

Condensed Consolidated Unaudited Results

for the six months ended 28 February 2010

CONDUIT CAPITAL



Proof 3 Bus Day and based on the 06/05/10 size 4x5x
 Gavin Teet 011 686 4200 ext 161 082 801 7489
 Spell Check AU gavin@conduitcapital.co.za

Condensed consolidated statements of comprehensive income

	Unaudited six months ended 28 Feb 2010 R'000	Unaudited six months ended 28 Feb 2009 R'000	Audited year ended 31 Aug 2009 R'000
Gross revenue	410 355	406 943	816 394
Net insurance revenue	161 207	101 088	216 000
Other operating revenue	42 707	41 525	98 812
Net revenue	203 914	142 613	314 812
Operating expenses	(197 220)	(131 348)	(299 150)
– Direct expenses: Insurance and risk services	(135 319)	(64 499)	(168 928)
– Administration and other expenses	(27 872)	(26 853)	(52 926)
– Depreciation and amortisation	(1 418)	(1 484)	(3 019)
– Employee costs	(32 611)	(38 512)	(74 277)
Operating profit	6 694	11 265	15 662
Income from associates	121	851	2 171
Investment income	9 648	8 036	18 607
Finance charges	(1 156)	(1 889)	(3 568)
Other income (expenses)	25	(6)	3 208
Profit before taxation	15 332	18 257	36 080
Taxation	(4 164)	(6 580)	(11 454)
Total comprehensive income for the period	11 168	11 677	24 626
Total comprehensive income attributable to:			
Ordinary shareholders	6 946	7 253	15 740
Non-controlling interest	4 222	4 424	8 886
Total comprehensive income for the period	11 168	11 677	24 626
EARNINGS PER SHARE (CENTS)			
Basic	2.78	2.90	6.29
Diluted	2.76	2.89	6.26
Headline	2.36	2.90	5.78
Diluted headline	2.35	2.89	5.75

Condensed consolidated statements of financial position

	Unaudited as at 28 Feb 2010 R'000	Unaudited as at 28 Feb 2009 R'000	Audited as at 31 Aug 2009 R'000
ASSETS			
Non-current assets	105 842	97 349	91 911
– Property, plant and equipment	16 082	15 804	15 648
– Intangible assets	46 274	47 774	46 440
– Loans receivable	4 761	8 471	5 917
– Deferred taxation	6 915	4 970	6 830
– Investment property	3 320	8 319	8 545
– Investments in associates	2 245	4 844	2 469
– Investments held at fair value	26 245	7 167	6 062
Current assets	599 207	1 189 702	644 673
– Insurance assets	255 143	775 291	269 744
– Investments held at fair value	3 536	778	858
– Trade and other receivables	95 898	169 764	87 209
– Taxation	1 331	9 337	12 012
– Cash and cash equivalents	243 299	234 532	274 850
Non-current assets held for sale	20 125	15 517	14 900
Total assets	725 174	1 302 568	751 484
EQUITY AND LIABILITIES			
Capital and reserves	249 356	238 038	246 511
– Ordinary share capital and share premium	199 155	199 185	199 155
– Retained earnings	38 675	23 242	31 729
– Share-based payment reserve	81	802	1 004
– Non-controlling interest	237 911	223 229	231 888
– Policyholder liabilities under insurance contracts	11 445	14 809	14 623
Non-current liabilities	47 610	51 974	52 245
– Interest-bearing borrowings	24 548	23 662	24 548
– Deferred taxation	16 183	22 063	18 873
– Deferred taxation	6 879	6 249	8 824
Current liabilities	428 208	1 012 556	452 728
– Insurance liabilities	345 680	841 191	332 031
– Vendors for cash	90	95	90
– Trade and other payables	73 690	163 409	111 036
– Current portion of interest-bearing borrowings	5 566	5 080	5 566
– Taxation	3 182	2 752	3 991
– Bank overdraft	–	29	14
Total equity and liabilities	725 174	1 302 568	751 484
Net asset value per share (cents)	95.06	89.19	92.65
Tangible net asset value per share (cents)	76.57	70.10	74.10

Condensed consolidated statements of cash flows

	Unaudited six months ended 28 Feb 2010 R'000	Unaudited six months ended 28 Feb 2009 R'000	Audited year ended 31 Aug 2009 R'000
Net cash flows from operating activities	(7 474)	20 461	54 422
Net cash flows from investing activities	(22 529)	10 377	18 885
Net cash flows from financing activities	(1 534)	(9 332)	(10 046)
Total cash movement for the period	(31 537)	21 506	63 261
Cash at the beginning of the period	274 836	212 997	212 997
Cash disposed of	–	–	(1 422)
Total cash at the end of the period	243 299	234 503	274 836

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 2008	199 220	15 989	604	13 074	228 887
Share issue costs	(35)	–	–	–	(35)
Profit for the period	–	7 253	–	4 424	11 677
Equity options issued to executives	–	–	198	–	198
Dividends paid	–	–	–	(2 689)	(2 689)
Balance at 28 February 2009	199 185	23 242	802	14 809	238 038
Share issue costs	(30)	–	–	–	(30)
Disposal of interest in subsidiaries	–	–	–	(2 248)	(2 248)
Profit for the period	–	8 487	–	4 462	12 949
Equity options issued to executives	–	–	202	–	202
Dividends paid	–	–	–	(2 400)	(2 400)
Balance at 31 August 2009	199 155	31 729	1 004	14 623	246 511
Profit for the period	–	6 946	–	4 222	11 168
Equity options issued to executives	–	–	81	–	81
Equity options cancelled	–	–	(1 004)	–	(1 004)
Dividends paid	–	–	–	(7 400)	(7 400)
Balance at 28 February 2010	199 155	38 675	81	11 445	249 356

Condensed segmental report

	Head office and treasury R'000	Insurance and risk services R'000	Direct R'000	Financial services R'000	Private equity R'000	Eliminations R'000	Total R'000
Unaudited – Six months ended 28 February 2010							
Gross revenue	9 405	375 234	34 210	205	911	(9 610)	410 355
Net revenue	9 405	168 793	34 210	205	911	(9 610)	203 914
Investment income	6 726	6 875	320	37	20	(4 330)	9 648
Profit before taxation	5 730	3 299	10 400	54	247	(4 398)	15 332
Attributable earnings	5 867	2 739	2 554	49	135	(4 398)	6 946
Non-controlling interest	–	351	3 833	–	38	–	4 222
Total assets	178 036	655 355	33 059	5 162	1 618	(148 056)	725 174
Total liabilities	(2 346)	(590 656)	(20 649)	(5 868)	(1 996)	145 697	(475 818)
Unaudited – Six months ended 28 February 2009 (restated)							
Gross revenue	4 873	375 198	30 932	189	985	(5 234)	406 943
Net revenue	4 873	110 868	30 932	189	985	(5 234)	142 613
Investment income (loss)	2 013	7 045	351	(187)	43	(1 229)	8 036
Profit (Loss) before taxation	494	9 851	8 905	(159)	367	(1 201)	18 257
Attributable earnings (loss)	728	5 227	2 445	(159)	213	(1 201)	7 253
Non-controlling interest	–	717	3 666	–	41	–	4 424
Total assets	171 895	1 247 155	32 695	8 314	1 077	(158 568)	1 302 568
Total liabilities	(1 219)	(1 189 967)	(18 533)	(9 275)	(1 738)	156 203	(1 064 530)
Audited – Year ended 31 August 2009 (restated)							
Gross revenue	7 190	752 039	63 298	189	1 922	(8 244)	816 394
Net revenue	7 190	250 457	63 298	189	1 922	(8 244)	314 812
Investment income	5 429	15 140	705	49	84	(2 800)	18 607
Profit (Loss) before taxation	(937)	20 133	19 054	47	585	(2 802)	36 080
Attributable earnings (loss)	627	12 375	5 190	47	303	(2 802)	15 740
Non-controlling interest	–	1 040	7 784	–	62	–	8 886
Total assets	173 896	694 054	35 705	5 121	1 470	(158 762)	751 484
Total liabilities	(3 150)	(631 643)	(18 680)	(5 876)	(2 021)	156 397	(504 973)

Notes to the consolidated financial statements

- Basis of preparation**
The accounting policies applied in the preparation of these condensed consolidated unaudited financial statements for the six months ended 28 February 2010 ("interim results") are based on reasonable judgements and estimates and are in accordance with International Financial Reporting Standards ("IFRS"). These accounting policies are consistent with those applied in the annual financial statements for the year ended 31 August 2009, save for the adoption of new accounting standards detailed in paragraph 2 below. These interim results have been prepared in terms of IAS 34 – Interim Financial Reporting, the Companies Act, 1973 (Act 61 of 1973), as amended, and the Listings Requirements of JSE Limited.
The interim results have not been audited or reviewed by the group's auditors.
- Adoption of new accounting standards**
The group adopted the amendments to IAS 1: Presentation of Financial Statements and IFRS 8: Operating Segments during the period under review. As a result, comparative numbers have been restated in the condensed segmental report. The restatements had no impact on the group's financial results.
- Share capital**
Details of the shares in issue as at the balance sheet dates are as follows:

	28 Feb 2010 '000	28 Feb 2009 '000	31 Aug 2009 '000
Number of shares in issue	250 277	250 277	250 277
– Shares in issue	256 380	256 380	256 380
– Shares held as treasury shares	(6 103)	(6 103)	(6 103)
Weighted average number of shares	250 277	250 277	250 277
– Shares in issue	256 380	256 380	256 380
– Shares held as treasury shares	(6 103)	(6 103)	(6 103)
Fully diluted weighted average number of shares	251 482	251 334	251 449
– Shares in issue	257 585	257 437	257 552
– Shares held as treasury shares	(6 103)	(6 103)	(6 103)
- Reconciliation of headline earnings**

	Unaudited six months ended 28 Feb 2010 R'000	Unaudited six months ended 28 Feb 2009 R'000	Audited year ended 31 Aug 2009 R'000
Profit for the period	11 168	11 677	24 626
Non-controlling interest	(4 222)	(4 424)	(8 886)
Earnings used in the calculation of basic earnings per share	6 946	7 253	15 740
Profit on disposal of subsidiaries and associates	–	–	(2 597)
After tax loss on revaluation of investment properties	–	–	1 294
After tax (profit) loss on disposal of property, plant and equipment	(25)	4	27
Reversal of equity options	(1 004)	–	–
Headline earnings	5 917	7 257	14 464
- Directors**
Mr Larry Prosser was appointed as an executive director on 2 March 2010. There were no other changes to the directorate since the annual financial results were published on 6 November 2009.
- Dividends**
The board of directors did not recommend a dividend payment to ordinary shareholders for the six months ended 28 February 2010 (February 2009: Nil).
- Post balance sheet events**
Other than disclosed above, there were no material post balance sheet events.

Group operational review

- HEAD OFFICE AND TREASURY**
Having disposed of the bulk of the listed equity portfolio in the 2008 and 2009 financial years, R52.5 million of capital was allocated to alternative/equity and enhanced yield investments in the latter part of 2009. R46 million of this has been deployed as at the reporting date. Further allocations will be considered as part of the group's ongoing investment strategy.
As at 28 February 2010 group cash and near cash resources available for investment, other than for working capital purposes, increased to R155 million.
- CONDUIT INSURANCE AND RISK SERVICES**
Underwriting
Gross insurance revenue for the period under review increased marginally to R410.4 million (February 2009: R406.9 million). Net insurance revenue, however, advanced significantly to R161.2 million (February 2009: R101.1 million) as a direct result of the 2010 reinsurance program that moved towards higher retention on select insurance lines. The program is only likely to result in improved profitability once the book is further diversified and reaches critical mass in certain heavily reinsured portfolios.
Statutory funding ratio and credit rating
Global Credit Rating recently reaffirmed Constantia Insurance Company Limited's ("CICL's") credit rating of A-.
Notwithstanding a R10 million dividend payment to the group and a higher net retention of less volatile insurance risks, CICL's statutory funding ratio as at 28 February 2010 was a satisfactory 43%, while the international solvency margin was at 53%. The existing balance sheet is capable of sustaining meaningful short to medium term premium growth without placing any strain on solvency, which the group intends to maintain above 30% (statutory minimum: 15%). Any extraordinary acquisitive or organic growth can be accommodated and managed through reinsurance arrangements.
- CONDUIT DIRECT**
Anthony Richards & Associates (Proprietary) Limited ("ARA")
ARA posted a 16.8% improvement in profit before tax when compared to the prior corresponding period. The operation remains on a steady upward trajectory.
- CONDUIT PRIVATE EQUITY**
On Line Lottery Services (Proprietary) Limited ("Lottofun")
Following the successful appeal in the Supreme Court of Appeal in September 2009, Lottofun continues to generate modest profits. Going forward Lottofun will not be reported on separately.
The Private Equity division has been injected with renewed focus and is once again actively pursuing various opportunities, which will be reported on as and when they come to fruition.

CONCLUSION

The group has made considerable headway in the recruitment of key personnel to drive growth in each of its business segments. In particular, we welcome Larry Prosser to the main board and have every confidence that his skills and wealth of experience will serve us well for the future.
We have entered an exciting period in the development of Conduit Capital and are gradually returning to our roots as a strategic investment company. Whilst the remainder of this financial year will not be without its challenges, the group is now well structured, and supported by a robust balance sheet and skilled executive team well equipped to meet its strategic objectives.

For and on behalf of the Board

Jason D Druian Chief Executive Officer	Lourens E Louw Financial Director	Johannesburg 5 May 2010
--	---	-----------------------------------

Conduit Capital Limited (Incorporated in the Republic of South Africa) (Registration number 1998/017351/06) Share code: CND ISIN: ZAE00073128 ("Conduit" or "Conduit Capital" or "the group")	Directors Executive directors: Jason D Druian (Chief Executive Officer), Lourens E Louw (Financial Director), Harold L Prosser, Stanley D Shane, Gavin Teet Non-executive directors: Reginald S Berkowitz (Chairman), Scott M Campbell, Günter Z Steffens OBE	Company secretary Probit Business Services (Proprietary) Limited Third Floor, The Mall Offices 11 Cradock Avenue Rosebank, 2196	Registered address Unit 7 Tulbagh, 360 Oak Avenue Randburg, 2194 PO Box 97, Melrose Arch, 2076 Telephone: 011 686 4200 Facsimile: 011 789 3709	Transfer secretaries Computershare Investor Services (Proprietary) Limited Ground Floor, 70 Marshall Street Johannesburg, 2001	Sponsor Merchantec Capital
--	---	---	--	---	--------------------------------------