

Condensed consolidated statements of comprehensive income

	Unaudited six months ended 29 Feb 2012 R'000	Unaudited six months ended 28 Feb 2011 R'000	Audited year ended 31 Aug 2011 R'000
Gross revenue	519 289	510 925	920 517
Net insurance revenue	152 310	129 357	274 764
Other operating revenue	65 263	50 038	109 110
Net revenue	217 573	179 395	383 874
Operating expenses	(195 847)	(166 724)	(356 046)
• Direct expenses: Insurance and risk services	(127 241)	(105 310)	(219 375)
• Administration and other expenses	(30 104)	(27 034)	(58 720)
• Depreciation and amortisation	(2 010)	(1 513)	(3 519)
• Employee costs	(36 492)	(32 867)	(74 432)
Operating profit	21 726	12 671	27 828
Equity accounted income	318	187	667
Investment income	16 495	12 589	24 923
Other income	-	28	1 190
Finance charges	(281)	(814)	(1 300)
Profit before taxation	38 258	24 661	53 308
Taxation	(9 807)	(7 575)	(16 988)
Profit for the period	28 451	17 086	36 320
Other comprehensive income	-	-	-
Total comprehensive income	28 451	17 086	36 320
Attributable to:			
Equity holders of the parent	19 888	10 063	22 419
Non-controlling interest	8 563	7 023	13 901
Total comprehensive income	28 451	17 086	36 320
Earnings per share (cents)			
• Basic	7.8	4.0	9.0
• Diluted	7.7	3.9	8.7
• Headline	8.0	4.0	8.6
• Diluted headline	8.0	3.9	8.4

Condensed consolidated statements of financial position

	Unaudited as at 29 Feb 2012 R'000	Unaudited as at 28 Feb 2011 R'000	Audited as at 31 Aug 2011 R'000
ASSETS			
Non-current assets	157 935	148 107	143 629
• Property, plant and equipment	14 680	14 825	14 457
• Intangible assets	46 459	46 114	46 089
• Loans receivable	5 379	7 322	5 351
• Deferred taxation	9 264	11 145	7 190
• Investment properties	3 444	3 408	3 442
• Investment in associates	327	911	281
• Investment in jointly controlled entities	2 765	2 557	3 325
• Investments held at fair value	75 617	61 825	63 494
Current assets	724 921	682 529	669 503
• Insurance assets	349 890	331 740	316 026
• Investments held at fair value	4 800	4 090	4 592
• Trade and other receivables	116 012	91 002	78 761
• Taxation	2 118	981	262
• Cash and cash equivalents	252 101	254 716	269 862
Non-current assets held for sale	4 110	10 800	4 750
Total assets	886 966	841 436	817 882
EQUITY AND LIABILITIES			
Capital and reserves	280 362	270 261	282 858
• Ordinary share capital and share premium	175 917	199 155	199 155
• Contingency reserve	157	-	-
• Retained earnings	85 236	53 798	65 538
• Share-based payment reserve	183	621	600
Equity attributable to equity holders of the parent	261 493	253 574	265 293
Non-controlling interest	18 869	16 687	17 565
Non-current liabilities	30 086	38 568	28 629
• Policyholder liabilities under insurance contracts	18 776	21 837	19 661
• Interest-bearing borrowings	4 125	8 339	3 796
• Deferred taxation	7 185	8 392	5 172
Current liabilities	576 518	532 607	506 395
• Insurance liabilities	428 012	411 252	379 765
• Trade and other payables	144 260	112 166	122 341
• Current portion of interest-bearing borrowings	-	6 870	3 175
• Taxation	4 246	2 319	1 114
Total equity and liabilities	886 966	841 436	817 882
Net asset value per share (cents)	102.6	101.3	106.0
Tangible net asset value per share (cents)	84.4	82.9	87.6

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 29 February 2012 ("interim results") are based on reasonable judgements and estimates and are in accordance with International Financial Reporting Standards ("IFRS") and AC500 standards as issued by the Accounting Practices Board. These accounting policies are consistent with those applied in the annual financial statements for the year ended 31 August 2011. These interim results have been prepared in terms of IAS 34 – Interim Financial Reporting, the Companies Act, 71 of 2008, and the Listings Requirements of JSE Limited ("the JSE").

These interim results were prepared under the supervision of Mr Lourens Louw, the Financial Director and have not been audited or reviewed by the Group's auditors.

2. Changes in share capital

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

	29 Feb 2012 '000	28 Feb 2011 '000	31 Aug 2011 '000
Number of shares	254 777	250 277	250 277
• Shares in issue	256 380	256 380	256 380
• Shares held as treasury shares	(1 603)	(6 103)	(6 103)
Weighted average number of shares	254 777	250 277	250 277
• Shares in issue	256 380	256 380	256 380
• Shares held as treasury shares	(1 603)	(6 103)	(6 103)
Diluted weighted average number of shares	256 777	256 593	256 531
• Shares in issue	258 380	262 696	262 634
• Shares held as treasury shares	(1 603)	(6 103)	(6 103)

3. Reconciliation of headline earnings

	Unaudited six months ended 29 Feb 2012 R'000	Unaudited six months ended 28 Feb 2011 R'000	Audited year ended 31 Aug 2011 R'000
Profit attributable to ordinary equity holders of Conduit	19 888	10 063	22 419
Net loss (profit) on revaluation of non-current assets held for sale	640	-	(300)
Net profit on disposal/revaluation of subsidiaries and associates	-	-	(891)
Net loss on revaluation of investment properties	-	-	1
Net (profit) loss on disposal of property, plant and equipment	-	(11)	603
Tax on the items above	(90)	-	(26)
Non-controlling interest on the items above (after taxation)	-	-	(249)
Headline earnings	20 438	10 052	21 557

4. Contingent liabilities

4.1. Contingent rent is payable in connection with parking for which no rental agreement exists.

4.2. The Group's bankers have issued the following guarantees on behalf of the Group:

4.2.1. CBS Property Portfolio Limited for office rent R477 614

4.2.2. South African Post Office Limited for postage R100 000

These guarantees are secured by corresponding cash deposits held at the banks that have issued the guarantees.

4.3. As reported in the 2011 annual financial statements, a legal dispute relating to 2006 and 2007 inwards reinsurance arrangements concluded through one of the Group's external underwriting managers remains unresolved. Although there is the potential that a negative outcome may be material to Group earnings, steps have been taken to reduce any financial exposure and to mitigate such risk. The matter is expected to be finalised by year-end.

Other than what is noted above, the Group is not aware of any other current or pending legal cases that would have a material adverse effect on the Group's results.

5. Directors

There have been no changes to the board during the interim period. On 26 March 2012, subsequent to the interim period, Mr Stanley David Shane resigned as a non-executive director.

6. Dividends and other distributions

6.1. The board of directors of Conduit Capital has not recommended any dividend payment to ordinary shareholders for the six months ended 29 February 2012 (February 2011: Nil).

6.2. On 12 December 2011 a distribution of ten cents per share was made to shareholders by way of a capital reduction out of the share premium account.

7. Post balance sheet events

Other than as disclosed in the Directors' paragraph above, there were no material post-balance sheet events.

Condensed segmental analysis of earnings

	Corporate and investment services R'000	Insurance and risk services R'000	Direct R'000	Consolidation R'000	Total R'000
Unaudited – six months ended 29 February 2012					
Gross revenue	3 143	456 117	62 467	(2 438)	519 289
Net revenue	3 143	154 401	62 467	(2 438)	217 573
Investment income	15 151	6 470	314	(5 440)	16 495
Profit before taxation	12 677	11 173	21 300	(6 892)	38 258
Attributable earnings	12 064	8 971	5 655	(6 802)	19 888
Non-controlling interest	32	50	8 481	-	8 563
Total assets	183 939	788 769	55 752	(141 494)	886 966
Total liabilities	(18 701)	(698 801)	(26 232)	137 300	(606 604)
Capital employed	56 549	186 598	22 709	(4 363)	261 493
Capital expenditure	21	396	2 189	-	2 606
Unaudited – six months ended 28 February 2011					
Gross revenue	5 155	462 632	47 572	(4 434)	510 925
Net revenue	5 155	131 102	47 572	(4 434)	179 395
Investment income	7 647	7 060	266	(2 384)	12 589
Profit before taxation	2 836	7 538	17 085	(2 798)	24 661
Attributable earnings	3 359	4 863	4 639	(2 798)	10 063
Non-controlling interest	28	37	6 958	-	7 023
Total assets	228 256	759 031	49 465	(195 316)	841 436
Total liabilities	(51 475)	(689 282)	(23 372)	192 954	(571 175)
Capital employed	46 673	187 890	21 374	(2 363)	253 574
Capital expenditure	50	277	852	-	1 179
Audited – year ended 31 August 2011					
Gross revenue	6 418	815 088	103 830	(4 819)	920 517
Net revenue	6 418	278 445	103 830	(4 819)	383 874
Investment income	17 229	13 911	583	(6 800)	24 923
Profit before taxation	5 575	20 257	34 276	(6 800)	53 308
Attributable earnings	4 618	15 483	9 118	(6 800)	22 419
Non-controlling interest	51	81	13 769	-	13 901
Total assets	200 249	730 098	51 660	(164 125)	817 882
Total liabilities	(22 136)	(650 368)	(24 279)	161 759	(535 024)
Capital employed	48 911	196 894	21 851	(2 363)	265 293
Capital expenditure	94	830	2 548	-	3 472

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 2010	199 155	43 626	363	16 419	259 563
Transaction with owners	-	109	-	(2 555)	(2 446)
Total comprehensive income for the period	-	10 063	-	7 023	17 086
Equity options issued to executives	-	-	258	-	258
Dividends paid	-	-	-	(4 200)	(4 200)
Balance at 28 February 2011	199 155	53 798	621	16 687	270 261
Transaction with owners	-	(682)	-	-	(682)
Total comprehensive income for the period	-	12 356	-	6 878	19 234
Reversal of equity options	-	66	(66)	-	-
Equity options issued to executives	-	-	45	-	45
Dividends paid	-	-	-	(6 000)	(6 000)
Balance at 31 August 2011	199 155	65 538	600	17 565	282 858
Proceeds from issue of shares	1 800	-	-	-	1 800
Exercise of equity options	440	-	(440)	-	-
Transaction with owners	-	(33)	-	-	(33)
Total comprehensive income for the period	-	19 888	-	8 563	28 451
Equity options issued to executives	-	-	23	-	23
Contingency reserve transfer	-	(157)	157	-	-
Distribution of capital	(25 478)	-	-	-	(25 478)
Dividends paid	-	-	-	(7 259)	(7 259)
Balance at 29 February 2012	175 917	85 236	340	18 869	280 362

Condensed consolidated statements of cash flows

	Unaudited six months ended 29 Feb 2012 R'000	Unaudited six months ended 28 Feb 2011 R'000	Audited year ended 31 Aug 2011 R'000
Net cash flows from operating activities	12 787	19 617	34 166
Net cash flows from investing activities	(3 996)	(31 022)	(22 866)
Net cash flows from financing activities	(26 552)	(4 125)	(11 684)
Total cash movement for the period	(17 761)	(15 530)	(384)
Cash at the beginning of the period	269 862	270 246	270 246
Total cash at the end of the period	252 101	254 716	269 862

COMMENTARY

Group operational review

Conduit Insurance and Risk Services

With effect from 1 January 2012 the Financial Services Board introduced interim measures in anticipation of the final and complete implementation of the Solvency Assessment and Management ("SAM") framework in 2015. These interim measures initiate a revised calculation of capital and solvency for insurers, which, dependent on the class of business underwritten and ultimately retained for net account, affect Constantia Insurance Company Limited's ("CICL") current and future capital requirements. For now the international solvency ratio - a key metric in Global Credit Rating Co's ("GCR") criteria - has in consultation with GCR been managed down from 49.5% at 28 February 2011 to a respectable 44.0% at 29 February 2012. Efforts are underway to optimise the capital structure of the Group in order to meet on-going regulatory demands and to ameliorate the impact of any capital strain resultant from new business activities.

The positive underwriting result sustained in all insurance classes is once again encouraging to note. While delivery cost ratios remain above ideal levels, the recent take-on of additional underwriting managers and profitable insurance portfolios should, over time, result in improved profitability and a meaningful reduction in the ratio to within our target range. Net profit after tax in the Insurance and Risk Services division maintained the momentum of 2011 and showed an 84.1% increase over the comparable period.

Conduit Direct

Gross revenue in the Direct division, which incorporates Anthony Richards & Associates (Proprietary) Limited ("ARA"), advanced 31% producing a 21% improvement in after-tax profits over the corresponding six-month period. ARA now employs over 1 350 staff, managing in excess of R4.2 billion in debt.

Conclusion

The strong performance for the year ended 31 August 2011 continued into the first half of 2012. Fully diluted headline earnings per share bettered the corresponding six-month period to 28 February 2011 by 105.1%. In keeping with the pronounced increase in earnings and net asset value ("NAV"), the disparity between Conduit Capital's intrinsic value and market price continues to display a positive trend. Following the capital distribution of 10 cents per share in December 2011 the increase in NAV shows a more modest improvement of 1.3 cents per share when compared with 28 February 2011. Group cash balances remained stable at R252.1 million.

We are delighted that the optimism expressed in the 2011 Annual Report is reflected in the February 2012 results. Over the past 7 years our business has evolved from an Investment Holding Group to what is ostensibly today an Insurance Group with certain key strategic risk and non-risk bearing investments. The formalisation of this transformation is underway, and while our interest in Conduit Direct will be unaffected and the pursuits of the Corporate and Investment Services division will persist, the capital requirements of the Group's insurance interests will be at the forefront of our investment philosophy going forward. It is exciting times for our Group and, though plans are afoot and discussions underway to give effect to the transformation, it is indeed an extensive exercise and where appropriate may require shareholder approval. In this regard, shareholders will be advised of any material developments.

For and on behalf of the board

Jason D Druian <i>Chief Executive Officer</i>	Lourens E Louw <i>Financial Director</i>	Johannesburg <i>24 April 2012</i>
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