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" or "the Company")

CONDENSED CONSOLIDATED AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2016

LETTER FROM THE CEO TO THE SHAREHOLDERS OF CONDUIT CAPITAL:

To the Shareholders of Conduit Capital

Our Vision

Conduit Capital is a South African holding company that owns subsidiaries involved in the insurance industry. Conduit's long-term ambition is to develop a high quality, diversified insurance group supported by a value-oriented, non-insurance investment portfolio. The aim is to continue to build a Group where talented people can thrive in the evolution of a quality business.

Our primary objective is to increase the per share intrinsic value[1] of the Company over the long term at an absolute rate in excess of the market in general. We intend to achieve this by pursuing profitable insurance opportunities that deliver sustainable underwriting profits and generate capital that can be invested in non-insurance opportunities. The increase in the value of this capital delivers a significant earnings stream for the Group, which in turn develops a larger capital base from which further insurance business can be written. Our goal is to accelerate this cycle, the ultimate effect of which should be a long-term sustainable increase in the value of the Company.

Measuring Performance

Conduit's performance is most appropriately measured by the growth in our intrinsic value per share. We use the *percentage change* (not the absolute level) in net asset value ("NAV") per share to estimate the Group's performance. This measure is more appropriate than a standard price to earnings ratio because of the nature of the Group's assets: insurers are generally valued in terms of a multiple of NAV. The investment portfolio should similarly be assessed in terms of its fair market value (rather than its realised or unrealised gains or losses that flow through the income statement).

The underlying nature of our businesses will result in inconsistent (but by no means undesirable) volatility in earnings in any year on year comparison (take this year, for example). We measure our progress not by the price to earnings multiple or growth in earnings, but rather the *rate of growth* in NAV per share. It is important to remember, however, that although *growth in NAV* per share is not a perfect proxy for *growth in intrinsic value*, it should over time offer a suitable correlation.

To accomplish our goal we will:

- invest in and sustainably develop our insurance businesses;
- pursue non-insurance investment opportunities; and
- grow our investable assets at no cost by achieving combined ratios[2] well below 100%.

[1] Intrinsic value refers to the actual value of a company or share determined through fundamental analysis without reference to its market value. Intrinsic value can vary significantly from market value.

[2] The combined ratio is calculated as net claims plus expenses divided by net earned premium.

More on combined ratios and their importance later.

For the year to 30 June 2016, NAV per share decreased by 1.8% primarily due to:

- new business reserving strain[3] brought about by substantial growth in the accident and health book in our insurance subsidiaries;
- a decrease in the value of our equity portfolio; and
- an impairment to our associate investment in ARA (discussed in more detail below).

On a normalised basis[4], the Group showed a loss attributable to equity holders of R3.9 million, compared to prior reported period normalised earnings of R47.7 million for the ten months to 30 June 2015. The decrease in earnings was due to the factors stated above.

Insurance Operations

Our insurance group, Constantia, comprises Constantia Insurance Company Limited, Constantia Life Limited and Constantia Life & Health Assurance Company Limited. Constantia, under the leadership of CEO, Robert Shaw, is managed in a highly decentralised fashion. It operates within profitable niche segments of the insurance market, complemented by personal lines and commercial lines offerings. Products are distributed by various divisions and by independent Underwriting Management Agencies ("UMAs"). UMAs are generally incentivised on a cost recovery basis (calculated as a percentage of premium) and profit share arrangements (to ensure sufficient underwriting quality).

Constantia is an opportunistic and entrepreneurial group led by a strong management team. It built on its niche during the year by partnering with the Automobile Association of South Africa in a new targeted direct insurance offering for AA clients. This group of clients presents significantly lower loss ratios than other motor clients in general. Constantia also took on large new books of accident and health business and continues investing in improved systems and additional personnel for future growth.

Constantia increased gross premiums by 6.6% to over R1 billion. Net premium income increased to R376 million, but the underlying mix has changed substantially from the prior year. We make use of solvency relief reinsurance contracts which have the effect of decreasing net premium income but increasing the insurer's return on invested capital. These solvency relief contracts relieve the group from onerous capital requirements by ceding marginally profitable (on a return on capital basis) gross premium in exchange for significantly lower capital requirements. Had we not entered into these agreements, net premium income would have been 80% higher at R676 million. However, we would have required an additional R105.8 million in capital which would have produced only R2.1 million in additional after-tax returns. Our intention is to retain more business on a net basis over time, but we will do so only when the return on capital compensates us for the risk and opportunity cost.

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[3] New business reserving strain occurs during the first year of the introduction of new insurance business when an IBNR reserve (for claims Incurred But Not Reported) needs to be established for the new business. After the first year, the reserve only has to be maintained, which has a less pronounced impact on earnings. Although this IBNR reserve reduces income, it increases the insurer's "float" by the same amount, which means that Conduit Capital still gets to use the cash for investment purposes, exactly the same as if it was earned through retained earnings.

[4] Normalised earnings exclude certain fair value adjustments. It however includes the impact of the new business reserving strain and the mark-to-market of our equity portfolio. Normalised earnings is not an IFRS measure.

Constantia produced a 102.3% combined ratio, up from 97.2% last year[5]. Adjusted for new insurance venture losses (i.e. taking out costs associated with new initiatives that are not yet at scale) and new business reserving strain, the combined ratio was 94.9%. Constantia's targeted combined ratio is 95% (or lower). The combined ratio measures the sum of the net loss ratio and the expense ratio relative to net earned premium and is critical as it determines whether or not the company is profitably writing insurance (simply put, it is no good to double premium if claims are going to quadruple). The ratio is a measure of the "cost" of the investable assets our insurance business produces that are available for investment. A ratio below 100% means our investable assets cost us nothing to generate (compared to a bank loan at prime plus 1% to generate the same level of investable assets). The lower the ratio the better, as it means we are creating investable assets at no cost. We consider out target of 95% to be sustainable and scalable.

Constantia's gross loss ratio[6] increased to 50.2% from 31.4%. In addition to the impact of the new business reserving strain (3.1%) the underwriting performance was tempered by higher claims in the accident and health portfolio during the last half of the year. Decisive corrective action has been taken within the relevant UMAs and books of business. Constantia increased investable assets (a broader definition of "float") by 11.1% to R159 million.

It is clear to us that Constantia's earnings power is significantly higher this year than it was in the previous year, even though the accounting result came in below expectations. Constantia is on a mission to invest in capacity to position the itself optimally for its sustainable growth plans. This journey included a thorough review of systems, people and processes, including all existing UMA and divisional arrangements. While on paper the results appears somewhat disappointing, I am pleased at how the earnings power of Constantia has and will continue to materially increase.

On 13 April 2016 Conduit announced the appointment of Volker von Widdern as its Deputy Chief Executive Officer of Constantia. Volker was previously the Managing Director of Marsh South Africa. He is earmarked to succeed Robert Shaw after a two year period when Robert retires. We welcome Volker to the team.

Public equity investments

Our equity portfolio comprises a concentrated selection of high quality businesses acquired for prices that we believe will ensure an attractive rate of return over the long term. When we consider buying shares in a company, we view the transaction as if we were buying the whole company. We are shareholder partners of these companies. Investing in non-insurance businesses is a stated objective of the Group which bolsters our capital base and, through earnings diversification, allows the insurance operations to focus on profitable growth.

The equity investment portfolio comprised approximately 20% of our assets, or about R245 million, spread between a subsidiary of Conduit and the insurance companies in Constantia. Constantia's investments are subject to Solvency Assessment and Management (SAM) regulatory constraints, while those held outside of Constantia are not. We have a blend of appropriate conservativeness and flexibility in order to pursue our investment objectives. The portfolio comprised eight investments at year end.

On a mark-to-market basis, the equity portfolio delivered a negative 8.3% return for the year. This compares to the 38.7% return achieved for the prior period. The mark-to-market losses do not, in our opinion, reflect

[5] Prior period comparisons are for the ten months to 30 June 2015.
[6] Gross claims incurred as a percentage of gross premium, as net claims ratios would be skewed by the impact of solvency reinsurance contracts entered into as highlighted above.

the growth in the underlying intrinsic value of the companies in which we are invested and in any event is too short a time period to measure the performance of the investment strategy. Conduit's net income after tax will be lumpy for the reason that stock prices are inherently uncertain and volatile. As explained above, growth in per share net asset value is a better proxy for the performance of Conduit's underlying business value.

Look-through Earnings

A measure of the success of the investment portfolio is "Look-through Earnings": Conduit's pre-tax *pro rata* share of income[7] produced by its investments in other companies. The metric is useful because all profits, whether paid out or not, are valuable to shareholders. The metric can show trends not otherwise observable by share price movements. Only share price movements and dividends are accounted for under accounting standards but there is real value to shareholders of retained earnings. In contrast to the share prices of our investments which decreased by 8.3%, Conduit's "Look-through Earnings" generated by the investment portfolio increased 273% year on year from R6.1 million to R23.1 million.

Other Investments

1. Conduit owns 40% of Anthony Richards & Associates ("ARA"), a leading credit recovery specialist. ARA produces a steady stream of income tied to the performance of consumer credit markets. The company generates an approximate 50% return on capital employed. Although we received R13.6 million in dividends from the company (R13.2 million in 2015) at a dividend yield of 11.1%, we have elected to impair the value of this investment by R13.075 million to R110 million in order to reflect the more difficult trading conditions experienced in consumer credit markets. The impairment negatively affected Conduit's earnings, but is excluded from the calculation of headline and normalised earnings.

2. Conduit agreed to participate as an investor and management company shareholder of Africa Special Opportunities Capital Proprietary Limited ("ASOC"). ASOC is building the pre-eminent special situations investment management company in South Africa, which is the "first-to-market" of its kind. Recently enacted Business Rescue legislation has created uncertainty in the market, creating an opportunity for an opportunistic distressed investment firm on which to capitalise. With little formal competition, ASOC is ideally placed to generate equity-like returns whilst assuming credit-like downside protections. We like to call it "shooting fish in a barrel".

   ASOC is led by the three musketeers of Shaun Collyer, Paul Birkett and Richard Ferguson. The trio has more than 55 years of experience in distressed business turnaround and private equity. They represent the values we hold dear at Conduit: integrity, intelligence and passion. If your business is in distress and you are looking for fast, efficient assistance, they might have a solution for you. Visit them at www.asocapital.com.

Remuneration

With effect from 1 July 2015, the Conduit Remuneration Committee introduced a new remuneration programme for Conduit Executives and CEOs of wholly owned subsidiaries. Each Executive and subsidiary CEO is now incentivised on areas over which he or she has influence, as well as overall group performance. In

[7] Calculated as the audited headline earnings of each investee company at its most recent fiscal year-end multiplied by Conduit's ownership percentage of the company.

our view incentive systems should be clear but demanding and in the best interests of all stakeholders (including Executives).

Each Executive or subsidiary CEO is paid a fixed salary. Performance bonuses take the form of a short term cash bonus (earned annually) and a long-term bonus comprising 50% cash and 50% shares. Performance in terms of the long-term bonus is measured over three years and shares due (if any) are acquired by the Company on the open market (no shares are issued so there is no dilutive effect). The magnitude of the short and long term bonuses is determined by a multiple of the employee's base salary in accordance with a weighted formula, and is capped.

The key performance metrics (with the relevant weightings in brackets) that determine performance remuneration are illustrated in the table below:

	Short Term (1 year)	**Long Term (3 year average)**
Conduit CEO	Growth in per share NAV (50%), Return on Capital Employed (25%), Return on Equity Investments (25%)	Growth in per share NAV (50%), Return on Capital Employed (20%), Return on Equity Investments (30%).
Other Conduit Executives	Return on Capital Employed (50%), Growth in per share NAV (50%)	Return on Capital Employed (25%), Growth in per share NAV (75%)
Constantia CEO	Combined Ratio (50%), Investable Asset Growth (25%), Insurance Return on Capital Employed (25%)	Combined Ratio (40%), Investable Asset Growth (20%), Insurance Return on Capital Employed (20%), Growth in NAV per share (20%)

The base levels at which performance bonuses begin are:

Growth in per share NAV	10%
Return on Capital Employed	15%
Return on Investments	10%
Combined Ratio	95%
Investable Asset Growth	>0%
Insurance Return on Capital Employed	15%

Further detail on the Group's remuneration policy is contained in the Remuneration Report. Shareholders will be asked to approve in a non-binding vote the Group's remuneration policy at the forthcoming Annual General Meeting.

Dividend

Conduit has a range of opportunities in which to deploy capital at attractive rates and therefore no dividend has been declared. For as long as we can identify opportunities that meet our return requirements, it is unlikely Conduit will pay a dividend.

Midbrook Lane Proprietary Limited ("Midbrook") and Snowball Wealth Proprietary Limited ("Snowball") transactions

Subsequent to year-end Conduit announced the acquisitions of Midbrook and Snowball, two private investment companies with similar portfolios and investment frameworks as Conduit. The deals are in the best interests of Conduit shareholders because they increase the per share net asset value of the Company, create a larger capital base from which we can write increased levels of insurance, give Conduit the opportunity to materially benefit from the growth in value of the underlying investments, and amalgamate two related party entities into the Conduit Capital business, thereby better aligning interests with those of Conduit shareholders. A circular containing further detail on the acquisitions was distributed to all Conduit shareholders on 29 September 2016. I am pleased to report, as disclosed in the circular that the directors and major shareholders of the Company will be voting in favour of the acquisitions.

Appreciation

Insurance and investment businesses are reliant on their people and partners as their most valuable assets. I express my sincere appreciation to all Conduit and Constantia staff for their remarkable efforts during the year – we would not be going anywhere without your valuable contribution. I thank our Board of Directors who support our efforts to create long-term value for shareholders. While it was a difficult year on all fronts, I believe the right decisions have and will be made to position the Group for sustainable long-term growth in earnings power. I thank all people involved in this Group for their unwavering commitment and conviction as we continue to build Conduit for the long-term.

Sean Riskowitz

Chief Executive Officer

Johannesburg

30 September 2016

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

We have provided two additional **Normalised** (but unaudited) columns which compare the two periods as if they were accounted for on a like-for-like basis, i.e. after:

1. reversing certain once-off costs associated with management changes during 2015; and
2. excluding fair value adjustments of associates, joint ventures and other capital items.

	Audited year ended 30 Jun 2016 R'000	Restated [1] audited 10 months ended 30 Jun 2015 R'000	Normalised unaudited year ended 30 Jun 2016 R'000	Normalised unaudited 10 months ended 30 Jun 2015 R'000
Gross written premium	1 005 586	790 494	1 005 586	790 494
Reinsurance premium	(629 530)	(474 544)	(629 530)	(474 544)
Net written premium	376 056	315 950	376 056	315 950
Net change in provision for unearned premium	(348)	(1 190)	(348)	(1 190)
Net premium income	375 708	314 760	375 708	314 760
Reinsurance commission received	298 973	362 663	298 973	362 663
Income from insurance operations	674 681	677 423	674 681	677 423
Net claims and movement in claims reserves	(187 318)	(158 656)	(187 318)	(158 656)
Insurance contract acquisition costs	(180 064)	(167 335)	(180 064)	(167 335)
Agency fees	(266 930)	(304 896)	(266 930)	(304 896)
Gross underwriting surplus	40 369	46 536	40 369	46 536
Administration costs	(36 213)	(24 702)	(36 213)	(24 702)
Net underwriting surplus	4 156	21 834	4 156	21 834
Non-insurance revenue	18 231	3 948	18 231	3 948
Other expenses	(48 429)	(41 180)	(43 429)	(32 188)
Operating loss	(26 042)	(15 398)	(21 042)	(6 406)
Equity accounted income	13 153	14 015	13 153	14 015
Investment income	4 513	45 576	4 513	45 576
Other	(12 109)	2 935	(512)	4 006
Finance charges	(924)	(212)	(924)	(212)
(Loss) profit before taxation	(21 409)	46 916	(4 812)	56 979
Taxation	(2 639)	(9 247)	652	(9 247)
(Loss) profit for the year	(24 048)	37 669	(4 160)	47 732
Other comprehensive income	-	-	-	-
Total comprehensive (loss) income	(24 048)	37 669	(4 160)	47 732
Attributable to:				
Equity holders of the parent	(23 817)	37 626	(3 929)	47 689
Non-controlling interest	(231)	43	(231)	43
Total comprehensive (loss) income	(24 048)	37 669	(4 160)	47 732
Headline (loss) earnings	(8 703)	38 179	(3 703)	47 171
(Loss) earnings per share (cents)				
- Basic	(7.7)	13.2	(1.3)	16.8
- Diluted	(7.7)	13.2	(1.3)	16.8
- Headline	(2.8)	13.4	(1.2)	16.6
- Diluted headline	(2.8)	13.4	(1.2)	16.6

[1] Earnings per share for the prior periods have been restated due to the rights offer on 14 December 2015, as required by IAS 33: Earnings per share. Certain individual line items have been restated in order to correct prior period errors, but there has been no impact on prior period earnings or equity. Refer to notes 2 and 3.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	GROUP	
	Audited 30 Jun 2016 R'000	Audited 30 Jun 2015 R'000
ASSETS		
Non-current assets	324 653	304 563
- Property, plant and equipment	10 787	9 067
- Intangible assets	37 226	35 246
- Loans receivable	16 783	16 004
- Deferred taxation	8 098	9 334
- Investment properties	4 351	5 928
- Investment in associates	133	124 411
- Investment in joint ventures	-	225
- Investments held at fair value	247 275	104 348
Current assets	759 670	776 448
- Insurance assets	267 108	302 672
- Loans receivable	2 365	1 180
- Trade and other receivables	203 878	149 515
- Taxation	13 846	10 149
- Cash and cash equivalents	272 473	312 932
Assets held for sale	110 000	-
Total assets	1 194 323	1 081 011
EQUITY AND LIABILITIES		
Capital and reserves	578 268	455 825
- Ordinary share capital and share premium	323 195	176 704
- Retained earnings	254 727	278 544
Equity attributable to equity holders of the parent	577 922	455 248
Non-controlling interest	346	577
Non-current liabilities	52 883	61 281
- Policyholder liabilities under insurance contracts	25 987	32 606
- Deferred taxation	26 896	28 675
Current liabilities	563 172	563 905
- Insurance liabilities	305 398	363 735
- Trade and other payables	251 744	191 970
- Taxation	6 030	8 200
Total equity and liabilities	1 194 323	1 081 011
Capital expenditure	3 896	1 254
Net asset value per share (cents)	174.4	177.6

SEGMENTAL REPORT

SEGMENTAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

	Insurance and Risk R'000	Investments R'000	Total R'000
Net underwriting surplus	4 156	-	4 156
Non-insurance revenue and other expenses	(12 773)	(1 405)	(14 178)
Operating loss	(8 617)	(1 405)	(10 022)
Equity accounted income (loss)	(676)	13 829	13 153
Investment income (loss)	14 793	(12 105)	2 688
Other	(1 553)	(5 000)	(6 553)
(Loss) profit before head office expenses and taxation	3 947	(4 681)	(734)
Unallocated net head office expenses			(20 675)
Taxation			(2 639)
Loss for the year			(24 048)
Capital utilised			
Capital employed at end of year	124 826	338 967	578 268
Capital utilised at end of year	124 826	263 414	502 713
Average capital utilised during the year	175 837	191 587	466 622

SEGMENTAL REPORT FOR THE 10 MONTHS ENDED 30 JUNE 2015

	Insurance and Risk R'000	Investments R'000	Total R'000
Net underwriting surplus	21 834	-	21 834
Non-insurance revenue and other expenses	(15 877)	(2 411)	(18 288)
Operating profit (loss)	5 957	(2 411)	3 546
Equity accounted income (loss)	(256)	14 271	14 015
Investment income	11 745	32 998	44 743
Other	2 724	-	2 724
Profit before head office expenses and taxation	20 170	44 858	65 028
Unallocated net head office expenses			(18 112)
Taxation			(9 247)
Profit for the period			37 669
Capital utilised			
Capital employed at end of period	204 806	197 312	455 825
Capital utilised at end of period	204 806	121 759	380 271
Average capital utilised during the period	190 952	111 502	365 002

SEGMENTAL REPORT (CONTINUED)

SEGMENTAL REPORT FOR THE YEAR ENDED 30 JUNE 2016 (UNAUDITED NORMALISED)

	Insurance and Risk R'000	Investments R'000	Total R'000
Net underwriting surplus	4 156	-	4 156
Non-insurance revenue and other expenses	(12 773)	(1 405)	(14 178)
Operating loss	(8 617)	(1 405)	(10 022)
Equity accounted income (loss)	(676)	13 829	13 153
Investment income	13 315	(12 105)	1 210
Other	(1 553)	-	(1 553)
Profit before head office expenses and taxation	2 469	319	2 788
Unallocated net head office expenses			(7 600)
Taxation			652
Loss for the year			(4 160)
Capital utilised			
Capital employed at end of year	124 826	338 967	578 268
Capital utilised at end of year	124 826	263 414	502 713
Average capital utilised during the year	175 837	191 587	466 622

SEGMENTAL REPORT FOR THE 10 MONTHS ENDED 30 JUNE 2015 (UNAUDITED NORMALISED)

	Insurance and Risk R'000	Investments R'000	Total R'000
Net underwriting surplus	21 834	-	21 834
Non-insurance revenue and other expenses	(15 877)	(2 411)	(18 288)
Operating profit (loss)	5 957	(2 411)	3 546
Equity accounted income (loss)	(256)	14 271	14 015
Investment income	11 745	32 998	44 743
Other	3 795	-	3 795
Profit before head office expenses and taxation	21 241	44 858	66 099
Unallocated net head office expenses			(9 120)
Taxation			(9 247)
Profit for the period			47 732
Capital utilised			
Capital employed at end of period	204 806	197 312	455 825
Capital utilised at end of period	204 806	121 759	380 271
Average capital utilised during the period	190 952	111 502	365 002

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Audited year ended 30 Jun 2016 R'000	Audited 10 months ended 30 Jun 2015 R'000
Net cash flows from operating activities	(39 253)	50 522
Net cash flows from investing activities	(145 413)	185 418
Net cash flows from financing activities	144 207	(11 970)
Total cash movement for the year	(40 459)	223 970
Cash at the beginning of the year	312 932	88 962
Total cash at the end of the year	272 473	312 932

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 1 September 2014	176 704	253 737	612	431 053
Total comprehensive income for the period	-	37 626	43	37 669
Dividends paid	-	(12 819)	(78)	(12 897)
Balance at 30 June 2015	176 704	278 544	577	455 825
Total comprehensive loss for the year	-	(23 817)	(231)	(24 048)
Issue of share capital	150 000	-	-	150 000
Share issue costs	(3 509)	-	-	(3 509)
Balance at 30 June 2016	323 195	254 727	346	578 268

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The accounting policies applied in the preparation of these condensed consolidated provisional audited financial statements for the year ended 30 June 2016 ("audited 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 10 months ended 30 June 2015. The audited 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.

2. Restatement of comparative numbers

2.1. The weighted average number of shares in issue and the earnings per share measures have been restated by a factor of 1.1097 to reflect the bonus element of the rights offer in terms of IAS 33: Earnings per share (also refer to note 3).

2.2. Two of the Group's underwriting managers reported information relating to the prior financial period only in the current financial year. This resulted in insurance revenue, claims, insurance contract acquisition costs and underwriting management fees reported in the prior period being understated, while profit commissions were overstated. The error had no impact on prior period earnings or equity.

The error has been corrected by restating each of the affected Statement of Profit or Loss and Other Comprehensive Income line items for the prior period as follows:

	Previously reported 10 months ended 30 Jun 2015 R'000	Adjustment R'000	Restated 10 months ended 30 Jun 2015 R'000
Insurance revenue	788,517	1,977	790,494
Net claims and movement in claims reserves	(129,273)	(29,383)	(158,656)
Insurance contract acquisition costs	(167,106)	(229)	(167,335)
Underwriting management fees	(132,374)	(388)	(132,762)
Profit commissions	(200,157)	28,023	(172,134)

3. Changes in share capital

75 000 000 (2015: Nil) ordinary shares totalling R150.0 million were issued by way of a rights offer on 14 December 2015. Share issue costs of R3.5 million have been charged to the Share Premium account. Details of the shares in issue as at the reporting dates are as follows:

	30 Jun 2016 '000	30 Jun 2015 '000
Number of shares	331 377	256 377
- Shares in issue	331 380	256 380
- Shares held as treasury shares	(3)	(3)

	2015	2014
Weighted average number of shares on which earnings and diluted earnings per share calculations are based	310 111	284 490
- Shares in issue	297 363	256 380
- Bonus issue for rights offer [1)]	12 751	28 113
- Shares held as treasury shares	(3)	(3)

[1)] The weighted average number of shares has been restated by the Bonus issue amount due to the rights offer that took place on 14 December 2015, as required by IAS 33: Earnings per share.

4. Impairment assessment of associates and joint ventures

4.1. In order to reflect the more difficult trading conditions experienced in consumer credit markets Conduit Capital impaired its investment in Anthony Richards and Associates Proprietary Limited ("ARA") by R13.1 million to R110.0 million. Due to it not being core to Conduit's operations, ARA was furthermore reclassified to "Assets held for sale" at year-end.

4.2. Constantia Insurance Holdings Proprietary Limited ("CIH"), a subsidiary of the Group, sold its joint venture holding in Riverstone Insurance Brokers Proprietary Limited at a profit of R1.48 million.

5. 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
2015				
Listed investments	247 275	-	-	247 275
Investment properties	-	4 351	-	4 351
	247 275	4 351	-	251 626
2014				
Listed investments	99 133	-	-	99 133
Investment properties	-	5 928	-	5 928
Unlisted investments	-	5 215	-	5 215
	99 133	11 143	-	110 276

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.

6. Reconciliation of headline (loss) earnings

	Audited year ended 30 Jun 2016 R'000	Audited 10 months ended 30 Jun 2015 R'000
(Loss) profit attributable to ordinary equity holders of Conduit	(23 817)	37 626
Net loss (profit) on revaluation of investment properties	31	(657)
Net loss (profit) on disposal of property, plant and equipment	261	(7)
Profit on disposal of joint ventures	(1 478)	-
Impairment of associates	13 075	1 071
Tax on the items above	3 225	146
Headline (loss) earnings	(8 703)	38 179

7. Contingent liabilities

7.1. A portfolio acquisition agreement, effective 1 September 2015, exists between the Constantia Insurance Company Limited and Dealers Indemnity Proprietary Limited ("Dealers"). Dealers receives a monthly annuity of R45,000 for the remainder of the vendor's natural life, subject to a minimum payment of R1,500,000 ("the Minimum Payment").

The present value of the annuity payments as at 30 June 2016 amounted to R3,081,746 per an actuarial calculation based on published mortality tables. The Group has raised a liability to the value of the Minimum Payment and confirms that it has a contingent liability of R1,581,746 as at the reporting date.

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

8. Directors

8.1. Mr Richard Bruyns resigned as an independent non-executive director of the Conduit Capital Board with effect from 3 August 2015 and has simultaneously been appointed as Chairman of the Constantia Insurance Group ("Constantia").

8.2. In line with the Group's decentralised operating model where subsidiaries are empowered to conduct their own business affairs and are responsible for implementing their own strategies to contribute to overall value creation and due to increased focus and time commitments associated with (and required by) the various growth opportunities of Constantia, Mr Robert Shaw, Chief Executive Officer of Constantia, stepped down as an executive director of the Conduit Capital Board with effect from 1 June 2016.

9. Dividends

In line with the Group's strategy, the details of which appear in the Letter from the CEO, the Board has not recommended any dividend payment to ordinary shareholders (2015: R12.82 million).

10. Events after reporting period

In a series of SENS announcements published on 4 August 2016, 11 August 2016 and 15 September 2016 shareholders were informed that Conduit Capital has acquired Snowball Wealth Proprietary Limited and

Midbrook Lane Proprietary Limited for a total consideration of R632.26 million, subject to shareholders' approval and a number of conditions precedent.

The general shareholders' meeting to approve the acquisitions has been scheduled for Friday, 28 October 2016.

11. Audit opinion

Grant Thornton has audited the Group's annual financial statements and their unqualified audit report is available for inspection at the Group's registered office.
The auditor's report does not cover all of the information contained in this announcement/financial report. Shareholders are therefore advised to obtain a copy of the audited Group annual financial information from the registered office of the Company.

12. Directors' responsibility

The directors take full responsibility for the preparation of the provisional report and the financial information has been correctly extracted from the underlying Group financial statements.

The provisional report is extracted from audited information, but is not itself audited.

Directors:

Executive directors:	Sean Riskowitz (Chief Executive Officer), Lourens Louw (Financial Director), Gavin Toet (Chief Operations Officer)
Non-executive directors:	Ronald Napier (Chairman)*, David Harpur*, Jabulani Mahlangu*, Tyrone Moodley, Barry Scott*, Rosetta Xaba*

* Independent

Sponsor:
Merchantec Capital

Company secretary:
CIS Company Secretaries Proprietary Limited
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