

CONDUIT CAPITAL LIMITED

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

CONDENSED CONSOLIDATED UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2015

FINANCIAL REVIEW

During the six months under review, Conduit's headline earnings per share increased by 17.9% to 9.9 cents (February 2014: 8.4 cents) and the net asset value per share increased to 172.8 cents (February 2014: 160.6 cents).

The overall increase in headline earnings can be broken down into the following components:

1. The net underwriting margin reduced to 2.4% during the period under review (3.6% as at February 2014). The reduction can be entirely attributed to an increased loss ratio on the Property and Motor books that were cancelled during the period under review (refer to the Chief Executive Officer's report contained in the 2014 Integrated Report for further details).
2. Expenses, including staff retrenchment costs, specifically related to the aforementioned termination of the Property and Motor books, amounted to R0.72 million.
3. Equity accounted income from associates and joint ventures increased by 33.4% to R9.37 million. It is believed that the current level of earnings from these entities is sustainable.
4. Investable assets generated an improved 11.1% annualised return, compared to 6.3% annualised in February 2014.

The above can be summarised in the following table:

	February 2015	February 2014	Total	%
Headline earnings – February 2014			21 625	
Net underwriting surplus	11 329	17 581	(6 252)	
Termination expenses	(720)	-	(720)	
Equity accounted income	9 368	7 021	2 347	
Investment income	21 117	11 676	9 441	
Other			(1 581)	
Taxation			589	
Headline earnings – February 2015			25 449	17.7

GROUP STRATEGIC DIRECTION

Post the period under review, the Group underwent a Board and management transformation as further disclosed in points 7 and 9 of the notes to the condensed consolidated unaudited results. Going forward, Conduit will focus primarily on opportunities in the insurance sector, supported by a conservative, value-oriented investment strategy. Further details on the Group's new strategic direction will be contained in the forthcoming Annual Results and Integrated Report.

Lourens E Louw

Financial Director and Acting Chief Executive Officer

Johannesburg

22 May 2015

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited six months ended 28 Feb 2015 R'000	Unaudited six months ended 28 Feb 2014 R'000	Audited year ended 31 Aug 2014 R'000
Gross written premium	467 155	492 567	882 998
Reinsurance premium	(311 751)	(326 944)	(550 080)
Net written premium	155 404	165 623	332 918
Net change in provision for unearned premium	707	1 850	(2 622)
Net premium income	156 111	167 473	330 296
Reinsurance commission received	244 295	256 126	413 076
Income from insurance operations	400 406	423 599	743 372
Net claims and movement in claims reserves	(70 563)	(69 251)	(142 097)
Insurance contract acquisition costs	(105 260)	(107 311)	(189 206)
Agency fees	(197 965)	(212 392)	(353 453)
Gross underwriting surplus	26 618	34 645	58 616
Administration costs	(15 289)	(17 064)	(32 293)
Net underwriting surplus	11 329	17 581	26 323
Non-insurance revenue	2 481	2 860	5 775
Other expenses	(16 167)	(14 466)	(30 145)
Operating profit	(2 357)	5 975	1 953
Equity accounted income	9 368	7 021	16 162
Investment income	21 117	11 676	25 889
Other income	2 343	97 551	97 375
Finance charges	(53)	(282)	(387)
Profit before taxation	30 418	121 941	140 992
Taxation	(4 916)	(24 131)	(24 508)
Profit for the period	25 502	97 810	116 484
Other comprehensive income	-	-	-
Total comprehensive income	25 502	97 810	116 484
Attributable to:			
Equity holders of the parent	25 443	97 769	116 383
Non-controlling interest	59	41	101
Total comprehensive income	25 502	97 810	116 484
Headline earnings	25 449	21 625	40 162
Earnings per share (cents)			
- Basic	9.9	38.1	45.4
- Diluted	9.9	38.1	45.4
- Headline	9.9	8.4	15.7
- Diluted headline	9.9	8.4	15.7

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME PER SEGMENT

	CORPORATE AND INVESTMENT SERVICES		
	Unaudited six months ended 28 Feb 2015 R'000	Unaudited six months ended 28 Feb 2014 R'000	Audited year ended 31 Aug 2014 R'000
Gross written premium	-	-	-
Reinsurance premium	-	-	-
Net written premium	-	-	-
Net change in provision for unearned premium	-	-	-
Net premium income	-	-	-
Reinsurance commission received	-	-	-
Income from insurance operations	-	-	-
Net claims and movement in claims reserves	-	-	-
Insurance contract acquisition costs	-	-	-
Agency fees	-	-	-
Gross underwriting surplus	-	-	-
Administration costs	-	-	-
Net underwriting surplus	-	-	-
Non-insurance revenue	6 394	5 824	13 973
Other expenses	(7 986)	(8 779)	(15 834)
Operating profit	(1 592)	(2 955)	(1 861)
Equity accounted income	8 618	6 069	13 592
Investment income	2 908	2 656	4 527
Other income	8	93 858	93 884
Finance charges	-	-	(302)
Profit before taxation	9 942	99 628	109 840
Taxation	(114)	(18 515)	(18 433)
Profit for the period	9 828	81 113	91 407
Other comprehensive income	-	-	-
Total comprehensive income	9 828	81 113	91 407
Attributable to:			
Equity holders of the parent	9 822	81 101	91 401
Non-controlling interest	6	12	6
Total comprehensive income	9 828	81 113	91 407
Headline earnings	9 822	5 551	15 852

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME PER SEGMENT
(continued)**

	INSURANCE AND RISK SERVICES		
	Unaudited six months ended 28 Feb 2015 R'000	Unaudited six months ended 28 Feb 2014 R'000	Audited year ended 31 Aug 2014 R'000
Gross written premium	467 155	492 567	882 998
Reinsurance premium	(311 751)	(326 944)	(550 080)
Net written premium	155 404	165 623	332 918
Net change in provision for unearned premium	707	1 850	(2 622)
Net premium income	156 111	167 473	330 296
Reinsurance commission received	244 295	256 126	413 076
Income from insurance operations	400 406	423 599	743 372
Net claims and movement in claims reserves	(70 563)	(69 251)	(142 097)
Insurance contract acquisition costs	(105 260)	(107 311)	(189 206)
Agency fees	(197 965)	(212 392)	(353 453)
Gross underwriting surplus	26 618	34 645	58 616
Administration costs	(15 289)	(17 064)	(32 293)
Net underwriting surplus	11 329	17 581	26 323
Non-insurance revenue	2 274	2 768	5 475
Other expenses	(11 463)	(11 419)	(27 586)
Operating profit	2 140	8 930	4 212
Equity accounted income	750	952	2 570
Investment income	15 304	9 931	21 266
Other income	2 335	2 782	3 491
Finance charges	(53)	(282)	(387)
Profit before taxation	20 476	22 313	31 152
Taxation	(4 802)	(5 616)	(6 075)
Profit for the period	15 674	16 697	25 077
Other comprehensive income	-	-	-
Total comprehensive income	15 674	16 697	25 077
Attributable to:			
Equity holders of the parent	15 621	16 668	24 982
Non-controlling interest	53	29	95
Total comprehensive income	15 674	16 697	25 077
Headline earnings	15 627	16 074	24 310

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 28 Feb 2015 R'000	Unaudited 28 Feb 2014 R'000	Audited 31 Aug 2014 R'000
ASSETS			
Non-current assets	459 148	450 322	444 553
- Property, plant and equipment	9 705	10 209	9 985
- Intangible assets	35 147	35 171	35 113
- Loans receivable	15 730	18 642	17 721
- Deferred taxation	15 237	14 826	9 364
- Investment properties	4 189	3 978	4 173
- Investment in associates	120 967	121 185	124 931
- Investment in joint ventures	217	286	93
- Investments held at fair value	257 956	246 025	243 173
Current assets	623 737	641 834	572 787
- Insurance assets	360 150	382 623	345 605
- Loans receivable	1 629	1 496	376
- Investments held at fair value	23 970	-	4 683
- Trade and other receivables	125 666	146 101	128 743
- Taxation	6 880	2 930	4 418
- Cash and cash equivalents	105 442	108 684	88 962
Total assets	1 082 885	1 092 156	1 017 340
EQUITY AND LIABILITIES			
Capital and reserves	443 658	412 438	431 053
- Ordinary share capital and share premium	176 704	176 704	176 704
- Inter-group funding	-	-	-
- Retained earnings	266 361	235 123	253 737
Equity attributable to equity holders of the parent	443 065	411 827	430 441
Non-controlling interest	593	611	612
Non-current liabilities	56 944	49 733	48 468
- Policyholder liabilities under insurance contracts	20 522	19 214	20 522
- Deferred taxation	36 422	30 519	27 946
Current liabilities	582 283	629 985	537 819
- Insurance liabilities	405 604	446 832	400 049
- Trade and other payables	173 819	178 336	137 081
- Taxation	2 860	4 817	689
Total equity and liabilities	1 082 885	1 092 156	1 017 340
Capital expenditure	381	214	624
Net asset value per share (cents)	172.8	160.6	167.9
Tangible net asset value per share (cents)	125.5	113.3	120.6

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION PER SEGMENT

	CORPORATE AND INVESTMENT SERVICES		
	Unaudited 28 Feb 2015 R'000	Unaudited 28 Feb 2014 R'000	Audited 31 Aug 2014 R'000
ASSETS			
Non-current assets	122 043	124 082	129 636
- Property, plant and equipment	81	79	80
- Intangible assets	15	15	15
- Loans receivable	-	-	-
- Deferred taxation	4 754	4 936	4 844
- Investment properties	-	-	-
- Investment in associates	117 193	119 052	121 774
- Investment in joint ventures	-	-	-
- Investments held at fair value	-	-	2 923
Current assets	53 851	47 968	47 399
- Insurance assets	-	-	-
- Loans receivable	-	-	-
- Investments held at fair value	23 970	-	4 683
- Trade and other receivables	4 379	5 179	11 452
- Taxation	18	110	115
- Cash and cash equivalents	25 484	42 679	31 149
Total assets	175 894	172 050	177 035
EQUITY AND LIABILITIES			
Capital and reserves	152 929	147 044	156 890
- Ordinary share capital and share premium	176 704	176 704	176 704
- Inter-group funding	(112 931)	(111 513)	(111 961)
- Retained earnings	88 971	81 668	91 968
Equity attributable to equity holders of the parent	152 744	146 859	156 711
Non-controlling interest	185	185	179
Non-current liabilities	18 308	18 492	18 308
- Policyholder liabilities under insurance contracts	-	-	-
- Deferred taxation	18 308	18 492	18 308
Current liabilities	4 657	6 514	1 837
- Insurance liabilities	-	-	-
- Trade and other payables	4 555	6 436	1 745
- Taxation	102	78	92
Total equity and liabilities	175 894	172 050	177 035
Capital expenditure	1	-	60

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION PER SEGMENT (continued)

	INSURANCE AND RISK SERVICES		
	Unaudited 28 Feb 2015 R'000	Unaudited 28 Feb 2014 R'000	Audited 31 Aug 2014 R'000
ASSETS			
Non-current assets	339 469	333 870	317 280
- Property, plant and equipment	9 626	10 130	9 905
- Intangible assets	37 495	37 519	37 461
- Loans receivable	15 730	23 910	17 721
- Deferred taxation	10 482	9 889	4 520
- Investment properties	4 189	3 977	4 173
- Investment in associates	3 774	2 133	3 157
- Investment in joint ventures	217	286	93
- Investments held at fair value	257 956	246 026	240 250
Current assets	570 938	600 835	536 396
- Insurance assets	360 150	382 623	345 605
- Loans receivable	1 629	1 496	376
- Investments held at fair value	-	-	-
- Trade and other receivables	122 341	147 892	128 298
- Taxation	6 861	2 819	4 303
- Cash and cash equivalents	79 957	66 005	57 814
Total assets	910 407	934 705	853 676
EQUITY AND LIABILITIES			
Capital and reserves	293 093	273 024	276 526
- Ordinary share capital and share premium	-	-	-
- Inter-group funding	112 931	116 780	111 961
- Retained earnings	179 754	155 818	164 129
Equity attributable to equity holders of the parent	292 685	272 598	276 090
Non-controlling interest	408	426	436
Non-current liabilities	38 636	31 240	30 160
- Policyholder liabilities under insurance contracts	20 522	19 213	20 522
- Deferred taxation	18 114	12 027	9 638
Current liabilities	578 678	630 441	546 990
- Insurance liabilities	405 604	446 832	400 049
- Trade and other payables	170 315	178 869	146 344
- Taxation	2 759	4 740	597
Total equity and liabilities	910 407	934 705	853 676
Capital expenditure	380	214	564

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited six months ended 28 Feb 2015 R'000	Unaudited six months ended 28 Feb 2014 R'000	Audited year ended 31 Aug 2014 R'000
Net cash flows from operating activities	24 726	18 927	(11 975)
Net cash flows from investing activities	(9 294)	(164 955)	(156 534)
Net cash flows from financing activities	1 048	(5 326)	(2 567)
Total cash movement for the period	16 480	(151 354)	(171 076)
Cash at the beginning of the period	88 962	276 449	276 449
Cash disposed of	-	(16 411)	(16 411)
Total cash at the end of the period	105 442	108 684	88 962

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and share premium R'000	Retained earnings R'000	Non-controlling interest R'000	Total R'000
Balance at 31 August 2013	176 704	137 354	13 567	327 625
Total comprehensive income for the period	-	97 769	41	97 810
Reclassification of subsidiary to associate	-	-	(12 997)	(12 997)
Balance at 28 February 2014	176 704	235 123	611	412 438
Total comprehensive income for the period	-	18 614	60	18 674
Dividends paid	-	-	(59)	(59)
Balance at 31 August 2014	176 704	253 737	612	431 053
Total comprehensive income for the period	-	25 443	59	25 502
Dividends paid	-	(12 819)	(78)	(12 897)
Balance at 28 February 2015	176 704	266 361	593	443 658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The accounting policies applied in the preparation of these condensed consolidated unaudited financial statements for the six months ended 28 February 2015 ("interim results") are in accordance with International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. These accounting policies are consistent with those applied in the annual financial statements for the year ended 31 August 2014. The interim results have been prepared making use of reasonable judgements and estimates and reporting is done in terms of IAS 34 – Interim Financial Reporting, the Companies Act, 2008 (Act 71 of 2008), as amended, and the Listings Requirements of JSE Limited ("the JSE") under the supervision of Mr Lourens Louw, the Financial Director. The interim results have not been audited or reviewed by the Group's auditors.

2. Changes in share capital

Details of the shares in issue as at the reporting dates are as follows:

	28 Feb 2015 '000	28 Feb 2014 '000	31 Aug 2014 '000
Number of shares	256 377	256 377	256 377
- Shares in issue	256 380	256 380	256 380
- Shares held as treasury shares	(3)	(3)	(3)
Weighted average number of shares	256 377	256 377	256 377
- Shares in issue	256 380	256 380	256 380
- Shares held as treasury shares	(3)	(3)	(3)
Diluted weighted average number of shares	256 377	256 377	256 377
- Shares in issue	256 380	256 380	258 380
- Shares held as treasury shares	(3)	(3)	(3)

3. Financial instruments

Fair value estimation

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

Financial assets	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Listed investments	253 005	-	-	253 005
Unlisted investments	-	4 951	-	4 951
	253 005	4 951	-	257 956

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

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

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

4. Other income / Profit on revaluation of associates

As previously reported, with effect from 1 September 2013, Conduit's interest in credit recovery and debt management specialist, Anthony Richards and Associates Proprietary Limited ("ARA"), was accounted for as an associate. The change in accounting treatment required that the Group carry out a once-off fair

value adjustment of Conduit's 40% interest in ARA and bring to book R93.86 million in pre-tax earnings (R75.55 million after tax) during the six months ended 28 February 2014. There was no requirement to perform a similar fair value adjustment in 2015.

5. Reconciliation of headline earnings

	Unaudited six months ended 28 Feb 2015 R'000	Unaudited six months ended 28 Feb 2014 R'000	Audited year ended 31 Aug 2014 R'000
Profit attributable to ordinary equity holders of Conduit	25 443	97 769	116 383
Net profit on revaluation of investment properties	-	-	(65)
Net loss on disposal of intangibles, property, plant and equipment	8	4	5
Profit on revaluation of associates	-	(93 862)	(93 862)
Profit on disposal of joint ventures	-	(912)	(937)
Tax on the items above	(2)	18 626	18 638
Headline earnings	25 449	21 625	40 162

6. Contingent liabilities

The Group is not aware of any current or pending legal cases that would have a material adverse effect on its results.

7. Directors

During March 2015, following discussions with certain shareholders of the Group, it was agreed that the Board would be restructured. This resulted in the resignations of the following Directors:

- 7.1. Jason Druian (Executive) on 23 March 2015;
- 7.2. Reginald Berkowitz (Independent non-executive) on 31 March 2015;
- 7.3. Scott Campbell (Independent non-executive) on 31 March 2015;
- 7.4. Günter Steffens (Independent non-executive) on 31 March 2015; and

the appointment of the following Directors:

- 7.5. Sean Riskowitz (Executive) on 31 March 2015;
- 7.6. Ronald Napier (Independent non-executive) on 31 March 2015;
- 7.7. David Harpur (Independent non-executive) on 31 March 2015; and
- 7.8. Jabulani Mahlangu (Independent non-executive) on 31 March 2015.

Following a general meeting of shareholders held on 19 May 2015, the following additional Directors were appointed to the Board:

- 7.9. Tyrone Moodley (Non-executive);
- 7.10. Barry Scott (Independent non-executive); and

7.11. Rosetta Xaba (Independent non-executive).

8. Dividends and other distributions

The Board has not recommended any dividend payment to ordinary shareholders for the six months ended 28 February 2015 (2014: Nil).

9. Post balance sheet events

As detailed in a SENS announcement on 24 March 2015, Jason Druian has concluded an agreement in terms whereof he resigned his employment as Chief Executive Officer of Conduit. The terms of the agreement included an agreed severance package equivalent to 2.5 times annual basic salary. The agreement came into effect on 31 March 2015.

Directors:

Executive directors: Lourens Louw (Financial Director and Acting Chief Executive Officer), Sean Riskowitz, Robert Shaw, Gavin Toet

Non-executive directors: Ronald Napier (Chairman)*, Richard Bruyns*, David Harpur*, Jabulani Mahlangu*, Tyrone Moodley, Barry Scott*, Rosetta Xaba*

* Independent

Company secretary:

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Transfer secretaries:

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Ground Floor, 70 Marshall Street, Johannesburg, 2001

Sponsor:

Merchantec Capital