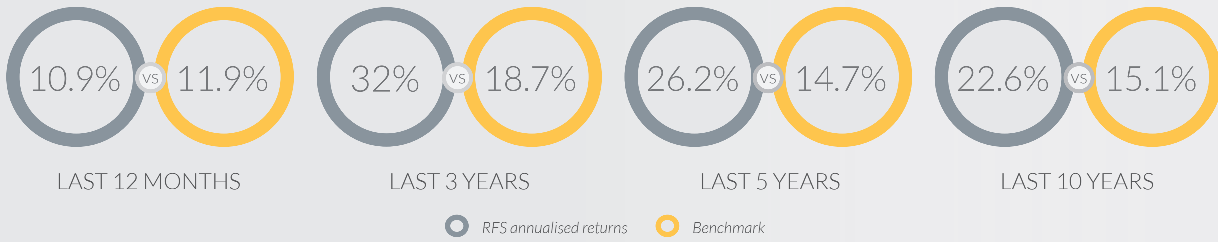


CLIENT FUNDS

R405,3m

2013: R263,1m

RFS ANNUALISED RETURNS (30 SEPTEMBER 2014) VS BENCHMARK (JSE/FTSE TOP 40)



INVESTMENT PRODUCTS

	Robert Falcon Scott	Sir Edmund Hillary	Sir Ernest Shackleton	Emperor IP Momentum Equity Fund	Emperor IP Global Momentum Equity Fund	Sir John Ross
	(currently available)	(currently available)	(coming soon)	(currently available)	(coming soon)	(currently available)
Investment structure	Segregated portfolio	Segregated portfolio	Segregated portfolio	Equity Unit Trust	Equity Unit Trust	Hedge Fund/En-commandite partnership
Investment method	Quantitative	Quantitative	Quantitative	Quantitative	Quantitative	Quantitative
Launch date	1 October 2004	1 June 2014	Early 2015	1 September 2014	Late 2015	1 November 2014
Benchmark	JSE/FTSE Top 40 (A)	A	A	A, including income	S&P 500	50% A, 50% STEFI 12m
Strategy	Multi	Multi	Single	Single	Single	Single
Long/short	Long bias	Long/short	Long only	Long only	Long only	Long/short
Risk level	Personalised	Fixed	Personalised	Fixed	Fixed	Fixed
Exposure level	120% – 200% long	220% long/40% short	120% – 200% long	80% – 100% long	100% long	140% long/40% short
Minimum initial deposit	R10 000	R250 000	R10 000	R10 000 lumpsum; R1 000 monthly	R10 000 lumpsum; R1 000 monthly	R5 000 000
Management fee	1.2%	1.2%	1.2%	1.5%	1.5%	1.2%
Performance fee	20% above benchmark	20% above benchmark	20% above benchmark	20% above benchmark	20% above benchmark	20% above benchmark
Fee differentiator	B	B	B	C	C	B
Investible universe	JSE Top 140 (liquidity)	JSE Top 140 (liquidity)	JSE Top 140 (liquidity)	JSE Top 180 (liquidity)	S&P 500	JSE Top 180 (liquidity)
Instruments traded	CFDs Options Futures	CFDs	CFDs Shares	Shares	Shares	CFDs Shares Options Futures
Strategy components	Momentum Value Growth Blue chips Market timing Downside protection	Momentum Value Low volatility bias Market timing	Momentum Low volatility bias Market timing Dynamic strategy shifting	Momentum Low volatility bias Market timing (limited) Dynamic strategy shifting	Momentum Low Volatility bias Market timing (limited) Dynamic strategy shifting	Momentum Low volatility bias (long holdings) High volatility bias (short holdings) Market timing Downside protection Dynamic strategy shifting

Fee differentiator (B)

Performance fees accrued remain at risk to future performance

Fee differentiator (C)

Performance and management fees accrued remain at risk to future performance

Market

Investable universe instruments.

FTSE/JSE Top 40

Robert Falcon Scott

MOST SUITABLE TO

Investors seeking maximum equity returns at the same or moderately more risk than the **market**.

Investors who have an investment horizon of four years or more and are comfortable with market fluctuations.

Sir Edmund Hillary

MOST SUITABLE TO

Investors seeking maximum equity returns whilst taking substantially more risk than the **market**.

Investors who have an investment horizon of at least five years, limited to a maximum of 10% to 15% of their investment assets.

Sir Ernest Shackleton

MOST SUITABLE TO

Investors seeking above **market** returns at less than or similar (depending on exposure level) to the **market** risk. Investors seeking to grow their financial assets at a steady pace over the long term.

Investors who have an investment horizon of three years or longer. Investment may be suitable as a building block for retirement planning for those investors that are comfortable with equity **market** risk.

Emperor IP Momentum Equity Fund

MOST SUITABLE TO

Investors seeking above **market** returns at less than 70% of the **market** risk. Investors seeking to grow their financial assets at a steady pace over the long term.

Investors who have an investment horizon of three years or longer. Investment may be suitable as a building block for retirement planning for those investors that are comfortable with pure equity investments. Especially suitable for investors and multimanager pension funds requiring style diversification to include exposure to a unique momentum style.

Emperor IP Global Momentum Equity Fund

MOST SUITABLE TO

Investors seeking pure equity exposure to US equities. Investors looking to hedge against SA political and economic risk. Investors seeking to grow their financial assets at a steady pace over the long term.

Investors who have an investment horizon of four years or longer. Investment may be suitable as a building block for retirement planning for those investors that are comfortable with pure equity investments and requiring diversification in foreign equity markets. Especially suitable for investors and multimanager pension funds requiring style diversification to include exposure to a unique momentum style.

Sir John Ross

MOST SUITABLE TO

Sophisticated investors seeking maximum returns at significantly less risk than the **market**.

Investors who have a time horizon of at least two years and are comfortable with a product that offers robust protection against market fluctuations. Especially suited for institutional investors that seek exposure to a unique long-short equity momentum investment style wrapped in an en-commandite partnership structure.

investment

UNDERSTANDING OUR PRODUCTS

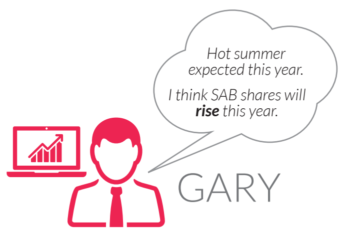
CONTRACTS FOR DIFFERENCE TRADING (CFD TRADING)

Trading in Contracts for Difference (CFDs) are similar to trading shares on the stock market. CFDs allow you to trade without buying the underlying asset i.e. the actual share.

To illustrate how this works: in this scenario two people (Gary and Charles) each open a CFD contract to speculate on the price of an SAB share. A third (Mark) wishes to purchase the SAB shares outright (Traditional Share purchase) in the hope the share price will rise.

7am Day 1

CFD TRADER



TRADITIONAL SHARE TRADER

CFD TRADER

9am

Go long

At 9am when the stock market opens SAB shares are available to buy (offer price) at R610 per share and to sell (bid price) at R609 per share.

Buy shares

BID R609 | **OFFER** R610

Go short

Gary (CFD Trader) believes that the share price will go up as a hot summer is expected which will lead to higher beer sales, so Gary goes long (buys) an SAB CFD.

Mark (Traditional Share Trader) agrees with Gary's view that a hot summer will lead to a higher SAB share price, so he buys the actual SAB shares on the stock market.

Charles (CFD Trader) has heard that a new beer producer is entering the market so competition for SAB products will increase and the share price could be expected to go down; hence Charles goes short (sells) an SAB CFD.

With CFDs you can buy or sell the economics associated with an underlying share. This enables a CFD Trader to take advantage of rising or falling share prices.

Buy 100 CFDs at R610
Value of position R61 000
Broker fees R61
Deposit required R6 100 (10%)
Transfer tax, VAT and STRATE R0

Buy 100 shares at R610
Value of position R61 000
Broker fees R457
Deposit required R61 000 (100%)
Transfer tax, VAT and STRATE R243

Sell 100 CFDs at R609
Value of position R60 900
Broker fees R60,90
Deposit required R6 090 (10%)
Transfer tax, VAT and STRATE R0

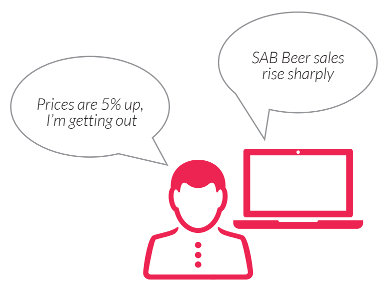
Gary goes long 100 SAB CFDs at a price of R610 per CFD and Charles goes short 100 SAB CFDs at a price of R609 per share. At the same time Mark buys 100 SAB shares on the stock market at R610 per share.

Gary and Charles are only required to place a 10% deposit (referred to as initial margin) with the CFD provider in order to gain exposure to the movement of 100 SAB shares, whereas Mark needs to pay 100% of the value of the 100 SAB shares, in order to gain exposure to 100 SAB shares.

Mark's costs when entering into the trade amount to 1,14% of the transaction value, whereas the costs associated with the CFD transaction amount to 0,1% . This is due to the brokerage in respect of share transactions generally being around 0,75% (dependent on the broker) and there is no Security Transfer tax (0,25% of transaction value) or STRATE costs (fixed minimum fee of R10.92) applicable when entering into a CFD.

When entering into a CFD transaction you are only required to place a fraction of the value of the transaction value as a deposit/margin. In addition, CFD transactions are not subject to STRATE costs or Securities Transfer tax.

12pm Day 30



BID R639 | **OFFER** R640

In this scenario, 30 days after entering into the SAB trades, news breaks that SAB Beer sales have risen. The share price increases by 5% from the price at which the trades were entered into.

Gary and Mark have realised a profit as they went long the SAB shares, however, Charles has realised a loss on his trade as he went short the SAB shares.

Gary, Mark and Charles all decide to exit their trades.

Close Trade

Number of CFDs	100
Value of position	R63 900,00
Net profit	**R2 359,50**
Return on deposit (%)	**38,7**

Total costs

Other costs	% of value	Rand value
Entry costs	0,1	61,00
Funding	0,68	415,60
Exit costs	0,1	63,90
Total costs	0,88	540,50

Close Trade

Number of shares	100,00
Value of position	R63 900,00
Net profit	**R1 626,64**
Return on deposit (%)	**2,66**

Total costs

Other costs	% of value	Rand value
Entry costs	1,14	700,00
Funding	n/a	–
Exit costs	0,89	573,36
Total costs	2,08	1 273,36

Close Trade

Number of CFDs	100
Value of position	R64 000
Net loss	**R3 072,70**
Loss on deposit (%)	**50,4**

Total costs

Other costs	% of value	Rand value
Entry costs	0,1	60,90
Funding	(0,24)	(152,20)
Exit costs	0,1	64,00
Total costs	<0	(27,30)

Gary closes out his CFD transaction at the bid price of R639 per SAB share, realising a total profit before costs of R29 per share (R639 less R610). Similarly, Mark sells his SAB shares and realises a profit before costs of R29 per share.

On the flip side, Charles (who expected the share price to go down) exits his CFD transaction at the offer price of R640 per SAB share, realising a loss before costs of R31 per share (R609 less R640).

The exit costs in respect of the CFDs and the share transaction are calculated in exactly the same way as the entry costs, except that Securities Transfer Tax is not paid when you sell a share.

In respect of CFD transactions, the CFD Trader is charged a funding cost in respect of long positions (buys). This is because the CFD Provider is in effect providing you with funding i.e. in order to gain exposure to 100 SAB shares on the stock exchange a trader would have to pay R61 000, like Mark did, however, in respect of the CFD, Gary only had to place R6 100 with the CFD Provider; hence the CFD Provider effectively lent you the difference between the actual cost of R61 000 and the R6 100. The funding safey rate charged in this scenario is 8,29% p.a. which is a rate of Prime less 0,96%. In this scenario funding was charged for a period of 30 days on the daily exposure (being the value of the transaction on a daily basis i.e. share price x 100).

The opposite applies in respect of Charles' trade where he went short SAB shares. In this scenario the CFD Provider pays Charles interest on the value of his exposure. The rate of interest paid to Charles in this scenario is 3,04% p.a. for 30 days.

In the result, including all costs, Gary and Mark both made a net profit, as the share price went up and Charles made a loss.

The significant difference between the two methods of trading, other than the differing cost structures, is that trading in CFDs allows a person with only R6 100, in this scenario, to gain exposure of R61 000 in the market – this is what is commonly referred to as leverage.

The CFD Provider, effectively provides the CFD Trader with funding to gain exposure to the movement in an underlying share price, like SAB in this example; hence the CFD Provider charges the Trader funding costs.

In respect of short positions, the CFD Provider pays the CFD Trader funding.

EasyEquities
Powered by <GT247.COM>

UNDERSTANDING OUR PRODUCTS

EASYEQUITIES COMPARED TO TRADITIONAL STOCKBROKERS

The EasyEquities platform is a trading platform through which you can acquire listed shares and securities as well as Fractional Share Rights (FSRs).

The following scenario illustrates the primary benefits of trading on the EasyEquities platform compared to trading with traditional brokers: In this scenario two people (Mark and Charles) each have R500 that they want to invest. Mark chooses to invest his R500 with a traditional online stockbroker (TradCo) and Charles invests through the EasyEquities platform.

Mark and Charles both believe that the Kumba share price will increase over the next 12 months as the demand for Iron ore is expected to increase significantly.

Both Mark and Charles want to spend the full R500 on this transaction.

7am Day 1

TRADCO

MARK

Buy shares

EASYEQUITIES

CHARLES

Buys shares and FSRs

9am

BID R279 | **OFFER** R280

AT 9am when the stock market opens Kumba shares are available to buy (offer price) at R280 per share.

TradCo:
Number of shares 1,0
FSRs Not available
Value invested 280
Cash account R220
Exposure to Kumba 56%

EasyEquities:
Number of shares 1,0
FSRs 0,785
Value invested R500
Cash account R0
Exposure to Kumba 100%

Buy Transaction (ignoring transaction costs for now):

Mark places an order with his broker to buy R500 worth of Kumba. His broker informs him that the price of one Kumba share is R280 and therefore he will only be able to buy one share, as it is not possible to buy a fraction of a share on the stock market in South Africa (if it were possible, then Mark would be able to buy 1.785 Kumba shares with R500).

So Mark confirms the order and his broker buys the one Kumba share on the stock market. The total value of Mark's purchase was R280 leaving R220 in his cash account with the broker. This cash account will earn interest at around 4% per annum.

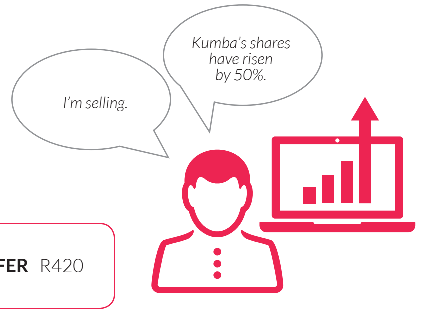
At the same time Charles places an order on the EasyEquities platform to buy R500 worth of Kumba. The platform confirms his trade immediately, confirming that he has bought one Kumba share at a price of R280 and 0.785 Kumba FSRs at a price of R220 (78.5% of the value of one Kumba share).

A FSR is a CFD (with no leverage) that mirrors the economic benefits associated with share ownership (such as share appreciation and dividends) without you owning the underlying share or having voting rights in respect of that share.

In this scenario, Charles' remaining R220 that was not enough to purchase another whole Kumba share, was used to acquire a Kumba FSR, that will provide him with 78.5% (R220 divided by R280) of the economic benefits associated with owning a whole Kumba share.

In the result, only 56% of Mark's R500 is exposed to the movement in the Kumba share price and the remaining 44% will earn interest at 4%, whereas 100% of Charles' R500 is exposed to the movement in the Kumba share price.

12 months later



BID R418 | **OFFER** R420

TradCo – Sell

Value of position	R418,00
Cash account	R228,80
Total value	R646,80
Return on investment (%) (before costs)	**29,3**

Total costs

Other costs	% of value	Rand value
Entry costs	29,15	81,62
Exit costs	19,36	80,94
Total costs	25,13	162,56
Return after costs	(3,2)	

EasyEquities – Sell

Value of position	R746,13
Cash account	R0
Total value	R746,13
Return on investment (%) (before costs)	**49,2**

Total costs

Other costs	% of value	Rand value
Entry costs	0,64	3,22
Exit costs	0,39	2,94
Total costs	0,82	6,16
Return after costs	**47,9**	

Sell Transaction (ignoring transaction costs for now)

Twelve months after entering into the Kumba trades, Mark and Charles both decide to sell their Kumba shares and FSRs as the share price has increased by 50%.

They both exit their trades at a price of R418 (bid price), per Kumba share.

Mark sells his one Kumba share, realising R418. This together with the cash of R228.80 (R220 plus interest thereon at 4% for 12 months) in his cash account leaves Mark with R646.80, realising a return of 29.3% on his R500.

Charles sells his one Kumba share for R418 and his 0.785 FSRs for R328.13 (78.5% x R418) leaving him with R746.13, realising a return of 49.2% on his investment of R500.

Trading costs

Till now we have ignored the costs that Mark and Charles would have paid, to buy and sell their Kumba positions, in order to illustrate the benefits of FSRs, however, the transaction costs paid when transacting through the EasyEquities platform, compared to other brokers, can also have a significant impact on your returns.

In the above scenario, Mark would have been charged R81.62 to enter the trade and R80.94 to exit the trade; hence Mark would actually have made a loss of 3.2% on the Kumba trade, taking costs into account.

On the other hand, Charles would have been charged R3.22 to enter the trade and R2.94 to exit the trade; hence Charles' return would have decreased marginally to 47.9%.

Securities transfer tax of 0.25% is not charged on the sell transaction, hence exit costs as a percentage of the transaction value is generally lower by this amount.

The Major difference between the Easy Equities platform cost structure and other share brokers is that EasyEquities does not charge a minimum brokerage (in this scenario we assumed a minimum brokerage of R60, which is relatively low) but rather a variable brokerage of 0.25%. In addition, the minimum Settlement fee per trade charged by other brokers is R10.92, whereas we charge you a variable settlement fee of 0.075%.

Investing through the EasyEquities platform allows you to purchase FSRs where you don't have enough money to purchase a whole share, ensuring that all your money is invested, thereby providing you the opportunity to maximise the return on your money.

The Easy equities platform is the cheapest place to trade, with no minimum trade commissions or settlement fees and no monthly account fees.

UNDERSTANDING OUR PRODUCTS

SPREAD TRADING

GT247.com's future trader platform allows our clients to trade local and international indices, currencies, commodities, bonds and Binary Options.

ALSI DEC14
(LOCAL INDEX)

Product description

This product mirrors the Safex listed, FTSE/JSE Africa Top40 index Future contract, which is an index that references the top 42 companies (listed on the Johannesburg Stock Exchange) share price.

Pricing

The instruments offered on our spread trading platform (Future Trader) mirror the bid/offer prices of a underlying instrument listed on a recognised exchange, an additional spread, is then added on either side of the exchange bid/offer spread, being our spread commission (SC).

PRICING

BID		Safex price		OFFER	
GT247 price	SC			SC	GT247 price
44 725	-2	44 727	44 740	+2	44 742

Volume available

GT247.com is a market maker, and will at times allow our clients to trade higher volumes, at the current market price (plus SC), than may be available on the relevant exchange at that specific price.

VOLUME AVAILABLE

	VOLUMES @ CURRENT BID	Safex volume		VOLUMES @ CURRENT OFFER
	GT247 volume			GT247 volume
Contracts	100	5	5	100
Rand p/p	R1 000	R50	R50	R1 000

Why Trade the Alsi with GT247.com

The volume offered is sometimes 20 times greater than that available on the market at the current bid/offer price. GT247.com allows its clients (each individually) to trade up to 25 contracts per trade limited to a total exposure of 100 contracts per client.

Trade size and margin required

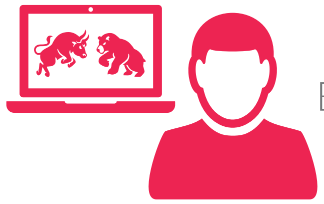
The minimum trade size available on GT247.com's platform is generally a fraction of the minimum trade size offered on the relevant exchange, requiring smaller margins; hence making these instruments more accessible to the retail market.

TRADE SIZE AND MARGIN REQUIRED

	MINIMUM TRADE SIZE		MAXIMUM TRADE SIZE	
	GT247	Safex	Safex	GT247
Contracts	1/100	1	No max	100
Rand p/p	R0.10	R10	No max	R1 000
Margin	R120	R28 235	No max	R1.2 mil

The minimum trade size available on exchange is 1 contract (R10 per point) requiring a margin of R28 235. With GT247.com you can trade one 100th of a contract, which requires a margin of R120.

These concepts are explained in more detail using our Alsi Dec 14 instrument as an example



BRAD

PLACING A SPREAD TRADE

9am

BID	OFFER
44 725	44 742
Margin	R12 000
Exposure	R10 per point

Brad believes that the share prices of the top 42 companies listed on the JSE will go up today, so he goes long (buys) 1 contract (R10 per point) at the offer price of 44 742.

Brad would have to place a margin of R12 000 with GT247.com to open this trade.

If the price of the Alsi Dec14 went up by 10%, Mark would exit his trade at the bid price at that time.

1pm

BID	OFFER
45 172	45 189
Profit	R4 300
Return	**35,8%**

By 1pm the Alsi Dec14 is trading 1% higher. Brad decides to exit his position, so he sells at the bid price of 45 172.

The total point movement between the entry price and the exit price is 430 points (44 742 less 45 172). This multiplied by R10 per point means that Brad has made a profit of R4 300 (430 x R10) on his R12 000 margin, being a return of **35,8%**.

CHIEF FINANCIAL OFFICER'S REPORT

This section provides a detailed analysis of the financial results of the Group for the year ended 31 August 2014.

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2014 R'000	2013 R'000	% change
Continuing operations			
Revenue	**93 897**	82 921	13,2
Trading expenses	**(7 814)**	(7 109)	
Net trading revenue	**86 083**	75 812	13,5
Operating expenses	**(65 491)**	(62 763)	4,3
Other income	**218**	259	
EBITDA 1	**20 810**	13 308	56,4
Net interest expenses	**(867)**	(716)	
Depreciation and amortisation	**(1 982)**	(1 797)	
Profit from core operations	**17 961**	10 795	66,4
Fair value and impairment adjustment	**(31 624)**	(15 324)	
(Loss)/profit before tax	**(13 663)**	(4 529)	
Current and deferred tax	**(1 379)**	2 391	
Loss for the period from continued operations	**(15 042)**	(2 138)	
Discontinued operations			
Loss from discontinued operations	**(2 027)**	(17 310)	
Profit on sale of discontinued operations	**–**	21 713	
(Loss)/profit for the period	**(17 069)**	2 265	
Basic (loss)/profit per share (cents)	**(2.09)**	0.28	
Headline loss per share (cents)	**(2.01)**	(2.25)	

Note 1

Earnings before interest, tax, depreciation and amortisation of core trading and asset management businesses.

Revenue

An overview of revenue has been provided in the preceding sections of this report.

Trading expenses

	2014 R'000	2013 R'000	% change
IA broker commissions	**4 911**	3 324	47,7
Sales commissions	**2 812**	2 477	13,5
Research costs	**91**	1 308	(93,0)
Total	**7 814**	7 109	9,9
% of revenue	**8,3**	8,6	

Trading expenses comprise introducing agent (IA) commissions, sales commissions and third party research costs.

IAs are paid a percentage of all revenue generated by the Company from clients introduced by the IA. The increase in these commissions during the current year is predominantly due to the increased trading activity of IA introduced clients during the current year.

Contracts with various research providers were terminated during the year due to a low client appetite for the research being provided.

Operating expenses

	2014 R'000	2013 R'000	% change
Employment costs	**31 850**	33 009	(3.5)
IT costs	**12 057**	10 571	14.1
Marketing	**7 253**	6 575	10.3
Office costs	**6 007**	4 797	25.2
Other	**8 324**	7 811	6.6
Total	**65 491**	62 763	4.4

Employment costs

Employment costs decreased in line with the rationalisation completed during April 2013.

The savings were partially offset by an inflationary salary increase and the new performance incentive scheme introduced during the year.

The current staff complement is lean, however, we are incentivising our staff to deliver exceptional performance and are rewarding them for this.

IT costs

IT costs primarily include hosting and connectivity fees, various data-feed expenses and licensing costs. The 14.1% increase during the current year comprised an inflationary increase from various service providers and the impact of the depreciating Rand on the cost of our Bloomberg and Reuters data-feeds and various other IT solutions and systems sourced from foreign suppliers. We are constantly striving to improve the overall efficiency of our organisation through implementing various IT driven solutions. So whilst IT costs may increase, the Company is generally achieving cost savings or at least containing costs elsewhere, specifically employment costs.

Marketing

The marketing spend was 10.3% higher during the current year, amounting to 7.7% (2013: 7.9%) of revenue, which is in our target range for marketing spend.

Office costs

Office costs mainly comprise rental and rates charges (61%), telephone costs, mobile costs, stationery and printing costs and other general office costs. The 25% increase in office costs during the current year is primarily due to the Group being unable to shed a portion of these costs previously allocated to the Treasury and Gaming operations, that were disposed of during the previous year. The Group realised actual savings, in respect of office costs, in excess of R2 million per annum through the rationalisation and office move.

Other operating expenses

Other operating expenses include professional fees, travel and entertainment, listing costs, compliance fees, bank charges and other sundry expenses.

The Group incurred around R1.3 million in legal fees during the current year in redrafting its current terms and conditions across all its products, redrafted a number of agreements with our introducing agents and in preparing the relevant legal documentation required for new licence applications and nominee structures. The majority of these costs were once-off costs, however, the Group will most likely continue to add additional products which would incur similar costs.

The compliance fees would be expected to continue to increase as the various new products are launched.

EBITDA

EBITDA from core operations increased by 56,4% to R20,8 million for the year ended 31 August 2014. This increase was driven by the 13.2% increase in revenue with only a 4,3% increase in operating costs.

The Group's current operating capacity is sufficient to sustain considerable growth in revenue: hence we would expect that future increases in revenue would flow through to the bottom line, as it has during the current year.

Net interest expense

The increase in the net interest expense was due to the 75 basis point hike in the repo rate during the current financial year, as the Group's medium-term borrowings decreased down to R3.8 million at 31 August 2014 (2013: R7,5 million).

Depreciation and amortisation

Depreciation and amortisation costs increased due to various new product development costs being capitalised during the year, mainly comprising IT development expenses in respect of the new EasyEquities product.

Fair value and impairment adjustments

	2014 R'000	2013 R'000
Blockbuster Trading (BBT)	25 446	18 754
Umnombo Investment Holdings (UIH)	5 200	–
Total – RPIH related write-down	30 646	18 754
Misty Sea Trading 131 Proprietary Limited	–	(3 430)
African Independent Retail Finance (AIF)	978	–
Total	31 624	15 324

Purple Group owns a 37,5% shareholding in BBT (an empowerment vehicle which holds a 7,1% stake in Real People Investment Holdings Proprietary Limited (RPIH). As announced on SENS on 21 August 2014, Blockbuster Trading reached agreement with its funders, in terms of which the funding will be fixed at the amount of the initial loan advanced for a further three years.

This indirect investment in RPIH remains non-core to the Purple Group and the revised funding structure allows for a considered exit over the next three years. In light of the current concern around values in the unsecured lending industry, the Group's investment in Blockbuster has been written down to zero.

UIH is an empowerment vehicle in which Purple Group owns a 40% shareholding. UIH owns an 18% stake in BBT.

UIH's investment in BBT was similarly written down to zero during the current year, resulting in the Purple Group having to write-down the carrying value of a shareholder loan, with a carrying value of R5,2 million, advanced to UIH, as the value of UIH's investment in BBT supported the recoverability of the shareholder loan.

The Group's exposure to AIF has been impaired in the current year to zero as the loan no longer appears to be recoverable.

Current and deferred tax

	Current R'000	Deferred R'000	Total R'000
Purple Group	–	5 068	5 068
First World Trader	(6 826)	379	(6 447)
Total	(6 826)	5 447	(1 379)

The tax debit of R1,4 million for the year ended 31 August 2014 mainly comprises current tax of R6,8 million paid by First World Trader Proprietary Limited in respect of current year profits and the deferred tax effects of the fair value write-downs and losses incurred in the Purple Group Limited entity.

Discontinued operations

Purple Group disposed of its interests in Powerbet and Purple Capital Treasury during the latter part of the last financial year. The expense of R2,0 million (net of tax) incurred during the first part of the current financial year related to expenses associated with the closing of the Powerbet sale. No further expenses have been incurred in respect of these operations.

Profit for the period

Basic earnings per share for the year ended 31 August 2014 has decreased from a profit per share of 0,28 cents in the prior year to a loss per share of 2,09 cents. Headline earnings per share has improved from a loss of 2,25 cents per share in the prior period (excluded the profit realised on the disposal of the discontinued operations) to a loss of 2.01 cents per share (excludes the write down in AIF).

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The fair value and impairment adjustments in the current year resulted in a decrease in non-current assets of R31,6 million for the year ended 31 August 2014.

The Group only has R3,8 million outstanding on its medium-term loan. The equity attributable to owners decreased by R31,3 million comprising the capital distribution paid to shareholders of R16,3 million and the net loss realised during the year.

Gary van Dyk
Chief Financial and Operations Officer

transparent

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Group recognises that the shareholders own the business and that the board is required to act in the best interests of the Company.

The board subscribes to the highest level of professionalism and integrity in conducting its business and in dealing with all its stakeholders. In adhering to its code of ethics, the board will be guided by the following broad principles:

- Businesses should operate and compete in accordance with the principles of free enterprise;
- Free enterprise will be constrained by the observance of relevant legislation and generally accepted principles regarding ethical behaviour in business;
- Ethical behaviour is predicated on the concept of utmost good faith and characterised by integrity, reliability and a commitment to avoid harm;
- Business activities will benefit all participants through a fair exchange of value or satisfaction of needs; and
- Equivalent standards of ethical behaviour are expected from individuals and companies with whom business is conducted.

THE BOARD OF DIRECTORS

Composition of the board

The board currently consists of three executive and four non-executive directors. It is the board's intention to always have more non-executive than executive directors on the board. The board is satisfied that it has the requisite number of directors with the skills, knowledge and resources to conduct the business of the Group.

Role and function of the board

The board is responsible for the effective management and control of the Group and participates in the determination of the strategic direction and policy of the Group, discussions regarding transactions and disposals, approval of major capital expenditure, diverse financial and administrative activities and any other matters that may materially impact on the business of the Group. Day-to-day management vests in the executive teams of the businesses themselves. Management will supply the board in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. The directors have unrestricted access to all Group information, records, documents and property, which they may require for the fulfilment of their duties. Directors will furthermore have the ability to delegate certain functions, either internally or externally, in order to assist them in the performance of their duties and the decision-making process. The Chairman will have the power to review the content and implementation of such delegated functions and will report on this to the board.

Independence of the board

Recognising that the Executive Chairman is not an independent non-executive director, it is the intention of the board to maintain a majority of non-executive directors to provide independent and objective input into the decision-making process. Ronnie Lubner has been appointed as the lead non-executive director.

All directors have access to the services of the Group Secretary and will be entitled to seek independent professional advice regarding the affairs of the Group, at the Group's expense, with the prior approval of a majority of the non-executive directors.

Appointment and re-election of the board

Directors are subject to retirement by rotation and re-election by shareholders in accordance with the articles of association. The identification of suitable candidates to fill vacancies on the board and to re-appoint directors on retirement by rotation is conducted by the full board based on the suitability of available candidates and the requirements of the Group.

REMUNERATION COMMITTEE

The board of directors has established a remuneration committee which will make recommendations to the board within agreed terms of reference, on the Group's framework of executive remuneration and its costs. The remuneration committee will ensure that levels of remuneration are sufficient to attract and retain directors and executives needed to run the Group successfully. The remuneration committee will meet as required and comprises Ronnie Lubner (who chairs the committee) and Mark Barnes.

The remuneration committee has developed a performance-orientated remuneration philosophy which fairly rewards executives and employees for their respective contributions to achieving the Group's strategic, financial and operational objectives. The remuneration structures are to encourage sustainable, long-term wealth creation. The following factors regarding the remuneration structures are highlighted:

- The remuneration philosophy is supportive of the Group's strategy;
- The cost of employment is managed while, at the same time, employees are rewarded in order to retain and motivate talented, skilled and high-calibre executives and employees;
- The Group promotes a performance-based culture; and
- The Group strives to align executive rewards with the interests of shareholders.

The remuneration committee acknowledges the importance of motivating individual and team performances and therefore applies the remuneration policy equitably, fairly and consistently in relation to job responsibilities, the markets in which the Group operates and personal performance.

The Group rewards executive directors and employees as follows:

- Market-related, fair annual packages (base salary and benefits), which are competitive owing to the portability of skills;
- Market information is sourced from industry and executive remuneration surveys to benchmark executive remuneration in comparable positions;
- Annual performance bonus related to specific company and personal objectives; and
- Participation in the employee share option scheme.

For non-executive directors' fees, the remuneration committee takes cognisance of market norms and practices as well as the additional responsibilities placed on board members by new legislation and corporate governance rules. Non-executive director remuneration is fee-based and not linked to the share price of Purple Group. Purple Group non-executive directors do not receive bonuses or share options to ensure actual and perceived independence.

AUDIT COMMITTEE

The board of directors has established an audit committee whose primary objective is to provide the board with additional assurance regarding the efficacy and reliability of the financial information used by the directors, and assurance that the regulatory structures are maintained in compliance with the applicable legislative frameworks. The audit committee will meet at least twice a year and comprises Craig Carter (who chairs the committee), Thembeka Gwagwa and Dennis Alter. The Group Chairman, Financial Director and representatives of external audit attend audit committee meetings by invitation.

Other functions of the audit committee include:

- Nomination of the external auditor for appointment;
- Approval of the terms and remuneration of the external auditor;
- Approval of non-audit services by the external auditor;
- Communication with shareholders regarding the external auditors;
- Overseeing integrated reporting; and
- Satisfying itself that the finance function is appropriately staffed.

As required by the JSE, the Company has a Financial Director. The position is currently held by Gary van Dyk, who is an executive director and is deemed competent by the committee. The committee is satisfied that the external audit function and designated auditor are accredited and have acted with unimpaired independence and free from any scope restriction. Details of fees paid are disclosed on page 65 of the financial statements together with the fees paid for non-audit fees provided.

SOCIAL AND ETHICS COMMITTEE

The Group's social and ethics committee functions in line with the requirements of the Companies Act, No 71 of 2008. The members of the committee are Craig Carter (Chairman), Thembeka Gwagwa and Gary van Dyk, who was appointed to the committee during the year and fulfils the role of committee secretary. A formal charter has been adopted that governs the objective of the committee and how its business shall be conducted.

GROUP SECRETARY

The Group Secretary acts in a support capacity to the directors and Chairman and is suitably qualified, competent and experienced to provide the board with guidance and advice regarding the directors' responsibilities, duties and powers and to ensure that the board is aware of all the legislation relevant to or affecting the affairs of the Group. The Group Secretary is required to ensure that the Group complies with all applicable legislation regarding its affairs including the necessary recording of meetings of the board or shareholders.

GOVERNANCE OF RISK

The Group has formed a risk management committee that is responsible for the governance of risk and to set levels of risk tolerance and risk appetite. The committee comprises Mark Barnes (Chairman), Charles Savage (CEO) and Gary van Dyk (Chief Financial and Operations Officer) and meets on a bi-weekly basis or when the risk position of the various companies warrants it.

This committee has as its responsibility to:

- Design, implement and monitor the risk management plan;
- Ensure risk is assessed on a continual basis;
- Ensure that there are appropriate risk responses implemented; and
- Ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure.

The board is of the view that the risk management process is effective in managing the risks that the business is faced with and in responding to unusual or abnormal risks.

GOVERNANCE OF IT

IT forms an integral part of the three business units in the Group, GT247.com, GT Private Broking and Emperor Asset Management. IT governance, therefore, forms an integral part of the Company's risk management to ensure that the systems are able to support our client's needs and our own internal control systems. While the board is ultimately responsible for the governance of IT, this has been delegated to the Group Chief Technology Officer, who is responsible for the implementation of an IT governance framework and for monitoring and evaluating significant IT expenditure.

COMPLIANCE WITH RELEVANT LAWS, RULES, CODES AND STANDARDS

The board is responsible for ensuring the Group complies with all applicable laws that affect the different business units. This is achieved through effective delegation to management and the Group compliance function that monitors the Group's compliance with the relevant rules and laws. A Regulatory Committee was formed to monitor the Group's compliance with the acts relevant to its various businesses, most importantly FICA and FAIS. The committee comprises Charles Savage (CEO) and Gary van Dyk (Chief Financial and Operations Officer) and meetings are attended by the Group's internal Compliance Officer. In addition, the Group has appointed an external Compliance Officer, with whom regular meetings are held.

GOVERNING STAKEHOLDER RELATIONSHIPS

The board is responsible for ensuring that all the Group's stakeholders are dealt with in an equitable manner and that there is transparent and effective communication with them. The board has identified the important stakeholders in the Group and strives to achieve a balance between their various expectations. There were no requests for information lodged with the Company in terms of the Promotion of Access to Information Act, No 2 of 2000 that were denied during the year.

The main stakeholders in Purple Group and the primary channels of communication with each of them, are as follows:

Communication channels

Employees
HR function, performance management systems, management structures, team and staff meetings.

Customers
Website, emails, seminars, training, social media and sales team.

Shareholders
Integrated annual report, annual general meeting, one-on-one meetings, circulars and announcements.

Partners
IA brokers programme, rebate reporting and meetings.

Regulators
Submission of integrated annual reports and returns, audits and compliance with the rules and regulations of the individual regulatory body (JSE, FSB).

Media
Interviews, providing content to TV shows and magazines.

INTEGRATED REPORTING

This is the fourth year that an integrated annual report has been produced by the Group in line with the recommendations of King III and the JSE Listings Requirements. The board was responsible for ensuring that the report conveyed the appropriate level of detail in relation to the Group's financial and sustainability performance. The table below summarises the Group's compliance with King III and explains why and where it does not comply.

KING III COMPLIANCE

	Apply	Partially apply	Explain
Ethical leadership and corporate citizenship			
Board provides effective leadership based on an ethical foundation	✓		
Responsible corporate citizen	✓		
Appreciate that strategy, risk, performance and sustainability are inseparable	✓		
Effective management of the companies' ethics	✓		
The board of directors			
Leads the Group ethically	✓		
Is the focal point for governance	✓		
Directs strategy for the Group	✓		
Majority of independent non-executive directors	✓		
Has a formal charter			
One-third of non-executive directors rotate each year	✓		
Chairman of the board is an independent non-executive director			1
No non-executive directors serving for more than nine years			2
Directors are appointed through a formal process		3	
Chief Executive Officer and Financial Director	✓		
Adequate skills, knowledge and resources to manage the Group	✓		
Meets at least four times a year		4	
Directors act in the best interests of the Company	✓		
Suitable, qualified and experienced Company Secretary	✓		
Regular performance evaluations of directors		5	
Directors and executives are fairly remunerated	✓		
Remuneration of directors is disclosed	✓		
Appropriate committees have been appointed		6	
Agreed governance structure between the holding and subsidiary companies	✓		
Audit committee			
Effective and independent	✓		
Suitably skilled	✓		

Note 1

Recognising that the Executive Chairman is not an independent non-executive director, it is the intention of the board to maintain a majority of non-executive directors to provide independent and objective input into the decision-making process. Ronnie Lubner has been appointed as the lead non-executive director. The Company has an Executive Chairman, Mark Barnes, who was the founder of the Group and is still involved in day-to-day operations. When the Group requires it, and can attract a suitably qualified candidate, a non-executive Chairman will be appointed.

Note 2

Thembeka Gwagwa has served as an independent non-executive director for more than 9 years. Thembeka is the only independent non-executive director at present; hence we will replace Thembeka once a suitable replacement is found.

Note 3

While there is no formal process for the appointment of directors, all current directors would be consulted before a new director is appointed to the board.

Note 4

The board met formally twice during the 2014 financial year mainly due to the fact that getting all the non-executive directors together is logistically challenging. Informal discussions are held with the non-executive directors on an ongoing basis.

Note 5

Due to the small size of the Group and the relatively small size of the board, no formal evaluation process has been implemented yet. Executive directors are evaluated by the Chairman and the Chairman is evaluated by the non-executive director on an annual basis.

Note 6

Audit, remuneration, risk and regulation committees have been appointed. Due to the small size of the Group, the relatively small size of the board and lack of suitably qualified independent non-executive directors, the remuneration committee does not comprise a majority of non-executive directors that are independent. A nominations committee has not been formed due to the small size of the board.

Note 7

Craig Carter is the chairman of the audit committee and is not an independent non-executive director due to the small size of the Group, the relatively small size of the board and lack of suitably qualified independent non-executive directors with relevant experience to fill the role. The board has considered certain candidates for this role during the year, however, have not yet found a suitable candidate.

Note 8

Due to the size and nature of the Group there is no internal audit function. This will be re-assessed as the Group grows and an internal audit function becomes necessary.

KING III COMPLIANCE

	Apply	Partially apply	Explain
Audit committee (continued)			
Consists of three independent non-executive directors			7
Meets at least twice a year	✓		
Meets with external auditors once a year without management	✓		
Oversees external audit process	✓		
Ensures finance functions have sufficient skills and resources	✓		
Internal audit			
Effective internal audit function			8
Governance of risk			
Setting of risk tolerance	✓		
Risk committee with at least three members	✓		
Risk policy, processes and procedures	✓		
Risk assessments are performed on a continual basis	✓		
Management considers and implements appropriate risk responses	✓		
Sufficient risk disclosure to stakeholders	✓		
Governance of IT			
Board is responsible for IT governance	✓		
Monitors and evaluates significant IT expenditure	✓		
Management is responsible for the IT governance framework	✓		
IT assets are managed effectively	✓		
IT is aligned to performance and sustainability objectives	✓		
Compliance with laws, codes, rules and standards			
The board ensures the Company complies with the relevant laws	✓		
The board and directors have a working understanding of the effect the rules and laws have on the Company	✓		
Compliance risk forms an integrated part of risk management	✓		
Compliance framework delegated to management	✓		
Governing stakeholder relationships			
Appreciation that stakeholder's perceptions affect the Group's reputation	✓		
Management deals proactively with stakeholder relationships	✓		
Appropriate balance between stakeholder groupings	✓		

Previous reports

KING III COMPLIANCE

	Apply	Partially apply	Explain
Governing stakeholder relationships (continued)			
Board treats different stakeholders equitably	✓		
Transparent and effective communication with stakeholders	✓		
Integrated reporting and disclosure			
Ensure integrity of Group's integrated report	✓		
Sustainability reporting and disclosure integrated with financial reporting	✓		

SUMMARY GOVERNANCE RESULTS – (CURRENT REVIEW)

PURPLE GROUP LIMITED

Registration number: 1998/013637/06
Run time: 23/10/2014 10:33

The assessment criteria of the IODSA web-based tool, the Governance Assessment Instrument (GAI), have been based on the practice recommendations of the King III report. These criteria are intended to assess quantitative aspects of corporate governance only, and not qualitative governance. Full disclaimer at **www.iodsa-gai.co.za**

AAA – Highest application
AA – High application
BB – Notable application
B – Moderate application
C – Application to be improved
L – Low application

Overall score

AA

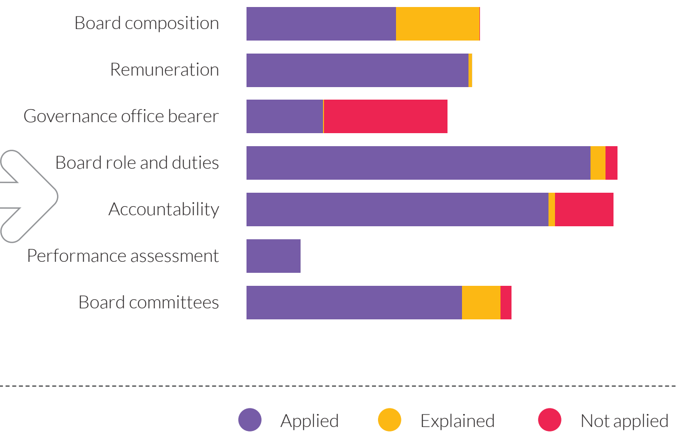
Completeness meter

100%

Application meter

Status category	Score
Board composition	AA
Remuneration	AAA
Governance office bearers	B
Board role and duties	BB
Accountability	AA
Performance assessment	AAA
Board committees	AA

Weighting graphic



KING III, COMPANIES ACT AND JSE LISTINGS REQUIREMENTS

In terms of paragraph 8.63(a) of the JSE Listings Requirements, the Group has published its application of King III on its website. There are no material changes to the content of this integrated annual report compared to the 2013 integrated annual report, other than a greater emphasis on providing additional supplementary information on the Group's application of King III.

SNAPSHOT OF KING III APPLICATION

The dashboard below has been compiled as a snapshot of the Group's application of King III. The dashboard is meant to reflect the Group's governance implementation and compliance status. The remainder of the report provides more detail regarding the Group's application of good governance principles in accordance with the JSE Listings Requirements and application is outlined in the Purple Group King III Application Register which is available on the website **www.purplegroup.co.za**

ANNUAL FINANCIAL STATEMENTS

CONTENTS

These annual financial statements have been audited in compliance with section 30(2)a of the Companies Act of South Africa.

The financial statements have been supervised by the Chief Financial and Operating Officer, Gary van Dyk CA(SA).

Publication date: 4 November 2014

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are responsible for the preparation and fair presentation of the Group annual financial statements of Purple Group Limited, comprising the consolidated statement of financial position at 31 August 2014, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in conformity with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the Listings Requirements of the JSE Limited.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management. The directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead. The external auditors are engaged to express an independent opinion on the annual financial statements.

Approval of Group annual financial statements set out on pages 38 to 90 of Purple Group Limited, as identified in the first paragraph, were approved by the board of directors on 4 November 2014 and are signed on their behalf by:

Mark Barnes
Chairman

Gary van Dyk
Chief Financial and Operations Officer

GROUP SECRETARY'S REPORT

TO THE SHAREHOLDERS OF PURPLE GROUP LIMITED

I have conducted the duties of Company Secretary for Purple Group Limited and its subsidiaries. The secretarial matters are the responsibility of the Group's directors. My responsibility is providing the directors collectively and individually with guidance as to their duties, responsibilities and powers.

OPINION

In my opinion, the Group has lodged with the Registrar all such returns and notices as are required of a public company in terms of section 88(2)(e) of the Companies Act of South Africa and that all those returns are true, correct and up to date.

Peter Barrable
Registered Group Secretary

Johannesburg
4 November 2014

DIRECTORS' REPORT

for the year ended 31 August 2014

The directors submit their annual report on the activities of Purple Group Limited (the Company) and its subsidiaries (Purple Group or the Group) for the year ended 31 August 2014.

BUSINESS OPERATIONS

Purple Group Limited, registered and incorporated in the Republic of South Africa, is a financial services company listed on the "Financials – General Financial" sector of the JSE. It has subsidiaries that operate in trading and asset management.

FINANCIAL REVIEW

The Group recorded an attributable loss of R17,1 million (2013: profit of R2,3 million) for the 2014 financial year. Shareholders' funds have decreased from R276,0 million in 2013 to R244,7 million in 2014. Note 6 shows net profit after tax by operating segment.

SHARE CAPITAL

The total authorised share capital is 1 200 000 000 ordinary shares of R0,01 each and the total number of issued ordinary shares in issue net of treasury shares is 815 575 723 (2013: 815 575 723).

At 31 August the directors' interests in the issued share capital of the Company were as follows:

	2014				2013			
	Beneficial		Non-beneficial		Beneficial		Non-beneficial	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Mark Barnes	67 171 670	129 090 371	–	–	62 171 670	129 090 371	–	–
Craig Carter	1 932 366	–	–	–	1 932 366	–	–	–
Ronnie Lubner	–	–	–	233 552 908	–	–	–	233 552 908
Dennis Alter	7 200 000	–	–	–	7 200 000	–	–	–
Charles Savage	10 100 011	–	–	4 540 000	5 100 011	–	–	4 540 000
Gary van Dyk	10 000 000	–	–	–	5 000 000	–	–	–
	96 404 047	129 090 371	–	238 092 908	81 404 047	129 090 371	–	238 092 908

At the date of this report, none of the directors of the Group had traded of any of the shares held by them as at 31 August 2014.

During the year, Mark Barnes purchased 5 000 000 shares, Charles Savage purchased 5 000 000 shares and Gary van Dyk purchased 5 000 000 shares.

EVENTS SUBSEQUENT TO YEAR-END

The directors are not aware of any other matter or circumstance arising since the end of the year up to the date of this report, not otherwise dealt with in this report. Refer to note 32 of the financial statements.

DIRECTORS

The directors of the Group during the financial year and up to the date of this report were as follows:

Mark Barnes (Chairman)
Dennis Alter (American)*
Thembeka Gwagwa*#
Charles Savage (CEO)
Gary van Dyk (CFOO)
Craig Carter*
Ronnie Lubner (British)*

**Non-executive*
#Independent

SHARE INCENTIVE SCHEME

At 31 August 2014 the Purple Group Limited Employee Share Option Scheme had issued 126,2 million (2013: 76,3 million) options in total to the directors and staff of Purple Group. Details of the options in issue are disclosed in note 24 to the financial statements.

BORROWINGS

In terms of the Memorandum of Incorporation of the Company, the directors may exercise all powers of the Company to borrow money, as they consider appropriate.

SHAREHOLDER SPREAD

Details of the Company's shareholder spread are recorded in note 36.

DIRECTORS' REPORT

for the year ended 31 August 2014

CAPITAL DISTRIBUTION OUT OF SHARE PREMIUM IN LIEU OF A DIVIDEND

The directors declared a capital distribution out of share premium, by way of a reduction of contributed capital of 2 (two) cents per share, in lieu of a dividend, paid on 17 December 2013 to ordinary shareholders recorded in the Company's register at the close of business on 6 December 2013.

In respect of the current year, the directors declared that a capital distribution of 1 (one) cent per share be paid to shareholders, by way of a reduction of share premium on 1 December 2014. The proposed dividend is payable to all shareholders on the Register of Members on 28 November 2014. The total estimated capital distribution to be paid is R8,1million. The payment will not have any tax consequences for the Group.

As this capital distribution was declared after the reporting date, it will only be accounted for in the 2015 financial year.

SUBSIDIARIES

The Company owns 100% of the issued share capital of New World Trader Limited (Ireland) and First World Trader Proprietary Limited. (Refer to Note 31)

CORPORATE GOVERNANCE AND SUSTAINABILITY

The corporate governance and sustainability report is set out on pages 30 to 34.

GOING CONCERN

The annual financial statements have been prepared on the going concern basis. Having reviewed the Group's financial projections, the directors believe that the Group will continue trading as a going concern in the foreseeable future.

SECRETARY

The secretary of the Company is Peter Barrable. Per the JSE Listings Requirements, the board of directors has during the year under review considered and satisfied itself of the competency, qualifications and experience of the Company Secretary. The board of directors confirms that there is an arm's-length relationship with the Company Secretary.

Business and postal address of the Company Secretary:

Business: Block B, The Offices of Hyde Park, Strouthos Place, Hyde Park, 2196.

Postal: PO Box 411449, Craighall, 2024.

RESOLUTIONS

At a general meeting of the shareholders on 13 December 2013 the following resolutions were passed:

Ordinary resolutions

- General authority to place the unissued shares of the Company under the control of the directors;
- General authority to issue shares and sell treasury shares for cash; and
- General authority for any director or Company secretary to sign all documents issued by the company to give effect to the ordinary and special resolutions.

Special resolutions

- General authority for the Company to repurchase its own shares;
- Approval of authority to directors to provide financial assistance to related and inter-related entities within the Group;
- Approval of fees payable to the non-executive directors for the year ended 31 August 2014; and
- Approval to change the name of the company from Purple Capital Limited to Purple Group Limited.

AUDITORS

BDO SA Incorporated.

REPORT OF THE AUDIT COMMITTEE

The audit committee is appointed by the shareholders. It assists the board by advising and making recommendations on financial reporting, risk management and internal controls, external and internal audit functions and statutory and regulatory compliance of the Group, but retains no executive powers or responsibility. There were no new appointments to the audit committee during the current year and Dennis Alter, Craig Carter (audit committee Chairman) and Thembeka Gwagwa continued as members.

The audit committee met twice during the year. The first meeting was on 8 November 2013 to approve the 2013 annual financial statements and again on 28 August 2014 to deal with the matters below and planning for the 31 August 2014 audit. The Chairman of the Group, Financial Director and representatives from the external auditors attend the committee meetings by invitation. The external auditors have unrestricted access to the audit committee and met separately with the Chairman of the audit committee during the year.

In execution of its duties during the past financial year, the audit committee has:

- nominated for appointment as auditor of the Group a registered auditor who, in the opinion of the audit committee, was independent of the Group;
- determined the fees to be paid to the auditor and the auditor's terms of engagement;
- ensured that the appointment of the auditor complies with the Companies Act and any other legislation relating to the appointment of auditors;
- determined the nature and extent of any non-audit services which the auditor may provide to the Group;
- received and dealt appropriately with any complaints relating to the accounting practices of the Group or to the content or auditing of its financial statements, or to any related matter; and
- performed other functions as determined by the board.

The audit committee is of the view that the size of the Group does not warrant the formation of an internal audit department. This will be reviewed on an ongoing basis to determine whether one will be required in the future.

Per the Companies Act requirements, the committee has considered the independence of the external auditors and has concluded that the external auditor has been independent of the Group throughout the year taking into account all other non-audit services performed and circumstances known to the committee.

Per the JSE Listings Requirements, the committee must consider and be satisfied, on an annual basis, with the appropriateness of the expertise and experience of the Financial Director and the Group must confirm this by reporting to the shareholders in its annual report that the audit committee has executed this responsibility. In this respect, we believe that Gary van Dyk, the Chief Financial and Operating Officer, possesses the appropriate expertise and experience to meet his responsibilities in that position. In addition, the finance function is adequately staffed and resourced and is able to fulfil its function adequately.

FINANCIAL STATEMENTS

Following our review of the Group annual financial statements for the year ended 31 August 2014, we are of the opinion that, in all material respects, they comply with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in the manner required by the Companies Act of South Africa and the Listings Requirements of the JSE Limited, and that they fairly present the financial position at 31 August 2014 for Purple Group Limited and the results of operations and cash flows for the period then ended.

On behalf of the audit committee

Craig Carter
4 November 2014

REPORT OF THE INDEPENDENT AUDITOR

TO THE SHAREHOLDERS OF PURPLE GROUP LIMITED

We have audited the Group annual financial statements which comprise the consolidated statement of financial position at 31 August 2014, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 90.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the Group annual financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 August 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and its successor and in the manner required by the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 31 August 2014, we have read the directors' report, the audit committee's report and the Company Secretary's declaration for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

BDO South Africa Inc.

BDO South Africa Incorporated
Fred Bruce-Brand
Director

Registered Auditors

4 November 2014

22 Wellington Road, Parktown, 2193

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 August 2014

	Notes	2014 R'000	2013 R'000
Continuing operations			
Revenue	7	**93 897**	82 921
Trading expenses	8	**(7 814)**	(7 109)
Operating expenses	8	**(65 491)**	(62 763)
Net income		**20 592**	13 049
Other income	9	**218**	259
Earnings before interest, depreciation and amortisation		**20 810**	13 308
Interest income	10	**208**	368
Interest expense	10	**(1 075)**	(1 084)
Depreciation and amortisation	8	**(1 982)**	(1 797)
Profit before fair value, impairment adjustments and tax		**17 961**	10 795
Fair value and impairment adjustments	11	**(31 624)**	(15 324)
Loss before tax		**(13 663)**	(4 529)
Current and deferred tax	12	**(1 379)**	2 391
Loss from continuing operations		**(15 042)**	(2 138)
Discontinued operations			
Loss from discontinued operations, net of tax	34	**(2 027)**	(17 310)
Profit on sale of discontinued operation	34	**–**	21 713
(Loss)/Profit for the period		**(17 069)**	2 265
(Loss)/Profit attributable to:			
Owners of the Company		**(17 069)**	2 265
Non-controlling interest		**–**	–
		(17 069)	2 265
Earnings per share			
Basic (loss)/profit per share (cents)	22	**(2,09)**	0,28
Diluted (loss)/profit per share (cents)	22	**(2,00)**	0,27
Earnings per share – Continuing operations			
Basic loss per share (cents)	22	**(1,84)**	(0,26)
Diluted loss per share (cents)	22	**(1,76)**	(0,25)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 August 2014

	Notes	2014 R'000	2013 R'000
(Loss)/Profit for the period		**(17 069)**	2 265
Other comprehensive income			
Items that may be reclassified subsequently to profit/loss			
Foreign currency translation reserve	21	**140**	(847)
Available-for-sale revaluations	16	**–**	42
Available-for-sale assets sold		**–**	(44)
Tax effect		**–**	–
Total other comprehensive income/(loss)		**140**	(849)
Total comprehensive income (loss)/profit		**(16 929)**	1 416
Total comprehensive (loss)/profit attributable to:			
Owners of the Company		**(16 929)**	1 416
Non-controlling interest		**–**	–
		(16 929)	1 416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Equipment	13	**2 716**	3 072
Intangible assets and goodwill	14	**207 560**	206 223
Interest in associate companies	15	**–**	5 200
Other investments	16	**3 628**	30 167
Other financial assets	17	**3 156**	118
Deferred tax assets	18	**28 645**	22 711
Total non-current assets		**245 705**	267 491
Trade and other receivables	19	**4 081**	33 573
Tax receivable		**160**	–
Other financial assets	17	**207**	–
Cash and cash equivalents	20	**134 111**	123 361
Total current assets		**138 559**	156 934
Total assets		**384 264**	424 425
EQUITY AND LIABILITIES			
Share capital and premium	21	**458 704**	475 009
Accumulated loss		**(233 264)**	(216 195)
Other reserves	21	**19 259**	17 214
Equity attributable to owners		**244 699**	276 028
Bank overdraft	20	**2 749**	3 836
Tax payable		**–**	469
Loans and borrowings	23	**3 844**	7 514
Trade and other payables	25	**132 972**	136 578
Total current liabilities		**139 565**	148 397
Total equity and liabilities		**384 264**	424 425
Net asset value per ordinary share (cents)	33	**30,00**	33,84

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2014

	Notes	Share capital R'000	Share premium R'000	Accumulated loss R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Available for sale reserve R'000	Other* reserves R'000	Total R'000
Balance 1 September 2012		8 207	467 768	(217 268)	(4 637)	20 717	2	(1 192)	273 597
Total comprehensive income for the period									
Profit or (loss)		–	–	2 265	–	–	–	–	2 265
Other comprehensive income									
Foreign currency translation reserve	21	–	–	–	(847)	–	–	–	(847)
Available for sale released to profit or loss		–	–	–	–	–	42	–	42
Sale of available-for-sale recycled to profit or loss		–	–	–	–	–	(44)	–	(44)
Contributions by and distributions to owners									
Own purchased shares	21	(55)	(999)	–	–	–	–	–	(1 054)
Shares issued	21	4	84	–	–	–	–	–	88
Sale of Powerbet Gaming Proprietary Limited		–	–	(1 192)	–	–	–	1 192	–
Share-based payment expense	21	–	–	–	–	1 981	–	–	1 981
Balance 1 September 2013		**8 156**	**466 853**	**(216 195)**	**(5 484)**	**22 698**	**–**	**–**	**276 028**
Total comprehensive income for the period									
Profit or (loss)		**–**	**–**	**(17 069)**	**–**	**–**	**–**	**–**	**(17 069)**
Other comprehensive income									
Foreign currency translation reserve	21	**–**	**–**	**–**	**140**	**–**	**–**	**–**	**140**
Contributions by and distributions to owners									**–**
Capital distribution	21	**–**	**(16 305)**	**–**	**–**	**–**	**–**	**–**	**(16 305)**
Share-based payment expense	21	**–**	**–**	**–**	**–**	**1 905**	**–**	**–**	**1 905**
Balance at 31 August 2014		**8 156**	**450 548**	**(233 264)**	**(5 344)**	**24 603**	**–**	**–**	**244 699**
Note		21	21		21	21			

**Other reserves, in the prior year, comprised the step-acquisition of 100% of Powerbet Gaming.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2014

	Notes	2014 R'000	2013 R'000
Cash flows from operating activities			
Cash generated by operations	28.1	**42 982**	65 817
Tax paid	28.4	**(7 455)**	(3 170)
Capital distribution	21	**(16 305)**	–
Interest received	10	**208**	368
Interest paid	10	**(1 075)**	(1 084)
Cash flows generated by operating activities		**18 355**	61 931
Cash flows from investing activities			
Acquisition of equipment and intangibles	28.2	**(2 963)**	(3 532)
Acquisition of investment	28.3	**(763)**	(1 054)
Proceeds from sale of investment		**878**	65
Proceeds from sale of subsidiary	35	**–**	1 048
Cash sold on sale of subsidiary	35	**–**	(593)
Cash flows utilised in investing activities		**(2 848)**	(4 066)
Cash flows from financing activities			
Proceeds from the issue of share capital		**–**	88
Loan repayments		**(3 670)**	(2 115)
Cash flows utilised by financing activities		**(3 670)**	(2 027)
Net increase in cash and cash equivalents		**11 837**	55 838
Cash and cash equivalents at beginning of period		**119 525**	63 687
Cash and cash equivalents	20	**131 362**	119 525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 August 2014

1. Reporting entity

Purple Group Limited (the Company) is a company domiciled in South Africa. The address of the Company's registered office is Block B, The Offices of Hyde Park, Strouthos Place, Hyde Park, 2196. The financial statements of the Group as at and for the year ended 31 August 2014 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities). The Group is primarily involved in financial services (see note 6).

2. Basis of preparation

STATEMENT OF COMPLIANCE

The financial statements have been prepared in conformity with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the Listings Requirements of the JSE Limited.

The financial statements were authorised for issue by the board of directors on 4 November 2014.

The accounting policies set out below have been applied consistently to all the years presented in these financial statements.

BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value; and
- Venture capital associates are carried at fair value.

The methods used to measure fair values are discussed further in note 4.

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in South African Rand, which is the Company's functional currency. All financial information presented in South African Rand has been rounded to the nearest thousand, unless specified otherwise.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Information on significant areas of estimation uncertainty can be found in the following notes: note 4 (determination of fair values), note 16 (other investments and available-for-sale investments), note 18 (deferred tax), note 14 (Goodwill) and note 24 (share-based payments).

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and

2. Basis of preparation continued

USE OF ESTIMATES AND JUDGEMENTS continued

Valuation of financial instruments continued

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques (see note 4).

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and over the counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values.

Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. Financial instruments categorised as current have been excluded as their fair values approximate carrying values due to the short-term nature of the assets.

	Notes	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
31 August 2014					
Other investments	16	**3 628**	**–**	**–**	**3 628**
		3 628	**–**	**–**	**3 628**
31 August 2013					
Other investments	16	3 743	–	25 446	29 189
		3 743	–	25 446	29 189

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

2. Basis of preparation continued

USE OF ESTIMATES AND JUDGEMENTS continued

	Notes	Other investments R'000	Total R'000
Balance 31 August 2012		44 200	44 200
Adjustments	11	(18 754)	(18 754)
Balance 31 August 2013		25 446	25 446
Adjustments	11	(25 446)	(25 446)
Balance 31 August 2014		**–**	**–**

3. Significant accounting policies

BASIS OF CONSOLIDATION

Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether *de facto* control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

Associates

Associates are those enterprises in which the Group holds a long-term equity interest and over which it has the ability to exercise significant influence, but not control, and which are neither subsidiaries nor joint ventures.

Associates are carried at fair value through profit or loss. Associates where Purple Group acts as a venture capitalist are designated at acquisition to be treated in this manner.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

FOREIGN CURRENCY

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) along with the exchange differences arising on the retranslation of the foreign operation.

Exchange gains and losses arising on the retranslation of monetary available for sale financial assets are treated as a separate component of the change in fair value and recognised in profit or loss. Exchange gains and losses on non-monetary available for sale financial assets form part of the overall gain or loss recognised in respect of that financial instrument.

3. Significant accounting policies continued

FOREIGN CURRENCY continued

On consolidation, the results of foreign operations are translated into South African Rand at rates approximating to those ruling when the transactions took place. All assets and liabilities of foreign operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of foreign operations at actual rate are recognised in other comprehensive income and accumulated in the FCTR.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the FCTR on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the FCTR relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

The Group's investments in certain equity securities are classified as available-for-sale financial assets where relevant. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented within equity in the available-for-sale reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's investment strategy. Upon initial recognition the attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial assets include trade and other receivables, loans receivable and deposits.

These financial assets are classified as loans and receivables measured at amortised cost using the effective interest method, less any impairment losses. Other non-derivative financial liabilities include loans and borrowings, client funds on call, cash and cash equivalents and trade and other payables. These financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

3. Significant accounting policies continued

DERIVATIVE FINANCIAL INSTRUMENTS continued

Trading instruments

Derivative financial instruments comprise spread trading and contracts for difference (CFDs) on fixed income, equity, commodity and currency markets.

Trading instruments are classified as held for trading and are measured at fair value at the reporting date. Fair value is based on market prices, having regard to liquidity and any other special factors relating to the position. Realised and unrealised changes in fair value are recognised in profit or loss as part of revenue.

SHARE CAPITAL

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

Treasury shares arise on consolidation where a subsidiary holds shares in the holding company. These are deducted from equity.

EQUIPMENT

Recognition and measurement

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where components of equipment have different useful lives, they are accounted for as separate assets.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognised net within "Other income" in profit or loss.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis, to their residual value, over the estimated useful life of each asset. The estimated useful lives for the current and comparative periods are as follows:

Computer equipment	3 years
Purchased software	3 years
Fixtures and fittings	6 years
Office equipment	5 years
Leasehold improvements	6 years

Depreciation methods, useful lives and residual value are reviewed at each reporting date.

INTANGIBLE ASSETS

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill has an indefinite useful life.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities (specifically software development) involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

3. Significant accounting policies continued

INTANGIBLE ASSETS continued

Research and development continued
The expenditure capitalised includes the cost of materials and direct labour that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets
Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation
Amortisation is recognised in profit or loss on a straight-line basis, to their residual values, over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Capitalised software development costs	3 years
Customer relationships	5 – 7 years
Trademarks/brands	5 – 7 years
Workforce	5 years

The amortisation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

IMPAIRMENT

Financial assets
A financial asset (that is not measured at fair value through profit and loss) is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. For investments in equity instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

3. Significant accounting policies continued

IMPAIRMENT continued

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

EMPLOYEE BENEFITS

Short-term benefits
Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions
The share option programme allows selected Group employees to acquire shares of the Group. The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a modified binomial lattice model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

REVENUE

Services rendered
Revenue from services rendered is recognised in profit or loss at the dates services are rendered, net of value added taxation. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

Trading income and other fee income
Trading income consists of the realised and unrealised profit or loss with respect to the Group acting as the counterparty to client transactions, and the realised and unrealised profit or loss on the Group's hedging transactions. These are charged to profit or loss. All counterparty and hedging positions open at year-end are measured at fair value and any changes taken to profit or loss.

Trading income in the prior year also consists of the net gain and losses from betting activities.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. VAT levied on gross gaming revenue is included in revenue as this is borne by the Company and not the customer.

Asset management fees
Management and performance fees are recognised as and when services are rendered.

OTHER INCOME

Other income includes unrealised gains and losses arising from other investments, profit or loss on sale of investments and profit or loss on foreign exchange. Foreign currency gains and losses are reported on a net basis.

3. Significant accounting policies continued

LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

INTEREST INCOME AND EXPENSES

Interest income comprises income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Interest expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the estimated taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares that comprise share options granted to employees.

OPERATING SEGMENT REPORTING

Operating segments are distinguishable components of the Group that the Chairman, as the chief operating decision-maker in the Group, reviews operating and financial reporting for on a regular basis to assess performance and to allocate resources.

Operating segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

3. Significant accounting policies continued

DISCONTINUED OPERATIONS continued

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

NEW STANDARDS AND INTERPRETATIONS

The following Standards came into effect in the current year. The Standards did not have a material effect in the current year.

	Standard/Interpretation	Annual periods on or after
IFRS 13	**Fair value measurement** New guidance on fair value measurement and disclosure requirements.	1 January 2013

At the date of authorisation of the financial statements for the year ended 31 August 2014, the following Standards and Interpretations were in issue but not yet effective:

	Standard/Interpretation	Effective date on or after
IFRS 8	**Operating segments** Annual Improvements 2010 – 2012 Cycle: Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliation.	1 July 2014
IFRS 9	**Financial Instrument** A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition: - IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. - The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. - IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.	1 January 2018
IFRS 13	**Fair value measurement**	
	Annual Improvements 2010 – 2012 Cycle: Amendments to clarify the measurement requirements for those short-term receivables and payables	1 July 2014
	Annual Improvements 2011 – 2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.	1 July 2014

3. Significant accounting policies continued

NEW STANDARDS AND INTERPRETATIONS continued

	Standard/Interpretation	Effective date on or after
IFRS 15	Revenue from contracts from customers	1 January 2017
	New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.	
IAS 16	Property, plant and equipment	1 January 2016
	Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset.	
IAS 24	Related party disclosures	1 July 2014
	Annual Improvements 2010 – 2012 Cycle: Amendments to the definitions and disclosure requirements for key management personnel.	
IAS 36	Impairment of assets	1 January 2014
	Amendments to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	

The Group does not intend to early adopt any of the Standards. Management are still determining the potential effects of IFRS 9 and 15 on the financial statements. The adoption of the other standards will not have a significant effect, other than additional disclosure.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

INTANGIBLE ASSETS

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all assets that are part of creating the related cash flows. The fair value of trademarks acquired in a business combination is based on discounted estimated royalty payments that have been avoided as a result of it being owned.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

OTHER INVESTMENTS

These investments are designated as fair value through profit or loss.

Unlisted investments and investments that meet the IAS 28 scope exclusion are carried at their estimated fair value as determined by the board at the reporting date. The resultant increase or decrease in fair value is recognised in profit or loss.

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating fair value, the directors use a methodology which is appropriate in light of the nature, facts and circumstances of the investment. Due to the inherent uncertainties in estimating the value of unlisted investments, the directors exercise due caution in applying the various methodologies.

4. Determination of fair values continued

OTHER INVESTMENTS continued

The principal methodologies applied in valuing unlisted investments are as follows:

- Earnings multiple;
- Price of recent investment activities;
- Net assets;
- Discounted cash flow or earnings (of the underlying business);
- Discounted cash flow (from the investment);
- Industry valuation benchmarks; and
- Available market prices.

In applying the earnings multiple methodology, the directors apply a market-based multiple that is appropriate and reasonable to the maintainable earnings of the investment.

Where a recent investment has been made, this price will be used as the best estimate of fair value. An alternative valuation methodology may be used at any time if this is deemed to provide a better assessment of the fair value of an investment.

Listed investments are carried at their fair values, using quoted prices at the reporting date.

Where an active market does not exist for the quoted investment, estimation techniques are used to determine fair value. Changes in fair value are reflected in profit or loss as a separate identifiable line item.

TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

SHARE-BASED PAYMENT TRANSACTIONS

The fair value of employee share options is measured using a modified binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. Financial risk management

OVERVIEW

The Group has exposure to the following risks from its use of financial instruments (see note 26):

- Credit risk;
- Liquidity risk; and
- Market risk.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework and has delegated this responsibility to the risk management committee. The management of the various Group companies are responsible for implementing the risk policies.

Different units of the business require different approaches to risk management to be developed.

5. Financial risk management continued

OVERVIEW continued

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, trading counterparties and investments.

Trading counterparties

The Derivatives Business has various trading counterparties and mitigates the risk of default through using multiple counterparties and evaluating the counterparty credit worthiness on an ongoing basis.

GT247.com and GT Private Broking's (Derivatives Business) customers are required to deposit cash before trading and pay initial margin on all trades. The client balances are adjusted and reviewed daily and any margin calls followed up immediately. Where a margin call is not resolved through a cash deposit, the client's trading positions are liquidated to cover the margin call.

Credit risk is concentrated in South Africa. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

Other investments

Purple Group monitors the credit risk of its various investments on an ongoing basis and will liaise with management to resolve any problems that may arise before they cause credit problems.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Derivatives Business and Asset Management Business buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the board and the risk committee.

Currency risk

The Group is exposed to currency risk on expenses that are denominated in a currency other than the respective functional currencies of Group entities, primarily the South African Rand.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily South African Rand.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The Group is exposed to interest rate risk on its loans and borrowings, cash and cash equivalents and other investments that are linked to prime interest rates. The Group does not hedge these presently but would do so if it felt that it was necessary.

Purple Group's investments are subject to variable interest rates and are exposed to a risk of change in cash flows due to changes in interest rates. Equity investments and trade receivables and payables are not exposed to interest rate risks.

5. Financial risk management continued

MARKET RISK continued

Other market price risk

Equity price risk has an impact on the fair value of Purple Group's investments. Material investments are constantly monitored and buy and sell decisions approved by the board.

The Derivatives Business operations are subject to equity, commodity, indices and currency price movements. Detailed value-at-risk analysis is performed on a continual basis to ensure the Derivatives Business limits are not breached and appropriate hedges are in place.

Exposure to these risks is also mitigated through the buying and selling of derivative instruments.

CAPITAL MANAGEMENT

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The board considers its equity as its capital and manages this to ensure the Group is adequately funded to continue its growth and fund its investments. There were no changes in the Group's approach to capital management during the year.

6. Operating segments

The operating segments are distinguished by the type of business and the management team responsible for the business unit. The Group comprises the following operating segments:

- GT247.com which includes GT Private Broking and Emperor Asset Management (EAM): are the derivatives trading and asset management operations of the Group;
- Purple Group: includes the operating costs of the head office;
- Investments: fees and dividends earned on investments and fair value adjustments made against them;
- Powerbet Gaming Proprietary Limited trading as Voltbet: was the Group's sports betting operation; and
- Purple Group Treasury Proprietary Limited: was the treasury outsourcing operations of the business.

	GT247.com and EAM R'000	Purple Group R'000	Investments R'000	Total R'000
2014				
Segment asset				
Non-current assets	12 427	230 579	2 699	245 705
Current assets	138 559	–	–	138 559
Total assets	150 986	230 579	2 699	384 264
Segment liabilities				
Non-current liabilities	–	–	–	–
Current liabilities	(9 695)	(129 870)	–	(139 565)
Total liabilities	(9 695)	(129 870)	–	(139 565)

There are no unallocated amounts. The only material inter-segment revenue is the management fees that Purple Group charged First World Trader Proprietary Limited of R4 088 000 (2013: R6 211 000) for the year.

6. Operating segments continued

	Notes	Gt247.com and EAM R'000	Purple Group R'000	Investments R'000	Discontinued Voltbet R'000	Inter-segment revenues R'000	Total R'000
2014							
Revenue		93 897	4 088	–	–	(4 088)	93 897
Trading expenses		(7 814)	–	–	–	–	(7 814)
Operating expenses*		(63 239)	(6 340)	–	(2 514)	4 088	(68 005)
Net income/(loss)		22 844	(2 252)	–	(2 514)	–	18 078
Other income		218	–	–	–	–	218
Impairment and fair value adjustments	11	–	–	(31 624)	–	–	(31 624)
Profit/(loss) before interest, depreciation and amortisation		23 062	(2 252)	(31 624)	(2 514)	–	(13 328)
Interest income		–	208	–	–	–	208
Interest expense		(112)	(963)	–	–	–	(1 075)
Depreciation and amortisation		(1 973)	(9)	–	–	–	(1 982)
Profit/(loss) before tax		20 977	(3 016)	(31 624)	(2 514)	–	(16 177)
Current and deferred tax		(6 447)	470	4 598	487	–	(892)
Profit/(loss) after tax		14 530	(2 546)	(27 026)	(2 027)	–	(17 069)

**Share-based payment expense of R1 905 000 is included in operating expenses. The split per segment is as follows:*
- *GT247.com and EAM: R1 450 000*
- *Purple Group: R455 000*

6. Operating segments continued

	Gt247.com and EAM R'000	Purple Group R'000	Investments R'000	Discontinued: Voltbet R'000	Discontinued: Purple Capital Treasury R'000	Inter-segment revenues R'000	Total R'000
2013							
Revenue	82 921	6 211	–	5 934	2 023	(6 211)	90 878
Trading expenses	(7 109)	–	–	(2 489)	(369)	–	(9 967)
Operating expenses*	(60 635)	(7 019)	(1 320)	(18 084)	(4 533)	6 211	(85 380)
Net income/(loss)	15 177	(808)	(1 320)	(14 639)	(2 879)	–	(4 469)
Other income	259	–	–	–	–	–	259
Impairment and fair value adjustments	–	–	(15 324)	–	–	–	(15 324)
Profit on sale of subsidiary	–	–	–	21 392	321	–	21 713
Profit/(loss) before interest, depreciation and amortisation	15 436	(808)	(16 644)	6 753	(2 558)	–	2 179
Net interest expense	(8)	(708)	–	–	–	–	(716)
Depreciation and amortisation	(1 767)	(30)	–	(604)	(489)	–	(2 890)
Profit/(loss) before tax	13 661	(1 546)	(16 644)	6 149	(3 047)	–	(1 427)
Current and deferred tax	(2 263)	911	3 743	1 164	137		3 692
Profit/(loss) after tax	11 398	(635)	(12 901)	7 313	(2 910)	_	2 265
Segment asset							
Non-current assets	9 869	223 398	34 224	–	–	–	267 491
Current assets	126 655	30 279	–	–	–	–	156 934
	136 524	253 677	34 224	–	–	–	424 425
Segment liabilities				–			
Non-current liabilities	–	–	–	–	–	–	–
Current liabilities	(132 601)	(15 796)	–	–	–	–	(148 397)
	(132 601)	(15 796)	–	–	–	–	(148 397)

**Share-based payment expense of R1 980 000 is included in operating expenses. The split per segment is as follows:*
- *GT247.com and EAM: R906 000*
- *Purple Group: R887 000*
- *Voltbet: R149 000*
- *Purple Caiptal Treasury: R38 000*

6. Operating segments continued

	2014 R'000	2013 R'000
Reconciliations of reportable segment revenues, expenses, profit or loss and other material items		
Total revenue for reportable segments	93 897	90 878
Elimination of discontinued operations	–	(7 957)
Revenue – continuing operations	93 897	82 921
Total trading expenses for reportable segments	(7 814)	(9 967)
Elimination of discontinued operations	–	2 858
Trading expenses – continuing operations	(7 814)	(7 109)
Total operating expenses for reportable segments	(68 005)	(85 380)
Elimination of discontinued operations	2 514	22 617
Operating expenses – continuing operations	(65 491)	(62 763)
Total tax per segmental reporting	(892)	3 692
Elimination of discontinued operations	(487)	(1 301)
Tax – continuing operations	(1 379)	2 391
Total profit or loss per segmental reporting	(17 069)	2 265
Elimination of discontinued operations	2 027	(4 403)
Profit or loss – continuing operations	(15 042)	(2 138)

7. Revenue

	2014 R'000	2013 R'000
Continuing operations		
Trading and asset management income	92 484	82 434
Other fee income	1 413	487
Total revenue	93 897	82 921

8. Trading and operating expenses

	2014 R'000	2013 R'000
Continuing operations		
Trading expenses	7 814	7 109
Broker commission	4 911	3 324
Sales commission	2 812	2 477
Research costs	91	1 308
Employee expenses	31 850	33 009
Wages and salaries	29 945	31 216
Share-based payment expense	1 905	1 793
Auditor's remuneration	861	875
Audit fees – current year	861	875
Listing expenses	385	205
Lease rentals	3 904	4 581
Premises	3 693	4 315
Equipment	211	266
Fees paid for services	1 490	3 735
Consulting	83	2 937
Legal	1 407	798
Depreciation	848	971
Computer equipment	213	341
Furniture and fittings	630	617
Office equipment	5	13
Amortisation of intangibles	1 134	826
Available for sale recycled to profit and loss	–	(44)
Foreign exchange loss	9	60

9. Other income

	2014 R'000	2013 R'000
Continuing operations		
Other income	218	259

Other income comprises returns generated by the business on investment accounts held with its asset management division.

10. Interest income and expense

	2014 R'000	2013 R'000
Continuing operations		
Interest income on bank deposits	208	368
Total interest income	208	368
Interest on bank overdraft and borrowings	(1 075)	(1 084)
Total interest expense	(1 075)	(1 084)
Net interest	(867)	(716)

11. Fair value and impairment adjustments

	Notes	2014 R'000	2013 R'000
Fair value adjustment		30 646	15 324
Impairment of investment at amortised cost		978	–
		31 624	15 324
The above relates to the write down of the following investments:			
Blockbuster Trading 3 Proprietary Limited	16	25 446	18 754
Misty Sea Trading 131 Proprietary Limited	16	–	(3 430)
African Independent Retail Finance Proprietary Limited	16	978	–
Umnombo Investment Holdings	15	5 200	–
		31 624	15 324

Please refer to notes 15 and 16 for further information regarding the write down of investments.

12. Current and deferred tax

	2014 R'000	2013 R'000
Continuing operations		
Recognised in the income statement		
Current tax expense	(6 826)	(3 079)
	(6 826)	(3 079)
Deferred tax expense		
Origination and reversal of temporary differences	2 541	4 539
Recognition of current year's tax loss	2 906	931
Total deferred tax	5 447	5 470
Total current and deferred tax	(1 379)	2 391

Reconciliation of effective tax rate:	%	%
Income tax charged to income statement	(5,6)	(52,8)
Tax exempt income	(29,0)	156,7
Non-deductible expenses	79,1	(122,8)
Assessed losses not recognised	0,5	3,1
Losses taxed at CGT rate	(16,8)	–
Reversal of prior year provisions	(0,2)	(12,2)
Domestic tax rate	28,0	(28,0)

13. Equipment

The movement in the Group's equipment for the year ended 31 August 2014 is as follows:

Cost	Notes	Computer equipment R'000	Fixtures, fittings and improvements R'000	Office equipment R'000	Total R'000
Balance on 1 September 2012		6 010	3 976	352	10 338
Additions		141	2 460	69	2 670
Sale of subsidiary	35	(51)	(30)	–	(81)
Balance at 31 August 2013		6 100	6 406	421	12 927
Additions		340	152	–	492
Balance at 31 August 2014		6 440	6 558	421	13 419
Accumulated depreciation and impairment losses					
Balance on 1 September 2012		5 470	3 169	260	8 899
Depreciation for the year*		355	622	13	990
Sale of subsidiary	35	(16)	(18)	–	(34)
Balance at 31 August 2013		5 809	3 773	273	9 855
Depreciation for the year	8	155	625	68	848
Balance at 31 August 2014		5 964	4 398	341	10 703
Carrying amounts					
At 1 September 2012		540	807	92	1 439
At 31 August 2013		291	2 633	148	3 072
At 31 August 2014		476	2 160	80	2 716

Depreciation in the prior year includes continuing operations depreciation of R971 000 (refer to note 8) and discontinued operations depreciation of R19 000.

14. Intangible assets and goodwill

The movement in the Group's intangible assets and goodwill for the year ended 31 August 2014 is as follows:

Cost	Notes	Goodwill R'000	Customer relationships R'000	Contracts R'000	Software development R'000	Employees R'000	Brand R'000	Purchased software R'000	Total R'000
Balance on 1 September 2012		216 577	41 926	2 036	34 696	3 833	2 560	–	301 628
Additions		–	–	–	862	–	–	–	862
Sale of subsidiary	35	(3 578)	(1 180)	(270)	–	(3 833)	(2 560)	–	(11 421)
Balance at 31 August 2013		**212 999**	**40 746**	**1 766**	**35 558**	**–**	**–**	**–**	**291 069**
Additions		**–**	**–**	**–**	**2 323**	**–**	**–**	**148**	**2 471**
Balance at 31 August 2014		**212 999**	**40 746**	**1 766**	**37 881**	**–**	**–**	**148**	**293 540**
Accumulated amortisation and impairment losses									
Balance on 1 September 2012		8 431	41 200	2 024	33 076	1 470	238	–	86 439
Amortisation for the year*	8	–	165	79	827	544	285	–	1 900
Sale of subsidiary		–	(619)	(337)	–	(2 014)	(523)	–	(3 493)
Balance at 31 August 2013	35	**8 431**	**40 746**	**1 766**	**33 903**	**–**	**–**		**84 846**
Amortisation for the year	8	**–**	**–**	**–**	**1 122**	**–**	**–**	**12**	**1 134**
Balance at 31 August 2014		**8 431**	**40 746**	**1 766**	**35 025**	**–**	**–**	**12**	**85 980**
Carrying amounts									
At 1 September 2012		208 146	726	12	1 620	2 363	2 322	–	215 189
At 31 August 2013		204 568	–	–	1 655	–	–	–	206 223
At 31 August 2014		**204 568**	**–**	**–**	**2 856**	**–**	**–**	**136**	**207 560**

**The amortisation in the prior year includes the continuing operations amortisation amount of R826 00, (Refer note 8) and the amortisation from discontinued operations for the year of R1 074 000.*

The intangible assets were acquired as part of the First World Trader (Pty) Ltd purchase in November 2007. Each was valued at the date of acquisition. Purple Group Treasury and Powerbet Gaming were sold in the prior year.

Purple Group Treasury had a negative goodwill of R755 000 recognised in profit or loss. Powerbet Gaming had positive goodwill of R3,6 million.

Per IAS 38, workforce may be recognised as an intangible asset if the knowledge is protected by a legal right. Purple Group exercises control over the expected future economic benefits arising from the team of skilled staff and from training due to the restraint of trade noted in each employee's contract.

14. Intangible assets and goodwill continued

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2014 R'000	2013 R'000
First World Trader (Pty) Ltd	**204 568**	204 568
	204 568	204 568

The impairment tests were based on fair value less costs to sell. The fair value was calculated using a 8-year (2013: 8-year) discounted cash flow model based on the projected income and expenses of the business discounted at an appropriate weighted average cost of capital. The recoverable amount of each unit was in excess of the goodwill carrying value.

The values assigned to the key assumptions in the discounted cash flow model represent management's assessment of future trends in the online trading and asset management sectors and are based on both external sources and internal sources (historical data). The main drivers of the model are the assumptions around income growth and margins that have been based on past trends (e.g. gross margins achieved) and management's view of future prospects. The fair value measurement technique would be categorised as Level 3 in the fair value hierarchy (see note 2). The valuation technique is consistent with prior years.

	2014	2013
First World Trader (Pty) Ltd		
Discount period	**8 years**	8 years
Terminal growth rate (%)	**3**	3
Discount rate (%)	**14,82**	11,04

The higher discount rate applied during the current year reflects the uncertainty surrounding the cashflows projected in terms of new products.

The various sensitivity analyses performed by changing key variables by 3.5% in the calculation resulted in the recoverable amount exceeding the carrying amounts in all instances.

15. Interest in associate companies

	2014 R'000	2013 R'000
The Group has the following investments in associate companies		
Unlisted		
– Cost	**–**	–
– Loans	**–**	5 200
Total unlisted	**–**	5 200
The following sets out the assets, liabilities, income and expenses of the associate:		
Statement of financial position		
Assets	**–**	5 200
Liabilities	**(5 578)**	(6 152)
Net liability value	**(5 578)**	(952)
Income statement		
Revenue	**–**	–
Expenses	**–**	–
Profit	**–**	–

15. Interest in associate companies continued

Umnombo Investment Holdings is a dormant company only holding investments in Blockbuster Trading 3 Proprietary Limited and Misty Sea Trading 131 Proprietary Limited.

Umnombo's investment in Blockbuster was written down to zero during the current year (refer note 16 for a more detailed explanation of the write down of Blockbuster), resulting in the Purple Group having to write-down the carrying value of the Purple Group's shareholder loan, with a carrying value of R5,2 million, advanced to Umnombo, as the value of Umnombo's investment in Blockbuster supported the recoverability of the Group's shareholder loan to Umnombo.

	Date to which equity income accounted for	Issued ordinary share capital	Holding
Associated company name			
Umnombo Investment Holdings Proprietary Limited	31/08/2014	100	40%

16. Other investments and available-for-sale investments

	2014 R'000	2013 R'000
The Group had the following other investments:		
Other investments – shown at fair value		
Unlisted	–	25 446
Other investments shown at fair value		
Structured investments in listed entities	**3 628**	3 743
Loans and receivables at amortised cost		
Unlisted	–	978
Total other investments	**3 628**	30 167

16. Other investments and available-for-sale investments continued

Assumptions applied in estimating the fair value of investments:

The fair values of unlisted investments are based on either earnings multiple valuation methodology (based on listed entities in the industry adjusted for being unlisted) or discounted cash flow model.

The fair value of listed investments are based on the closing price at the reporting date or, where there are extenuating circumstances, at the directors' valuation.

FAIR VALUE THROUGH PROFIT OR LOSS

	2014 %	2013 %
Unlisted		
Blockbuster Trading 3 Proprietary Limited	**37,5**	37,5

As announced on SENS on 21 August 2014 the Group reached agreement with the funders of the empowerment vehicle (Blockbuster Trading), which holds a 7,1% shareholding in Real People Investment Holdings (RPIH), in terms of which this funding will be fixed at the amount of the initial loan advanced, for a further three years.

The revised funding structure allows for a considered exit over time.

In light of the current concern around values in the unsecured lending industry, the Groups investment in Blockbuster has been written down to zero.

FAIR VALUE ADJUSTMENT

The fair value was calculated using a 10-year discounted cash flow model based on the projected income and expenses of the business discounted at an appropriate weighted average cost of capital. The recoverable amount of each unit was not in excess of the carrying value.

The values assigned to the key assumptions in the discounted cash flow model represent management's assessment of future trends and are based on both external sources and internal sources (historical data). The main drivers of the model are the assumptions around income growth and margins that have been based on past trends (e.g. gross margins achieved) and management's view of future prospects. The fair value measurement technique would be categorised as Level 3 in the fair value hierarchy (see note 2).

Key assumptions used –	
Blockbuster Trading 3 Proprietary Limited	
Discount period	10 years
Terminal growth rate (%)	3
Discount rate (%)	19,11

The various sensitivity analyses performed by changing key variables by 1% in the calculation resulted in the carrying amount exceeding the recoverable amount in all instances. The projected cashflows of the business as well as the discount rate applied are deemed to be conservative in the opinion of the Board, as such a higher level of sensitivity was not deemed appropriate.

In addition, in the prior period an Earnings multiple valuation approach was used to value this investment. Due to the revised circumstances currently prevailing in the industry in which RPIH operates, the Board is of the opinion the Discounted Cashflow valuation methodology was more appropriate.

OTHER INVESTMENTS SHOWN AT FAIR VALUE

- Preference shares in Misty Sea Trading 131 Proprietary Limited that held shares in Cipla Medpro Limited, indirectly; and
- Investment accounts held by the Group with its asset management division.

INVESTMENTS HELD AT AMORTISED COST

- Debentures in African Independent Retail Finance Proprietary Limited

African Independent Retail Finance Proprietary Limited has been impaired in the current year to nil as the debentures do not appear to be recoverable.

16. Other investments and available-for-sale investments continued

AVAILABLE-FOR-SALE INVESTMENTS

The Group had the following available-for-sale investments:

	2014 R'000	2013 R'000
Balance 1 September	–	64
Fair value adjustments	–	42
Sale of investment	–	(106)
Balance 31 August 2014	–	–

The available-for-sale investments comprise holdings in listed equity securities that present the Group the opportunity for return through dividend and trading gains.

The fair values of listed securities are based on quoted market prices.

17. Other financial assets

	2014 R'000	2013 R'000
Rental deposits*	731	118
Loan receivable	2 632	–
	3 363	118

** The rental deposits are repayable upon termination of the leases. Refer to note 27.*

Loans were provided to staff members, other than directors and prescribed officers, for the purchase of shares in the Purple Group.

Terms of the loan:

– loans were issued at Prime

– repayment in three years from date of issue; and

– shares purchased are held as security.

For more information regarding the Group's exposure to interest rate and credit risk please refer to note 26.

	2014 R'000	2013 R'000
Non-current receivable	3 156	118
Current receivable	207	–
	3 363	118

18. Deferred tax assets and liabilities

	2014 R'000	2013 R'000
Recognised deferred tax assets and liabilities		
Balance at the beginning of the period	22 711	17 283
Investments at fair value	2 433	4 605
Payables and accruals	322	(162)
Receivables and prepayments	105	14
Tax loss	2 907	1 931
Intangible assets	167	81
Sale of subsidiaries	–	(1 041)
Balance at the end of the period	28 645	22 711
Deferred tax comprises the following:		
Receivables and prepayments	(41)	(146)
Intangible assets	–	(145)
Deferred tax liability	(41)	(291)
Financial assets at fair value	13 096	10 663
Intangible assets	22	–
Non-trade payables and accruals	2 109	1 787
Tax loss	13 459	10 552
Deferred tax asset	28 686	23 002
Net deferred tax assets	28 645	22 711

The Group is currently in the process of rolling out a wealth management business that will enable the Group to take advantage of the deferred tax assets as at 31 August 2014. No deferred tax was provided on capital losses amounting to R58,5 million (2013: R46,6 million) and revenue losses of R5,9 million (2013: R5,9 million).

19. Trade and other receivables

	2014 R'000	2013 R'000
Trade receivables#	959	975
Prepayments and deposits	650	493
Other receivables*#	2 472	32 105
	4 081	33 573

** Other receivables in the prior year includes the proceeds on the sale of Powerbet Gaming of R30 000 000. Please refer to note 35.*
 # The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 26.

All of the above amounts fall under current assets.

2014	Current R'000	30 days R'000	60 days R'000	90 days R'000	>90 days R'000	Total R'000
Debtors ageing						
Trade receivables	865	–	–	94	–	959
Client receivables	–	–	–	–	766	766
Provision against client receivables	–	–	–	–	(766)	(766)
Total	865	–	–	94	–	959

** 80,23% of this balance is greater than two years overdue.*

19. Trade and other receivables continued

2013	Current R'000	30 days R'000	60 days R'000	90 days R'000	>90 days R'000	total R'000
Debtors ageing						
Trade receivables	280	200	48	447	–	975
Client receivables	4	31	6	1	770*	812
Provision against client receivables	(4)	(31)	(6)	(1)	(770)	(812)
Total	280	200	48	447	–	975

** 53,5% of this balance is greater than two years overdue.*

Movement in provision against client receivables:

	2014 R'000	2013 R'000
Opening balance	**812**	127
Recovered	**(46)**	–
Raised	**–**	685
Closing balance	**766**	812

20. Cash and cash equivalents

	2014 R'000	2013 R'000
Call deposit	**–**	6
Bank deposit	**12 857**	33 722
Trading margin with brokers	**121 254**	89 633
Cash and cash equivalents	**134 111**	123 361
Bank overdraft	**(2 749)**	(3 836)
Cash and cash equivalents in the statement of cash flows	**131 362**	119 525

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26. The Company holds R455,1 million (2013: R301 million) of client funds which are not reflected on the statement of financial position. These are restricted funds and are not available for use by the entity. Included in Group cash and cash equivalents are client funds held in margin whose use is restricted to hedging. The related liability is included under client funds liability in trade and other payables (see note 25).

The Group has an overdraft facility totalling R10 million with Mercantile Bank. The overdraft is secured by a pledge and cession over the indirect investment structure that held an investment in Cipla Medpro Limited and the Group's investment in Blockbuster Trading 3 (Pty) Ltd investments and unlimited suretyship by Purple Group Limited.

A guarantee is in place over facilities to the amount of R597 600 (2013: R597 600) in favour of the lessor of a lease entered into by the Group.

21. Capital and reserves

	Number of shares 2014	Number of shares 2013
The number of shares in issue is as follows:		
Ordinary share capital		
Ordinary share capital in issue at 1 September	**817 875 723**	822 505 022
Share options exercised (14 December 2012)	**–**	400 000
Less: Cancelled shares#	**–**	(5 029 299)
In issue at 31 August – fully paid up	**817 875 723**	817 875 723
Less: Treasury shares#	**(2 300 000)**	(2 300 000)
In issue at year end	**815 575 723**	815 575 723

 # 2 300 000 (2013: 2 300 000) shares (acquired at an average price of 18,17 cents) in Purple Group are held by First World Trader and are eliminated on consolidation. In the prior period Purple Group held 5 029 299 shares itself, which have been cancelled.

The movement in share capital and share premium is as follows:

Group	Share capital R'000	Share premium R'000	Total R'000
Balance at 1 September 2012	8 207	467 768	475 975
Share issue	4	84	88
Own shares purchased*	(55)	(999)	(1 054)
Balance at 31 August 2013	**8 156**	**466 853**	**475 009**
Payment of capital distribution**	**–**	**(16 305)**	**(16 305)**
Balance at 31 August 2014	**8 156**	**450 548**	**458 704**

** In the prior year, Purple Group Limited bought back 5 029 299 of its own shares at an average price of 18,98 cents. The shares are immediately cancelled and restored to authorised capital. First World Trader bought back 450 000 shares, at an average price of 22 cents, in the prior year which are treasury shares and eliminated on consolidation.*
***On the 17 December 2013 a dividend of 2 cents per share was paid to holders of fully paid ordinary shares by way of a reduction of contributed capital of 2 cents per share, in lieu of a dividend.*

The directors declared a capital distribution out of share premium, by way of a reduction of contributed capital of 1 (one) cents per share, in lieu of a dividend, to be paid on 1 December 2014, to ordinary shareholders recorded in the Company's register at the close of business on 28 November 2014.

As the capital distribution was declared after the reporting date, it will only be accounted for in the 2015 financial year.

At 31 August 2014, the authorised share capital comprised 1 200 000 000 ordinary shares of R0,01 each (2013: 1 200 000 000).

The unissued shares were placed under the control and authority of the directors until the next annual general meeting, and they have been empowered to allot, issue or otherwise dispose of the shares as they may in their discretion deem fit, subject to the provisions of the Companies Act of South Africa and the Listings Requirements of the JSE Limited. The Group has also issued share options to key management (see note 24).

21. Capital and reserves continued

OTHER RESERVES

	R'000 2014	R'000 2013
Foreign currency translation reserve	(5 344)	(5 484)
Share-based payment reserve	24 603	22 698
Balance 31 August	19 259	17 214
Recon of Foreign currency translation reserve		
Balance as at 31 August	(5 484)	(4 637)
Translation of foreign operations	140	(847)
Balance as at 31 August 2014	(5 344)	(5 484)
Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.		
Recon of Share based payment reserves		
Balance as at 31 August 2013	22 698	20 717
Share- based payment expense	1 905	1 981
Balance as at 31 August 2014	24 603	22 698

The above relates to share options granted by the Company to its employees under its employee share option plan. For further information please refer to note 24.

22. Earnings per share

	2014 R'000	2013 R'000
Basic earnings per share		
The calculation of basic and headline earnings per share at 31 August 2014 was based on a Group loss attributable to ordinary shareholders of R17,1 million (2013: profit of R2,3 million), a headline loss per share of R16,4 million (2013: loss of R18,4 million) and a weighted average number of ordinary shares outstanding during the year ended 31 August 2014 of 815 575 723 (2013: 819 927 933), calculated as follows:		
Profit attributable to ordinary shareholders		
(Loss)/Profit for the period	(17 069)	2 265
Headline loss for the period	(16 366)	(18 419)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 September*	815 575 723	820 655 022
Effect of shares issued for cash	–	284 932
Effect of treasury shares	–	(1 233)
Effect of cancelled shares	–	(1 010 788)
Weighted average number of ordinary shares at 31 August	815 575 723	819 927 933
** Number of ordinary shares is stated after taking in to account treasury shares and cancelled shares.*		
Basic (loss)/ profit per share (cents)	(2,09)	0,28
Headline loss per share (cents)	(2,01)	(2,25)
Headline earnings have been computed as follows:		
(Loss)/Profit attributable to ordinary shareholders	(17 069)	2 265
Reclassification of available-for-sale financial assets	–	(44)
Impairment of investments, net of tax	703	1 073
Adjustment for profit on sale of discontinued operation	–	(21 713)
Headline earnings	(16 366)	(18 419)
Diluted earnings per share		
The calculation of diluted earnings and diluted headline loss per share as at 31 August 2014 was based on a Group loss attributable to ordinary shareholders of R17,1 million (2013: profit of R2,3 million), a headline loss per share of R16,4 million (2013: loss of R18,4 million) and a diluted weighted average number of ordinary shares outstanding during the year ended 31 August 2014 of 854 700 065 (2013: 850 131 885), calculated as follows:		
(Loss)/Profit attributable to ordinary shareholders (diluted)		
(Loss)/Profit attributable to ordinary shareholders (diluted)	(17 069)	2 265
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 31 August	815 575 723	819 927 933
Effect of share options in issue	39 124 342	30 203 952
Weighted average number of ordinary shares (diluted) at 31 August	854 700 065	850 131 885
Diluted (loss)/profit per share (cents)	(2,00)	0,27
Diluted headline loss per share (cents)	(1,91)	(2,17)

The R38,2 million weighted average share options issued on 23 December 2013 are anti-dilutive and not included in the diluted earnings per share calculation.

22. Earnings per share continued

	2014 R'000	2013 R'000
Continuing operations earnings per share		
The calculation of continued earnings per share at 31 August 2014 was based on a Group loss from continued operations of R15,0 million (2013: loss of R2,1 million) and a weighted average number of ordinary shares outstanding during the year ended 31 August 2014 of 815 575 723 (2013: 819 927 933), calculated as follows:		
Loss for the period	**(15 042)**	(2 138)
Weighted average number of ordinary shares at 31 August	**815 575 723**	819 927 933
Basic loss per share from continued operations (cents)	**(1,84)**	(0,26)
Diluted loss per share (cents)	**(1,76)**	(0,25)
Diluted headline loss per share (cents)	**(1,91)**	(2,17)
Discontinued operations earnings per share		
The calculation of discontinued earnings per share at 31 August 2014 was based on a Group loss from discontinued operations of R2,0 million (2013: loss of R4,4 million) and a weighted average number of ordinary shares outstanding during the year ended 31 August 2014 of 815 575 723 (2013: 819 927 933), calculated as follows:		
(Loss)/profit for the period	**(2 027)**	4 403
Weighted average number of ordinary shares at 31 August	**815 575 723**	819 927 933
Basic (loss)/ profit per share from discontinued operations (cents)	**(0,25)**	0,54
Diluted (loss)/profit per share (cents)	**(0,24)**	0,52
Diluted headline loss per share (cents)	**(1,91)**	(2,17)

There are currently 126,2 million (2013: 76,3 million) share options in issue in terms of the Group's share incentive scheme (see note 24) of which 70,4 million are exercisable.

23. Loans and borrowings

	2014 R'000	2013 R'000
This note provides information regarding the Group's interest-bearing borrowings that are measured at amortised cost. For more information on the Group's exposure to interest rate and liquidity risk see note 26.		
Non-current liabilities		
Secured bank loan	**–**	–
Current liabilities		
Secured bank loan	**3 844**	7 514
	3 844	7 514
Total loans and borrowings	**3 844**	7 514

The terms and conditions of the outstanding loans are as follows:

	Nominal interest rate	Year of maturity	2014 Carrying value R'000	2013 Carrying value R'000
Secured bank loan	**Prime + 1%**	**2015**	**3 844**	7 514

The Group agreed with the provider of the loan that the loan would be amortised over 12 months ending February 2015.

In terms of the existing loan covenants, the debt equity ratio of the Group must not exceed 100%. The Group has complied with this.

Security

- Unlimited cession on the net proceeds from the sale of Blockbuster Trading 3 Proprietary Limited.
- Unlimited surety by all companies in the Group.

24. Share-based payments

SHARE-BASED PAYMENT EXPENSES

On 1 February 2005, an employee share option scheme was introduced by approval at the general meeting of the Company. The terms and conditions of the options, as well as details of the options granted, are as follows:

Options granted to key management	Number of options
Total at 31 August 2011	100 874 000
Exercised 1 November 2011	(400 000)
Expired 21 February 2012	(5 334 000)
Issued 27 February 2012	30 000 000
Total at 31 August 2012	125 140 000
Exercised 6 December 2012	(400 000)
Expired 23 April 2013	(4 572 000)
Forfeiture 31 August 2013	(43 854 500)
Total at 31 August 2013	**76 313 500**
Issued 23 December 2013	**55 600 000**
Expired 31 July 2014	**(1 905 000)**
Forfeiture 31 August 2014	**(3 800 000)**
Total at 31 August 2014	**126 208 500**

The vesting conditions of all the options granted to date are:

- Up to 25% on or after the first anniversary date of acceptance of the options;
- Up to 50% on or after the second anniversary of the acceptance date;
- Up to 75% on or after the third anniversary date; and
- Up to 100% on or after the fourth anniversary date.

The contractual life of all options is seven years from date of grant.

The aggregate number of share options granted under the scheme shall not constitute more than 20% of the Company's entire issued ordinary share capital where such amount is currently limited to 163,1 million shares (2013: 163,1 million shares).

The options granted to directors are:

	Number of options 2014	Number of options 2013
Mark Barnes	**34 340 000**	30 245 000
Charles Savage	**21 000 000**	14 000 000
Gary van Dyk	**17 768 500**	10 768 500
	73 108 500	55 013 500

24. Share-based payments continued

SHARE-BASED PAYMENT EXPENSES

	2014		2013	
	Weighted average exercise price (cents)	Number of options	Weighted average exercise price (cents)	Number of options
Outstanding at the beginning of the period	19	76 313 500	20	125 140 000
Granted during the period	22	55 600 000	–	–
Exercised during the period	–	–	22	(400 000)
Expired during the period	28	(1 905 000)	30	(4 572 000)
Forfeited during the period	22	(3 800 000)	19	(43 854 500)
Outstanding at the end of the period	19	126 208 500	19	76 313 500
Exercisable at the end of the period	17	70 417 130	19	56 101 000

The options outstanding at 31 August 2014 have been issued in a price range from 13 cents to 28 cents and have a weighted average exercise price of 19 cents (2013: 19 cents) and a weighted average contractual life of 4,13 years (2013: 3,40 years). There were no shares exercised during the year.

Additional options were granted or accepted during the year. The estimate of the fair value of the options granted was measured on a modified binomial tree model. The contractual life of the option (seven years) is used as an input into this model. Expectations of early exercise are incorporated.

		2014	2013
Key management personnel			
Fair value at issue date	(R'000)	6 440	–
Assumptions			
Weighted average share price	(cents)	22	–
Weighted average exercise price	(cents)	22	–
Expected volatility (expressed as weighted average volatility used under the modified binomial tree model)	(%)	40,0	–
Option life	(years)	7	–
Risk-free rate	(%)	5,89	–
Expected dividends	(%)	–	–

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition. This condition is not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

25. Trade and other payables

	2014 R'000	2013 R'000
Trade payables	9	34 411
Client funds liability	121 254	89 633
Other payables and accrued expenses	6 644	8 709
Employee related	5 065	3 825
	132 972	136 578

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

26. Financial instruments

CREDIT RISK

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	Notes	2014 R'000	2013 R'000
Other financial assets	17	3 363	118
Other investments	16	–	978
Trade and other receivables	19	3 431	33 080
Cash and cash equivalents	20	131 362	119 525
		138 156	153 701

The exposure to credit risk for loans and receivables at the reporting date was in South Africa. Purple Group's only receivables are with a few large corporates whom management deems to be credit worthy.

In First World Trader's credit risk is the risk of financial loss if the counterparty fails to meet its contractual obligations. These consist principally of unsettled trades with broking counterparties and customers. Financial assets which potentially subject First World Trader's to concentrations of credit risk consist principally of amounts owing due to unsettled trades with broking counterparties and are limited to high credit quality financial institutions. The maximum credit risk exposure is represented by the carrying amount of the assets, except where otherwise stated. At year end no amounts are past due. All trades are settled daily through the mark-to-market process.

26. Financial instruments continued

CREDIT RISK continued

Exposure to credit risk continued

First World Trader's credit policy is set by the board on advice from the risk management committee, which is responsible for:

- formulating the principles and guidelines on setting counterparty and product limits, approving transactions with credit risk and excess approvals, cash equity trading and prime broking exposures. The purpose of these policies is to articulate the minimum standard for credit across the firm and to define the roles and responsibilities necessary for the management of credit on a timely, accurate and complete basis;
- setting cash equity trading policy, which addresses the risk of cash trading with a settlement cycle of T+5; and
- excess management is the responsibility of Risk Management.

LIQUIDITY RISK

The following are the contractual maturities of financial liabilities, including estimated interest payments as at 31 August 2014:

	Notes	Carrying amount R'000	Contractual cash flows R'000	One year R'000	Two to five years R'000	Total R'000
Secured loan	23	**3 844**	**3 844**	**3 844**	**–**	**3 844**
Trade and other payables		**132 848**	**132 848**	**132 848**	**–**	**132 848**
Overdraft	20	**2 749**	**2 749**	**2 749**	**–**	**2 749**
		139 441	**139 441**	**139 441**	**–**	**139 441**

The following were the contractual maturities of financial liabilities, including estimated interest payments as at 31 August 2013:

	Notes	Carrying amount R'000	Contractual cash flows R'000	One year R'000	Two to five years R'000	Total R'000
Secured loan	23	7 514	7 514	7 514	–	7 514
Trade and other payables		124 044	124 044	124 044	–	124 044
Overdraft	20	3 836	3 836	3 836	–	3 836
		135 394	135 394	135 394	–	135 394

The Group manages this exposure through ensuring there are adequate contracted overdraft facilities available to cover any deficit between current assets and liabilities. Included in trade payables are client funds on margin of R121,2 million (2013: R123,1 million).

In the current year, the secured loan with Mercantile was renegotiated and capital repayments over a period of a year was agreed, which started from 1 March 2014 and will be settled by 1 February 2015. Prior to this, the Group was only servicing interest.

CURRENCY RISK

Exposure to currency risk

All of First World Trader's products based on off-shore underlying items are Rand-settled. There is no foreign exchange risk on trading of foreign instruments.

26. Financial instruments continued

INTEREST RATE RISK

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Notes	Interest rates applicable	Carrying amount 2014 R'000	Carrying amount 2013 R'000
Variable rate instruments				
Financial assets	17	Prime	**3 363**	118
Cash and cash equivalents	20	Daily call rate	**134 111**	123 361
Financial liabilities	23	Prime +1%	**(3 844)**	(7 514)
Overdraft	20	Prime	**(2 749)**	(3 836)

Fair value sensitivity analysis for fixed rate instruments

The Group does not have any fixed rate financial assets and liabilities at fair value through profit or loss and therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

	2014 Profit or loss		2013 Profit or loss	
	100 bp increase R'000	100 bp decrease R'000	100 bp increase R'000	100 bp decrease R'000
Variable rate instruments				
Financial assets	**989**	**(989)**	1 243	(1 243)
Financial liabilities	**(43)**	**43**	(84)	84
	946	**(946)**	1 159	(1 159)

PRICE RISK

First World Trader purchases and sells derivatives in the ordinary course of business and incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the risk management committee.

Management of price risk

The principal tool used to measure and control market risk exposure within First World Trader's trading portfolios is value at risk (VaR). The VaR of a portfolio is the maximum loss that could arise on a given confidence level. The VaR model used by First World Trader is based on a 95% confidence level and assumes a 21-day holding period. The VaR model is based on historical simulation using market data from the last 250 trading days with a maximum time lag of one month.

Although VaR is an important tool for measuring and managing First World Trader's exposure to market risk, there are certain limitations due to the assumptions on which the model is based.

This includes the use of historical data as a basis for determining the possible range of future outcomes that may not always cover all possible scenarios, especially those of an exceptional nature.

First World Trader uses VaR analysis for the measurement and management of market risk. The VaR limits are determined at a management level and are subject to review and approval by the risk management committee. VaR limits are allocated to each trading portfolio and are measured and monitored on an intra-day basis. Daily VaR reports are submitted to senior management for review.

26. Financial instruments continued

Although VaR is a primary indicator of risk, the intraday risk is monitored in real-time by the risk committee and the risk tolerance for the day is assessed and monitored, taking into account market conditions. All risk on our book is capable of being extinguished intraday due to the liquidity available in the instruments that we offer our clients.

PRICE RISK continued

Management of price risk continued

A summary of the VaR position of the Company's trading portfolio at 31 August and during the period is as follows:

	At 31 August R'000	Average R'000	Maximum R'000	Minimum R'000
2013				
Other price risk	3 653	3 276	8 456	921
2014				
Other price risk	**2 863**	**3 860**	**15 189**	**1 047**

Sensitivity analysis – equity price risk

All the Group's listed equity instruments are listed on the Johannesburg Stock Exchange. For investments classified as fair value through profit or loss, the impact on profit or loss after tax of a 5% increase in the price of the equities at the reporting date, would have been an increase of R37 779 (2013: R145 470). Were the equity prices of the Group's unlisted investments to increase by 5%, the impact on profit or loss after tax would be an increase of R2,9 million (2013: R1,2 million).

CLASSES OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out the classification of each class of financial assets and liabilities, and their fair values

	Notes	2014 R'000	2013 R'000
Financial assets			
Loans and receivables			
– Trade and other receivables	19	**3 431**	33 080
– Other financial assets	17	**3 363**	118
– Other investments	16	**–**	978
– Cash and cash equivalents	20	**134 111**	123 361
		140 905	157 537
Investments held at fair value			
– Other investments	16	**3 628**	3 743
		3 628	3 743
Fair value through profit or loss			
– Other investments	16	**–**	25 446
		–	25 446
Financial liabilities			
Held at amortised cost			
– Loans and borrowings	23	**(3 844)**	(7 514)
– Trade and other payables		**(132 848)**	(124 044)
– Bank overdraft	20	**(2 749)**	(3 836)
		(139 441)	(135 394)
Total financial assets and liabilities		**5 092**	51 332

26. Financial instruments continued

FINANCIAL GUARANTEE AND PUT OPTION ISSUED

The Industrial Development Corporation of South Africa Limited (IDC) subscribed for cumulative redeemable preference shares in Blockbuster Trading 3 Proprietary Limited, for a total consideration of R90.3 million during September 2007. The funding was utilized by Blockbuster to subscribe for convertible redeemable preference shares in Real People Investment Holdings Proprietary Limited. The shareholders of Blockbuster granted the IDC a put option, on a joint and several basis, whereby the IDC may put any unredeemed preference shares (as at 1 September 2017) to the shareholders of Blockbuster at the subscription price.

The value of Blockbusters investment in RPIH is sufficient to cover the redemption value of the preference shares held by the IDC. The likelihood of the shareholders of Blockbuster needing to inject additional cash has been assessed as remote.

27. Operating lease commitment

LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows on the rental agreements for office premises and equipment:

	2014 R'000	2013 R'000
Future minimum lease payments		
Office equipment		
Less than one year	**–**	18
Between one and five years	**–**	–
More than five years	**–**	–
Office premises		
Less than one year	**2 723**	2 521
Between one and five years	**7 580**	10 302
More than five years		–
	10 303	12 841

The Group leases a number of offices under operating leases. The leases typically run for five years with an option to renew the lease after that date. All leases escalate at 8%. The premises are in Hyde Park, Cape Town and Durban.

Office equipment is a 36-month lease for printers, with no annual escalation. No contingent rent is payable.

During the year ended 31 August 2014, R3,6 million (2013: R4,6 million) was recognised as an expense in the profit or loss in respect of operating leases.

28. Notes to the statement of cash flows

		Notes	2014 R'000	2013 R'000
28.1	**Reconciliation of cash utilised in operations**			
	Loss before taxation and net interest income		**(15 310)**	(711)
	Adjustments for:			
	– Depreciation and amortisation	8	**1 982**	2 890
	– Fair value losses on financial assets	11	**30 646**	15 324
	– Share-based payment expense	8	**1 905**	1 981
	– Foreign currency translation reserve		**140**	(847)
	– Impairment of investments	11	**978**	1 320
	– Gain on sale of discontinued operations		**–**	(21 713)
			20 341	(1 756)
	Movement in working capital			
	Increase in loan receivable	17	**(2 632)**	–
	Decrease in trade and other receivables		**28 879**	382
	Decrease in trade and other payables		**(3 606)**	67 191
			42 982	65 817
28.2	**Acquisition of assets**			
	Additions to maintain operations	13	**(492)**	(2 670)
	Purchased intangible assets	14	**(2 471)**	(862)
			(2 963)	(3 532)
28.3	**Investments acquired/sold**			
	Investments with the asset management division		**(763)**	(1 054)
			(763)	(1 054)
28.4	**Tax paid**			
	Balance at beginning of period		**(469)**	(560)
	Current tax	12	**(6 826)**	(3 079)
	Balance at end of period		**(160)**	469
	Tax paid		**(7 455)**	(3 170)

29. Contingencies

There are no contingencies at the reporting date.

30. Related parties

IDENTITY OF RELATED PARTIES

The Group has related party relationships with its associates (note 15), subsidiaries (note 31) and its directors and executive officers (directors' report)

30. Related parties continued

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The key management personnel compensation is as follows and is included in "personnel expenses" (see note 8):

	2014 R'000	2013 R'000
Employee benefits		
Non-executive directors		
Dennis Alter – fees	**25**	25
Craig Carter – fees	**120**	120
Ronnie Lubner – fees	**25**	25
Thembeka Gwagwa – fees	**150**	150
	320	320
Employee benefits		
Executive directors		
Mark Barnes		
– salary	**2 911**	3 180
– restructuring fee	**–**	1 550
– share option expenses	**268**	410
Charles Savage		
– salary	**2 949**	2 160
– share option expenses	**368**	379
Mike Wilson		
– salary	**–**	1 847
– retrenchment costs	**–**	525
– share option expenses	**–**	236
Gary van Dyk		
– salary	**1 912**	428
– share option expenses	**213**	42
	8 621	10 757

The three highest paid non-directors earned salaries of R2,3 million, R2,2 million and R1,5 million, respectively.

At 31 August the directors' interests in the issued share capital of the Company were as follows:

	2014				2013			
	Beneficial		Non-beneficial		Beneficial		Non-beneficial	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Mark Barnes	**67 171 670**	**129 090 371**	**–**	**–**	62 171 670	129 090 371	–	–
Craig Carter	**1 932 366**	**–**	**–**	**–**	1 932 366	–	–	–
Ronnie Lubner	**–**	**–**	**–**	**233 552 908**	–	–	–	233 552 908
Dennis Alter	**7 200 000**	**–**	**–**	**–**	7 200 000	–	–	–
Charles Savage	**10 100 011**	**–**	**–**	**4 540 000**	5 100 011	–	–	4 540 000
Gary van Dyk	**10 000 000**	**–**	**–**	**–**	5 000 000	–	–	–
	96 404 047	**129 090 371**	**–**	**238 092 908**	81 404 047	129 090 371	–	238 092 908

31. Group entities

OWNERSHIP INTEREST

Subsidiaries Name	Country	Ownership interest 2014 %	2013 %
First World Trader Proprietary Limited**	South Africa	**100**	100
One World Trader Proprietary Limited (Subsidiary of First World Trader Proprietary Limited)	Mauritius	**100**	100
Global Trader Canada Limited	Canada	**100**	100
Global Trader Europe Limited*	UK	**100**	100
New World Trader Limited	Ireland	**100**	100

** Currently being liquidated.*
*** Includes the operations of GT247.com, GT Private Broking and Emperor Asset Management.*

32. Subsequent events

The directors are not aware of any other matter or circumstance arising since year end up to the date of this report, not otherwise dealt with in this report.

33. Net asset value per share

The Group net asset value is 30,0 (2013: 33,84) cents per share and is based on the number of ordinary shares in issue net of treasury shares at year end of 815 575 723 (2013: 815 575 723) and net assets of R244,7 million (2013: R276,0 million).

34. Discontinued operations

Following a strategic decision to place a greater focus on the Group's core activities, management sold Purple Capital Treasury and Powerbet Gaming (refer note 35), in the prior year.

Results of discontinued operation – Group

	2014			2013		
	Treasury R'000	Powerbet R'000	Total R'000	Treasury R'000	Powerbet R'000	Total R'000
Revenue				2 023	5 934	7 957
Expenses	–	(2 514)	(2 514)	(4 902)	(20 573)	(25 475)
Earnings before interest, depreciation and amortisation	–	–	–	(2 879)	(14 639)	(17 518)
Net interest depreciation and amortisation	–	–	–	(489)	(604)	(1 093)
Loss before tax	–	(2 514)	(2 514)	(3 368)	(15 243)	(18 611)
Income tax	–	487	487	137	1 164	1 301
Results from operating activities, net of tax	–	(2 027)	(2 027)	(3 231)	(14 079)	(17 310)
Profit on sale of discontinued operation	–	–	–	321	21 392	21 713
(Loss)/profit for the period	–	(2 027)	(2 027)	(2 910)	7 313	4 403
Basic (loss)/profit per share			(0,25)			0,54
Diluted (loss)/profit per share			(0,24)			0,52

35. Disposal of a subsidiary

There were no disposals in the current year.

In the prior year, the Group disposed of Purple Capital Treasury Proprietary Limited and Powerbet Gaming Proprietary Limited.

2013	Purple Capital Treasury R'000	Powerbet Gaming R'000
CONSIDERATION RECEIVED		
Consideration received in cash and cash equivalents	1 259	–
Consideration receivable	–	30 000
ANALYSIS OF ASSETS AND LIABILITIES OVER WHICH CONTROL WAS LOST		
Non-current assets		
Equipment	–	47
Intangible assets	1 691	6 237
Deferred tax asset	–	1 815
Current assets		
Trade and other receivables	233	3 646
Cash and cash equivalents	211	593
Non-current liabilities		
Deferred tax liabilities	(474)	–
Current liabilities		
Trade and other payables	(722)	(3 730)
Net assets disposed of	939	8 608
GAIN ON DISPOSAL OF SUBSIDIARY		
Consideration received/receivable	1 259	30 000
Net assets disposed of	(939)	(8 608)
Gain on disposal	320	21 392
The gain on disposal is included in the profit for the year from discontinued operations (see note 34).		
NET CASH INFLOW ON DISPOSAL OF SUBSIDIARY		
Consideration received in cash and cash equivalent	1 259	–
Less: Cash and cash equivalent balances disposed of	(211)	(593)
	1 048	(593)

36. Shareholder analysis

	Number of share-holders	% of total share-holders	Number of shares	% of total issued share capital
ANALYSIS OF SHAREHOLDINGS				
1 – 999	173	14,64	63 259	0,01
1 000 – 9999	368	31,13	1 216 663	0,15
10 000 – 99 999	414	35,03	13 294 889	1,62
100 000 and over	227	19,20	808 330 211	98,22
Total	**1 182**	**100,00**	**822 905 022**	**100,00**
MAJOR SHAREHOLDERS				
(5% and more of the shares in issue)				
Gajoder Investments Proprietary Limited			184 335 829	22,40
Angoli Investment Proprietary Limited			100 100 000	12,16
Daymer Limited			100 008 328	12,15
Mark Barnes			67 171 670	8,16
Brown Brothers Harriman & Co.			52 232 910	6,35
SHAREHOLDER SPREAD				
Non-public:	34	2,93	510 245 994	62,01
Directors	5	0,43	96 404 047	11,72
Employees	26	2,24	29 397 790	3,57
10% of issued capital or more	3	0,26	384 444 157	46,72
Public	1 126	97,07	312 659 028	37,99
Total	**1 160**	**100,00**	**822 905 022**	**100,00**
DISTRIBUTION OF SHAREHOLDERS				
Individuals	1 037	87,73	240 596 978	29,24
Nominees and trusts	46	3,89	56 593 853	6,88
Close corporations	21	1,78	2 195 188	0,27
Other corporate bodies	32	2,71	6 762 740	0,82
Banks	5	0,42	160 160 910	19,46
Private companies	36	3,05	341 266 501	41,47
Public companies	5	0,42	15 328 852	1,86
	1 182	**100,00**	**822 905 022**	**100,00**

37. Going concern

The annual financial statements have been prepared on the going concern basis. Having reviewed the Group's financial projections, the directors believe that the Group will continue trading as a going concern in the foreseeable future.

PURPLE GROUP LIMITED

(Formerly Purple Capital Limited)

(Incorporated in the Republic of South Africa)
(Registration number 1998/013637/06)
Share code: PPE ISIN: ZAE000185526
("Purple Group" or "the Company")

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, please consult your stockbroker, accountant, attorney, banker or other independent professional adviser immediately.

Notice is hereby given that the annual general meeting of ordinary shareholders ("shareholders") of the Company will be held at Ground Floor, Block B, The Offices of Hyde Park, Strouthos Place (off 2nd Road), Hyde Park on Friday, 5 December 2014 at 10:00.

Attendance and voting

In terms of section 59(1)(a) and (b) of the Companies Act, 71 of 2008, as amended , the board of directors has set the record date for the purpose of determining which shareholders are entitled to:

- receive notice of the annual general meeting, ie the Notice Record Date (being the date on which a shareholder must be registered in the Company's share register in order to receive notice of annual general meeting) as Friday, 31 October 2014; and
- participate in and vote at the annual general meeting, ie the Meeting Record Date (being the date on which a shareholder must be registered in the Company's share register in order to participate in and vote at the annual general meeting) as Friday, 28 November 2014.

Please note that all participants at the annual general meeting will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the annual general meeting, Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

Electronic attendance

There will be no provision for electronic participation for attending and voting at the annual general meeting.

Purpose of the meeting

The purpose of this meeting is for shareholders to consider and if deemed fit, pass the following ordinary resolutions.

1. To receive, consider and approve the audited financial statements of the Company for the year ended 31 August 2014, together with the reports of the auditors and directors;
2. To authorise the directors to fix the remuneration of the auditors for the past audit;
3. To authorise the directors to confirm the appointment of the auditors, BDO South Africa Incorporated, as auditors and Fred Bruce-Brand, as the registered auditor responsible for the audit, until the conclusion of the next annual general meeting and to fix their remuneration;
4. To re-elect directors for positions to the board:

   4.1 in terms of the Memorandum of Incorporation, the following directors retire by rotation, but being eligible, hereby offer themselves for re-election:

   – Charles Savage

   – Dennis Alter and

   – Ronnie Lubner

(A brief *curriculum vitae* in respect of these directors is contained on page 96 of this Annual Report)

5. Special business

Shareholders will be asked to consider and, if deemed fit, to pass the following resolutions with or without amendment:

5.1 Ordinary resolution number 5 – Unissued shares to be placed under the control of the directors

"Resolved that, all of the authorised but unissued ordinary shares of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors be and are hereby authorised and empowered to allot and issue all or any such ordinary shares to such person or persons on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the proviso that the aggregate number of shares allotted and issued in terms of this resolution shall be limited to 15% (fifteen percent) of the authorised share capital and subject to the provisions of the Companies Act, 2008 (Act 71 of 2008), as amended ("the Act") and the Listings Requirements of the JSE Limited ("JSE")."

5.2 Ordinary resolution number 6 – General authority to issue shares and to issue treasury shares for cash

"Resolved that, subject to not less than 75% of the votes exercisable by ordinary shareholders in aggregate of the Company, present in person or by proxy or represented and entitled to vote at the annual general meeting at which this ordinary resolution is to be considered, being cast in favour thereof, the directors of the Company and/or any of its subsidiaries from time to time be and are hereby authorised by way of a general authority to allot and issue all or any of the authorised but unissued ordinary shares in the Company and/or sell or otherwise dispose of or transfer, or issue any options in respect of ordinary shares in the Company, for cash, to such person/s on such terms and conditions and at such times as the directors in their discretion deem fit, subject to the Act, the Memorandum of Incorporation of the Company and Listings Requirements of the JSE, which Listings Requirements currently provide, inter alia, that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- the equity securities must be issued to public shareholders, as defined by the Listings Requirements of the JSE, and not to related parties;

  this general authority is valid and will extend to the date of the next annual general meeting of the Company, provided that it will not extend beyond 15 (fifteen) months from the date of this annual general meeting;
- the number of ordinary shares issued for cash shall not in the aggregate in any one financial year of the Company exceed 15% (fifteen percent) of the Company's issued ordinary shares, including instruments which are convertible into ordinary shares. The number of ordinary shares which may be issued for cash shall be based on the number of ordinary shares in issue at the date of the application, less any ordinary shares issued by the Company during the current financial year, provided that any ordinary shares to be issued for cash pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application) may be included as if they were ordinary shares in issue at the date of application;
- a press announcement giving full details, including the impact on net asset value, net tangible asset value, headline earnings and earnings per share, will be published at the time of any issue representing, on a cumulative basis within any 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to such issue;
- in determining the price at which an issue of ordinary shares will be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of such ordinary shares, as determined over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and
- whenever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

5.3 Ordinary resolution number 7 – Authorised signatories

"Resolved that, any director of the Company or the Company Secretary be and is hereby authorised to do all such things and to sign all such documents issued by the Company to give effect to ordinary resolutions numbers 5 and 6 and special resolutions number 1, 2 and 3."

5.4 Special resolution number 1 – Acquisition of own shares

"Resolved that, the Company hereby approves, as a general approval, the acquisition from time to time, by the Company and/or any of its subsidiary companies, of issued shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time decide, subject to the Articles of Association of the Company, the provisions of the Act and the Listings Requirements of the JSE and on the basis that the directors will, at the time of each repurchase undertaken, ensure that following each repurchase, (a) the Company will satisfy the solvency and liquidity tests contemplated in section 46(1)(b) of the Act and (b) there will be no subsequent material change to the financial position of any company in the Purple Group provided that:

- any such repurchase of shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- the Company is authorised thereto by its Memorandum of Incorporation;
- the general authority shall only be valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- provided that the repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value for the issued shares for the 5 (five) business days immediately preceding the date on which any acquisition by the Company and/or any of its subsidiary companies is effected;
- at any point in time the Company may only appoint one agent to effect any repurchase(s) on the Company's behalf;
- the Company or its subsidiary may not repurchase shares during a prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE;
- repurchases of shares, by the Company, and/or its subsidiaries, in aggregate in any one financial year may not exceed 20% (twenty percent) of the Company's issued share capital pursuant to this general authority;
- subsidiaries of the Company shall not acquire, in aggregate, more than 10% of the Company's issued share capital; and
- an announcement will 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."

In terms of the Listings Requirements of the JSE, on the date of this notice the directors consider,

- that were the Company to effect the maximum repurchase contemplated above:
- the Company and its subsidiaries will be able in the ordinary course of business to pay its debts as they become due, for a period of 12 months after the date of the notice of the annual general meeting;
- the consolidated assets of the Company and its subsidiaries, will be in excess of the consolidated liabilities of the Company and its subsidiaries for a period of 12 months after the date of the notice of the annual general meeting, For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest annual group financial statements;
- the issued ordinary shares capital and reserves of the Company and its subsidiaries for a period of 12 months after the date of the notice of the annual general meeting will be adequate for the purpose of the business of the Company and its subsidiaries; and
- the working capital available to the Company and its subsidiaries for a period of 12 months after the date of the notice of the annual general meeting will be adequate for the requirements of the Company and its subsidiaries.

Shareholders' attention is drawn to the following relevant general information, which is required by the Listings Requirements of the JSE, with regard to the resolution granting a general authority to the Company to repurchase securities:

Directors of the Company	(refer to page 39 of the Company's annual report)
Major shareholders	(refer to page 90 of the Company's annual report)
Directors' interest in securities	(refer to page 39 of the Company's annual report)
Share capital of the Company	(refer to page 39 of the Company's annual report)

- Responsibility statement: the directors, whose names are given on page 39 of the Company's annual report, collectively and individually accept full responsibility for the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and notice of annual general meeting contains all information required by the Listings Requirements of the JSE.
- Litigation statement: there are no legal or arbitration proceedings, including any proceedings that are pending or threatened, of which the Company is aware, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Company's financial position.
- Material changes: other than the transactions mentioned in "Subsequent events" on page 39 of the Company's annual report, there has been no material change in the financial or trading position of the Company since 31 August 2014.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate.

Reasons for and effect of the special resolution

The reason for and effect of the passing of the aforesaid special resolution is so as to enable the Company and/or any of its subsidiary companies to acquire the issued shares of the Company from time to time upon the terms and conditions and in the amounts as the directors of the Company may from time to time decide, subject to the requirements of the Act and the Listings Requirements of the JSE at any time while the general authority exists.

5.5 Special resolution number 2 – financial assistance to related and inter-related entities

"Resolved that the directors of the Company may, subject to compliance with the requirements of the Articles of Association of the Company and the Act, authorise the provision by the Company, at any time and from time to time during the period of two (2) years commencing on the date of adoption of this special resolution, of direct or indirect financial assistance, by way of a loan, guarantee of a loan or other obligation or the securing of a debt or other obligation to any one or more related or inter-related companies or corporations of the Company and/or to any one or more members of any such related or inter-related company or corporation related to any such company or corporation as outlined in section 2 of the Act, on such terms and conditions as the directors may deem fit".

Reasons for and effect of the special resolution

The reason for the passing of this special resolution is that, on a strict interpretation of section 45 of the Act, the Company may not provide the financial assistance contemplated in such section without a special resolution, The above resolution gives the directors the authority to authorise the Company to provide direct or indirect financial assistance, by way of a loan, guaranteeing of a loan or other obligation or securing of a debt or other obligation, to the recipients contemplated in special resolution number 2, It is difficult to foresee the exact details of financial assistance that the Company may be required to provide over the next two (2) years, It is essential, however, that the Company is able to organise effectively its internal financial administration, For these reasons and because it would be impractical and difficult to obtain shareholder approval every time the Company wishes to provide financial assistance as contemplated above, it is necessary to obtain the approval of shareholders, as set out in special resolution number 2.

NOTICE OF ANNUAL GENERAL MEETING (continued)

It should be noted that this resolution does not authorise financial assistance to a director or a prescribed officer or any company or person related to a director or prescribed officer.

5.6 Special resolution number 3 – Approval of directors' remuneration

"Resolved that unless otherwise determined by the Company in general meeting, the fees payable to non-executive directors for their services as directors, for the financial year ending 31 August 2015, as set out below, be approved:

- Attendance fee per Board meeting – R30 000
- Attendance fee per sub-committee meeting – R15 000.

5.7 Percentage voting rights

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% of the voting rights to be cast on the resolution.

Salient dates
See the section titled salient dates and times situated below after the resolutions.

Holders of dematerialised shares, other than with "own name" registration intending to attend the annual general meeting, must inform their Central Securities Depository Participant ("CSDP") or broker of their intention and must obtain the necessary authorisation from their CSDP or broker to attend or, if unable to attend the annual general meeting in person, should provide their CSDP or broker with their voting instructions in terms of their agreement with the CSDP or broker in the manner and time stipulated therein.

The necessary form of proxy is attached for the convenience of certificated shareholders and dematerialised shareholders with "own name" registration who cannot attend the annual general meeting but who wish to be represented thereat. Any shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons to attend, speak and vote in place of such shareholder. A proxy so appointed need not be a shareholder of the Company. In order to be valid, duly completed form of proxy must be received by Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Wednesday, 3 December 2014.

Salient dates and times

Record date to receive notice of AGM	Friday, 31 October 2014
Notice of AGM to be posted to shareholders on	Friday, 7 November 2014
Last day to trade to be recorded in the register on the record date for participation in the AGM	Friday, 21 November 2014
Record date to participate in and vote at the AGM	Friday, 28 November 2014
Last day for lodging forms of proxy at 10:00 on	Wednesday, 3 December 2014
AGM at 10:00 on	Friday, 5 December 2014
Results of AGM released on SENS on	Friday, 5 December 2014

Note:
Any changes to the above dates will be announced on SENS subject to JSE approval.

In compliance with section 62(3)(c) of the Act and/or the Listings Requirements it is confirmed that a voting majority of 50% is required for the approval of ordinary resolutions number 1 to 7. For the special resolutions a 75% voting majority is required by law and the JSE Listings Requirements.

Voting and proxies
All shareholders will be entitled to attend and vote at the annual general meeting or any adjournment thereof. On a show of hands, every shareholder of the Company who, being an individual, is present or is present by proxy at the annual general meeting or which, being a company or body corporate, is represented thereat by a representative appointed, shall have one vote only and on a poll every shareholder of the Company (whether an individual or a company or a body corporate) or represented by a proxy at the annual general meeting shall have one vote for every ordinary share held by such shareholder.

Record dates

The posting record date, being the date that shareholders must be recorded in the register to be eligible to receive this notice of annual general meeting, is Friday, 31 October 2014.

The last day to trade in order to be eligible to vote at the annual general meeting is Friday, 21 November 2014.

The voting record date, being the date that shareholders must be recorded in the register to be eligible to speak and vote at the annual general meeting is Friday, 28 November 2014.

By order of the board

Peter Barrable
Company Secretary

4 November 2014

SHAREHOLDER RIGHTS

In terms of section 58 of the Companies Act, No 71 of 2008 (as amended), shareholders have rights to be represented by proxy as herewith stated.

1. At any time, a shareholder of the Company may appoint any individual, including an individual who is not a shareholder of the Company, as a proxy to:
   a. participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
   b. give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

Provided that the shareholder may appoint more than one proxy to exercise voting rights attached to different shares held by the shareholder.

2. A proxy appointment:
   a. must be in writing, dated and signed by the shareholder; and
   b. remains valid for:
      i. one year after the date on which it was signed; or
      ii. any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).
3. Except to the extent that the Memorandum of Incorporation of the company provides otherwise:
   a. a shareholder of the Company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
   b. a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
   c. a copy of the instrument appointing a proxy must be delivered to the Company, or to any other person on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
4. Irrespective of the form of instrument used to appoint a proxy:
   a. the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
   b. the appointment is revocable unless the proxy appointment expressly states otherwise; and
   c. if the appointment is revocable, a shareholder may revoke the proxy appointment by:
      i. cancelling it in writing, or making a later inconsistent appointment of a proxy; and
      ii. delivering a copy of the revocation instrument to the proxy, and to the Company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
   a. the date stated in the revocation instrument, if any; or
   b. the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).
6. If the instrument appointing a proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by this Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder must be delivered by the Company to:
   a. the shareholder; or
   b. the proxy or proxies, if the shareholder has:
      i. directed the Company to do so, in writing; and
      ii. paid any reasonable fee charged by the Company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.
8. If the Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of instrument for appointing a proxy:
   a. the invitation must be sent to every shareholder which is entitled to notice of the meeting at which the proxy is intended to be exercised;
   b. the invitation, or form of instrument supplied by the Company for the purpose of appointing a proxy, must:
      i. bear a reasonably prominent summary of the rights established by this section;
      ii. contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
      iii. provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
   c. the Company must not require that the proxy appointment be made irrevocable; and
   d. the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).
9. Subsection (8)(b) and (d) do not apply if the Company merely supplies a generally available standard form of proxy appointment on request by a shareholder.

BRIEF *CURRICULUM VITAE* OF DIRECTORS STANDING FOR RE-ELECTION

Charles Savage

Charles completed a BCom Accounting and Information Systems at the University of Cape Town in 1996. For the past 17 years he has been active in derivative financial markets with a strong focus on technology, business development and leadership. Charles was part of the team that pioneered CFD and spread trading in South Africa and in 2000 he led the development of the world's first fully automated online Spread Trading platform. He was elected to manage GT247.com's South African operations in 2003 where he was part of the Global Trader Executive. Charles is now responsible for strategically leading the operating business units of the group, as Group CEO.

Dennis Alter

Dennis Alter served as the Chairman and Chief Executive Officer of Advanta Corporation for nearly forty years. Advanta was one of the largest issuers of MasterCard credit cards to consumers and small businesses in the United States. It pioneered the solicitation of credit cards nationwide by direct response, no fee credit cards, balance transfers and the comprehensive use of analytics in marketing and credit analysis decisions. At its peak, it employed more than 5,000 people and had 7 million customers. During his tenure the company grew its assets, earnings and returns exponentially. Mr. Alter also owned the country's largest dating company, pioneering dating as a business in the mid-nineties.

Ronnie Lubner

Ronnie is Chairman of the PG Group, South Africa's leading integrated glass business. He is also Chairman of the international Belron group, the world's largest, dedicated vehicle glass repair and replacement company.

CORPORATE INFORMATION

Nature of business

Purple Group Limited is a financial services company.

Directors

Mark Barnes	Executive Chairman
Charles Savage	Chief Executive Officer
Gary van Dyk	Chief Financial and Operations Officer
Dennis Alter	Non-executive Director
Craig Carter	Non-executive Director
Thembeka Gwagwa	Independent Non-executive Director
Ronnie Lubner	Non-executive Director

Business address

Block B, The Offices of Hyde Park
Strouthos Place
Hyde Park
2196

Postal address

PO Box 411449
Craighall
2024

Bankers

Mercantile Bank Limited

Auditors

BDO South Africa Incorporated
Registered Auditors

Group Secretary

Peter Barrable
Block B, The Offices of Hyde Park
Strouthos Place
Hyde Park
2196

Share registrars

Link Market Services South Africa Proprietary Limited
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein
2001

Company registration number

1998/013637/06

ISIN

ZAE000185526

VAT registration number

4640178168

Tax number

9552/065/64/2