
CONDUIT CAPITAL LIMITED
Incorporated in the Republic of South Africa
(Registration number 1998/017351/06)
Share code: CND ISIN: ZAE000073128
(“**Conduit Capital**” or “**the Group**”)

SCHEDULE 11 ANNOUNCEMENT IN RESPECT OF THE DISPOSAL OF CLAH

1. INTRODUCTION

Shareholders are advised that on 23 December 2022, Constantia Risk and Insurance Holdings Proprietary Limited (“**Constantia**” or “**the Seller**”), an indirect wholly-owned subsidiary of Conduit Capital and the holding company of the Group’s insurance interests, entered into a share sale and purchase agreement (“**Agreement**”) with Affinity Financial Services Proprietary Limited (“**Affinity**” or “**the Purchaser**”), an unrelated third party, to dispose of the entire issued share capital of its wholly-owned subsidiary, Constantia Life and Health Assurance Company Limited (“**CLAH**”) (“**Sale Shares**”) and all claims which the Seller has against CLAH on the Effective Date, for a purchase consideration of R20 million (“**Consideration**”), as further set out below (“**Disposal**”).

The Sale Shares and Sale Claims are collectively referred to hereinafter as the “**Sale Equity**”.

2. RATIONALE

On 14 September 2022, Constantia Insurance Company Limited (“**CICL**”), a wholly-owned subsidiary of Constantia which contributed more than 95% of the Group’s revenue, was placed under Provisional Liquidation. Without the CICL business, on which the business assets within the Group were highly dependent for scale and transactional volumes, cash flow within the Group is being eroded and causing financial strain.

The Disposal is expected to reduce operating costs and generate sufficient cash flow for Conduit Capital to remain a going concern.

3. THE DISPOSAL

3.1 Nature of the CLAH business

CLAH is a licenced life insurance company offering a range of life and health insurance products.

3.2 Details pertaining to the Purchaser

The Purchaser, whose directors are Murray Hewlett, Paul Glen McNamee and Miles Frederick Wilson, is owned by Affinity Enterprises Holdings Proprietary Limited (100%).

Affinity is a diverse and proudly South African company operating nationwide from Gauteng. Through its subsidiary companies, Affinity specialises in providing financial, healthcare and insurance related services to the low-income segment of the insurance market.

Affinity has deep insurance experience, a mature technology stack, large staff complement, strong balance sheet and necessary expertise to unlock value in the insurance sector.

3.3 Suspensive conditions, Effective Date and Consideration

3.3.1 The Disposal is conditional on the fulfilment of the following suspensive conditions by 31 March 2023, or such extended period that the parties to the Agreement may agree to:

3.3.1.1 the approvals, if any, required from the Prudential Authority for the implementation of the Agreement shall have been granted, either unconditionally

- or subject to such conditions as may have been approved in writing, by the Purchaser which approval shall not be unreasonably withheld or delayed;
- 3.3.1.2 the change of directors of CLAH to qualifying persons nominated by the Purchaser;
 - 3.3.1.3 the Life Licence held by CLAH in terms of the provisions of the Insurance Act, No 18 of 2017, remaining in place until all other conditions have been met;
 - 3.3.1.4 the handing over of a fully completed and signed transfer form to the Purchaser by the Seller detailing the transfer of the Sale Shares;
 - 3.3.1.5 subject to paragraph 3.3.1.7, the handover of all banking accounts operated by CLAH to the Purchaser;
 - 3.3.1.6 the transfer of the entire database of CLAH to the Purchaser;
 - 3.3.1.7 CLAH's bank account at Standard Bank shall have been closed; and
 - 3.3.1.8 the preparation, finalisation and handover of the relevant reports by CLAH to the Purchaser.
- 3.3.2 The effective date of the Disposal will be the first Business Day following the fulfilment or waiver, as the case may be, of the last suspensive condition, but shall be by no later than 31 January 2023 unless agreed otherwise in writing by the parties to the Agreement before such date ("**Effective Date**").
- 3.3.3 The Consideration for the Sale Equity is payable by the Purchaser to the Seller in cash in full on or within two Business Days from the Effective Date.

The Agreement contains warranties and undertakings which are standard for a disposal of this nature.

4. FINANCIAL INFORMATION

Due to the Provisional Liquidation of CICL, Conduit Capital's auditors have not been able to complete the audit for the year ended 30 June 2022.

The unaudited value of the net assets of CLAH as at 30 June 2022 is R6.1 million. The unaudited loss after tax for CLAH for the year ended 30 June 2022 is R33.7 million, and an overall loss of R3.3 million for the first quarter of the financial year ending 30 June 2023.

The unaudited results have been prepared in accordance with International Financial Reporting Standards and the Companies Act, 2008 (Act 71 of 2008), as amended, on the same basis as the audited annual financial statements for the year ended 30 June 2021.

5. CLASSIFICATION OF THE DISPOSAL

The Disposal constitutes a category 1 transaction in terms of section 9.5(b) of the Listings Requirements of the JSE Limited ("**JSE**") and accordingly, requires shareholder approval.

However, due to the current circumstance of Conduit Capital as a result of the Provisional Liquidation of CICL, the board of directors of Conduit Capital ("**Board**") has applied for and the JSE has granted dispensation from adherence with category 1 transaction requirements, pursuant to schedule 11 of the Listings Requirements ("**Schedule 11**") and the expected date of completion of the Disposal is on or before 31 March 2023.

Accordingly, the following information is provided to shareholders in accordance with Schedule 11.

6. CONTINUING PROSPECTS

6.1 Impact of the Provisional Liquidation of CICL

The Provisional Liquidation of CICL has had a material impact on the Group, the prospects of which are highly dependent on the Group's ability to reduce costs and to dispose of assets that increase liquidity and reduce operating costs post such disposal. The Disposal achieves both of the aforementioned objectives.

6.2 The Remaining Assets of the Group post the Disposal

The remaining assets of the Group following the successful implementation of the Disposal (“**Remaining Assets**”) will be as follows:

Name	Description	Current Status	Prospects
Constantia Life Limited	A wholly owned subsidiary Life Insurer whose business has been in run-off since 2019.	The business continues to be run-off with no new business being written since 2019.	The intention is to complete the run-off of this business over the next few months.
Deal Design Commercial Property and Business Broking Proprietary Limited trading as Century21	The South African master franchisor of the Century21 international real estate brokerage. Conduit Capital owns 51% of the business.	The business continues to operate autonomously and is unaffected by the liquidation of CICL.	The business has grown significantly over the past two years and maintained its profitability. The prospects remain good despite the currently difficult local real estate market.
Conduit Ventures Proprietary Limited	A portfolio of insurance adjacent businesses that Conduit Capital holds minority shareholdings in.	These businesses continue to operate autonomously of Conduit Capital.	These businesses have been severely impacted by the liquidation of CICL as they were reliant on business from CICL.
Oraclemed Health Investments Proprietary Limited	An insurance underwriting manager that specialises in medical evacuation insurance in Africa. Conduit Capital owns 30% of the business.	The business continues to operate autonomously of Conduit Capital.	Although the business was impacted by the liquidation of CICL, it was able to find a replacement insurance carrier. Prospects remain good.
ASOC Fund 1	Participation in a fund that invests in distressed South African assets.	The fund is in the process of monetising its investments and distributing the proceeds to investors.	The process of monetising the Fund’s investments and the distribution of proceeds is anticipated to be concluded by June 2023.

6.3 Audit Status of the Remaining Assets and Future Prospects of the Group

Shareholders are referred to the Quarterly Progress Report released on SENS on Thursday, 15 December 2022 by the Group, wherein it was advised that the Group’s external audit process recommenced in October 2022 with the focus on first finalising the audits of the Remaining Assets in accordance with the requirements of the Prudential Authority, anticipated to be completed on or about 31 January 2023, with the Group audit to be completed sometime thereafter. This audit process is still on track.

However, with just the Remaining Assets, the Group will no longer qualify for a listing post the successful implementation of the Disposal. Accordingly, following the distribution of its annual report (incorporating the audited consolidated annual financial statements) for the year ended 30 June 2022, Conduit Capital will consider the options available to enable it to reinstate its listing in terms of the Listings Requirements.

7. WORKING CAPITAL

The Board is of the opinion that, unless the Disposal is implemented, the working capital available to the Group will be insufficient for the Group's present requirements, that is, for at least 12 months from the date of this announcement. It is anticipated that the proceeds received from the Disposal, which will be utilised to meet the Group's ongoing working capital requirements, will enable it to meet its ongoing financial needs for the next 12 months.

8. DIRECTORS' STATEMENT

The Board is of the belief that the Disposal is in the best interests of Conduit Capital and its shareholders as a whole and that, unless completed, Conduit Capital may be unable to meet its financial commitments as they fall due and consequently will be unable to continue to trade, resulting in the appointment of business rescue practitioners or liquidators.

9. CONFIRMATION PROVIDED TO THE JSE

In support of the Schedule 11 application, the following confirmations have been provided to the JSE:

- that the Disposal is in the best interests of Conduit Capital and its shareholders as a whole;
- that Conduit Capital's sponsor is of the opinion, based on the information available to it, that Conduit Capital is in severe financial difficulty and that it will not be in a position to meet its obligations as they fall due unless the Disposal is implemented;
- that all alternative methods of financing have been exhausted and the only option remaining to Conduit Capital is to complete the Disposal;
- Conduit Capital does not have any lenders to the business; and
- that the Takeover Regulation Panel has been consulted on the Schedule 11 dispensation.

10. FINANCIAL ARRANGEMENT CONTINGENT UPON THE DISPOSAL

There are no current or future financing arrangements envisaged that are or would be contingent upon the Disposal.

Cape Town
28 December 2022

Sponsor
Merchantec Capital