

CONDUIT CAPITAL LIMITED

Incorporated in the Republic of South Africa

(Registration number: 1998/017351/06)

Share code: CND ISIN: ZAE000073128

("Conduit" or "the Group")

PRO FORMA FINANCIAL INFORMATION AND AMPLIFICATION OF NOTE 11.3 PERTAINING TO THE 2017 ANNUAL FINANCIAL STATEMENTS

Following the conclusion of the JSE's proactive monitoring process in respect of Conduit's Annual Financial Statements for the 2017 financial year, shareholders are advised of the following amendments thereto as it pertains to the Tables included in the "CFO's Letter to Shareholders" (which is deemed to constitute *pro forma* financial information) as well as to "Note 11.3 - Restatement of Comparative Numbers". The information below replaces the information included in the Annual Financial Statements for the 2017 financial year.

Pro forma financial information

The adjusted information in Tables 1, 2 and 3 below is the responsibility of the Group's Board of Directors and is presented for illustrative purposes only. Due to the nature of this information, it may not fairly present the Group's financial position, changes in equity and results of operations or cash flows. The pro forma information has been compiled in terms of the JSE Listings Requirements and the Revised Guide on Pro Forma Information by SAICA and the accounting policies of the Group as at 30 June 2017. The illustrative information has been derived from the Group's audited financial information and has been reported on in an independent Reporting Accountant's assurance report which can be found on the Group's website at www.conduitcapital.co.za.

The pro forma information in Table 1 below is presented to demonstrate how certain contributing items to the Group's Statement of Changes in Equity for the 2017 financial year would have reflected differently if:

1. the date on which the Midbrook Lane Proprietary Limited ("Midbrook") and Snowball Wealth Proprietary Limited ("Snowball") transactions became effective on 19 July 2016, i.e. the date on which it was agreed that the two entities would be acquired by Conduit, rather than the actual effective dates of 2 February 2017 and 30 March 2017, respectively; and
2. a special dividend from Anthony Richards and Associates Proprietary Limited ("ARA") was accounted for on an equity accounted basis (i.e. as if the entity was reflected as an associate), rather than as an asset held for sale and how such change would have impacted the impairment of the investment in ARA.

These tables should be read in conjunction with the section *a. Net asset value/shareholders' equity* on pages 10 and 11 of the Group's Integrated Annual Report for 2017 ("IAR").

Table 1 – STATEMENT of CHANGES in EQUITY (WITH EXPANDED RETAINED INCOME SECTION)

	Stated capital R'000	Share premium R'000	Treasury shares R'000	Retained income R'000	Equity attribu- table to owners of the parent R'000	Non- controlling interest R'000	Total per audited statement of changes in equity R'000	Adjust- ment R'000	Our represent- ation R'000
Balance as at 30 June 2016, per the June 2016 Integrated Report	3,314	319,881	-	254,727	577,922	346	578,268	-	578,268
Correction of prior period errors (refer note 11.1 to the Annual Financial Statements ("AFS"))	-	-	-	(16,122)	(16,122)	-	(16,122)	-	(16,122)
Revised balance as at 30 June 2016	3,314	319,881	-	238,605	561,800	346	562,146	-	562,146
Issue of share capital ¹	651,319	-	-	-	651,319	-	651,319	(19,062)	632,257
Treasury stock acquired through subsidiaries ²	-	-	(127,911)	-	(127,911)	-	(127,911)	3,424	(124,487)
Total comprehensive loss for the year ³	-	-	-	(136,695)	(136,695)	(36)	(136,731)	15,638	(121,093)
- Change in Midbrook and Snowball fair value since acquisition ⁴	-	-	-	22,232	22,232	-	22,232	(25,770)	(3,538)
- Expenses incurred in acquiring Midbrook and Snowball ⁵	-	-	-	(6,101)	(6,101)	-	(6,101)	-	(6,101)
- Impairment of goodwill paid on Midbrook and Snowball acquisition ⁶	-	-	-	(41,408)	(41,408)	-	(41,408)	41,408	-
- ARA excess dividend received ⁷	-	-	-	12,800	12,800	-	12,800	(12,800)	-

¹ The "Our representation" column reflects what the value of the Midbrook and Snowball consideration would have been if all Conduit shares were issued on 19 July 2016 at 245 cents each, rather than at 259 cents and 250 cents (the Conduit share prices as at the Midbrook and Snowball transactions' effective dates of 2 February 2017 and 30 March 2017, respectively).

² The "Our representation" column reflects what the value of the treasury stock acquired with Midbrook and Snowball would have been if the effective date of the transactions were 19 July 2016, rather than 2 February 2017 and 30 March 2017, respectively.

³ The "Our representation" column reflects what the total comprehensive loss for the year would have been if the effective date of the Midbrook and Snowball transactions were 19 July 2016, rather than 2 February 2017 and 30 March 2017, respectively.

⁴ Changes in the fair value of Midbrook, Snowball and their subsidiaries between the effective dates of the transactions (2 February 2017 and 30 March 2017, respectively) and 30 June 2017, adjusted for changes in the fair value of treasury stock held by the entities during the period and tax. The "Our representation" column reflects what the changes in the fair value of Midbrook, Snowball and their subsidiaries would have been between 19 July 2016 and 30 June 2017, adjusted for changes in the fair value of treasury stock held by the entities during the period and tax.

⁵ Per note 36.3 to the AFS.

⁶ Per note 36.3 to the AFS. The "Our representation" column reflects the impact of the goodwill impairment being reversed on the basis that the adjustments in terms of items 1, 2 and 4 above would have resulted in no goodwill, i.e. no impairment would have been required.

⁷ Dividend received in addition to the normal dividend that ARA declares semi-annually. Included under "Dividend income" per note 35 to the AFS. The "Our representation" column reflects the result if the ARA excess dividend were accounted for on an equity accounted basis, i.e. it would have been excluded from income due to it having been set off directly against the investment in the balance sheet.

	Stated capital R'000	Share premium R'000	Treasury shares R'000	Retained income R'000	Equity attribu- table to owners of the parent R'000	Non- controlling interest R'000	Total per audited statement of changes in equity R'000	Adjust- ment R'000	Our represent- ation R'000
- ARA revaluation ⁸	-	-	-	(32,800)	(32,800)	-	(32,800)	12,800	(20,000)
- Expenses incurred to grow Constantia ⁹	-	-	-	(42,154)	(42,154)	-	(42,154)	-	(42,154)
- Other losses incurred during the year (net) ¹⁰	-	-	-	(84,472)	(84,472)	(36)	(84,508)	-	(84,508)
- Taxes, excl. taxes i.r.o. Midbrook and Snowball ¹¹	-	-	-	35,208	35,208	-	35,208	-	35,208
Reallocation of share premium ¹²	319,881	(319,881)	-	-	-	-	-	-	-
Balance as at 30 June 2017 ¹³	974,514	-	(127,911)	101,910	948,513	310	948,823	-	948,823

⁸ Per note 36.3 to the AFS. Assuming that the ARA excess dividend was set off directly against the investment in the balance sheet per item 7 above, the "Our representation" column reflects that the revaluation would have been reduced by the dividend amount, as the book value of the investment, before revaluation, would have been lower by that value.

⁹ Expenses identified by management as specifically incurred to foster growth initiatives in Constantia. This item will have a continuing effect.

¹⁰ Total comprehensive loss for the year less items 4 – 9 above and item 11 below.

¹¹ Taxation per note 42 to the AFS, adjusted for Midbrook and Snowball taxation of R3.683 million included in item 2 above.

¹² Due to conversion from share capital to stated capital. This item will have a continuing effect.

¹³ As reflected in the Annual Financial Statements for the year ending 30 June 2017.

The pro forma information in Table 2 below is presented to provide readers of the Group's IAR with more insight into the various components that contributed to the attributable loss generated during the 2017 financial year and how these numbers tie into the AFS. This table should be read in conjunction with the section *b. Earnings* on pages 11, 12 and 13 of the Group's IAR.

Table 2

	Goodwill	ARA revaluation	ARA dividend (normal)	Expenses incurred to grow Constantia	Expenses incurred to acquire Midbrook and Snowball	Increase in the IBNR reserve associated with the medical gap cover business	Cash losses generated on the medical gap cover books before corrective action taken in Jan '17	Medical Malpractice under-writing result before operating expenses	Write-off of salvages and recoveries accrual	Provision for future expenses where no future economic benefit will be obtained	Cost of solvency reinsurance	Investment income (equities only)	Other expenses and losses (net)	Taxation	Per audited consolidated statement of profit or loss and other comprehensive income
Gross written premium	-	-	-	-	-	-	262,457	17,959	-	-	44,246	-	745,132	-	1,069,794
Reinsurance premium	-	-	-	-	-	-	(217)	(8,903)	-	-	(563,078)	-	(115,692)	-	(687,890)
Net written premium	-	-	-	-	-	-	262,240	9,056	-	-	(518,832)	-	629,440	-	381,904
Net change in provision for unearned premium	-	-	-	-	-	-	-	(520)	-	-	5,632	-	(18,974)	-	(13,862)
Net insurance income	-	-	-	-	-	-	262,240	8,536	-	-	(513,200)	-	610,466	-	368,042
Reinsurance commission received	-	-	-	-	-	-	-	-	-	-	305,847	-	48,118	-	353,965
Other income	-	-	-	-	-	-	-	-	-	-	-	-	28,826	-	28,826
Income from insurance operations	-	-	-	-	-	-	262,240	8,536	-	-	(207,353)	-	687,410	-	750,833

	Goodwill	ARA revaluation	ARA dividend (normal)	Expenses incurred to grow Constantia	Expenses incurred to acquire Midbrook and Snowball	Expenses incurred to associated with the medical gap cover business	Increase in the IBNR reserve with the gap cover business	Cash losses generated on the medical gap cover books before corrective action taken in Jan '17	Medical Malpractice under-writing result before operating expenses	Write-off of salvages and recoveries accrual	Provision for future expenses where no future economic benefit will be obtained	Cost of solvency reinsurance	Investment income (equities only)	Other expenses and losses (net)	Taxation	Per audited consolidated statement of profit or loss and other comprehensive income
Total insurance expenses	-	-	-	(42,154)	-	(12,142)	(281,512)	(13,951)	(12,130)	(6,484)	200,652	-	(717,461)	-	(885,182)	
Net claims and movement in claims reserves	-	-	-	-	-	(12,142)	(152,325)	(13,677)	(12,130)	-	250,017	-	(289,548)	-	(229,805)	
Insurance contract acquisition costs	-	-	-	-	-	-	(57,506)	(274)	-	-	(15,486)	-	(106,541)	-	(179,807)	
Administration and marketing expense	-	-	-	(42,154)	-	-	(71,681)	-	-	(6,484)	(33,879)	-	(314,947)	-	(469,145)	
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	(6,425)	-	(6,425)	
Net under-writing loss	-	-	-	(42,154)	-	(12,142)	(19,272)	(5,415)	(12,130)	(6,484)	(6,701)	-	(30,051)	-	(134,349)	
Net non-insurance income (expenses)	-	12,800	11,200	-	-	-	-	-	-	-	-	-	26,784	(3,428)	-	47,356
Investment income	-	12,800	11,200	-	-	-	-	-	-	-	-	-	26,784	13,766	-	64,550
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	310	-	310
Administration and marketing expense	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,492)	-	(17,492)
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	(12)	-	(12)

	Goodwill	ARA revaluation	ARA dividend (normal)	Expenses incurred to grow Constantia	Expenses incurred to acquire Midbrook and Snowball	Increase in the IBNR reserve with the medical gap cover business	Cash losses generated on the medical gap cover books before corrective action taken in Jan '17	Medical Malpractice under-writing result before operating expenses	Write-off of salvages and recoveries accrual	Provision for future expenses where no future economic benefit will be obtained	Cost of solvency reinsurance	Investment income (equities only)	Other expenses and losses (net)	Taxation	Per audited consolidated statement of profit or loss and other comprehensive income
Operating (loss) profit	-	12,800	11,200	(42,154)	-	(12,142)	(19,272)	(5,415)	(12,130)	(6,484)	(6,701)	26,784	(33,479)	-	(86,993)
Finance charges	-	-	-	-	-	-	-	-	-	-	-	-	(577)	-	(577)
Equity accounted (loss) income	-	-	-	-	-	-	-	-	-	-	-	-	(362)	-	(362)
Other expenses and losses	(41,408)	(32,800)	-	-	(6,101)	-	-	-	-	-	-	-	(15)	-	(80,324)
(Loss) profit before taxation	(41,408)	(20,000)	11,200	(42,154)	(6,101)	(12,142)	(19,272)	(5,415)	(12,130)	(6,484)	(6,701)	26,784	(34,433)	-	(168,256)
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	31,525	31,525
(Loss) profit for the year	(41,408)	(20,000)	11,200	(42,154)	(6,101)	(12,142)	(19,272)	(5,415)	(12,130)	(6,484)	(6,701)	26,784	(34,433)	31,525	(136,731)
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	36	-	36
Total comprehensive (loss) profit per Table 2 on p11 of the IAR	(41,408)	(20,000)	11,200	(42,154)	(6,101)	(12,142)	(19,272)	(5,415)	(12,130)	(6,484)	(6,701)	26,784	(34,397)	31,525	(136,695)

The pro forma information in Table 3 below is presented to provide readers of the Group's IAR with more insight into the various components that resulted in the cash flows generated during the 2017 financial year and how these numbers tie into the AFS. This table should be read in conjunction with the section *c. Cash flows* on pages 13 and 14 of the Group's IAR.

Table 3

	Cash and cash equivalents at the beginning of the year	Growth related acquisition of fixed assets and computer software	Growth related expenses	Equities sold to fund the acquisition of fixed assets and computer software	Further investment to enhance the equity portfolio	First time investment in unlisted fund	Net cash acquired with Midbrook and Snowball	Other cash flows (including funding via insurance float)	Per audited consolidated statement of cash flows
Cash flows from operating activities	-	-	(42,154)	-	-	-	-	36,855	(5,299)
▪ Cash (utilised) generated by operations	-	-	(42,154)	-	-	-	-	(9,507)	(51,661)
▪ Interest received	-	-	-	-	-	-	-	13,766	13,766
▪ Finance charges	-	-	-	-	-	-	-	(577)	(577)
▪ Dividends received from investments	-	-	-	-	-	-	-	26,621	26,621
▪ Taxation received (paid)	-	-	-	-	-	-	-	6,552	6,552
Cash flows from investing activities	-	(66,247)	-	62,697	(10,475)	(22,880)	-	(8,415)	(45,320)
▪ (Acquisition) disposal of associates	-	-	-	-	-	-	-	(3)	(3)
▪ (Acquisition) disposal of subsidiaries	-	-	-	-	-	-	-	(433)	(433)
▪ Acquisition of property, plant and equipment	-	(5,393)	-	-	-	-	-	-	(5,393)
▪ Disposal of property, plant and equipment	-	-	-	-	-	-	-	141	141
▪ Acquisition of investment properties	-	-	-	-	-	-	-	(80)	(80)
▪ Acquisition of intangible assets	-	(60,854)	-	-	-	-	-	-	(60,854)
▪ Disposal of intangible assets	-	-	-	-	-	-	-	-	-
▪ Acquisition of financial investments	-	-	-	-	(130,603)	(22,880)	-	(8,040)	(161,523)
▪ Disposal of financial investments	-	-	-	62,697	120,128	-	-	-	182,825
Cash flows from financing activities	-	-	-	-	-	-	(13,179)	(16,552)	(29,731)
▪ Interest bearing borrowings repaid	-	-	-	-	-	-	(13,179)	-	(13,179)
▪ Loans granted to third parties	-	-	-	-	-	-	-	(960)	(960)
▪ Loans repaid by third parties	-	-	-	-	-	-	-	1,560	1,560
▪ Loans granted to joint ventures, associates and assets held for sale	-	-	-	-	-	-	-	(15,553)	(15,553)

	Cash and cash equivalents at the beginning of the year	Growth related acquisition of fixed assets and computer software	Growth related expenses	Equities sold to fund the acquisition of fixed assets and computer software	Further investment to enhance the equity portfolio	First time investment in unlisted fund	Net cash acquired with Midbrook and Snowball	Other cash flows (including funding via insurance float)	Per audited consolidated statement of cash flows
▪ Loans granted to unlisted investments	-	-	-	-	-	-	-	(1,599)	(1,599)
Net (decrease) increase in cash and cash equivalents	-	(66,247)	(42,154)	62,697	(10,475)	(22,880)	(13,179)	11,888	(80,350)
Cash and cash equivalents at the beginning of the year	272,473	-	-	-	-	-	-	-	272,473
Cash acquired	-	-	-	-	-	-	15,978	-	15,978
Cash and cash equivalents at the end of the year per Table 3 on p13 of the IAR	272,473	(66,247)	(42,154)	62,697	(10,475)	(22,880)	2,799	11,888	208,101

Note 11.3 - Restatement of Comparative Numbers

In line with the Group's new strategy, the Consolidated Statements of Profit or Loss and Other Comprehensive Income have been presented in a manner that makes it less complicated to distinguish the Group's insurance-related results from other non-insurance income and expenses. For consistency, the prior period's Consolidated Statements of Profit or Loss and Other Comprehensive Income are presented in a manner similar to that of the current period in order to simplify comparative analysis.

Other income (Insurance) includes all rental income and fees received by Constantia, whereas *Other income (Non-insurance)* comprises fees received in other Group entities. The restatement of income items has been effected as follows:

	Other income (Insurance) R'000	Other income (Non-insurance) R'000	Previously reported R'000
Non-insurance revenue	18,036	195	18,231
Restated	18,036	195	18,231

Administration and marketing expenses (Insurance) includes all operating expenses incurred by Constantia, whereas *Other expenses (Insurance)* include currency translation losses and impairments associated with operational assets that can be tied directly to Constantia. Similar expense lines have been created for other Group entities. *Other expenses and losses* include non-operating impairment losses on associates, assets held for sale, joint ventures and property, plant and equipment. The restatement of expense and loss items has been effected as follows:

	Administration and marketing expense (Insurance) R'000	Other expenses (Insurance) R'000	Administration and marketing expense (Non- insurance) R'000	Other expenses (Non- insurance) R'000	Other expenses and losses R'000	Previously reported R'000
Underwriting management fees	(200,228)					(200,228)
Profit commissions	(66,702)					(66,702)
Administration costs	(36,213)					(36,213)
Other expenses	(29,371)	(409)	(13,638)	(5,011)		(48,429)
Other		(251)			(11,858)	(12,109)
Correction of prior period error		(12,551)				(12,551)
Restated	(332,514)	(13,211)	(13,638)	(5,011)	(11,858)	(376,232)

Johannesburg
26 April 2019

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