

CONDUIT CAPITAL LIMITED

Incorporated in the Republic of South Africa

(Registration number 1998/017351/06)

Share code: CND ISIN: ZAE000073128

("Conduit" or "the Group")

TRADING STATEMENT

The 6-month period to February 2014 concludes Conduit's 18th consecutive profitable reporting period.

At year-end we announced that with effect from 1 September 2013, our 40% interest in credit recovery specialist Anthony Richards and Associates Proprietary Limited (ARA), would be accounted for as an associate, doing away with the Direct segment entirely. As a subsidiary, accounting convention required us to maintain the value our share in ARA at historical cost, only increasing it incrementally by our share of profits, less dividends received (book value as at 31 Aug '13: R19.1 million). Naturally, this grossly undervalued an asset, which in 2013 alone produced after tax profits of R31.7 million (our share R12.7 million). The change in accounting treatment has precipitated a more realistic valuation (albeit unintentional) and resulted in a fair value adjustment through our statement of comprehensive income. In determining the fair value, we applied the same valuation model utilised for the purpose of calculating the underlying "Embedded value" of ARA at year-end. The outcome is an after-tax fair value gain of R75.6 million or 29.5 cents per share resulting in attributable earnings of R97.8 million or 38.1 cents per share for the 6 months to 28 February 2014 (28 Feb '13: R25.0 million or 9.7 cents per share).

To make comparison with the corresponding period meaningful, the 28 February 2013 result has been adjusted to account for ARA as if it were an associate at the time. Excluding the fair value gain, profit before tax came in at R28.1 million (adjusted 28 Feb '13: R25.4 million). As there has been no change in shareholding, the effect is merely cosmetic and limited to gross income and expenditure lines; the net result is of course identical.

The boost to headline earnings in the six months to 28 February 2013 arising out of changes in the Capital Gains Tax rate was not repeated in 2014. The anomaly accounts for the obvious disconnect between higher profits before tax and marginally lower headline earnings (28 Feb '13: R25.0 million vs 28 Feb '14: R21.6 million). Tax normalised, headline earnings would have easily eclipsed 2013. Tangible net asset value per share - comprising mainly cash and liquid investments - climbed 9.1 cents to 113.3 cents, repeating a strong pattern of converting *earnings* to *cash*. Net asset value, after the fair value adjustment relating to ARA,

increased to R411.8 million or 160.6 cents per share. The remaining debt of R2.7 million at year-end was extinguished, leaving the Group entirely debt free.

The financial information on which this trading statement is based has not been reviewed or reported on by the Group's auditors. Conduit's unaudited results for the six months ended 28 February 2014, incorporating further commentary on all operating units, are expected to be released on or about 14 May 2014.

Johannesburg

12 May 2014

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