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 2014

CHIEF EXECUTIVE OFFICER'S REPORT

Through 3 reporting cycles (this being the 4th), we have progressively unpacked important themes to assist current and prospective investors in understanding our business and determining their investment course. Initially, we focused our attention on value and creating a reliable tool for calculating the underlying part-by-part 'Embedded value' of our Group come year-end (August 2013: 186.6 cents per share). We now turn our attention to matters operational and delve deeper into the fundamentals of our core underwriting and investment activities - previously only reported on a globular basis. To keep you from nodding off, we have purged this commentary of needless waffle and industry jargon.

Investment strategy

Objectively, we recognise that any investment strategy is unavoidably subjective and lends itself to all manner of praise, criticism and alternate hypotheses. To understand and do our model justice therefore necessitates that we outline some philosophical values and explain a few basic insurance and regulatory principles; principles that inform our capital allocation and very precise approach to underwriting and investment risk.

An assortment of practice

In a *purist* sense, the business of an insurer is to underwrite risk with the primary objective of making a sound underwriting profit. In pursuit of achieving a satisfactory investment return to complement underwriting, most insurers depend (to a greater or lesser extent) on the substantial profits that can be generated by investing *Insurance float* and *Shareholder funds* in an appropriate blend of asset classes. In an interplay between underwriting and investments, the two 'tango' through investment and underwriting cycles, each having their turn to lead. That is the theory at least. In practice, insurers generally fall into one of two categories.

Interestingly, the first category is represented by some of the most well established brands in the industry. They are the monoliths of the insurance world, taking in enormous volumes of marginal or loss making premium in order to generate vast amounts of insurance float (effectively free loan capital) on which they rely to deliver an overall profit - underwriting losses and patchy investment returns regularly ensue!

On the other side of the spectrum sits a more purist sort, distinguished by their exceptional underwriting discipline and focus. With a natural skew toward profitable underwriting, these guys excel at underwriting and understandably adopt a more passive approach to investing - some of South Africa's direct insurers are examples of this rare breed.

Our own philosophy pays respect to a further category of enterprise that manages to straddle the two, yet excel in both. We believe our attitude to insurance and investing are marked by similar sober qualities!

The 4 money pots: Why cash isn't always king!

Rather than reproduce the entire investment policy in all its insurance and investment lingo glory, we have instead created a rather simple, self-explanatory, table to explain exactly how we go about dividing, allocating and investing group capital across the **4 'money pots'**. Beyond its initial purpose - which is to orientate and inform - we will produce a version of the table in future reports so as to provide a yardstick for performance and to keep you apprised of where your (and our) capital is invested at all times. As 2014 marks the only serious redistribution of capital in a while, the benefits of the investment strategy will be realised as capital is deployed: hence the current distinction between capital allocated and capital deployed. At each year-end the table will include an additional column presenting the actual investment returns for the period under review.

Note the distinct characteristics of each pot, chiefly informed by its risk-adjusted weight and status.

Money Pot	**Objective**	**Investment Strategy**	**Benchmark / Target**	**Time horizon (rolling periods)**	**Allocation at 28 Feb '14 ***	**Actually invested at 28 Feb '14 ****
Pot 1	Daily operational cash flow	Cash deposits with top 5 SA banks or equivalent	Current account rates +2%	Daily	R26.7m	R26.7m
Pot 2	Insurance float	50% allocated to cash deposits with top 5 SA banks or equivalent.	Short-Term Fixed Interest Index ("STeFI") + 1%	1 month – 4 years	R41.7m	R42.3m
	(Policyholder liabilities ***plus*** insurance liabilities ***less*** insurance assets)	Other 50%: medium-term growth, multi-asset class, absolute return mandates, single asset fund mandates and strategic investments	Sufficient to ensure an overall investment return equal to CPI + 3% p.a. after expenses	3-5 years	R41.7m	R41.7m
Pot 3	Minimum regulatory capital ("CAR") ratio	Cash, money market, corporate bonds	STeFI + 1.5%	1 month – 4 years	R139.6m	R128.3m
Pot 4	Surplus assets	Medium-term growth, multi asset class and strategic investments	Sufficient to ensure an overall investment return equal to CPI + 3% p.a. after expenses	3-5 years	R105.0m	R11.3m
To be allocated (for the time being housed in enhanced-yield funds, call accounts, etc.)					-	R104.4m
					R354.7m	**R354.7m**

* **Allocation at 28 Feb '14** refers to the amounts calculated and in turn allocated to each pot based on the published accounts

** **Actually invested at 28 Feb '14** refers to amounts physically deployed as at 28 February 2014

As it is only possible to accurately calculate the exact capital allocation for each pot after finalisation of any given month-end, it follows that there will always be a discrepancy between the **Actually invested amount** and the **Allocated amount** at interim and year-end reporting dates. This is to be expected and is well within a tolerable margin. Where any meaningful amount falls short of the **Allocation**, it is likely a result of a *truly* unallocated amount that remains to be invested in terms of the relevant Pot mandate - Pot 4 being a case in point. The exact match in certain of the pots is a function of allocating capital in a descending cascade based on its rank in the working capital and regulatory food chain.

Investment performance

Investment income of R12.6 million compares favourably with R15.2 million for the corresponding 6-month period to February 2013. To contextualise the positive investment performance one must strip away the outsized (and ultimately temporary) pre-tax mark-to-market gain of R8.0 million recorded for Amalgamated Electronic Corporation Limited ("Amecor") at February 2013 and contrast it with the R2.0 million booked on disposal of the asset in November 2013. Not only is the 'true' result better, it is far more sustainable.

Underwriting – the business of RISK

Under the leadership of Robert Shaw, our insurance business is in very qualified hands. Having spent roughly 43 years in Insurance and Reinsurance (50/50), Robert possesses an uncommon blend of entrepreneurial talent, technical ability and insurance expertise, vital to positioning the **Constantia Insurance Group** to meet the demands of an increasingly competitive environment. His bold (and realistic) ambitions for the business certainly have the attention of our competitors.

Our attitude to underwriting is no more negotiable than our approach to disciplined investing. In aggregate, our 3 insurers (1 short and 2 long-term) take in approximately a billion Rand in annual premium, retaining around a third for net account (after reinsurance). A good portion of the outward reinsurance relates to various high-volume, low-risk arrangements that leave us with a neat margin but little exposure. The rest of the risk premium is ceded (laid-off in bookmaking speak) as proportional reinsurance, where our reinsurers simply *follow our fortunes,* sharing losses and profits in the same proportion as they share premium; in return we receive a reinsurance commission to cover direct delivery costs and, if all goes well, a profit commission down the line. To further protect downside risk, we purchase additional reinsurance cover to limit the loss from any single event to a maximum of 1% of our capital base – it is money well spent!

The underwriting model

Over time, our business has morphed into something of a hybrid between the traditional broker, underwriting agency and direct models. Taking care not to tread on our own toes, our model allows us to selectively procure business through the channel most appropriate to the opportunity and where the relevant expertise and potential for above average profitability will always trump the temptation to write for volume. While our ultimate objective is to take **in** more premium than we pay **out** in claims, commissions and related costs, we only know our final cost of sales after the fact. Odd as this inverted relationship may seem, profitable underwriting is by no means a blind pursuit and requires a certain finesse to harvest the desired result: impartial technical analysis, precise actuarial modelling, good old-fashioned business sense and - dare I say - a little luck, all play their part.

The fact that our portfolio is heavily reinsured completely distorts the traditional underwriting margin metric *(Underwriting Surplus divided by Gross Premium Income ("GPI"))* used by other insurers to evaluate performance. We do not therefore suggest investors rely on prior period GPI comparisons as an evaluation tool. To reinforce our take on *quality* vs *quantity* it is instructive to note that Robert's performance and financial incentive are (at his insistence) judged solely on underwriting result and not premium growth or investment income!

The balancing act

For each Rand of GPI we retain for net account, the Financial Services Board ("FSB") requires us to hold a minimum level of capital, varying according to the perceived risk in each class of business: this ratio of Capital to Risk is referred to as the Capital Adequacy Ratio or CAR. Whilst in reality the FSB expects a considerable buffer to minimum CAR (all of our insurers operate well above the minimum) we choose rather to judge underwriting achievement by calculating the return based on the actual required regulatory minimums (Pot 3), which we express as **Return on Regulatory Capital** ("RoRC"). Any capital in excess of the stated minimum is then viewed as surplus and falls into the surplus asset pot (Pot 4).

Part of the challenge in producing stable and consistent underwriting returns lies in achieving sufficient scale and portfolio diversity to withstand a material loss in any one class of business - without disproportionately impacting the overall Insurance result. A blunt reminder of our susceptibility to an aberration in the result was recently served up in one fell and mainly weather related swoop, putting a sizeable (R11.9 million) dent in our motor and property portfolio. The weather losses occurred over too long a stretch for all of it to be captured within our catastrophe reinsurance protections and were unfortunately taken for net account - marring an otherwise pleasing overall performance. Absent deep pockets and sizeable premium volume, the solution lies not in joining the feeding frenzy typified by mainstream, cluttered markets - where the chances of making a profit, let alone a suitable return on capital, are often remote - but rather in a steady and measured approach that rewards quality premium with above average return. With that as a backdrop and at the risk of *death by table*, we unbutton our typical globular underwriting result to reveal the condensed RoRC by insurance class:

Insurance Class	Examples of insurance types	Capital allocated R'000	Target annualised RoRC (pre-tax) %	Actual annualised RoRC * (pre-tax) %
Property	Property, homeowners content, cell phones, computers	12,371	28	12.4
Motor	Motor, HCV, motorcycles	21,272	20	(13.0)
Accident/ health	Gap cover, medical evacuation, Hospital cash plans	59,194	28	40.9
Guarantee	Solvency, Court and Construction bonds	6,396	28	91.8
Miscellaneous	Legal cover, credit shortfall, motor warranties	20,023	28	30.2
Long-term	Funeral	20,000	28	1.4
Total		**139,256**	**26.8**	**25.2**

* **Actual annualised RoRC**: Year-to-Date Gross Underwriting Surplus ***minus*** Administration Costs ***multiplied*** by 12 months and ***divided*** by 6 months.

Note: The figures quoted above are based on IFRS financial reporting requirements, which differ from the regulatory reporting format.

Solvency Assessment and Management ("SAM")

We are fairly certain that the implementation of SAM in January 2016 will place further capital demands on existing and new portfolios, though the burden is unlikely to exceed the Group's current capital capacity. Once there is absolute clarity, we shall have ample time to fine-tune our reinsurance program and investment strategy to ameliorate any potential impact on profitability.

Dividends: To declare or not to declare

Between the lengthy explanations of capital allocation, underwriting doctrine and investment strategy, hopefully you have a better idea of why it is we approach dividends with such caution. To view us exclusively as a growth stock would imply that growth and appetite for capital must follow the same trajectory, indefinitely. Moreover, it would do a terrible disservice to our true dividend test. Above all other subjective measures, the decision is informed almost entirely on whether or not we can reasonably expect current capital *plus* profits to meet regulatory requirements and exceed growth expectations over the next 24 months. If the answer is anything but an unequivocal YES - on both fronts - we are left with no practical alternative but to bide our time, knowing that we are better off with the capital remaining in the business. In the meanwhile, take comfort in the fact that your money is invested right alongside ours; in a business so strictly regulated (and increasingly demanding) that it offers a built-in capital protection hardly rivalled by any other industry. That said, early indications of our SAM position suggest a positive dividend front.

Underwriting result

Despite the weather related losses, our insurance companies turned in a respectable Gross Underwriting Surplus of R34.6 million (February 2013: R29.9 million). After deducting Administration Costs, the Net Underwriting Surplus amounted to R17.6 million (February 2013: R13.0 million).

Key performance measures

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 of 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.

Credit Rating

Global Credit Ratings ("GCR") has affirmed Constantia Insurance Company Limited's rating of A-(ZA); Outlook Positive.

"The positive outlook is based on Constantia's notably improved underwriting trend over the past three years. GCR views this to be reflective of the operational improvements and streamlining exercises undertaken over the review period, combined with a targeted business line focus. Consequently, GCR views the insurer's strengthened earnings capacity to be indicative of sustained underwriting profitability going forward." - Global Credit Rating, 12 May 2014.

Conclusion

The apparent trend of better first than second half earnings is little more than coincidence and there is in fact no real correlation between performance and period. We nonetheless relish the opportunity to "buck the trend".

Outside of our large annuity income base, we have an extraordinary pipeline of opportunity not seen for quite some time. How much of it we ultimately succeed in converting - or have an appetite for eating - is not yet certain and will fall to the skill and good judgment of an experienced team.

"I do not think that there is any other quality so essential to success of any kind as the quality of perseverance. It overcomes almost everything, even nature."

If John D Rockefeller was right, then frankly I fancy our prospects now more than ever!

For and on behalf of the Board

Jason D Druian
Chief Executive Officer

Johannesburg
14 May 2014

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In anticipation of obtaining approval to transfer our listing from the Speciality Finance to the Insurance sector (JSE Main board), we have significantly expanded the February 2014 statement of comprehensive income to include certain insurance specific information. Additionally, the ARA result - historically consolidated under the Direct division - now appears as a single line of Equity accounted income in the Corporate and Investment Services segment.

For ease of comparison, we have provided 2 additional columns: a **Reported** column, which simply presents the 28 February and 31 August 2013 reported results in the "new look" format and a **Reformatted** column that does the same but accounts for ARA as if it were an associate at the time.

	Unaudited six months ended 28 Feb 2014 R'000	Reformatted six months ended 28 Feb 2013 R'000	Reformatted year ended 31 Aug 2013 R'000	Reported six months ended 28 Feb 2013 R'000	Reported year ended 31 Aug 2013 R'000
Gross written premium	492 567	580 623	1 039 463	580 623	1 039 463
Reinsurance premium	(326 944)	(438 863)	(727 308)	(438 863)	(727 308)
Net written premium	165 623	141 760	312 155	141 760	312 155
Net change in provision for unearned premium	1 850	1 018	423	1 018	423
Net premium income	167 473	142 778	312 578	142 778	312 578
Reinsurance commission received	256 126	322 317	532 366	322 317	532 366
Income from insurance operations	423 599	465 095	844 944	465 095	844 944
Net claims and movement in claims reserves	(69 251)	(90 282)	(174 512)	(90 282)	(174 512)
Insurance contract acquisition costs	(107 311)	(236 520)	(402 715)	(236 520)	(402 715)
Agency fees	(212 392)	(108 347)	(199 365)	(108 347)	(199 365)
Gross underwriting surplus	34 645	29 946	68 352	29 946	68 352
Administration costs	(17 064)	(16 986)	(28 851)	(16 986)	(28 851)
Net underwriting surplus	17 581	12 960	39 501	12 960	39 501
Non-insurance revenue	2 860	3 147	5 448	67 906	128 702
Other expenses	(14 466)	(13 402)	(38 021)	(54 570)	(118 224)
Operating profit	5 975	2 705	6 928	26 296	49 979
Equity accounted income	7 021	7 049	13 218	184	522
Investment income	11 676	15 178	22 665	15 452	23 268
Other income	97 551	680	2 734	680	3 719
Finance charges	(282)	(198)	(462)	(198)	(462)
Profit before taxation	121 941	25 414	45 083	42 414	77 026
Taxation	(24 131)	(440)	(5 392)	(7 140)	(18 293)
Profit for the period	97 810	24 974	39 691	35 274	58 733
Other comprehensive income	-	-	-	-	-
Total comprehensive income	97 810	24 974	39 691	35 274	58 733
Attributable to:					
Equity holders of the parent	97 769	24 951	39 625	24 951	39 625
Non-controlling interest	41	23	66	10 323	19 108
Total comprehensive income	97 810	24 974	39 691	35 274	58 733
Headline earnings	21 625	24 991	39 980	24 991	39 980
Earnings per share (cents)					
- Basic	38.1	9.7	15.5	9.7	15.5
- Diluted	38.1	9.7	15.5	9.7	15.5

	Unaudited six months ended 28 Feb 2014 R'000	Reformatted six months ended 28 Feb 2013 R'000	Reformatted year ended 31 Aug 2013 R'000	Reported six months ended 28 Feb 2013 R'000	Reported year ended 31 Aug 2013 R'000
- Headline	8.4	9.8	15.6	9.8	15.6
- Diluted headline	8.4	9.8	15.6	9.8	15.6

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME PER SEGMENT

	CORPORATE AND INVESTMENT SERVICES				
	Unaudited six months ended 28 Feb 2014 R'000	Reformatted six months ended 28 Feb 2013 R'000	Reformatted year ended 31 Aug 2013 R'000	Reported six months ended 28 Feb 2013 R'000	Reported year ended 31 Aug 2013 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	5 824	5 258	8 031	5 258	8 031
Other expenses	(8 779)	(7 561)	(14 698)	(7 561)	(14 698)
Operating profit	(2 955)	(2 303)	(6 667)	(2 303)	(6 667)
Equity accounted income	6 069	6 865	12 696	-	-
Investment income	2 656	7 038	16 626	7 038	16 626
Other income (expenses)	93 858	(26)	(14)	(26)	(14)
Finance charges	-	(2)	(3)	(2)	(3)
Profit before taxation	99 628	11 572	22 638	4 707	9 942
Taxation	(18 515)	159	(42)	158	(42)
Profit for the period	81 113	11 731	22 596	4 865	9 900
Other comprehensive income	-	-	-	-	-
Total comprehensive income	81 113	11 731	22 596	4 865	9 900
Attributable to:					
Equity holders of the parent	81 101	11 722	22 585	4 856	9 889
Non-controlling interest	12	9	11	9	11
Total comprehensive income	81 113	11 731	22 596	4 865	9 900
Headline earnings	5 551	11 748	22 599	4 883	9 903
Earnings per share (cents)					
- Basic	31.6	4.6	8.8	1.9	3.9
- Diluted	31.6	4.6	8.8	1.9	3.9
- Headline	2.2	4.6	8.8	1.9	3.9
- Diluted headline	2.2	4.6	8.8	1.9	3.9

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME PER SEGMENT (continued)

	INSURANCE AND RISK SERVICES				
	Unaudited six months ended 28 Feb 2014 R'000	Reformatted six months ended 28 Feb 2013 R'000	Reformatted year ended 31 Aug 2013 R'000	Reported six months ended 28 Feb 2013 R'000	Reported year ended 31 Aug 2013 R'000
Gross written premium	492 567	580 623	1 039 463	580 623	1 039 463
Reinsurance premium	(326 944)	(438 863)	(727 308)	(438 863)	(727 308)
Net written premium	165 623	141 760	312 155	141 760	312 155
Net change in provision for unearned premium	1 850	1 018	423	1 018	423
Net premium income	167 473	142 778	312 578	142 778	312 578
Reinsurance commission received	256 126	322 317	532 366	322 317	532 366
Income from insurance operations	423 599	465 095	844 944	465 095	844 944
Net claims and movement in claims reserves	(69 251)	(90 282)	(174 512)	(90 282)	(174 512)
Insurance contract acquisition costs	(107 311)	(236 520)	(402 715)	(236 520)	(402 715)
Agency fees	(212 392)	(108 347)	(199 365)	(108 347)	(199 365)
Gross underwriting surplus	34 645	29 946	68 352	29 946	68 352
Administration costs	(17 064)	(16 986)	(28 851)	(16 986)	(28 851)
Net underwriting surplus	17 581	12 960	39 501	12 960	39 501
Non-insurance revenue	2 768	3 033	5 225	3 033	5 225
Other expenses	(11 419)	(10 261)	(31 131)	(10 261)	(31 131)
Operating profit	8 930	5 732	13 595	5 732	13 595
Equity accounted income	952	184	522	184	522
Investment income	9 931	8 140	15 945	8 140	15 945
Other income (expenses)	2 782	(20)	2 748	(20)	2 748
Finance charges	(282)	(194)	(459)	(194)	(459)
Profit before taxation	22 313	13 842	32 351	13 842	32 351
Taxation	(5 616)	(598)	(5 350)	(598)	(5 350)
Profit for the period	16 697	13 244	27 001	13 244	27 001
Other comprehensive income	-	-	-	-	-
Total comprehensive income	16 697	13 244	27 001	13 244	27 001
Attributable to:					
Equity holders of the parent	16 668	13 230	26 946	13 230	26 946
Non-controlling interest	29	14	55	14	55
Total comprehensive income	16 697	13 244	27 001	13 244	27 001
Headline earnings	16 074	13 243	27 287	13 243	27 287
Earnings per share (cents)					
- Basic	6.5	5.2	10.5	5.2	10.5
- Diluted	6.5	5.2	10.5	5.2	10.5
- Headline	6.3	5.2	10.7	5.2	10.7
- Diluted headline	6.3	5.2	10.7	5.2	10.7

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME PER SEGMENT (continued)

	DIRECT				
	Unaudited six months ended 28 Feb 2014 R'000	Reformatted six months ended 28 Feb 2013 R'000	Reformatted year ended 31 Aug 2013 R'000	Reported six months ended 28 Feb 2013 R'000	Reported year ended 31 Aug 2013 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	-	-	-	64 759	123 254
Other expenses	-	-	-	(41 168)	(80 203)
Operating profit	-	-	-	23 591	43 051
Equity accounted income	-	-	-	-	-
Investment income	-	-	-	274	603
Other income	-	-	-	-	985
Finance charges	-	-	-	-	-
Profit before taxation	-	-	-	23 865	44 639
Taxation	-	-	-	(6 700)	(12 901)
Profit for the period	-	-	-	17 165	31 738
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	17 165	31 738
Attributable to:					
Equity holders of the parent	-	-	-	6 865	12 696
Non-controlling interest	-	-	-	10 300	19 042
Total comprehensive income	-	-	-	17 165	31 738
Headline earnings	-	-	-	6 865	12 696
Earnings per share (cents)					
- Basic	-	-	-	2.7	5.0
- Diluted	-	-	-	2.7	5.0
- Headline	-	-	-	2.7	5.0
- Diluted headline	-	-	-	2.7	5.0

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 28 Feb 2014 R'000	Unaudited 28 Feb 2013 R'000	Audited 31 Aug 2013 R'000
ASSETS			
Non-current assets	450 322	160 964	167 599
- Property, plant and equipment	10 209	14 452	14 102
- Intangible assets	35 171	47 058	46 865
- Loans receivable	18 642	3 789	12 801
- Deferred taxation	14 826	13 701	13 625
- Investment properties	3 978	3 850	3 978
- Investment in associates	121 185	395	323
- Investment in jointly controlled entities	286	3 665	3 566
- Investments held at fair value [Note A]	246 025	74 054	72 339
Current assets	641 834	866 406	860 262
- Insurance assets	382 623	435 877	389 895
- Loans receivable	1 496	10 158	4 707
- Trade and other receivables	146 101	157 613	183 120
- Taxation	2 930	2 527	6 091
- Cash and cash equivalents [Note A]	108 684	260 231	276 449
Total assets	1 092 156	1 027 370	1 027 861
EQUITY AND LIABILITIES			
Capital and reserves	412 438	319 096	327 625
- Ordinary share capital and share premium	176 704	176 703	176 704
- Inter-group funding	-	-	-
- Retained earnings	235 123	122 681	137 354
Equity attributable to equity holders of the parent	411 827	299 384	314 058
Non-controlling interest	611	19 712	13 567
Non-current liabilities	49 733	31 158	32 365
- Policyholder liabilities under insurance contracts	19 214	19 051	19 214
- Interest-bearing borrowings	-	2 675	2 695
- Deferred taxation	30 519	9 432	10 456
Current liabilities	629 985	677 116	667 871
- Insurance liabilities	446 832	505 136	454 147
- Trade and other payables	178 336	168 776	207 412
- Taxation	4 817	3 204	6 312
Total equity and liabilities	1 092 156	1 027 370	1 027 861
Capital expenditure	214	2 056	3 504
Net asset value per share (cents)	160.6	116.8	122.5
Tangible net asset value per share (cents)	113.3	98.4	104.2

Note A: The movement between cash and cash equivalents and investments held at fair value relates to the shift from *pure* cash to highly liquid, low-risk investments (money market instruments, bank and corporate paper and government bonds), expected to generate returns in excess of call rates. The programme is hedged against downside risk in the underlying instruments.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION PER SEGMENT

	CORPORATE AND INVESTMENT SERVICES		
	Unaudited 28 Feb 2014 R'000	Unaudited 28 Feb 2013 R'000	Audited 31 Aug 2013 R'000
ASSETS			
Non-current assets	124 082	39 782	36 875
- Property, plant and equipment	79	156	84
- Intangible assets	15	29	28
- Loans receivable	-	-	-
- Deferred taxation	4 936	5 115	4 943
- Investment properties	-	-	-
- Investment in associates	119 052	-	-
- Investment in jointly controlled entities	-	597	414
- Investments held at fair value	-	33 885	31 406
Current assets	47 968	5 719	15 551
- Insurance assets	-	-	-
- Loans receivable	-	-	-
- Trade and other receivables	5 179	1 551	829
- Taxation	110	97	94
- Cash and cash equivalents	42 679	4 071	14 628
Total assets	172 050	45 501	52 426
EQUITY AND LIABILITIES			
Capital and reserves	147 044	42 466	44 953
- Ordinary share capital and share premium	176 704	176 703	176 704
- Inter-group funding	(111 513)	(122 394)	(124 938)
- Retained earnings	81 668	(12 014)	(6 986)
Equity attributable to equity holders of the parent	146 859	42 295	44 780
Non-controlling interest	185	171	173
Non-current liabilities	18 492	-	-
- Policyholder liabilities under insurance contracts	-	-	-
- Interest-bearing borrowings	-	-	-
- Deferred taxation	18 492	-	-
Current liabilities	6 514	3 035	7 473
- Insurance liabilities	-	-	-
- Trade and other payables	6 436	2 955	7 406
- Taxation	78	80	67
Total equity and liabilities	172 050	45 501	52 426
Capital expenditure	-	-	-
Net asset value per share (cents)	57.3	16.5	17.5
Tangible net asset value per share (cents)	24.1	16.5	17.5

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION PER SEGMENT (continued)

	INSURANCE AND RISK SERVICES		
	Unaudited 28 Feb 2014 R'000	Unaudited 28 Feb 2013 R'000	Audited 31 Aug 2013 R'000
ASSETS			
Non-current assets	333 870	107 609	112 740
- Property, plant and equipment	10 130	10 308	10 413
- Intangible assets	37 519	37 665	37 663
- Loans receivable	23 910	3 789	7 595
- Deferred taxation	9 889	8 365	8 684
- Investment properties	3 977	3 850	3 977
- Investment in associates	2 133	395	323
- Investment in jointly controlled entities	286	3 068	3 151
- Investments held at fair value [Note A]	246 026	40 169	40 934
Current assets	600 835	822 521	825 862
- Insurance assets	382 623	435 877	389 895
- Loans receivable	1 496	10 158	15 119
- Trade and other receivables	147 892	140 283	169 824
- Taxation	2 819	2 430	5 615
- Cash and cash equivalents [Note A]	66 005	233 773	245 409
Total assets	934 705	930 130	938 602
EQUITY AND LIABILITIES			
Capital and reserves	273 024	236 685	252 917
- Ordinary share capital and share premium	-	-	-
- Inter-group funding	116 780	110 826	113 370
- Retained earnings	155 818	125 432	139 147
Equity attributable to equity holders of the parent	272 598	236 258	252 517
Non-controlling interest	426	427	400
Non-current liabilities	31 240	31 158	32 166
- Policyholder liabilities under insurance contracts	19 213	19 051	19 213
- Interest-bearing borrowings	-	2 675	2 695
- Deferred taxation	12 027	9 432	10 258
Current liabilities	630 441	662 287	653 519
- Insurance liabilities	446 832	505 136	454 147
- Trade and other payables	178 869	154 423	193 127
- Taxation	4 740	2 728	6 245
Total equity and liabilities	934 705	930 130	938 602
Capital expenditure	214	1 111	1 909
Net asset value per share (cents)	106.3	92.2	98.5
Tangible net asset value per share (cents)	91.7	77.5	83.8

Note A: The movement between cash and cash equivalents and investments held at fair value relates to the shift from *pure* cash to highly liquid, low-risk investments (money market instruments, bank and corporate paper and government bonds), expected to generate returns in excess of call rates. The programme is hedged against downside risk in the underlying instruments.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION PER SEGMENT (continued)

	DIRECT Unaudited 28 Feb 2014 R'000	 Unaudited 28 Feb 2013 R'000	 Audited 31 Aug 2013 R'000
ASSETS			
Non-current assets	-	15 937	15 144
- Property, plant and equipment	-	3 989	3 607
- Intangible assets	-	11 727	11 537
- Loans receivable	-	-	-
- Deferred taxation	-	221	-
- Investment properties	-	-	-
- Investment in associates	-	-	-
- Investment in jointly controlled entities	-	-	-
- Investments held at fair value	-	-	-
Current assets	-	38 639	29 745
- Insurance assets	-	-	-
- Loans receivable	-	-	-
- Trade and other receivables	-	16 251	12 952
- Taxation	-	-	382
- Cash and cash equivalents	-	22 388	16 411
Total assets	-	54 576	44 889
EQUITY AND LIABILITIES			
Capital and reserves	-	42 308	32 118
- Ordinary share capital and share premium	-	-	-
- Inter-group funding	-	11 568	11 568
- Retained earnings	-	11 626	7 553
Equity attributable to equity holders of the parent	-	23 194	19 121
Non-controlling interest	-	19 114	12 997
Non-current liabilities	-	-	199
- Policyholder liabilities under insurance contracts	-	-	-
- Interest-bearing borrowings	-	-	-
- Deferred taxation	-	-	199
Current liabilities	-	12 268	12 572
- Insurance liabilities	-	-	-
- Trade and other payables	-	11 872	12 572
- Taxation	-	396	-
Total equity and liabilities	-	54 576	44 889
Capital expenditure	-	945	1 595
Net asset value per share (cents)	-	9.0	7.5
Tangible net asset value per share (cents)	-	4.5	3.0

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited six months ended 28 Feb 2014 R'000	Unaudited six months ended 28 Feb 2013 R'000	Audited year ended 31 Aug 2013 R'000
Net cash flows from operating activities	18 927	(6 207)	13 609
Net cash flows from investing activities	(164 955)	706	1 695
Net cash flows from financing activities	(5 326)	(4 240)	(8 827)
Total cash movement for the period Note A	(151 354)	(9 741)	6 477
Cash at the beginning of the period	276 449	269 972	269 972
Cash disposed of Note B	(16 411)	-	-
Total cash at the end of the period	108 684	260 231	276 449

Note A: The movement between cash and cash equivalents and investments held at fair value relates to the shift from *pure* cash to highly liquid, low-risk investments (money market instruments, bank and corporate paper and government bonds), expected to generate returns in excess of call rates. The programme is hedged against downside risk in the underlying instruments.

Note B: "Cash disposed of" refers to the deconsolidation of ARA's cash reflected in the Group's accounts at 31 August 2013 (due to its reclassification as an associate)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and share premium R'000	Retained earnings R'000	Other reserves R'000	Non-controlling interest R'000	Total R'000
Balance at 1 September 2012	175 917	97 694	182	14 504	288 297
Total comprehensive income for the period	-	24 951	-	10 323	35 274
Reversal of equity options	-	36	(36)	-	-
Equity options exercised	786	-	(146)	-	640
Loans repaid to non-controlling shareholders	-	-	-	(5 100)	(5 100)
Dividends paid	-	-	-	(15)	(15)
Balance at 28 February 2013	176 703	122 681	-	19 712	319 096
Total comprehensive income for the period	-	14 674	-	8 785	23 459
Equity options exercised	1	(1)	-	-	-
Loans repaid to non-controlling shareholders	-	-	-	(18)	(18)
Dividends paid	-	-	-	(14 912)	(14 912)
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

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 2014 ("interim results") are based on reasonable judgements and estimates and 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 2013. The interim results have been prepared in terms of IAS 34 – Interim Financial Reporting, the Companies 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 and have not been audited or reviewed by the Group's auditors.

Due to the early adoption of IFRS 9 - 13, IAS 27 - 28 and the amendments to IFRS 7 and IAS 32 during the previous financial year, there is no requirement to restate prior years' results.

2. Changes in share capital

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

	28 Feb 2014 '000	28 Feb 2013 '000	31 Aug 2013 '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	255 982	255 982
- Shares in issue	256 380	256 380	256 380
- Shares held as treasury shares	(3)	(398)	(398)
Diluted weighted average number of shares	256 377	255 982	255 982
- Shares in issue	256 380	256 380	258 380
- Shares held as treasury shares	(3)	(398)	(398)

3. Transactions with non-controlling interests

At year-end we confirmed that with effect from 1 September 2013 Conduit's 40% interest in credit recovery specialist ARA would no longer be accounted for as a subsidiary, but rather as an associate. This resulted in a reduction of R13.0 million in the carrying amount of non-controlling interest.

4. Associated companies

Effective 1 November 2013 the Group, through its subsidiary Constantia Insurance Holdings Proprietary Limited ("CIH"), acquired a 40% interest in Administration Plus Proprietary Limited for a consideration of R1.1 million.

ARA's reclassification from a subsidiary to an associate resulted in a non-headline profit of R75.6 million.

5. Disposal of jointly controlled company

Effective 1 January 2014 the Group, through CIH, sold its 50% interest in Catalyst Insurance Consultants Proprietary Limited for R4.0 million, resulting in a non-headline profit of R594 000.

6. 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	241 452	-	-	241 452
Unlisted investments	-	4 573	-	4 573
	241 452	4 573	-	246 025

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.

7. Reconciliation of headline earnings

	Unaudited six months ended 28 Feb 2014 R'000	Unaudited six months ended 28 Feb 2013 R'000	Audited year ended 31 Aug 2013 R'000
Profit attributable to ordinary equity holders of Conduit	97 769	24 951	39 625
Net loss on revaluation of investment properties	-	-	43
Net loss on disposal of intangibles, property, plant and equipment	4	45	66
Profit on revaluation of associates	(93 862)	-	-
Profit on disposal of jointly controlled entities	(912)	-	-
Impairment of associates and jointly controlled entities	-	-	267
Tax on the items above	18 626	(5)	(21)
Headline earnings	21 625	24 991	39 980

8. Contingent liabilities

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

9. Directors

There were no changes to the board of directors of Conduit Capital ("the Board") during the period under review.

10. Dividends and other distributions

The Board has not recommended any dividend payment to ordinary shareholders for the six months ended 28 February 2014 (2013: Nil).

11. Post balance sheet events

There were no material post-balance sheet events.

Directors:

Executive directors:	Jason D Druian (Chief Executive Officer), Lourens E Louw (Financial Director), Robert L Shaw, Gavin Toet
Non-executive directors:	Reginald S Berkowitz (Chairman)*, Richard Bruyns*, Scott M Campbell*, Günter Z Steffens OBE*

* Independent

Company secretary:

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Third Floor, The Mall Offices, 11 Cradock Avenue
Rosebank, 2196

Registered address:

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Telephone: 011 686 4200
Facsimile: 011 886 0206

Transfer secretaries:

Computershare Investor Services Proprietary Limited
Ground Floor, 70 Marshall Street, Johannesburg, 2001

Sponsor:

Merchantec Capital