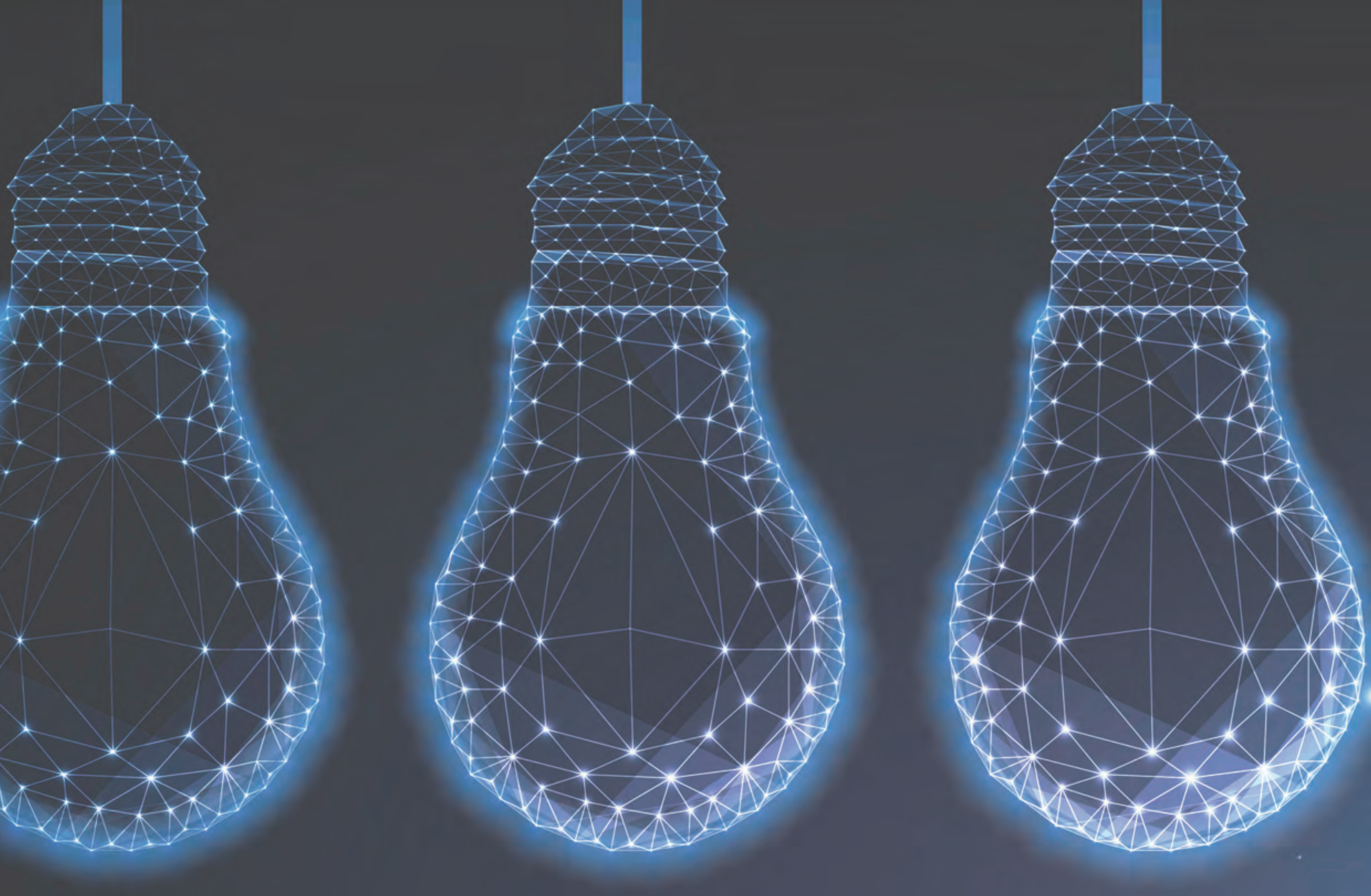
CONDUIT CAPITAL

Integrated Annual Report 2020



A NOTE ABOUT FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements which relate to, among other things, the plans, objectives, goals, strategies, future operational performance and anticipated developments of the Group in the markets in which it operates and in which it may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Group's current beliefs and expectations about future events. Actual results may differ materially from the Group's expectations if known and unknown risks or uncertainties affect its business, or if assumptions prove inaccurate.

Although the Group believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure you that such expectations will prove to be correct. Conduit Capital cannot guarantee the accuracy of any forward-looking statement and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. Conduit Capital disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, other than that which is required by regulation and/or legislation.

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FEEDBACK ON REPORT

We welcome your feedback on this report.

Please email your comments to info@conduitcapital.co.za

ABOUT THIS REPORT

In reflecting on the 2020 financial year, we take pleasure in presenting the official annual report of Conduit Capital Limited ("Conduit Capital" or "Conduit" or "the Company" or "the Group") being the next edition of our ongoing journey toward fully integrated reporting.

SCOPE AND BOUNDARIES OF REPORT

This 2020 Integrated Annual Report ("integrated report" or "report") provides information and insights covering the period between 1 July 2019 and 30 June 2020, which is our financial year. The report offers a detailed overview of the operations, achievements, challenges and plans of Conduit Capital (the holding company) and where appropriate, its subsidiary companies, investments and associates. The information contained in these pages is primarily aimed at existing and prospective shareholders of Conduit Capital, but will also be of value to all parties with an interest in our organisation.

The scope and boundaries for this integrated report were determined by considering:

- the influence and control available to Conduit Capital in its business activities, with due regard to the operational autonomy entrusted to the operating subsidiaries; and
- the material and legitimate issues as raised by stakeholders and relevant to the operation.

The letters of the Chief Executive Officer and Chief Financial Officer to the Company's shareholders are comprehensive.

Where material matters articulated in the letters to shareholders are dealt with or adequately described, we have not repeated same in the integrated report other than in circumstances where context warrants re-enforcement of a particular theme.

FRAMEWORKS APPLIED

While every possible effort was made, in the compilation of this document, to deliver financial and non-financial information aligned to globally accepted integrated reporting standards, Conduit Capital is aware that truly integrated reporting is an ongoing journey rather than a destination. As such, the process for defining the integrated report content was guided by the recommendations contained in the International Integrated Reporting Council's ("IIRC") framework and such content, therefore, focuses on those issues that materially impact the organisation's ability to create and sustain value for all its stakeholders over the short-, medium- and long-term. Furthermore, the report was prepared in line with the JSE Limited's ("JSE") Listings Requirements. The principles of the King IV Report on Corporate Governance for South Africa, 2016 ("King IV™"), have also been applied. A report detailing the alignment of this report with those principles is available on the Company's website www.conduitcapital.co.za.

The Group's annual financial statements, which accompany this integrated report, were prepared in accordance with International Financial Reporting Standards ("IFRS"). Details of investments in subsidiary and associate companies appear in notes on pages 66 and 129 of the annual financial statements.

ASSURANCE

As an investment holding company committed to exceptional governance standards, Conduit Capital aims for the highest possible levels of disclosure. We believe in the value of providing meaningful, accurate, complete, transparent and balanced information to all our stakeholders in order to equip them with all the information they need to make informed decisions.

The financial information included in this integrated report was prepared in accordance with IFRS and has been independently assured by BDO South Africa Incorporated. Non-financial information has not been independently assured, as our most material inputs and outputs are financial in nature.

BOARD RESPONSIBILITY STATEMENT

The directors and executive management have been integrally involved in the preparation of this integrated report. The Conduit Capital board of directors ("Board") has applied its mind to all the content, and is of the opinion that this integrated report addresses all material matters, and offers a balanced view of Conduit Capital's integrated performance and impacts. The Board assumes full responsibility for the information set out in the integrated report. As such, the Board has fulfilled its responsibilities in terms of the recommendations of King IV™.

This integrated report was approved by the Board on 30 November 2020.

SPOTLIGHT ON 2020

FINANCIAL SUMMARY

- Net Asset Value (NAV) per share decreased from **105.1 cents to 24.6 cents**
- Basic loss per share of **80.7 cents**
- Headline loss per share of **77.6 cents**
- Headline loss of **R547.3 million**
- **86.2 cents per share** in cash and investments at work
- Repurchased 3.1 million Conduit shares at a total cost of **R1.9 million**
- Total assets reduced by **25.9%** from R2.28 billion to R1.69 billion

GOOD CORPORATE CITIZENSHIP

BBBEE Scorecard Contribution Level
Conduit Capital – Non-Compliant
Constantia Insurance Company – Level 6

R340 000 donated to various CSR beneficiaries

895 learners gained financial sector skills and experience through the Group's internship programme, learnerships and consumer education initiatives

RESPONDING TO COVID-19

South Africa has been heavily impacted by the Coronavirus pandemic, along with the rest of the world.

We therefore put the necessary procedures in place to minimise potential exposure to COVID-19 for our employees, customers and families. We have implemented work-from-home for all employees and will continue business as usual to the extent possible.

The implementation of the Level 3 Regulations on 1 June 2020 enabled the Group to partially reopen our physical offices for urgent and essential matters. All staff members remain fully available remotely and can be contacted on (011) 686 4200 or at info@conduitcapital.co.za for any assistance. All necessary workplace protocols have been implemented for those visiting our physical premises for urgent and essential matters.

Group health and safety procedures accord fully with South African government regulations.

We express our sincere appreciation and thanks to our employees and partners who have had to manage, in difficult circumstances, to keep the business operating at a high standard. While the outbreak is by no means defeated, we believe the serious actions taken by government and the efforts of all members of society will overcome this threat in the not too distant future.

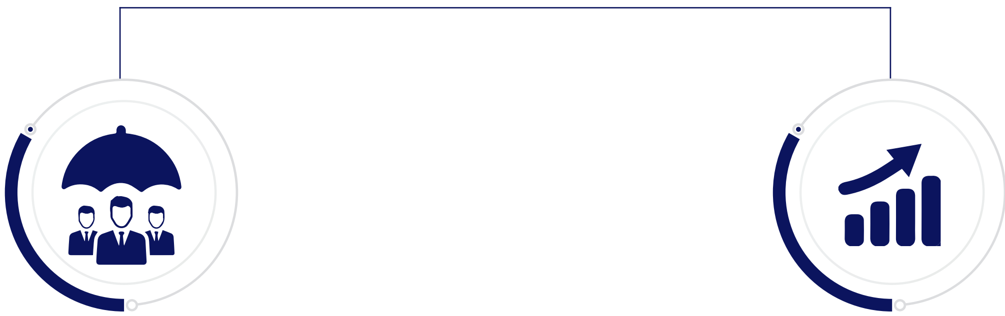
ABOUT CONDUIT CAPITAL

Conduit Capital is an investment holding company listed on the Johannesburg Stock Exchange, with a number of subsidiaries, most of which are involved in the Southern African insurance industry. Conduit's vision is to build a diversified insurance investment group supported by a non-insurance portfolio with a strong value investment orientation. This model is aimed at creating sustainable value for our shareholders and all stakeholders.

In its pursuit of this vision, Conduit seeks to increase long-term intrinsic value per share at above market average rates and ahead of the performance of its peers. To this end, the Group primarily operates through two internal segments, namely Insurance and Investments, which work in a virtuous circle to maximise value creation.

In this report, any reference to Insurance and/or Insurance and Risk, bears the same meaning internally and records all matters relevant to the Insurance segment. Any reference to Investments, refers to both public and private investments in the Investment segment. For illustrative purpose, the two internal segments are amplified as follows:

CONDUIT CAPITAL®



INSURANCE

This segment houses the Group's insurance interests:

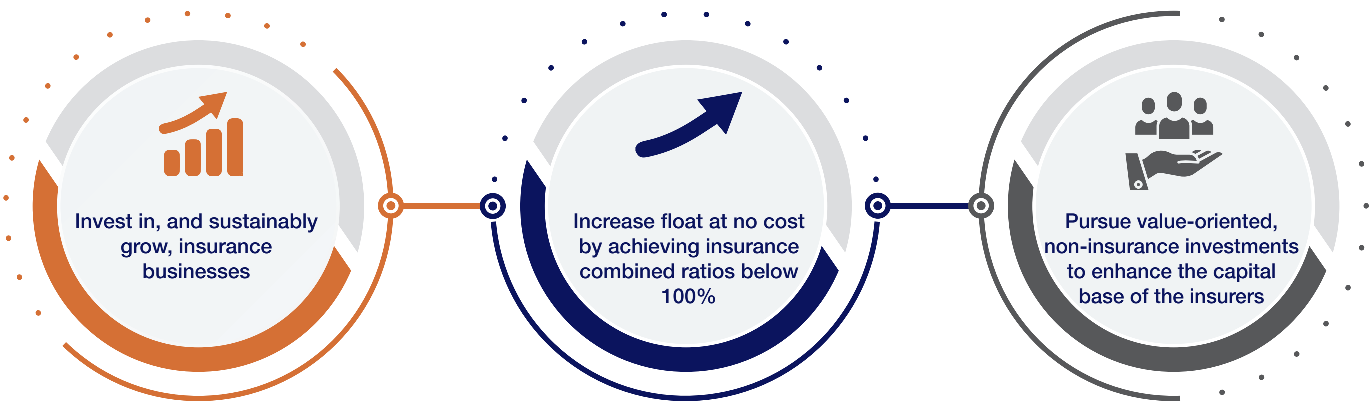
1. The three insurance licences
2. Insurance-related investments

INVESTMENTS

This segment houses the Group's non-insurance investment activities, which comprises two distinct parts:

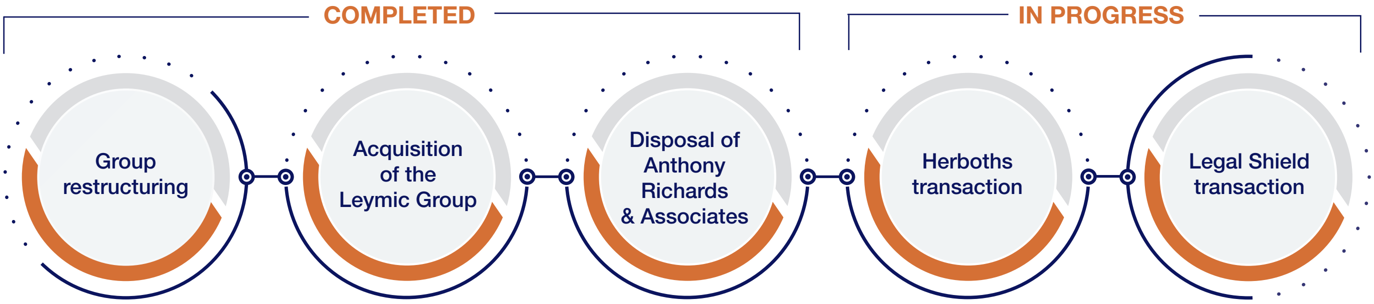
1. Public equity investments
2. Private investments

CONDUIT'S VALUE INVESTMENT STRATEGY IN A NUTSHELL



GROUP STRUCTURE

KEY CHANGES DURING THE YEAR



With effect from 1 July 2019 the Group was realigned to structure the following companies as subsidiaries and associates of Conduit Ventures Proprietary Limited[1]:

Subsidiaries
- Constantia Insurance Holdings Proprietary Limited (100% held)
- General Legal and Administration Services Limited (100% held)
- TGI Investment Holding Limited (100% held)
- Hurriclaim Proprietary Limited (100% held)[2]
- Internetwork Property Services Proprietary limited (100% held)
- Inventory and Risk Surveys Proprietary Limited (61% held)
- Riskonet Africa Proprietary Limited (100% held)

Associates
- Mobility Insurance Underwriting Managers Proprietary Limited (26% held)
- Rikatec Proprietary Limited (28.51% held)
- Ja Sure Proprietary Limited (51% held)[3]

These investment in subsidiaries and associates were previously held as part of the Constantia Group.

This transaction was funded through their relative loan accounts.

ACQUISITION OF THE LEYMIC GROUP (LEYMIC)

Effective 1 December 2019, the Conduit Group acquired 58.56% of the Leymic Group. The total purchase consideration was paid through a combination of cash and Conduit shares issued.

CONSTANTIA – HERBOTHS TRANSACTION

On 10 February 2020, Constantia Risk and Insurance Holdings Proprietary Limited ("Constantia"), entered into a binding share sale and subscription agreement with Trustco Property Holdings Proprietary Limited.

In terms of the share sale and subscription agreement and subject to certain suspensive conditions, Constantia will acquire 100% of the issued ordinary shares and all loan accounts (if any) of Herboths Property Development Proprietary Limited.

LEGAL SHIELD TRANSACTION (LEGAL SHIELD)

On 27 March 2020, Conduit Capital announced via SENS the acquisition, subject to certain suspensive conditions, of 100% of the issued ordinary shares of Legal Shield in consideration for Conduit issuing shares to Trustco Group Holdings Limited and Riskowitz Value Fund LLP, which are the combined 100% owners of Legal Shield.

This transaction will result in a reverse takeover of Conduit, with Conduit becoming part of the Trustco Group.

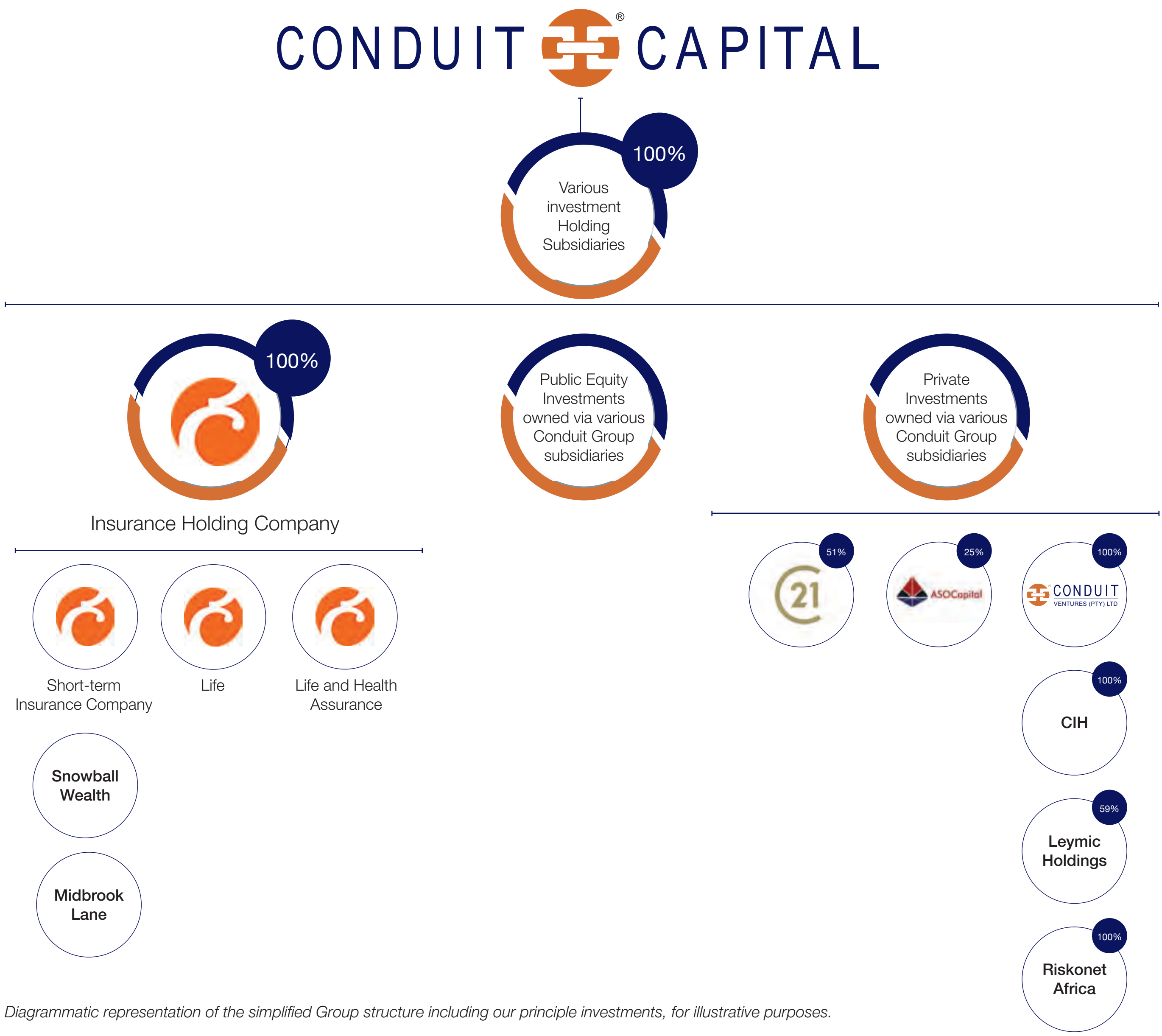
Legal Shield is a diversified financial services company that owns the largest insurance brands in Namibia (by policyholder numbers, with over 280 000 covered members). It is also one of only two domestic banks in Namibia (Trustco Bank), a student lending and education institution and a large, high-value property investment portfolio.

DISPOSAL OF ANTHONY RICHARDS AND ASSOCIATES (ARA)

On 29 January 2020, Conduit Capital disposed of its 40% interest in Anthony Richards and Associates Proprietary Limited. This investment was deemed non-core to operations in terms of Conduit's strategic focus on insurance and listed investments. At the same time ARA was interested in aligning its interests with a strategic, value-adding, B-BBEE partner.

[1] Formally Flipbase Investments Proprietary Limited.
[2] Hurriclaim was subsequently sold to the Leymic Group and changed its name to Corporate Specialist Investigation (Pty) Ltd.
[3] The 51% interest in Ja-Sure was sold on 1 January 2020.

CONDUIT CAPITAL LIMITED GROUP OWNERSHIP STRUCTURE



Diagrammatic representation of the simplified Group structure including our principle investments, for illustrative purposes.

OUR VISION AND SHAREHOLDER COMMITMENT

Conduit Capital's vision is to develop a high-quality, diversified insurance group supported by a value-oriented, non-insurance investment portfolio over the long-term.

CONDUIT SHAREHOLDER MANIFESTO

Conduit Capital shareholders are a unique bunch of investors. We generally adhere to the following principles. If you are (or plan to become) a Conduit shareholder, this guide may help you to better understand our business and culture.

We are business owners with a long-term focus.

Conduit is not a company with which we try to make short-term trading profits. We are long-term owners of a business enterprise.

We measure performance by calculating the increase in intrinsic value per share.

While not a perfect proxy, the growth in intrinsic value per share is most closely measured by the growth in net asset value per share. We do not measure the performance of Conduit by its size, or financial ratios that are not relevant (such as the PE ratio).

We expect Conduit to increase the intrinsic value per share over the long-term at a rate well above the market averages and peers.

We intend to achieve this goal by maximising Conduit's return on capital employed and average annual growth in normalised earning power per share.

We are partners with management and expect management to have significant skin in the game.

Management should "eat their own cooking" by owning shares in the Company.

We recognise that the IFRS reported numbers of the business do not always tell the whole story.

We therefore put in the effort to understand how the business is really performing. We do not focus solely on short-term financial results.

We understand Conduit has a primary focus on insurance but expect the Company to make investments in non-insurance businesses.

We know Conduit will eventually own a diversified set of high quality businesses, both in the insurance and non-insurance industries, and through the public or private markets. We expect management to make investments that meet our key criteria, irrespective of form.

We encourage management to make long-term investments even if they produce short-term losses.

We are not afraid of short-term earning pressure in exchange for sustainable long-term earnings power.

We expect management to retain earnings so long as the market value of every rand retained exceeds one rand over the long-term, and so long as good investment opportunities can be found.

We do not expect dividends in the ordinary course, but do expect share repurchases when the circumstances warrant.

We expect the Company to be transparent and report the good news and the bad.

Business has its ups and downs. We demand management to be honest rather than opaque.

We will issue shares only when the value we obtain is greater than the value we give up.

The full shareholders and CEO Manifesto's are available on the company's website.

HOW WE CREATE VALUE

We believe in building our business over many decades in order to create a formidable global insurance business. Our approach is to position Conduit and its investments for optimal long-term compounding without overdue reliance on short-term financial results.

Our long-term focus is not for everyone, and we expect plenty of short-term volatility in our results and in our share price. Fortunately, however, we have a core base of shareholders who share in our ambition to create a special South African company in the hands of a forward-thinking, driven insurance management team that enables the people in our ecosystem to deliver significant value over time.

CAPITAL ALLOCATION AND INVESTMENT STRATEGY

Conduit Capital takes responsibility for guiding subsidiary business strategies and allocating capital across the Group as efficiently as possible. We operate on a decentralised basis and invest long-term and sustainable growth, primarily in the insurance industry.

Fortunately, our subsidiary companies have their own operational management teams and boards, which allow us to focus on capital allocation at the Conduit holding company level. It is important to note that Conduit is not an operating company, but an investment holding company.

Our investment strategy is aimed at creating more than a rand of value for every rand invested by Conduit.

1. We spend time identifying, researching and evaluating identified opportunities. Conduit will buy or invest in companies when the right opportunity presents itself and is logical from an opportunity cost point of view. We are conservative, yet opportunistic capital allocators, always considering the potential downside of an investment before evaluating its upside. We seek companies with durable competitive advantages and managed by motivated, honest and ambitious people.
2. Investable capital, by order of preference, will be used first to support internal growth in existing insurance operations. Should sufficiently attractive opportunities not be identified, we will seek acquisitions in the general realm of insurance or non-insurance businesses.
3. If we cannot find a reasonable opportunity, we will look to acquire publicly traded securities for the dual purposes of supporting our insurance operations and earning superior long-term returns on capital.
4. Finally, we will consider repurchasing Conduit Capital shares when we decide this action will create better returns than any of the aforementioned choices.

OUR KEY VALUE CREATION GOALS AND DRIVERS INCLUDE

- Return on Capital Employed
- Growth in Intrinsic Value (measured by an increase in Net Asset Value per share)
- Investment returns with specific reference to investments in equities
- The combined ratio achieved by the insurance segment
- Growth in investable assets in the Insurance segment

HOW WE MANAGE CONDUIT CAPITAL

Our executive management team takes responsibility for the Group's strategic and operational functions.

The team comprises:

- Sean Riskowitz, the Group CEO, whose responsibilities include the management of existing investments; and
- Lourens Louw (CFO), and Tyrone Moodley (Executive), who are jointly responsible for Corporate Services, comprising the Group's finance and treasury function, as well as corporate support services and investments.

The aforementioned executives are directly accountable to the Board and, ultimately, shareholders. Conduit operates from a head office in Bryanston, Sandton.

Our staff complement is small (eight employees) and the structure is designed to:

- support innovation and drive growth in our underlying businesses; and
- be flexible with the depth of skills being developed and maintained in the subsidiaries.

In an effort to promote a decentralised structure, operationally, the infrastructure and resources of the Group companies are managed independently, and where expertise do not exist to fulfil a particular specialised function, it is outsourced.

Conduit Capital considers that it is in the best interests of all stakeholders to respect the decentralised model, with account taken of the fact that these individual businesses are conducted in separate legal entities. The support provided to our investments can either be in the form of strategic, financial and/or managerial support. This philosophy is applied to all investments in the Group, irrespective of the level of influence that could be exercised.

Typically, our investments and partnerships are managed through the following interactions, including, but not necessarily limited to:

- regular, formal or informal engagements with the various subsidiary Excos;
- monthly financial reporting to Conduit Capital; and
- where appropriate, the appointment to non-executive board positions.

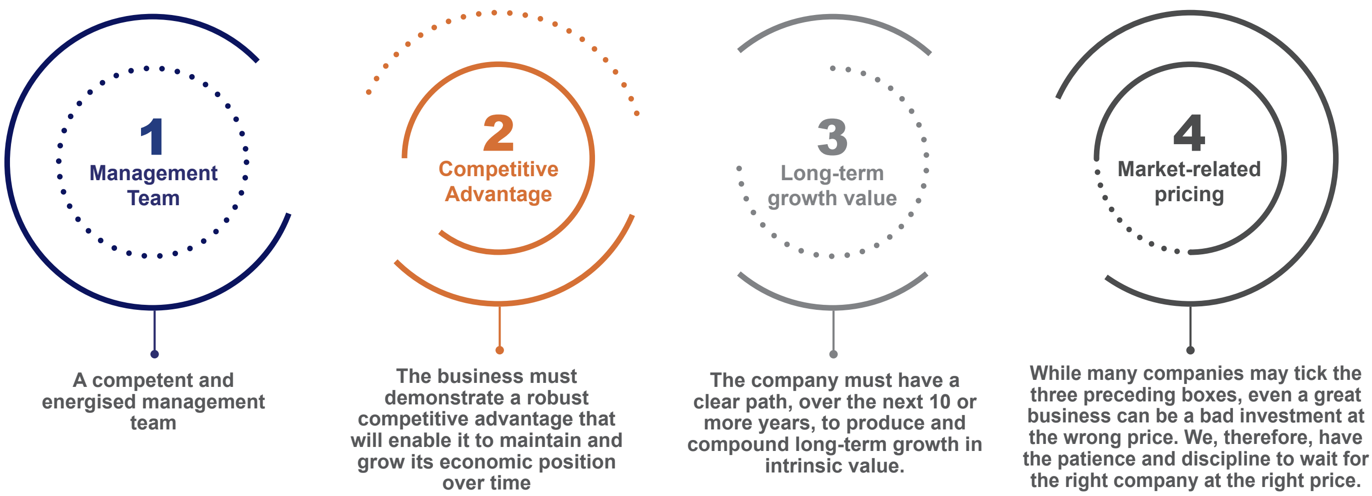
HOW WE APPROACH INVESTMENTS

Conduit is a long-term shareholder in a select group of listed companies. Although we focus on insurance businesses, we concurrently invest in non-insurance businesses to bolster our capital base and, through earnings diversification, allows our insurance operations to focus on profitable growth.

Our investment objective is to identify, understand and invest in companies meeting two broad criteria:

1. The company must be available at a price that represents a significant discount to our conservative estimate of fair market value; and
2. There must be a confluence of business factors, centred primarily on the competitive advantage of the business model, which allow the company to increase its underlying intrinsic value at a high rate over time.

In deciding on companies in which to invest, we spend significant time understanding the business, researching its competitive advantage and getting to know management. We primarily seek out four key attributes:



Recognising that business value and market price can diverge for long periods of time, we take a disciplined and patient approach to realising value.

At this stage of Conduit Capital's evolution, we are not necessarily concerned that Conduit's net income after tax may be lumpy. Stock prices are inherently volatile and market behaviour is not always rational. What matters is the underlying value of an investment and that company's capacity to continually increase value over a long time period.

OUR BUSINESS ACTIVITIES

Conduit derives revenue from insurance activities and investments.

The Group operates on a decentralised basis where subsidiaries have the autonomy to conduct their own business affairs within a framework determined at Group level. Subsidiaries are responsible for implementing their own strategies that collectively contribute to value creation for the Group. The value and performance of the underlying investments, rather than the activities at holding company level, will essentially determine the value created by Conduit Capital for our shareholders.

The table below offers an overview of the main activities of Conduit's business, as well as a summary of our financial and non-financial financial objectives for all these business activities.

	Insurance	Investments
Approach	• Hold 100% of the issued share capital of Constantia, which operates as an insurer in the SA long- and short-term insurance industries	• Strategic investment and capital allocation, as well as the provision of support to subsidiary companies where necessary • Value-focused investment philosophy driven by extensive fundamental research
Management involvement and approach	• Full ownership • Responsibility for overall strategic direction and support • Capital allocation decisions	• Capital deployed in terms of Group investment policy and levels of authority • Due diligence investigation and own research when assessing any investment opportunity • Ensuring compliance in terms of corporate governance, good business principles and risk management for the benefit of the business and its strategy • Day-to-day management involvement in implementing the investment strategy
Financial and non-financial objectives	• Ensure the profitability of our operating companies • Provide sustainable trusted cover for our policyholders • Pursue a successful sales-centred approach, with a total commitment to personal service, to ensure maximum quality of business • Strict underwriting and claims processes • Attract and retain top-quality talent • Growth-oriented Group investment policy to drive underwriting profit and appropriate investment returns • Maintain a good credit rating • Excellence in governance and compliance • Effective risk management and mitigation • Clear differentiation in our markets • Commitment to innovation and the development of new products and opportunities	• Enhance Group investment returns • Diversify into non-insurance assets • Monitor performance relative to objectives • Diversify earnings • Grow intrinsic value, and provide capital to support Constantia, through sustainable investment returns
Key performance metrics	• Growth in the insurance book at below the combined ratio target to generate investable assets at no cost • Increase in gross written premium • Return on insurance capital employed • Increase in underwriting margin • Combined ratio • Absolute growth in investable assets • Increase in float • Effective monitoring and management of capital adequacy and solvency levels	• Growth in intrinsic value per share (% growth in NAV) • Return on capital invested • Increase in shareholdings • Sustainable earnings growth • Dividends • Look-through earnings analysis • Annual results of equity investments (companies) held in portfolio • Investment acquisitions, where appropriate

TO THE SHAREHOLDERS OF CONDUIT CAPITAL LIMITED ('CONDUIT CAPITAL', 'CONDUIT', 'THE COMPANY' OR 'THE GROUP')

DEAR FELLOW SHAREHOLDER,

Conduit Capital is an investment holding company that invests primarily in insurance assets for the long-term. Our Group is divided into two segments: Insurance and Investments. The Insurance segment wholly owns Constantia Insurance Group, a diversified insurance business. The Investment segment comprises public and private investments designed to support the capital base of the insurance group.

IMPACT OF CORONAVIRUS

We are pleased to report a very limited infection rate among our employees due to strict protocols and work from home mandates which were implemented at an early stage of the onset of the pandemic. The teams were successful in immediately shifting to a work from home environment. The Constantia office is gradually reopening in a phased manner in line with regulatory and government guidelines. The pandemic has had mixed effects on our businesses, with some areas seeing positive financial effects and others being negatively affected. We remain cautious in our expectations of the future impacts of the virus on our Group.

CONSTANTIA

The Constantia Insurance Group is comprised of Constantia Insurance Company Limited ("CICL"), Constantia Life Limited ("CLL") and Constantia Life & Health Assurance Company Limited ("CLAH"). We are one of the few companies in the market with access to multiple insurance licences. Constantia offers insurance and risk management solutions, covering areas such as medical malpractice, primary health insurance and medical gap cover products, funeral and life insurance, guarantee and indemnity solutions, medical evacuation insurance, property and casualty (including motor), heavy commercial vehicle, small business and other niche lines. Constantia's products are distributed through underwriting management agencies ("UMAs"), administrator managed (binder based) broker distribution and direct broker relationships.

In February 2020 we announced a change in leadership of Constantia. Immediate action was required to bring parts of our insurance book up to our underwriting standards. Since this change, the organisational structure of Constantia has been redesigned, the workforce optimised and approximately R25 million in annual costs eliminated. The business has been stabilised by reducing our exposure to loss-making books, resulting in cumulative underwriting profits and operating profits on a normalised basis since February 2020 and into the new financial year, as well as cumulative positive cash generation in excess of R50 million. The operating loss of the business improved by 39.8% from the prior year. We expect the positive trend to continue as we focus on further operational efficiencies.

The following table[1] sets out the performance of Constantia in the first half and second half of fiscal 2020 as well as Q3 and Q4 2020[2]:

Table 1

	Year ended 30 June 2020					
	1H2020 Total	3Q2020	4Q2020	2H2020 Total	FY2020 Total	Year ended 30 June 2019
Gross premium income	1 114 907	507 892	487 168	995 060	2 109 967	2 050 653
Net premium income ("NPI")	168 668	73 197	68 573	141 770	310 438	387 869
NPI (excl. solvency reinsurance)	1 044 766	485 808	461 563	947 371	1 992 137	1 948 862
Underwriting result before direct operating expenses	9 374	26 249	76 048	102 297	111 671	(11 232)
Operating loss as reported	(321 441)	(324 228)	37 662	(286 566)	(608 007)	(671 812)
Operating loss (excluding investment losses)	(136 694)	(42 298)	(35 924)	(78 222)	(214 916)	(308 017)
Combined ratio (%)	111.3	104.8	104.6	104.7	108.2	114.0

Table 2 below reflects Constantia's gross and net premiums adjusted for solvency reinsurance by line, together with the net underwriting margin for the period under review and the comparative period:

Table 2

	Year ended 30 June 2020			Year ended 30 June 2019		
	Gross R'000	Net excluding solvency reinsurance R'000	Net under-writing result R'000	Gross R'000	Net excluding solvency reinsurance R'000	Net under-writing result R'000
Assistance	130 377	99 674	(18 606)	76 225	59 779	(30 470)
Accident and Health	1 013 791	1 013 678	22 386	936 403	921 785	6 937
Aviation	48 088	11 096	(4 648)	16 302	3 128	(2 403)
Guarantee	33 477	17 260	10 883	30 031	18 342	3 999
Liability	204 956	194 257	30 840	181 607	160 158	27 538
Miscellaneous	12 693	8 596	(3 478)	4 621	3 898	(2 794)
Motor	489 638	476 114	(99 817)	583 008	567 071	(181 140)
Property	172 110	166 744	6 423	215 916	208 254	(35 566)
Transport	4 837	4 718	(2 008)	6 540	6 447	(3 658)
Unallocated head office expenses	–	–	(76 290)	–	–	(41 855)
Total	2 109 967	1 992 137	(134 315)	2 050 653	1 948 862	(259 412)
Cost of solvency reinsurance	–	–	(38 794)	–	–	(28 098)
Net insurance result	2 109 967	1 992 137	(173 109)	2 050 653	1 948 862	(287 510)

[1] The pro forma information in Tables 1 and 2 above is presented to demonstrate the effect on the Group's reported results if the net impact of all solvency reinsurance were reflected as a single line item. The solvency reinsurance normalised information 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 2020. The illustrative solvency reinsurance normalised information has been derived from the Group's reviewed 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.

[2] Constantia uses solvency relief reinsurance contracts to reduce the amount of capital required to support its gross written premium. This results in a decrease in net written premium and a simultaneous increase in the insurer's return on invested capital. These solvency relief contracts relieve the Group of onerous capital requirements by ceding marginally profitable (on a return on capital basis) gross premium in exchange for lower capital requirements. The net premiums reported in our financial statements therefore understate the actual level of net written premiums. It is more accurate to look at the business on a "solvency reinsurance normalised" basis.

Big strides have been made by the new leadership to position Constantia for organic and inorganic growth over the long-term. Our objective is to build Constantia from a solid footing eventually into a large insurance business across Africa.

TRANSACTIONS

Shareholders are referred to the transactions announced on SENS on 11 February 2020 (and updated on 19 November 2020) and 27 March 2020 and are advised that these transaction processes are ongoing.

INVESTMENTS

OUR STRATEGY AND INVESTMENT PHILOSOPHY

Conduit's investments are intended to create a growing capital base from which to expand the insurance business. Conduit is an investor in businesses run by able and intelligent people, irrespective of whether the businesses are public or private. Conduit's investment philosophy is value-driven and based on extensive fundamental research. We seek to identify companies that can compound underlying intrinsic value at a high rate over the long-term. We invest from a bottom-up perspective with a focus on a company's business model and management team. When a compelling opportunity arises, we are prepared to invest a substantial portion of our assets. As a result, we typically have a low number of investments that we know well. We pay little attention to market speculation and instead focus on facts to inform our perspective and decision-making.

EQUITY INVESTMENT PORTFOLIO

Conduit's listed equity investment portfolio returned a negative 52.4% (including dividends) on a weighted basis in 2020, compared to the JSE All Share Index which returned 6.6% over the same period. At year-end, shareholders had 78.0 cents (2019: 148.1 cents) per share in cash and investments (at market value) at work compared to our latest share price of 17 cents per share as at the date of this letter.

The equity portfolio is marked to market. Our portfolio produces large swings (up or down) over short time periods. We cannot predict short-term fluctuations. In our view, the equity portfolio trades at approximately 30% of its fair market value. If the portfolio was privately valued, we would expect an increase of approximately R600 million in our capital base (and earnings). The lack of interest in listed South African small and medium capitalisation companies is well-known in the market, and until confidence in South African assets is restored, it is not expected that a major recovery of asset prices will occur in the short-term.

Look-through Earnings

An additional measure of the performance of the public investment portfolio is "Look-through Earnings". This is Conduit's *pro rata* share of headline earnings[3] produced by its investments in other listed companies. The metric is useful because all profits, whether distributed or not, are valuable to shareholders and can show trends not otherwise observable by share price movements.

The following table compares the Group's Look-through Earnings as at 30 June 2020 with the position as at 30 June 2019 and 30 June 2018:

Table 3

	2020			2019			2018		
Stock	Share-holding in entity %	Share of headline earnings (loss) R'000	Share of dividend R'000	Share-holding in entity %	Share of headline earnings (loss) R'000	Share of dividend R'000	Share-holding in entity %	Share of headline earnings (loss) R'000	Share of dividend R'000
S1	3.21	40 955	–	5.61	33,621	–	6.58	13 473	–
S2	14.22	322	–	13.27	(5,966)	–	12.88	23 682	–
S3	3.64	(7 586)	–	6.02	(14 035)	–	6.00	(11 850)	–
S4	4.74	4 512	–	5.57	7 666	5 213	5.27	13 301	2 903
S5	0.00	–	–	0.00	–	–	0.82	2 045	989
		38 203	–		21 286	5 213		40 651	3 892

PRIVATE INVESTMENTS

Century21 is the South African master franchisor of the Century21 real estate brokerage, the world's largest real estate brand. Century21 reported an excellent year despite the lockdown, off the back of a record 2019. August 2020 produced an all-time record total sales number.

ASOC Management Company Proprietary Limited (known as "ASOC") is an investor in distressed South African assets. Conduit owns 25% of ASOC and has an investment in their first fund. We believe the counter-cyclical nature of a distressed fund is an ideal asset to own in difficult economic circumstances.

Anthony Richards and Associates Proprietary Limited ("ARA") was sold for cash in January 2020.

SHARE REPURCHASES

During the year we repurchased 3.1 million Conduit shares at a total cost of R1.9 million. Since year-end we have repurchased 17.1 million shares for a total cost of R10.0 million. We intend to continue to repurchase our own shares for as long as we deem the share price to be trading well below intrinsic value, which is quite clearly the case of this writing.

[3] *Calculated as the audited headline earnings of each investee company at its most recent fiscal year-end multiplied by Conduit's ownership percentage of the company.*

PRINCIPLES

We recognise that the reported wealth of shareholders has decreased significantly over the last few years as our share price dropped. As the largest shareholder group of the Company, we share your experience. The reasons for the decrease are a mix of self-inflicted mistakes and forces outside of our control. However, what we will not do is change our principles that have guided us so successfully since we began in business – that is, the focus on being rational, long-term business owners despite all the short-term pressure that may come our way. It is clear that the market value of our Company is absurd compared to the hard value being unlocked in our transactions, and on a rational base assessment of the value of our businesses (the value of our share portfolio exceeds our market capitalisation by a factor of two times – you are getting Constantia, Century21, ASOC and half of our equity portfolio for free). We have been clear about the explicit value created by our transactions in the hands of Conduit shareholders and make no apologies for why the market price does not reflect this value. We recommend patience and a level head; no fortune was built overnight, but all success stories compress into a one hour retelling.

ANNUAL GENERAL MEETING

Due to the Coronavirus our 2020 Annual General Meeting will be held by way of virtual meeting this year. Further details will be provided in the Notice of Annual General Meeting that is contained in this integrated report.

Sean Riskowitz
Chief Executive Officer

Johannesburg
30 November 2020

LETTER FROM THE CFO TO THE SHAREHOLDERS OF CONDUIT CAPITAL

Dear Shareholder

The objective of this letter is to:

1. expand on some of the themes in the CEO's letter in order to communicate a better understanding of our business and how we see our Group; and in that way
2. give the reader greater insight in our Group going forward.

We recognise that the integrated report is the most suitable vehicle to describe our business. The themes have been compiled in no specific order and are not exhaustive. While reading this letter please consider any potential forward looking statements in the context of the disclosure on the inside front cover of the integrated report:

1. UNPACKING THE RESULT

a. Shareholders' equity reduced from R736.52 million on 30 June 2019 to R173.84 million on 30 June 2020, as reflected in the Consolidated Statements of Financial Position. This represents a 76.4% decline. NAV per share reduced 76.6% from 105.1 cents to 24.6 cents.
b. The Consolidated Statements of Profit or Loss and Other Comprehensive Income reflect a net attributable loss amounting to R568.70 million (or 80.7 cents per share) for the year and the headline loss for the same period was R547.33 million, or 77.6 cents per share (refer notes 46.2 and 46.6 on pages 104 and 105 of the integrated report.
c. Cash and cash equivalents reduced from R194.77 million in 2019 to R149.21 million in 2019.

To better understand the results and provide context, the following should be considered:

a. Shareholders' equity at a Group level includes the impact of a total of 59.00 million treasury shares (or the equivalent of 7.7% of total shares in issue) that were acquired over time. We believe that repurchasing shares below intrinsic value will have significant benefits for shareholders over time.
b. The R568.70 million attributable loss includes the following:
   i. unrealised investment losses of R347.39 million (refer to note 37 on page 100 of the integrated report). As highlighted in the CEO's report, short-term volatility in our results is to be expected, particularly given the current economic climate of the country;
   ii. solvency reinsurance[1] cost of R38.79 million. We believe that the Group's statutory capital requirements would have been more than double the current requirement, were it not for this solvency reinsurance facility. These funds can now be used for other purposes;
   iii. losses amounting to R99.84 million in respect of non-profitable motor, property and funeral books that have been discontinued and placed in run-off during the year under review;
   iv. once-off expenses (staff retrenchment packages, contract alignment expenses, legal and transaction costs) amounting to R30.64 million and discontinued salaries of R19.94 million; and
   v. the impairment of associates, software and goodwill totalling R32.39 million.
c. When considering Table 1 of the CEO's letter (on page 11 of the integrated report) it is clear from the Operating loss (excluding investment losses) line that the corrective action implemented over the past year has started to achieve the desired results in that the result for FY2020 reflects a 30.2% improvement on the FY2019 result, while the 2H2020 result in turn reflects a 42.8% improvement on the 1H2020 result. When contemplating these numbers, one should consider that the FY2020 results still include the losses and the expenses detailed in paragraphs iii and iv above.

2. WHAT WE HAVE ACHIEVED SO FAR

The Group's performance is best measured by its growth in intrinsic value per share. In the past it was suggested that growth in Net Asset Value ("NAV") per share was a reasonable proxy for the growth in intrinsic value per share. During the past two years, however, the relationship did not hold. Conduit's NAV per share declined 87.6% over the period, but in our opinion, the intrinsic value of our business increased because of the capacity we have installed for future growth. These two years are an example of the effects that volatility in the underwriting result and mark-to-market equity returns (which in our view bear limited resemblance to underlying intrinsic value) can have on our reported results.

[1] *Constantia uses solvency relief reinsurance contracts to reduce the amount of capital required to support its written premium. This results in a decrease in net written premium and a simultaneous increase in the insurer's return on invested capital. These solvency relief contracts relieve the Group of onerous capital requirements by ceding marginally profitable (on a return on capital basis) gross premium in exchange for significantly lower capital requirements.*

Table 1 below, which is unaudited, illustrates our performance per share since the Group's strategy changed in June 2015:

TABLE 1

Date	NAV (cents)	% change	Float (cents)	% change	Investments held at fair value (cents)	% change	Cash (cents)	% change	Share price per last trade (cents)	% change	JSE All Share Index (incl. dividend yield)	% change
30 Jun '15	174.8		36.5		40.7		122.1		220		51 806.95	
30 Jun '16	169.5	(3.0)	19.7	(46.0)	74.6	83.3	82.2	(32.7)	275	25.0	53 735.66	3.7
30 Jun '17	175.5	3.5	24.1	22.3	154.7	107.4	38.6	(53.0)	240	(12.7)	54 664.28	1.7
30 Jun '18	198.0	12.8	28.2	17.0	172.7	11.6	48.2	24.9	198	(17.5)	62 637.27	14.6
30 Jun '19	105.1	(46.9)	33.1	17.4	120.3	(30.3)	27.8	(42.3)	134	(32.3)	65 317.56	4.3
30 Jun '20	24.6	(76.6)	32.0	(3.3)	59.4	(50.6)	21.1	(24.1)	60	(55.2)	62 280.27	(4.7)
Average annual		(32.4)		(2.6)		7.9		(29.6)		(22.9)		3.8
Since inception		(85.9)		(12.3)		45.9		(82.7)		(72.7)		20.2

Table 2 below, which is unaudited, summarises a number of other key drivers that we believe illustrates our overall progress. These are key metrics that we monitor:

TABLE 2

	Jun '20	Jun '19	Jun '18	Jun '17	Jun '16	Jun '15
Total NAV (R'000)	**173 843**	736 520	1 396 565	945 233	561 800	448 163
Shares in issue	**705 447**	700 607	705 440	538 630	331 377	256 377
NAV per share (cents)	**24.6**	105.1	198.0	175.5	169.5	174.8
Gross written premium (R'000)	**2 109 967**	2 050 653	1 536 885	1 069 794	1 005 586	942 982
Net premium on which we receive the economic benefit, i.e. with solvency reinsurance written back (R'000)	**1 992 137**	1 948 862	1 273 295	929 836	767 444	498 797
Cash and cash equivalents (R'000)	**149 132**	194 773	340 061	208 101	272 473	312 932
Investment portfolio (R'000)	**419 148**	843 106	1 218 255	833 171	247 275	104 348
Look-through earnings of equity investment portfolio (R'000)	**38 203**	21 286	40 651	69 953	21 010	6 193

Notwithstanding the losses (whether realised or unrealised) reflected for the year, Conduit Capital has worked very hard during the past number of years to increase its earnings potential per share[2] from 357.3 cents in June 2015 to 362.9 cents in June 2020, which translates into a 1.6% increase. Should we exclude cash (with a limited return) from the equation, the increase was 45.3% from 235.3 cents to 341.8 cents over the five years.

Table 3 gives another perspective of what we have been working toward, conditional on the following hypothetical assumptions being met:

a. Constantia achieves an average 95.0% combined ratio on its underwriting. The above numbers would assume a level of solvency reinsurance at an additional cost of approximately 2.0%, so for purposes of this example let us assume a net underwriting result of 3.0% after solvency reinsurance.
b. Equity investments achieve the JSE average return of 14.8% over the medium to long term.
c. Cash achieves an average return of 4.0%.
d. Returns from equity investments are taxed at capital gains rates of 22.4%, whereas all other income is taxed at company tax rates of 28.0%.

[2] *(Net premium + Cash + Investments) ÷ Shares in issue*

TABLE 3 COMPARATIVE HYPOTHETICAL RETURNS BASED ON CHANGES IN THE BUSINESS SINCE 2015

	2020				2015
	Capital	**Return %**	**Return**	**After tax**	After tax
Underwriting	**1 992 137**	**3.0**	**59 764**	**43 030**	10 774
Cash	**149 132**	**4.0**	**5 965**	**4 295**	9 012
Investments	**419 148**	**14.8**	**62 034**	**48 138**	11 984
Total			**127 763**	**95 463**	31 770
Per share (cents)			**18.1**	**13.5**	8.9
Return on equity (%)			**53.7**	**43.1**	7.1

We do however keep in mind that the recent losses have resulted in Constantia now having to be more circumspect with regards to new business being taken on due to short term capital constraints. We are however in the process of restructuring our asset base and we still firmly believe that we are on the right track to create sustainable wealth for all stakeholders.

3. CAPITAL ALLOCATION BETWEEN SEGMENTS (refer to the Segmental Report on page 64)

Calculating a return on capital per each business segment is difficult because, in a number of the Constantia companies, capital is used by both segments.

Consider the following example from 2019:

a. at year-end the consolidated balance sheet of Constantia Risk and Insurance Holdings Proprietary Limited ("Constantia") reflected R700.30 million in equity capital;
b. included in assets is R879.07 million in listed equities and R190.62 million in cash and cash equivalents;
c. included in liabilities is a deferred tax liability of R83.59 million, associated with the listed equities investment above; and
d. Constantia required relatively little working capital to fund its insurance operations, as funding provided by insurance related liabilities mostly takes care of the funding requirements of operating assets; but
e. Constantia did however require R296.32 million in regulatory capital (adjusted for holdings in equities).

We can therefore deduce that:

a. a portion of the capital in Constantia should be allocated to both the Investments segment (it holds listed equities investments) and the Insurance and Risk segment (it has insurance operations); and
b. Constantia's R700.30 million in capital is sufficient to satisfy its regulatory capital requirement, but it would require the use of the listed equities investments to achieve this; so
c. we need to think outside the box in order to find a solution on how to fairly allocate capital between the segments.

To solve this challenge, we decided as follows:

a. initially, ignore any regulatory capital requirements and look at it from an operational viewpoint only, which means that:
   i. R795.48 million in capital (R879.07 million per b. above, less the associated deferred tax liability of R83.59 million) should be allocated to the Investments segment (because it will get the full benefit of the returns generated by this capital); and
   ii. the Insurance and Risk segment will actually end up with "negative" capital of -R95.18 million, which is possible in an insurance environment given the fact that operations are funded by insurance liabilities;
b. however, because the insurer does require a minimum amount in regulatory capital, allocate to the Insurance and Risk segment 50% of the difference between:
   i. the statutory capital requirement, which is R296.32 million; and
   ii. the "negative" capital remaining in the insurer in terms of a.ii. above, i.e. -R95.18 million.

On this basis, R599.73 million (R795.48 - ((R296.32 million + R95.18 million) x 50%)) of the R700.30 million in Constantia equity is allocated to the Investments segment, while R100.57 million is allocated to the Insurance and Risk segment. We believe this method of allocating capital to be the most realistic in that it allocates capital to where it is used operationally, while still recognising the statutory requirement as it relates to the insurer.

[2] *(Net premium + Cash + Investments) ÷ Shares in issue*

LETTER FROM THE CFO TO THE SHAREHOLDERS OF CONDUIT CAPITAL continued

4. CONCLUSION

We have made significant progress toward our objectives in the last four years. No path to potential is without challenges: we still have suboptimal claims ratios in certain lines of business, and the equity market is not (in our opinion) accurately reflecting the underlying value of our investments. However, the interventions we have made and platform we have built have substantially transformed the business. We are well positioned to achieve our objectives in the medium to long term.

Lourens Louw
Chief Financial Officer

Johannesburg
30 November 2020

RISK MANAGEMENT

MANAGEMENT APPROACH

While we remain committed to increasing shareholder value by developing and growing our business within the risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders. We seek to achieve an appropriate balance between risk and reward in our business and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment.

Effective risk management is integral to the Company's objective of consistently adding value to the business. The key value creation objectives include:

- Return on Capital Employed;
- Growth in Intrinsic Value (measured by an increase in Net Asset Value per share);
- Investment returns, with specific reference to investments in equities;
- The combined ratio achieved by the Insurance segment; and
- Growth in investable assets in the Insurance segment.

The pursuit of these objectives is dependent on the diligent management of risk. Particularly important is determining how much uncertainty to accept, as uncertainty presents both risk and opportunity, with the potential to erode or enhance value.

Conduit Capital's risk management philosophy and appetite is set and overseen by the Board. The Board regularly considers the Group's risk appetite in the context of the regulatory environment, its culture, the sectors in which it operates and its top priority strategic risks.

This risk management approach seeks to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite and tolerance.

RISK MANAGEMENT SYSTEMS

Risk management is implemented through policies, limits, operational guidelines as well as methodologies and tools for risk assessment, monitoring and reporting, which forms the risk management framework. Risk assessment and management processes are in place to ensure that every business within the Company takes responsibility for the management of its risks in an attempt to encourage proactive action by the business units when faced with risks as well as opportunities.

RISK MANAGEMENT FRAMEWORK

The risk management framework and activities are based on the principles of King IV™, ISO 31000 and the Committee of Sponsoring Organisations Commission ("COSO") Framework and covers all risk disciplines across the Group, namely strategic, compliance, operational and financial. Conduit Capital's risk management framework is linked to our business strategy through the risk appetite framework and is supported by a strong governance structure, as well as a culture of effective risk management.

ENTERPRISE RISK MANAGEMENT ("ERM")

The process of identifying, analysing, evaluating and ultimately responding to and monitoring risk is at the heart of risk management. Our ERM process includes establishing the context, and identifying, analysing, evaluating and responding to risks and opportunities that could affect the Group's ability to achieve its strategic goals and objectives. These steps form the basis for decision-making about which risks or opportunities are priorities, what the appropriate response should be and how resources should be allocated to manage the risk or opportunity in a way that best supports the Group's strategy.

RISK MANAGEMENT continued

ERM Cycle:	
Quarterly review	This process is scheduled to be conducted on a quarterly basis but could be initiated at the occurrence of any significant development either internal or external to the business.
Preparation	Consideration is given to: • the environment in which the business operates; • stakeholder interests in the organisation; and • alignment with the business strategy and objectives.
Identification of risks	The risks determined by all business units are recorded in a risk register.
Assessment of risks	These inherent risks are rated in terms of their potential impact on the business and likelihood of occurrence.
Mitigation of risks	• Each risk is reviewed in the context of the mitigating controls that are in place as a preventative measure. • Appropriate action is then determined based on the level of residual risk. • These responses could be risk avoidance, risk sharing, risk acceptance or risk mitigation.
Ranking of risks	The material risks to the business are highlighted for prioritisation by management.
Reporting and monitoring risks	The management and monitoring of material risks are reported to the Audit and Risk Committee, as well as the Board.

RISK MANAGEMENT REPORTING STRUCTURE

The Board retains responsibility and accountability for the overall risk management process, setting risk appetite and tolerance levels. The Audit and Risk Committee assists the Board in the execution of its fiduciary duties regarding risk management. The Executive Committee, through the Risk Working Group ("RWG"), reviews the output of the risk management process to ensure that the appropriate management of major risks is undertaken. Management is accountable to the Audit and Risk Committee and ensures the implementation of the risk management process, working with the relevant staff within the business.

COMBINED ASSURANCE

Our Board-approved assurance model aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the Company. Collectively, the activities of these assurance providers, each representing a line of defence for the Company, are referred to as the combined assurance model.

Management-based assurance
- Risk management
- Compliance
- Other

Internal assurance
- Risk management
- Compliance
- Other

Independent assurance
- Internal audit
- External audit
- Other

Oversight
- Board of Directors
- Board Committees

The Company has taken an approach designed to meet the objectives of combined assurance in a logical and cost-effective manner.

OUR PRINCIPAL RISKS

Volatile markets, digital disruptions, growing cyber-attacks and the ever-escalating war for talent are just a few significant risk drivers on the minds of Conduit Capital's Board of Directors and executives.

Our risk management approach considered the potential impact of current circumstances in 2020 to the risks across the following three dimensions:

- Macroeconomic risks;
- Strategic risks; and
- Operational risks.

Within these three dimensions, our top risks for 2020, considered to be of the most immediate significance are as follows:

Operational risks	Macroeconomic and strategic risks
• Resistance to change operations • Cyber-threats • Privacy/identity management and information security • Organisation's culture may not sufficiently encourage timely identification and escalation of risk issues • Succession challenges; ability to attract and retain top talent • Sustaining customer loyalty and retention • Adoption of digital technologies may require new skills or significant efforts to upskill or reskill existing employees.	• Impact of regulatory change and scrutiny on operational resilience, products and services • Ability to access sufficient capital/liquidity may restrict growth opportunities • Economic conditions impacting growth • Opportunities for organic growth through customer acquisitions and/or enhancements may be significantly limited • Ability to compete with "born digital" and other competitors • Sustaining customer loyalty and retention • Performance shortfalls may trigger activist shareholders who seek significant changes to strategic plan and vision.

The COVID-19 pandemic is a global stress event that is testing the financial, operational and commercial resilience of all businesses. Against this backdrop, the financial services sector is having to adapt rapidly and at scale to current constraints and market conditions.

As the situation evolves, we expect to see a shift in focus and re-prioritisation of operational and conduct risks. Over the coming months, it will become more apparent as to how the Group will respond to emerging threats such as fraud, data security, market integrity and market abuse, competition and customer due diligence.

It is uncertain how long the current situation will persist and the impacts may be enduring, so we will require long-term adjustments to working practices and culture. Whilst there will undoubtedly be further regulatory guidance, we will need to be proactive in assessing the new emerging risks and changing priorities.

CONSTANTIA RISK AND INSURANCE HOLDINGS' ("CRIH") PRINCIPAL RISKS

Constantia is Conduit's largest operating investment and a business in which Conduit has a significant portion of its capital invested.

Constantia operates autonomously with its own board, management and business strategy. Nevertheless, the management, mitigations and outcomes of Constantia's risks, opportunities and material matters influence the management of Conduit's own risks and material matters.

The Board has elected to discuss aspects of Constantia's risks and material matters that are relevant to both entities.

Constantia's top enterprise-wide risks considered to be of the most immediate significance, are:

PARTNERS MANDATE RISK

This is the risk of financial loss, damage to the reputation of CRIH resulting from the failure of partners performing and operating within the mandate given to them by CRIH.

Reputational Risk
The reputation of the CRIH may come under scrutiny due to low solvency ratios, poor financial performance or perceived poor business conduct. The weakening of the Group's reputation could introduce secondary risks, such as the inability to meet the new business targets and loss of current market share due to an erosion in business partner and customer confidence.
Cybersecurity Risk
Cyber crimes have been on the rise in South Africa in the past few months. CRIH has effective controls in place to manage this risk, however the CRIH IT departments must continuously monitor and strengthen security controls as this risk evolves rapidly.
Operational Risk
Inadequate CRIH internal processes, human resources and systems could cause delays in services delivery and lack of/inadequate oversight of the Group's business partners.
Data Risk
CRIH must ensure that real-time data can be accessed by all partners as per regulatory data requirements. Data warehouse and integration requirements have been communicated to existing partners.

MATERIAL MATTERS

Conduit Capital's Board and executive management presents the information in this Integrated Report as relevant or 'material' to its shareholders and key stakeholders for a properly informed understanding of the Group's performance over the past year, as well as for insights on its forward strategy.

The Board and executive management evaluated the source information with two primary questions in mind: 'who is our reporting aimed at?' and 'what decisions will they be able to make from our reporting?' When deciding what information should be included, the leadership considered the relative importance of each matter in terms of the known or potential effects of these on Conduit's ability to continue creating value. These were prioritised for relevance to the report users, so that non-pertinent information could be set aside, or shared through other channels.

LEGAL SHIELD AND HERBOTH'S TRANSACTIONS

Conduit Capital and Constantia Insurance Group entered into two material transactions during the reporting period:

HERBOTH'S TRANSACTION

- Acquisition by Constantia of a property asset in exchange for new shares in Constantia;
- The property is a mixed use development; that will
- Recapitalise Constantia for growth.

ACQUISITION OF LEGAL SHIELD HOLDINGS

- Conduit will acquire Legal Shield Holdings through a reverse listing into Conduit by issuing new shares;
- As the majority shareholder, the Legal Shield shareholder will own 87.3%[1] of Conduit; and
- After closing, Conduit will be part of a diversified financial services business.

A comprehensive presentation detailing the transactions is available on our website at https://www.conduitcapital.co.za/presentations.php

ANTICIPATED OUTCOMES

- Access to capital and resources will allow Constantia to consolidate its existing business, grow premium volume, and pursue organic and inorganic growth opportunities;
- The combination allows each business to scale more quickly and is expected to create higher value than each company could have achieved individually; and
- Opportunities will open for each business to leverage each other's skills, assets, and mutually beneficial growth opportunities.

OPERATING DURING A GLOBAL PANDEMIC

The rapid spread of the COVID-19 virus since the start of 2020 has resulted in a lockdown of approximately 20% of the global population, a near global halt of production and strict travel restrictions shutting down global movement. We have therefore put the necessary procedures in place to ensure that our staff, customers and families are as little exposed to the virus as possible. We have implemented remote working for all employees and will continue with 'business as usual' as far as possible.

Prior to the national lockdown implementation on midnight of 26 March 2020, Conduit, together with Constantia, set up a COVID-19 Task Force to discuss the impact of the pandemic as well as work together to implement the most appropriate measures for the Group to ensure the safety of our staff, their families and our stakeholders. The Task Force meets twice a week to discuss the updates in terms of new cases, deaths and/or identification of any positive cases within the Group. Furthermore, the Task Force is responsible for the development of rotational work plans, policies, workplace-ready plans (once the entire country returns to the workplace on a full-time basis) and continual communication with staff.

[1] *On the basis all Conduit shareholders take up their rights in terms of the transaction*

Each Group entity has implemented their respective Business Continuity Plans and all staff were able to work from home successfully (this naturally excludes staff who do not ordinarily require the use of computers). The status quo remains, that all staff who are capable of working from home must continue to do so, keeping in mind the restrictions imposed by the government.

COVID-19 IMPACT

Global growth forecasts have been revised downwards, with most commentators expecting a global recession commencing in 2020. South Africa's economy, prospects and the viability of many businesses will be hard hit by COVID-19.

Our equity portfolio has come under pressure in line with broader financial market trends, resulting in what we view as temporary adjustments to the carrying value of these investments. Our estimate remains that the portfolio trades at between 20% and 30% of fair value.

Our insurance exposure to COVID-19 related claims is low in the health business. Lower economic activity may result in some premium churn, but this may in turn be offset by lower claims due to reduced activity. We are slightly exposed to business interruption insurance claims from the pandemic, but to an insignificant degree.

PERFORMANCE OF INVESTMENT PORTFOLIO

Our shareholders endorse Conduit's investment philosophy and encourage long-term investments, even if short-term losses result. They discount short-term earning pressure against the value implicit in sustainable long-term earnings power.

Conduit makes long-term investments in high quality, compound growth companies. We aren't interested in short-term share price fluctuations, nor do we attempt to "trade" the market. We invest in businesses that we are convinced can provide quality returns over the next 20 years or more.

Our equity portfolio complements the activities of the insurance business by creating a larger asset base over time, which the insurance business will leverage for expanded growth. Key aspects are:

- Determining companies in which to invest, through spending the time to understand the business, researching its competitive advantages and getting to know its management; and
- Accepting that business value and market price can diverge for long periods of time. Fortunately, we have the patience to wait for the inherent values of investments to come to the fore.

TECHNOLOGY

Big data and artificial intelligence will transform how the insurance industry measures risk. Conduit Capital is leveraging technology to improve overall underwriting capability, refining data collection and improving data analysis. The Group continues to set capital aside for investment in new technology opportunities.

The Board ensures that IT strategy is integrated with the Company's strategic and business processes.

However, change in the industry is not just about addressing traditional risks in new ways. One of the biggest hazards facing business at present is cyber attack, which can severely disrupt day-to-day operations, damage corporate reputations and even trigger ransom demands to release data.

Proactive monitoring of all IT systems and processes are conducted by management in order to ensure that IT risks are appropriately identified and adequately addressed. These findings are reported to the Risk Committee. Management regularly demonstrates to the Board that the company has adequate business resilience arrangements in place for disaster recovery.

VALUE CREATION AND THE CAPITALS

An integrated report is compiled primarily to explain how an organisation creates value over time, through various capitals that include the traditional financial capital always reported on.

These capitals represent stores of value that can be built up, transformed or run down over time in the production of goods or services.

Their availability, quality and affordability can affect the long-term viability of an organisation's business model and its ability to create value. The IIRC reporting framework and King IV™ identifies six capitals, which are listed as:

- Financial;
- Manufactured;
- Intellectual;
- Human;
- Social and relationship; and
- Natural.

RESOURCE/CAPITAL	INPUTS
FINANCIAL The overall amount of financial resources available to Conduit that it may harness to ensure the growth of its operations and the delivery of value to its shareholders and other stakeholders.	• Equity capital • Shareholder funds • Cash • Value of investment portfolio • Debt
HUMAN People are our most important asset. Conduit as a holding company (small staff complement) supports the autonomy of all of its subsidiaries and investments in pursuit of their own human capital requirements. Their competencies, capabilities and experience are an extremely valuable source of capital. The performance of the Group is directly impacted by the strength of its human capital and the alignment of its people with its vision, strategy and values.	• Ethical values and corporate culture • Management and employees of associated companies • Recruitment • Staff training and development • Performance management and retention • Mentoring and coaching • Group employee policies • Leadership expertise • Health and safety
SOCIAL AND RELATIONSHIP This is a vital source of capital, particularly for an investment holding company like Conduit, as it depends significantly on relationships between itself and its various subsidiaries, operations, service providers, partners and other stakeholders – all of whom contribute to the success of the Group or benefit from its delivery of value.	Relationships with: • Staff • Institutional and public investors • Policyholders • UMAs • Brokers • Professional advisors • Regulators and Industry Bodies • Reinsurers • Credit Rating Agencies • Community
INTELLECTUAL Institutional knowledge, experience, product development capability, innovation, systems, procedures and protocols.	• Industry-specific skills • Institutional knowledge • Market and data analysis • In-house and acquired software • Established and enhanced systems and procedures

Conduit Capital's approach to commercial sustainability is well ventilated throughout this report and encompasses reporting on both financial and intellectual capital. In the section below, we expand further on the Group's approach to social sustainability, which comprises stakeholder engagement, corporate social responsibility and an internship programme.

These six capitals are not equally relevant or applicable to all organisations. While most organisations interact with each capital to some extent, these interactions might be relatively minor, or so indirect that they needn't be discussed in the integrated report. The fact that Conduit's activities are mainly focused on insurance and investments means that some of the capitals are more heavily weighted than others.

IDENTIFYING MATERIAL SUSTAINABILITY IMPACTS

Conduit Capital considered the uses or effects of all six capitals when preparing this integrated report. Given the nature of Conduit's operations, only four of the six capitals are of sufficient impact to be reported. The four capitals reported on are the financial, human, social and intellectual capitals, while the manufactured and natural capitals are set aside. Conduit has limited exposure to these.

We adopt a holistic and long-term approach to sustainability, acknowledging and acting on the importance of environmental and social sustainability, while first prioritising the commercial viability and sustainability of the Group in creating value for all stakeholders, now and in the future. To this end, we ensure that all our operational activities comply with industry regulations and are conducted responsibly to safeguard our employees, communities and environment where we operate.

The table below provides a quick reference overview of the four capitals as well as the way in which these are employed by Conduit, to a greater or lesser degree, to deliver value.

OUR CORE ACTIVITIES

Strategic support and capital allocation to grow insurance and investments

Invest in and support insurance opportunities

Generate sustainable premium growth and underwriting profits

Utilise underwriting profits for capital investments into new opportunities

Non-insurance opportunities build additional value

Grow the capital base

SUPPORTING ACTIVITIES

Guiding strategy

Allocating capital

Mitigating risk

Ethical leadership and corporate governance

Group corporate services, finance and treasury

OUTCOMES

- Positive return on capital employed
- Growth in Net Asset Value per share
- Investment returns
- Growth in investable assets
- Combined ratio of less than 100%
- Qualified, experienced and motivated workforce
- Professionalism and strong reputation
- High-performance environment
- Trust of shareholders
- High levels of efficiency, productivity, engagement and loyalty
- Skills and capabilities aligned with Group vision and strategy
- Empowered and inclusive organisational structure
- Low risk health and safety operational environment
- Sustainable business growth
- A well-run organisation that emphasises operational efficiencies
- A strong brand and solid reputation
- The trust and respect of all our stakeholders
- Delivery of long-term value for communities
- Business networks and key stakeholder relationships
- Requisite expertise
- Effective internal controls and efficient processes
- Effective risk mitigation
- Industry and peer respect
- Shareholder trust
- Strong support of subsidiary businesses

SOCIAL SUSTAINABILITY

OUR KEY RELATIONSHIPS

We recognise the importance of balancing our main objectives with long-term social, economic and environmental factors. In doing so, we identify material issues raised during interactions with a variety of stakeholders, which could have an impact on the Group's sustainability. The table below details the key stakeholders that are material to the success of the business and explains the important areas, determined by our experience, relevant for each stakeholder.

Stakeholder group	Primary methods of stakeholder group engagement	Material issues raised	Conduit's response
Institutional and public investors	• SENS releases • Integrated Annual Report • Print media releases and articles • One-on-one meetings and/or conference calls • Group website • General meetings of shareholders, including AGM	• Compounded growth in intrinsic value per share over the long-term • The change in NAV per share • Share price, return on capital, profitability • Management • Business risk and culture • Compliance and governance	• Maintaining relationships with an already supportive shareholder base of Conduit's long-term objectives • It is understood that significant investments have been made, that will take time to deliver results • This short-term volatility, in Exco's view, will achieve the desired returns in the short- to medium-term
Staff	• Head of Division/Department forums and/or roadshows • Internal newsletters • Staff meetings • Themed, multi-purpose events to build culture and teamwork • Group intranet • Quarterly (one-on-one) Personal Review for Improvement and Development (PRIDE) sessions and semi-annual Key Performance Appraisals (KPAs) • Internal memoranda, mainly distributed via email and/or placed on notice boards	• Job security — growth and stability of the business • Recognition and reward • Career development • Corporate policies (conditions of employment) • Culture of empowerment and ambition • Culture and environment • Living morals and values which drive behaviours and equate to culture	• Multiple initiatives reinforcing culture, positive environment, recognition and reward • Restructured and repositioning of Exco, Manco and various employee working groups at a Constantia level
Policyholders (relevant to Constantia only)	• Formal written correspondence • Direct customer engagement when necessary and appropriate • Engagement with UMAs who, in turn, deal with brokers representing customers • Monthly reports and statistics • Dedicated Treating Customers Fairly ("TCF") officer — also serves as complaints channel	• Reputation • Service and quick turnaround • Price • Payment of claims • Treating Customers Fairly (TCF) and formalised complaints handling process	• Enhancement of service standards • Dedicated expertise to work with policyholders (where relevant) • Attendance and presentations at numerous association conferences (specifically in the Medical Malpractice field)

Stakeholder group	Primary methods of stakeholder group engagement	Material issues raised	Conduit's response
UMAs (relevant to Constantia only)	• Monthly financial reporting by UMAs • Direct engagement with office of the Constantia Group CEO • Regular meetings with UMAs • Formal written communications • Distribution of credit rating report to partners • Personal Service Manager to drive service objectives • UMA workshops • Compliance and legislation updates • Internal audits by Constantia	• UMA fees (binder fees) • Service • Product development and differentiation • Pricing • Broker or book loss ratio • Due diligence investigations on brokers and/or on blocks of business prior to take-on • Solvency and claims paying ability including credit rating • Binder agreements • Claims administration turnaround and efficiency by the insurer if the UMA is not mandated to handle same • Compliance • Systems and tools • Policy updates and endorsements	• Hosted UMA workshops to encourage strategic alignment and knowledge sharing and ensure understanding of risk management expectations • Ongoing relationship building and management
Brokers	• Managed through the UMAs, or directly by the insurer • Broker visits (where direct relationships exist) • Personal Service Manager engagement • Dedicated TCF officer – also deals with complaints • Internal audits by Constantia	• Service • Product development and differentiation • Pricing • TCF and formalised complaints handling process • Data integrity, accurate commission statements and payments • Due diligence investigations on brokers and/or on blocks of business prior to take-on • Solvency and claims paying ability, including credit rating • Claims administration turnaround and efficiency by the insurer if the UMA is not mandated to handle same • Compliance • Systems and tools • Policy updates and endorsements	• Hosted workshops to encourage strategic alignment and knowledge sharing, and ensure understanding of risk management expectations • Ongoing relationship building and management • Dedicated broker consultant teams
Regulators and Industry Bodies (applicable to subsidiaries)	• Representation on various committees • Compliance reports to regulators • Formal correspondence • Physical inspections by regulators	• Development of new policies and legislation • Implementation and compliance • Code of conduct of SAIA for short-term insurers	• Board representation on certain industry bodies • Proactive engagements with regulators

SOCIAL SUSTAINABILITY continued

Stakeholder group	Primary methods of stakeholder group engagement	Material issues raised	Conduit's response
Reinsurers	• Annual treaty renewal • Ongoing relationship through reinsurance broker • Reporting of large losses	• Management of risks • Cash flow control • Policy wording and exclusions • Loss ratios • Profitability	• Building relationships • Certain new reinsurance strategies adopted in certain classes of business has led to the introduction of new reinsurers servicing Constantia
Credit Rating Agencies	• Annual meetings (audit and inspection) • Information requests by agency	• International and statutory solvency • Liquidity and claims paying ability (for Constantia) • Credit rating • Potential funding	• Maintaining the existing relationship
Community	• Ad-hoc meetings and presentations • Quarterly and/or annual review meetings	• Effectiveness of corporate social investment spend	• CSI Committee determines which initiatives receive support • Staff support and teambuilding outings
Lawyers Recovery agents Assessors, surveyors and investigators Telephony and IT service providers External Auditors Internal Audit Ancillary operational service providers	• Mainly outsourced • Individual engagement with service providers • Quarterly status meetings	• Ability to pay • Screening criteria prior to appointments and ongoing review • Third-party audits of assessors, etc. • Ongoing stability and functionality of various IT platforms within Constantia • Data integrity	• Building partnerships • Negotiation and monitoring of costs associated with specific services or projects

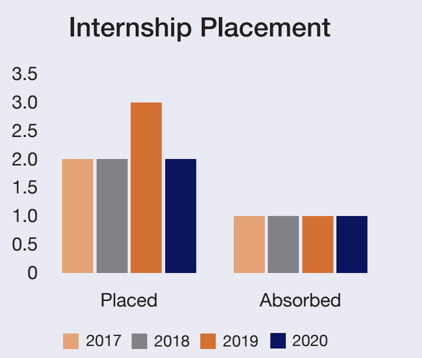
CORPORATE SOCIAL RESPONSIBILITY

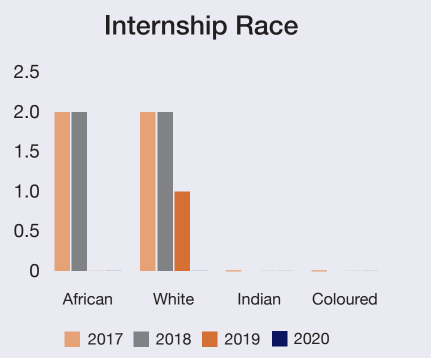
Conduit, in association with Constantia, supported the following organisations in 2020:
- Ethembeni Trust
- Operation Healing Hands
- Graduate Institute of Financial Sciences
- ETI Learnerships through the Institute for Sustainable Risk Management

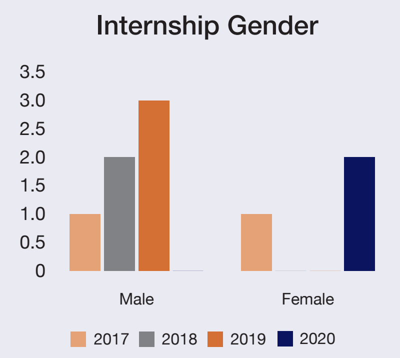
Conduit's Transformation Committee continues to identify initiatives which the Group will support directly. Conduit's transformation strategy is explained in more detail in the Corporate Governance Statement on page 30 of the integrated report.

INTERNSHIP PROGRAMME

The Conduit Group is committed to skills development and skills upliftment within the financial sector and has launched an internship programme for previously disadvantaged individuals. The programme is creating opportunities for graduates and intern students to get practical work experience which will complement their studies or/and improve their competence and employability. These paid interns will be expected to work between 15 and 25 hours a week in our organisation, with the programme intake in March and August, respectively, for a minimum period of three months and a maximum of 12 months. Included below is an illustration of the internship programme statistics since 2017:







JOB SHADOW INITIATIVE

Job Shadow Proprietary Limited ("Job Shadow") is exactly what its name suggests. It is a company that facilitates job shadowing for high school students, allowing students and parents the opportunity to be informed regarding a specific profession.

In terms of Conduit's strategy to focus on skills development and consumer education, Conduit believes by bringing students into the workplace to see people at work, real and tangible options come alive for them. Job shadowing provides exciting reasons why students should stay in school and it creates a critical link between education and success, also allowing Conduit to forge connections with young people that could ultimately contribute to building a more prepared and focused workforce of tomorrow.

During the period under review, Conduit hosted no students as a result of the disruption in school terms due to the COVID-19 pandemic. Conduit is committed to the initiative and will roll this programme out to its subsidiaries in due course based on the requirements of the job shadow appetite.

CONCLUSION

The Group's evolution is progressing well and according to plan. We are excited by the long-term prospects for the Group to continue creating value and conducting business in an ethical and sustainable manner that will make a positive contribution to society, and in turn our stakeholders.

CORPORATE GOVERNANCE STATEMENT

GOVERNANCE STATEMENT

The Board strives to ensure that the Company and the entities it controls meet high standards of performance and governance. The Group recognises that it has responsibilities to its stakeholders as well as to the communities in which it operates. The Board has ultimate authority over, and oversight of, the Group and regards corporate governance as a critical element in achieving the Group's strategic objectives. Accordingly, the Board has adopted appropriate charters, codes and policies and established a number of committees to discharge its duties.

The Corporate Governance information mentioned in this section is located on the Company's website (https://www.conduitcapital.co.za/governance.php). These documents are regularly reviewed and enhanced to take account of changes in the legislation and governance practices. The Group's governance systems meet the requirements of the Companies Act 2008, No 71 of 2008, as amended ("Companies Act"), King IV™ Report and the Listings Requirements of the JSE Limited. Additionally, the Company operated in conformity with its MOI and/or relevant constitutional documents.

The Board is committed to ensuring that there is a transparent approach to engagement with shareholders and stakeholders, with all legitimate concerns given due consideration and, where necessary, addressed. The Board is cognisant of the fact that good corporate governance is a holistic and interrelated set of arrangements to be understood and implemented in an integrated manner and is not simply a tick-box or compliance exercise. Mindful application of the recommended practices connects the benefits of corporate governance in the interests of the organisation.

The Board is pleased to confirm that there have been no regulatory fines levied or legal proceedings instituted against the Company during the year under review.

KING IV™

Conduit Capital supports King IV™ and its importance on driving the governance outcomes of ethical culture, good performance, effective control and legitimacy. Reliable corporate governance structures and processes are crucial to delivering sustainable value in the interest of Conduit's stakeholders. The Group reviews its corporate governance practices regularly to ensure alignment with internal developments. Ongoing adherence to regulations, the principles of good governance and the implementation of King IV™ principles have been extended to the entities within the Group.

The King IV™ register was reviewed during 2020 and the Company continues to focus on its application. The register detailing the application of the King IV™ principles is available to view on the Company's website. In instances where Conduit Capital has elected not to apply certain recommended practices, the explanations for doing so are provided.

BOARD OF DIRECTORS

The composition of the Board reflects a balance of executive and non-executive directors, of whom the majority are independent, in order to ensure that there is a clear balance of power so that no one individual has unfettered decision-making powers. The roles and responsibilities of the Chairman of the Board and the Chief Executive Officer are separated. More detailed information regarding the skills and experience of the Board can be viewed on our website.

BOARD EXPERIENCE

Ronald Stuart Napier (85)

Chairman and non-executive director

BA LLB, MA (Oxford)
Chairman of Board of Directors
Chairman of Nominations Committee
Chairman of Remuneration Committee

William N Thorndike Jr. (57)

Lead Independent non-executive director

MBA (Stanford)

Sean Michael Riskowitz (35)

Chief executive officer

B Com (Wits)

Leo Chih Hao Chou (40)

Non-executive director

B Com (UNISA)

Lourens Erasmus Louw (50)

Chief financial officer

B Com (Stell)

Adrian John Maizey (46)

Non-executive director

BBA (Accounting), MBA (Harvard), CPA (USA)
Chairman of Investment Committee

Nonzukiso Siyotula (36)

Independent non-executive director

CA(SA), ACMA, MBA
Chairperson of Audit and Risk Committee

Ntambose Rosetta Xaba (56)

Independent non-executive director

B Compt (Hons) (UNISA), Post Graduate Diploma in Accounting (KZN), CA(SA)
Chairperson of Social and Ethics Committee

EXECUTIVE TEAM (EXCO)

The executive team of Conduit Capital consists of the Executive Directors and Management of Conduit Group. The executive team is collectively responsible for the execution and implementation of the Board's approved strategies, policies and other operative matters of joint importance.

Sean Riskowitz

Chief executive officer

Lourens Louw

Chief financial officer

Tyrone Moodley

Executive

BOARD COMPOSITION

The King IV™ emphasises the need for the Board to comprise the appropriate balance of knowledge, skill, experience, race, diversity and independence for it to discharge its responsibilities objectively and effectively. A diverse Board better understands its stakeholders and the environment in which the business operates. As a result of this enhanced understanding, the Board is well placed to find and explore opportunities for innovation, which ultimately creates value for the business.

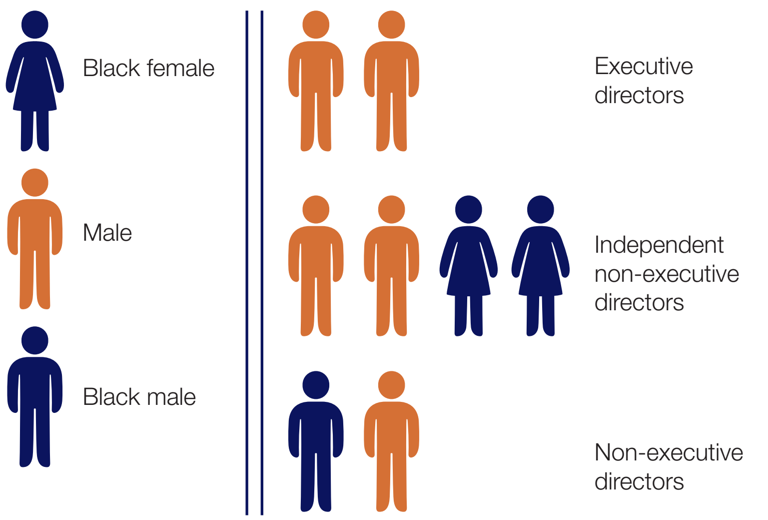
BOARD DIVERSITY

A Gender and Race Diversity Policy has been adopted by the Board of Conduit. We illustrate the Board composition with regards to gender, race and age diversity below. For sake of clarity, the original Broad-based Black Economic Empowerment ("BBBEE") Act defined "Black people" as African, Coloured and Indian natural persons. This definition has been revised to include South African Chinese people.

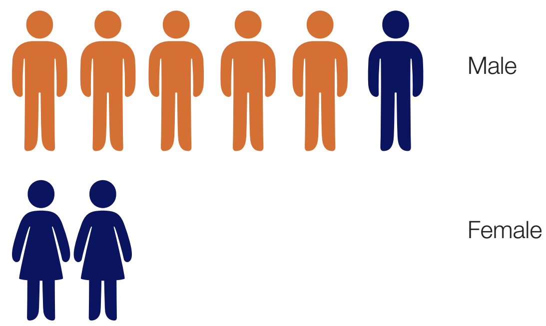
Conduit Capital's principles of Board diversity include, amongst others, promoting experience and varied educational background, relevant qualifications, balanced gender and race diversity, and adequate commitment with regard to time contribution, availability and engagement. These objectives can be achieved with thorough and early preparation when considering the Board composition. The Board is satisfied that the objectives have been met. Diversity at Board level is critical to ensuring the efficient and optimal functioning and performance of the Board. The policy in terms of diversity is available on the Company's website.

The Board will give consideration to diversity when new appointments are made to the Board, insofar as a suitable candidate is identified and available, by the calibre required by the Company, and serve to meet the gender and race diversity targets. The Board is committed to promote transformation in a measured and effective manner.

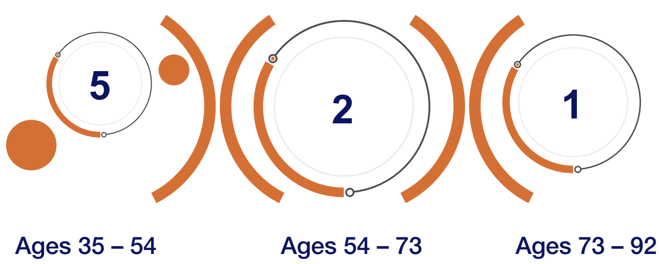
Composition



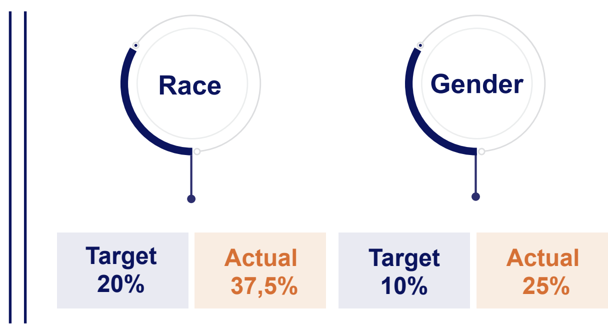
Race diversity



Age diversity



Diversity voluntary targets

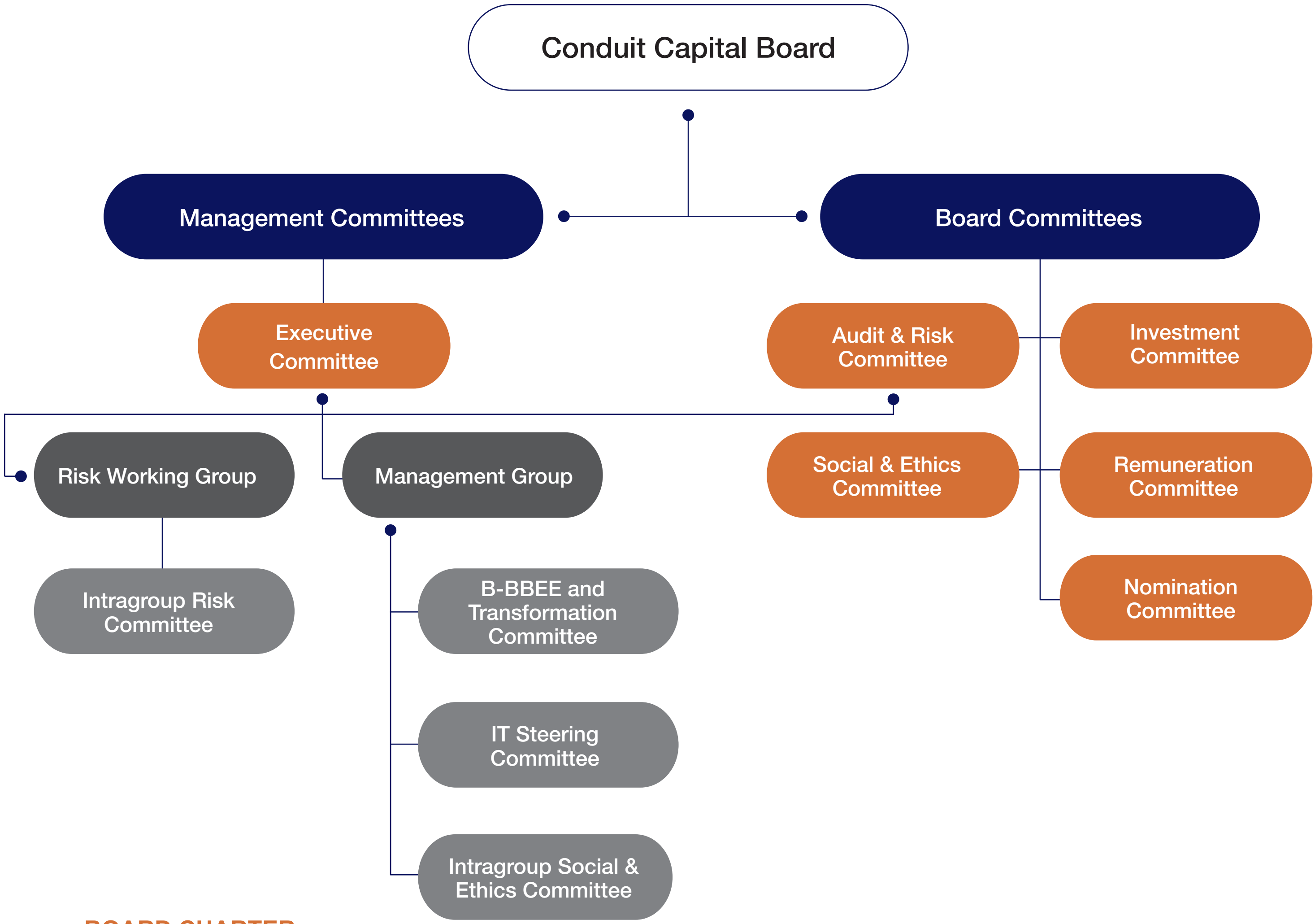


CHANGES TO THE BOARD

Jabulani Mahlangu resigned as independent non-executive director and chairman of the Audit and Risk Committee with effect from 8 November 2019. Jabulani Mahlangu's resignation has been necessitated by the increased workload in respect of his other commitments. Rosetta Xaba, an independent non-executive director of the Group since 19 May 2015, has succeeded Jabulani Mahlangu, on an interim basis, as chairperson of the Audit and Risk Committee. On 24 March 2020, Nonzukiso Siyotula was appointed as independent non-executive director, and chairperson of the Audit and Risk Committee with effect from 20 May 2020. Shareholders will be asked to ratify Nonzukiso Siyotula's appointment as independent non-executive director and chairperson of the Audit and Risk Committee at the Group's upcoming virtual annual general meeting on 18 January 2021.

BOARD AND COMMITTEES

The Board has assessed its composition in terms of the diversity of skills and experience and is satisfied that the correct mix of skills and experience is available to Conduit Capital to ensure that it functions efficiently and/or optimally to achieve its objectives.



BOARD CHARTER

The Board Charter ("the Charter") has been adopted to assist the Board and its committees in exercising their responsibilities. The Board bears responsibility for Conduit's performance by steering and setting the strategic direction for the realisation of Conduit's core objectives and values.

The purpose of the Charter is to provide a concise overview of:

- The roles, responsibilities, functions and powers of the Board, individual directors and the officials and executives of the Company;
- The powers delegated to various Board committees of the Company;
- The relevant principles of the Company's limits and delegations of authority as well as matters reserved for final decision-making or pre-approval by the Board; and
- The policies and procedures of the Board in respect of matters such as corporate governance, trading by directors in the securities of the Company, declarations and conflicts of interest, procedures at Board meetings, composition of the Board and the nomination, appointment, induction, training and evaluation of directors and members of the Board committees.

The powers conferred upon the Board function to ensure that the Board is responsible for adding significant value to Conduit Capital by:

- Retaining full and effective control over the Company and providing effective and ethical leadership in the best interest of the Company and its stakeholders;
- Informing and setting the strategic direction of the Company and ensuring that strategy, risk, performance and sustainability considerations are appropriately balanced and effectively integrated into operations;
- Determining and setting the tone of the Company's values including the principle of ethical business practices, human rights considerations and being a responsible corporate citizen, which includes assessing and responsibly responding to the impact of the Company's activities and outputs as it relates to the overall context of the economy, society and environment in which the Company operates;
- Bringing independent, informed and effective judgement to bear on material decisions of the Company and Group including material Company and Group policies, the framework of delegated authorities, appointment and removal of the Chief Executive Officer, approval of the appointment of Executive Committee members, capital expenditure, material transactions and the consolidated budgets for the Company and the Group;
- Satisfying itself that the Company is governed effectively in accordance with corporate governance best practices, appropriate and relevant non-binding industry rules, codes and standards as well as internal control systems to:
  - maximise sustainability of returns;
  - safeguard the people, assets and reputation of the Group; and
  - ensure an effective control environment and compliance with applicable laws and regulations;
- Monitoring the implementation by the Group, Board committees and executive management of the Board's strategies, decisions, values and policies with a structured approach to governance, integrated reporting, risk management and combined assurance;
- Identifying and monitoring non-financial matters relevant to the business of the Company;
- Recording the facts and assumptions on which it relies to conclude that the business will continue as a going-concern in the financial year ahead or why it will not. In the case that the business will not continue as a going-concern, the Board will provide information on the measures to be taken to ensure the business will be able to continue as a going-concern;
- Ensuring that the Company has appropriately constituted effective Board committees as required by the Companies Act, JSE Listings Requirements, Memorandum of Incorporation and the recommended best corporate governance practices in terms of King IV™ that the Company elected to apply;
- Ensuring that there is an effective risk-based internal audit function;
- Ensuring adherence to the corporate Code of Conduct;
- Governing the disclosure control processes of the Company including ensuring the integrity of the Company's integrated report and reporting the effectiveness of the Company's systems of internal controls;
- Defining levels of materiality, reserving specific powers to itself and delegating other matters (with the requisite written authority) to management;
- Identifying key risk areas, risk appetite and risk tolerance levels, which should be monitored regularly, with particular attention given to internal control systems and information technology governance strategies;
- Monitoring of the relationship between the Company, the Group and its stakeholders.

BOARD COMMITTEES

The Board is empowered to appoint Board committees and to delegate powers to such committees. The Board delegates certain functions to well-structured committees but recognises that, in general, ultimate responsibility lies with the Board itself.

Delegation to committees is a formal process that involves the following:

- Formal terms of reference are in place and approved for each committee of the Board;
- The committees' terms of reference are reviewed as and when necessary, but at least annually;
- The committees are appropriately constituted with due regard to the skills required by each committee;
- The Board receives reports from and/or minutes of the meetings of each committee; and
- The Board monitors the activities of committees and individuals with delegated authority.

The Board has established the following committees:

- Audit and Risk Committee;
- Remuneration Committee;
- Nomination Committee;
- Investment Committee; and
- Social and Ethics Committee.

ANNUAL MEETINGS COMPOSITION

	Audit and Risk	Remuneration	Nomination	Investment	Social and Ethics
Members	N Siyotula (Chair) R Napier R Xaba WN Thorndike Jr	R Napier (Chair) R Xaba WN Thorndike Jr	R Napier (Chair) R Xaba WN Thorndike Jr	A Maizey (Chair) L Chou WN Thorndike Jr S Riskowitz	R Xaba (Chair) R Napier
Invitees	CEO, CFO & Executive Non-executive directors (non-members) Operations Manager Senior Accountant External Auditors Internal Auditors	CEO, CFO & Executive	CEO, CFO & Executive	CEO, CFO & Executive Non-executive directors (non-members)	CEO, CFO & Executive Non-executive directors (non-members) Operations Manager

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee monitors proposed changes in accounting policies, reviews the internal audit and risk management processes, and reviews the implications of major transactions from both an accounting and risk management perspective.

The Audit and Risk Committee receives a high-level of co-operation from the executive directors, management and staff and is satisfied that the controls and systems within the Company have been adhered to and, where necessary, improved during the period under review.

The Committee will continue to monitor and evaluate the internal operating structures, controls and systems to ensure that these are maintained and continue to contribute to the optimal functioning of the Company. The Audit and Risk Committee sets the threshold and approves the fees for non-audit services provided by the external auditors. A report by the Audit and Risk Committee has been provided on page 45 of the integrated report.

The Board and the Audit and Risk Committee review the management and financial controls of the Group on an ongoing basis to ensure that there is an effective system of internal controls and that appropriate accounting records are maintained by the Company, as well as to ensure that the assets of the Company are safeguarded and appropriately insured.

In line with Conduit Capital's combined assurance practice, an internal audit function has been established at Company level and PwC has been appointed as the internal auditor for the period 1 July 2018 to 30 June 2020. The insurance operations have their own internal audit department and reports on the findings of the internal audit procedures in place are provided to the Chairperson of the Audit and Risk Committee and reviewed/discussed at committee meetings. A new engagement period will be negotiated and confirmed in respect of the internal function for the 2021/2022 fiscal year.

The effectiveness of internal control systems is monitored through management reviews, with the Board retaining ultimate responsibility for the Group's systems of internal control. These systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain integrity of its assets and to minimise fraud, potential liability, loss and material misstatements, while also complying with applicable legislation and regulation. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can only provide reasonable assurance in respect of the preparation of financial statements and the safeguarding of assets.

REMUNERATION COMMITTEE

The Remuneration Committee's primary responsibilities include considering, reviewing and making recommendations to the Board concerning the remuneration policies and principles of the Group, as well as the implementation thereof. The Committee also reviews and approves the remuneration and terms of employment of the executive directors and senior employees of the Company.

The Committee further research remuneration payable to the non-executive directors, and proposes to the Board appropriate fees payable to non-executive directors (for approval by shareholders at the AGM, in terms of Section 66 of the Companies Act).

The executive management team has service contracts in place, the salient details of which are disclosed on page 50 of the integrated report.

Details regarding the directors' remuneration have been provided on pages 48 to 51 of the integrated report, which includes the remuneration policy and the remuneration implementation report.

NOMINATION COMMITTEE

The Nomination Committee identifies, evaluates and recommends candidates for appointment to the main and certain subsidiary boards to the directors and shareholders, while giving regard to and respecting the autonomy of the subsidiary nomination committees and boards. The Nomination Committee is also responsible for ensuring that evaluation of the Board and sub-committees is conducted periodically. The Nomination Committee is satisfied that it has fulfilled its responsibilities in accordance with its Terms of Reference for the period under review.

INVESTMENT COMMITTEE

The Investment Committee's main responsibilities include considering, reviewing and making recommendations to the Board concerning the capital allocation strategy of the Group as a whole, while being cognisant of any requirements imposed on individual Group companies by statutory bodies, as well as overseeing the implementation of the Group's approved capital allocation strategy and ensuring that restrictions imposed by statutory bodies are conformed with.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee assesses the Group's performance in terms of various social and ethics activities against the five areas of responsibility as outlined in its terms of reference and the Companies Act, identifies areas for development and formulates action plans to address these matters. The report of the Social and Ethics Committee is set out on page 47 of the integrated report.

ANNUAL MEETINGS ATTENDANCE

	Board	Audit and Risk	Remuneration	Investment	Social and Ethics
Number of meetings held	4	3	2	3	2
Meeting attendance*					
Independent non-executives					
Ronald Napier	4	3	2	–	2
Jabulani Mahlangu[1]	1	1	1	–	–
William N Thorndike Jr[2]	4	–	1	2	–
Rosetta Xaba	4	3	2	–	2
Zukie Siyotula[3]	1	1	–	–	–
Non-executives					
Adrian Maizey[4]	4	–	–	3	–
Leo Chou	4	–	–	3	–
Executives					
Sean Riskowitz	4	3	–	3	–
Lourens Louw	4	3	–	–	–

* *The meetings of 20 May 2020 were held entirely on digital platform by way of video call as a result of the COVID-19 pandemic.*

[1] *Jabulani Mahlangu resigned with effect from 8 November 2019.*

[2] *William N Thorndike Jr. attended the meetings of 19 September 2019 and 6 March 2020 by way of teleconference dial in. William N Thorndike Jr. tendered his apology for the Audit & Risk Committee meetings of 6 March 2020 and 20 May 2020, and the Investment Committee meeting of 6 March 2020.*

[3] *Zukie Siyotula appointed as independent non-executive director with effect 24 March 2020 and chairperson of Audit and Risk Committee with effect 20 May 2020.*

[4] *Adrian Maizey attended the meetings of 6 March 2020 by way of teleconference dial in.*

APPRAISAL PROCESS AND ANNUAL TRAINING

The Company facilitates a process whereby the performance of the Board and its committees are continuously monitored. The process is in line with King IV™ and recurs every two years, which provides sufficient time for the considered implementation of remedial action and measuring the effectiveness thereof. The process was performed in 2019 and will be undertaken again in 2021. The Board is satisfied that the process to review performance is robust and enables performance and effectiveness.

All directors are offered ongoing professional development and training opportunities to enable them to develop and enhance their skills and knowledge.

INDUCTION PROCESS

Newly appointed directors attend an induction/orientation programme to familiarise themselves with Conduit Capital's business environment. This includes a brief on the Company's vision and principles, strategy, financials, and governance and risk management frameworks, as well as their introduction to senior management of the Company.

LEVELS OF AUTHORITY

Conduit Capital's Levels of Authority framework provides an approval framework to ensure the Company is effectively managed within a decentralised environment. The Board delegates the power to run the day-to-day affairs of the Group to the Chief Executive Officer, who may delegate some of these powers. The approved Levels of Authority framework governs any delegations of authority within the Company.

RESPONSIBILITIES OF CHAIRMAN, LEAD INDEPENDENT DIRECTOR AND CHIEF EXECUTIVE OFFICER

CHAIRMAN

The Chairman, Ronald Napier, is an independent non-executive director and has no executive or management responsibilities. The Chairman provides leadership at Board level, represents the Board in interactions with regulatory authorities and shareholders and is responsible for ensuring the integrity and effectiveness of the Board and its Committees. It is recommended practice that the Chairman actively participates in the Nomination Committee of the Board and ensures, subject to Board and shareholder approval, that the membership of the Board is appropriately balanced. In addition to this, the Chairman, in consultation with the Board, sets certain specific targets directed at achieving the Company's goals and business objectives. An appropriate delegation of authority to the Chief Executive Officer is in place to ensure that these targets are achieved.

The responsibilities of the chairman and chief executive are clearly separated to ensure a balance of power and to prevent any one director from exercising unfettered powers of decision-making.

LEAD INDEPENDENT DIRECTOR

The Lead Independent Director ("LID"), William N Thorndike Jr., has been appointed in this capacity to act when the Chairman is absent and not able to perform his duties for whatsoever reason or where the Chairman is conflicted. The LID actively serves in this capacity for as long as the circumstances that caused the Chairman's absence, inability or conflict exists. The appointment of a LID will assist the Board to effectively manage any actual or perceived conflicts of interest that may arise.

The LID is responsible to annually assess the Chairman's performance as it relates to the achievement of specific targets.

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer, Sean Riskowitz, manages Conduit Capital's operations in accordance with the Companies Act, the JSE Listings Requirements, the corporate governance recommendations of King IV™, relevant legislation and regulations, and in accordance with the strategic objectives approved by the Board. The Chief Executive Officer, in conjunction with the executive management team, guides and supervises the operations of Conduit Capital and its businesses. The Chief Executive Officer reports to the Board in terms of the business operating environment and other significant issues. Additionally, he ensures the implementation and execution of approved policies, strategies and operational plans as adopted by the Board.

The Chief Executive Officer is responsible for ensuring the growth and profitability of the Company within the vision, goals and strategic direction approved by the Board. Furthermore, he is tasked with ensuring that the assets of the Company are adequately safeguarded, and not placed at risk, also ensuring, in conjunction with the executive team, that processes are in place to ensure an effective control environment to mitigate against risks. It is the responsibility of the Chief Executive Officer to not cause or permit any practice, activity or decision by or within the Company that is contrary to sound business practices, good corporate governance or professional ethics.

In addition to the aforementioned responsibilities, the Chief Executive Officer is responsible for developing and growing the Company's human capital, maintaining a positive and ethical work climate that is conducive to attracting, retaining and motivating a diverse group of top-quality employees at all levels of the Company.

The Board continuously considers succession planning for the Chief Executive Officer, as well as for other key executive management, and is satisfied that sufficient plans are in place.

The Board annually assesses the Chief Executive Officer's performance as it relates to the achievement of specific targets.

COMPANY SECRETARY RESPONSIBILITIES

The Board is supported by an independent Company Secretary, CIS Company Secretaries (Pty) Ltd, an appropriately qualified and experienced organisation. The Company Secretary's role includes supporting the Board and its Committees on governance matters, assisting with meetings and directors' duties, and acting as an interface between the Board and executive management.

The Board and individual directors have access to the Company Secretary.

In terms of Conduit Capital's governance framework, the Company Secretary is accountable to the Board, through the Chairman, on all matters regarding the proper functioning of the Board. The Board is responsible for the appointment of the Company Secretary. The Audit and Risk Committee annually evaluates the performance and effectiveness of the Company Secretary, as required by the JSE Listings Requirements.

The Board is satisfied that the representatives of the Company Secretary are competent and have the appropriate qualifications and experience required by the Group and that an arms-length relationship has been maintained.

COMPLIANCE MANAGEMENT

Conduit Capital has not appointed a dedicated compliance officer as it has continuous access to the corporate finance and tax advisory expertise, respectively, through independent advice from our third-party consultants. Some of Conduit's investments operate in highly regulated environments and therefore have dedicated compliance officers and have established the requisite support structures.

Conduit has established a compliance framework in order to promote awareness of and continual focus on compliance in the organisation and provide guidance to Conduit in monitoring and ensuring compliance with applicable laws, policies, standards and regulations.

In terms of the generally accepted practice guidelines for compliance management, the following phases have been adopted in the compliance process.

PHASE I
All the applicable regulatory requirements that affect the organisation are identified

PHASE II
The identified regulatory requirements are categorised and rated

PHASE III
Based on the rating in Phase II the areas rated high or critical are prioritised and a Compliance Register is developed

PHASE IV
In order to review the effectiveness of the implementation of the Compliance Register, a monitoring plan is developed

Conduit is committed to ensuring high level compliance across all its business units and strives to promote and build a culture of compliance with applicable acts, regulations and policies. The framework sets out how compliance management is implemented and the approach that Conduit has adopted to manage compliance risk.

FURTHER DISCLOSURES

FINANCIAL STATEMENTS

The Financial Statements as included in this integrated report have been prepared in accordance with IFRS, the Companies Act and the JSE Listings Requirements. The accounting policies employed have been consistently applied and are supported by reasonable and prudent judgement and estimates.

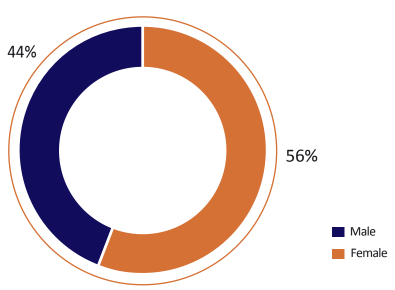
GOING CONCERN

The Financial Statements have been prepared on the going concern basis since the directors have every reason to believe that the Company and the Group have adequate resources in place to continue operations for the foreseeable future.

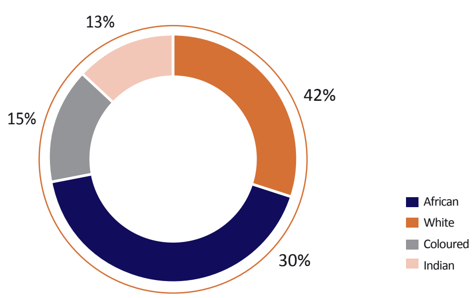
GENDER AND RACE DIVERSITY

Conduit Capital recognises the importance of diversity, including gender, race, nationality, age, background and education, at the Board and all levels of the Group and is committed to increasing diversity and transformation across all its operations. Illustrated below is the gender and race diversity for the Group at all levels:

Gender



Race



TRANSFORMATION (BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("BBBEE"))

We are committed to pursuing transformation as a strategic objective, supporting diversity and reflecting the demographics of the South African population by actively recruiting, training and developing the best talent. Conduit Capital is aware that there are inequalities in terms of employment, occupation, income and opportunities within the South African labour environment, particularly relating to black people, women and disabled people, who have historically been the most disadvantaged groups.

Conduit Capital's transformation strategy is being implemented in phases, and the focus for the 2020/2021 year is on socio-economic development, skills development and consumer education. While the BBBEE strategy continually requires improvement, Conduit recognises the critical role it has to play in the development and empowerment of historically disadvantaged individuals in South Africa and that transformation is essential to the economic and social sustainability of the country. Conduit is a holding company with a small complement of staff (and high retention) with only certain select positions as required by virtue of the Company's structure. Transformation is kept top of mind when new appointments are made to the Board. These appointments will encompass the Company's business strategy and will be based on fairness and objectivity, having regard to competency and skills. Conduit Capital appointed BDO Verification Services Proprietary Limited as its independent BBBEE verification agency. Conduit Capital has achieved a Non-Compliant level B-BBEE rating.

Conduit Capital has established a BBBEE Transformation Committee to ensure transformation remains a priority for the Group. The Committee reports to the Social and Ethics Committee, to further develop and enhance the transformation strategy and to build on what has been achieved in terms of our strategy. The Conduit Capital scorecard and certificate is available on the Company's website.

STAKEHOLDER RELATIONSHIPS

Conduit Capital continues to communicate with shareholders and stakeholders in a transparent and timely manner so that the market has adequate information to make informed investment decisions.

Through its shareholder communications, Conduit Capital aims to provide information that allows existing shareholders, potential shareholders and financial analysts to make informed decisions about the Group's intrinsic value and meet the standards in place under the JSE's continuous disclosure requirements.

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the JSE Listings Requirements. In this regard, we have specific responsibilities regarding the disclosure of information concerning Conduit Capital that a reasonable person would expect to have a material effect on the price or value of Conduit Capital's securities (unless the matter is reserved to the Board for its consideration and/or approval).

DEALING IN SECURITIES

A Dealings in Securities Policy is in place to prevent insider trading as defined by the Financial Markets Act 2012. All directors (as well as executive management) of the Company, its major subsidiaries, the Company Secretary and professional advisors are required to adhere to the Policy, which has been approved by the Board. In terms of the JSE Listings Requirements, the Company is required to promptly announce all relevant dealings in the securities of the Company. The policy is available on the Company's website.

CODE OF CONDUCT

The Code of Conduct outlines the standards of behaviour required from all directors, executive management and employees of Conduit Capital, regardless of role or location, and provides a framework to guide a person's decisions and actions. The Code of Conduct promotes an organisational culture that enables our people to respond appropriately in a variety of situations and to be held accountable for their decisions.

As individuals charged with governance duties in the Company, all directors and executive management of the Company are required to adhere to the Code of Conduct as established by the Institute of Directors, as summarised below:

- To serve the best interest of the Company with care, skill, diligence and courage;
- To be responsible for the actions and assets of the Company and for keeping the Company on its strategic path;
- To be accountable to stakeholders for decisions and actions of the Company;
- To be fair to stakeholders of the organisation by considering the legitimate interests of those who are affected by the Company; and
- To be transparent by disclosing information that will enable stakeholders to hold the Company to account and that provides a holistic representation of the Company's past performance and its prospects for future value creation.

DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Board accepts responsibility for the integrity, objectivity and reliability of the Group and Company Financial Statements of Conduit Capital.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and in terms of the requirements of the Companies Act.

The directors, whose names are stated below, hereby confirm that:

a. the annual financial statements set out on pages 60 to 129, fairly present in all material respects the financial position, financial performance and cash flows of the Group and Company in terms of IFRS;
b. no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
c. internal financial controls have been put in place to ensure that material information relating to the Group and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the Group and Company; and
d. the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV™ Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Group's and Company's ability to continue as a going concern and there is no reason to believe that the Group and Company will not be going concerns in the year ahead.

The auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS and in terms of the requirements of the Companies Act and their report is presented on pages 52 to 56.

The consolidated and separate financial statements of the Group and Company for the year ended 30 June 2020 were approved by the Board on 30 November 2020 and are signed on its behalf by:

S Riskowitz
Chief Executive Officer

L E Louw
Chief Financial Officer

Johannesburg
30 November 2020

COMPANY SECRETARY'S CERTIFICATE

Pursuant to our duties in terms of Section 88(2)(e) of the Companies Act of South Africa, we verify that to the best of our knowledge and belief the Company has fulfilled all such returns and notices as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.

CIS Company Secretaries Proprietary Limited
Company Secretary

Johannesburg
30 November 2020

REPORT OF THE AUDIT AND RISK COMMITTEE

Ms Nonzukiso Siyotula – Current Chairperson of the Audit and Risk Committee

Ms Ntambose Rosetta Xaba – Interim Chairperson of the Audit and Risk Committee

The report by the Audit and Risk Committee, as appointed by the shareholders in respect of the year under review, is prepared in accordance with the requirements of the Companies Act and the principles of King IV™. Furthermore, it outlines the manner in which the committee has discharged its statutory duties in terms of the Companies Act as well as its additional duties assigned to it by the Board in respect of the financial year ended 30 June 2020.

ROLE AND MANDATE OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is a statutory committee of the Company and, in addition to having specific statutory responsibilities in terms of the Companies Act, it assists the Board through advising and making submissions on financial reporting, monitoring the risk management function and internal control environment. In addition, the Audit and Risk Committee is required to oversee the external and internal audit functions as well as the statutory and regulatory compliance of the Company. Its duties and terms of reference are set out in a formal charter, approved by the Board and is available on the Company's website.

COMPOSITION OF THE AUDIT AND RISK COMMITTEE AND ACCESS THERETO

As at 30 June 2020, the Audit and Risk Committee comprised four independent non-executive directors, namely Nonzukiso Siyotula (Chairperson), Rosetta Xaba, Ronald Napier and William N Thorndike Jr. The qualifications and a brief CV of the members of the Committee appear on page 140 of the integrated report. The Group Chief Financial Officer, other directors, senior financial executives and representatives from the internal and external auditors attend meetings by invitation.

The external auditors have unrestricted access to the members of the Audit and Risk Committee and its Chairperson, and during the year, time was allocated for the Committee and the external audit representatives to meet without the executive management team present.

FREQUENCY OF MEETINGS

The Audit and Risk Committee held three meetings during the year.

Members attended all meetings of the Committee during the year, as set out on page 39 of the integrated report.

POLICY REVIEW

The Audit and Risk Committee has a policy in place to ensure its duty to oversee the integrity of the Financial Statements, the Group's internal control environment and to ensure that Financial Statements are appropriate and comply with IFRS and other relevant legislation. During the year under review, there were no amendments made to the policy as approved by the Board.

STATUTORY RESPONSIBILITIES

In fulfilment of its statutory responsibilities, the Audit and Risk Committee, during the period under review, has among other matters:

1. assessed the performance of the external auditors, BDO South Africa Incorporated, and ensured that their appointment complied with all applicable legislation;
2. satisfied itself as to the independence of the external auditors;
3. agreed the fees to be paid to the external auditors and reviewed the terms of their engagement;
4. determined the nature and extent of non-audit work to be performed by the external auditors and set the limits for any non-audit engagements;
5. confirmed that Conduit Capital has, with consideration to all entities included in the consolidated group IFRS financial statements, established appropriate financial reporting procedures and that such procedures are operating to ensure that it has access to all financial information of the Company to allow the Company to effectively prepare and report on the financial statements;
6. made itself available to deal with any complaints relating to the accounting practices, the content or audit of the financial statements of the Company or the internal financial controls of the Company and any related matters;
7. nominated BDO South African Incorporated for re-appointment by the shareholders at the annual general meeting as the Company's external auditors for the 2021 financial year; and
8. satisfied itself that the external auditors and designated auditor are accredited on the JSE list of auditors and advisers, and further confirms that it has assessed the suitability for the appointment of the external auditor and the designated individual audit partner, in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements. The Audit and Risk Committee further reports that it has requested and reviewed the information detailed in paragraph 22.15(a) of the JSE Listings Requirements from the external auditor in their assessment.

BDO South Africa Incorporated has served as external auditor of the Group for the past 2 years, while the designated external audit partner has served in such capacity for 1 year. The external auditor and designated external audit partner will be nominated for reappointment at the Annual General Meeting.

OTHER RESPONSIBILITIES

In addition to its statutory responsibilities, the Audit and Risk Committee has executed its responsibilities in accordance with the terms of reference. These duties included:

1. considering the going concern status of the companies in the Group and making a recommendation to the Board on such;
2. monitoring the internal control environment;
3. overseeing the appointment of the internal audit function;
4. monitoring the risk management function;
5. recommending that the Board approves the half-yearly financial results and the financial statements of the Group and the Company after reviewing the results and the accounting policies applied, considering the external auditors' comments and reviewing any significant estimates, judgements or assumptions included in the results;
6. satisfying itself that the Chief Financial Officer is experienced and qualified; and
7. satisfying itself with the experience, qualifications and independence of the Company Secretary, and confirming that an arm's length relationship is maintained with the Board.

The Committee has fulfilled its statutory duties in terms of section 94(7)(f) of the Companies Act, 3.84(g) of the JSE Listings Requirements and Principles 10, 11, 12, 13 and 15 of King IV™ compliance. The Committee has complied with its legal and regulatory responsibilities for the 2020 financial year.

Nonzukiso Siyotula
Current Chairperson

Ntambose Rosetta Xaba
Interim Chairperson

Johannesburg
30 November 2020

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

Ms Ntambose Rosetta Xaba – Chairperson of the Social and Ethics Committee

The Social and Ethics Committee assists the Board in overseeing and reporting on the Company's corporate citizenship, compliance, ethics, sustainability and stakeholder relationships. This report is prepared in terms of the requirements of the Companies Act and King IV™. It furthermore describes, among other things, the manner in which the Committee has discharged its statutory responsibilities in terms of the Companies Act and its additional responsibilities assigned to it by the Board in respect of the financial year ended 30 June 2020.

ROLE AND MANDATE OF THE SOCIAL AND ETHICS COMMITTEE

The Committee's responsibilities are within the Company's mandate, as set out in its terms of reference, which is aligned to the Committee's statutory responsibilities as set out in the Companies Act. The Committee's specific duties and main areas include, but are not necessarily limited to:

1. steering and setting strategic direction;
2. policy and planning; and
3. oversight and monitoring, specifically, as it relates to:
   a. transformation;
   b. fraud, ethics, anti-corruption and conflict of interest;
   c. human rights and labour practices;
   d. environmental, health and public safety matters;
   e. responsible corporate citizenship;
   f. labour and employment; and
   g. stakeholder inclusivity.

COMPOSITION OF THE SOCIAL AND ETHICS COMMITTEE

As at 30 June 2020, the Social and Ethics Committee comprised two independent non-executive directors, namely Rosetta Xaba (Chairperson) and Ronald Napier. The other directors, senior executives and representatives from the Company attend meetings by invitation.

FREQUENCY OF MEETINGS

The Social and Ethics Committee held two meetings during the year.

Members attended the meeting of the Committee during the year, as set out on page 39 of the integrated report.

STATUTORY RESPONSIBILITIES

In fulfilment of its statutory responsibilities, the Social and Ethics Committee, during the period under review, has among other matters:

1. ensured that there was compliance with all relevant regulations, legislation and recommended standards;
2. oversaw the maintenance of financial integrity;
3. ensured that there was transparent and honest communication with our stakeholders whilst maintaining confidentiality;
4. fostered employee relationships based on respect and honesty;
5. identified areas for investing in social upliftment;
6. ensuring the health and safety of our employees and stakeholders;
7. ensured that all business relations and undertakings were conducted in a manner that promoted honesty, integrity and fairness; and
8. ensured that there was adherence to the Company's Code of Conduct (including policies and procedures).

POLICY REVIEW

The Committee is responsible for developing and reviewing the Company's policies with regard to the commitment, governance and reporting of the Company's sustainable development performance and for making recommendations to management and/or the Board in this regard. During the year under review, there were no amendments made to the policy as approved by the Board.

CONCLUSION

The main objective of the Committee is to assist the Board in monitoring the Group's fulfilment of its obligations to function as a good and responsible corporate citizen. The Committee is satisfied that it has fulfilled all its duties during the year under review.

Rosetta Xaba
Chairperson

Johannesburg
30 November 2020

REMUNERATION REPORT

Mr Ronald Napier – Chairman of the Remuneration Committee

Our remuneration philosophy and policy support the Group's objective of growing a high-quality diversified insurance group, complemented by a value-oriented investment programme, over the long term. The Group aims to create an environment where exceptional people can thrive in the building of a quality business over many decades.

ROLE AND MANDATE OF THE REMUNERATION COMMITTEE

Accordingly, the primary responsibilities of the Conduit Group Remuneration Committee ("Remco") are:

- to oversee the remuneration and incentives of the Conduit Executive Directors and other employees at head office to ensure it is fair and responsible toward such individuals as well as the company (i.e. shareholders and stakeholders);
- to review the Conduit non-executive directors' fees and make appropriate recommendations to shareholders for approval thereof; and
- to provide guidance to the remuneration committee of subsidiary companies forming part of the broader Conduit Group.

As at 30 June 2020, the Conduit Remco comprised three independent non-executive directors, namely Ronald Napier (Chairman), Rosetta Xaba and William N Thorndike Jr. The executive directors from the Company attend meetings by invitation.

FREQUENCY OF MEETINGS

The Remco held two meetings during the year.

Members attended the meeting of the Committee during the year, as set out on page 39 of the integrated report.

REMUNERATION PHILOSOPHY

Quality people are given the opportunity to perform and are rewarded for the success they create for the benefit of Conduit's shareholders and other stakeholders. The general philosophy is one of fixed remuneration, a short-term cash bonus component that is linked to performance metrics for which the employee is directly responsible for achieving and long-term equity compensation. Conduit seeks owner managers with a vested interest in the success of the Group over the long term.

Conduit has input in the remuneration structure of all Conduit employees with governance and authority vesting in the Remco and in turn the Board. Compensation/remuneration at a wholly or majority owned subsidiary level is delegated to Remco and in turn the board of that subsidiary.

OBJECTIVES

The Remuneration Policy has the following primary objectives:

1. To provide flexible and competitive remuneration structures that:
   i are referenced to appropriate market benchmarks;
   ii conform to market best practices; and
   iii are tailored to specific circumstances within Conduit and its subsidiaries in order to attract, motivate and retain highly skilled directors, executives and employees.
2. For remuneration to be fair and appropriate, having regard for the performance of the Group and the relevant director/s, executive/s and/or employees.
3. To motivate directors, executives and employees to pursue the long-term and sustainable profitable growth and success of the Group within an appropriate control framework.
4. Ensures that excessive or inappropriate risk taking is avoided and all activity is consistent with the long-term interests of the Group and the interests of all its stakeholders.
5. To be consistent with the Group's Business and Risk Management strategy (including Risk Management practices) and performance.
6. To take into account the respective roles of each person within the Group.
7. To provide for a clear, transparent and effective governance structure around remuneration and the continuous oversight of the Policy.
8. Where remuneration includes both fixed and variable components:
   i the variable component is based on a combination of the assessment of the individual and the collective performance, such as the performance of the business area and the overall results of the Group; and
   ii the payment of the major part of variable remuneration, irrespective of the form in which it is to be paid, contains a longer-term focus that considers the nature and time horizon of the Group's strategy and business and ensures that there is alignment with the expectations of shareholders (including stakeholders).
9. Ensures that in defining an individual's performance, financial and non-financial performance is considered.

REMUNERATION POLICY

The Policy serves to assist Remco in the determination of remuneration paid to directors, executives and employees. Remco is required to approve salary increases and annual merit awards based on the achievement of set targets which, depending on job function, comprise at least two of the following:

- Return on Capital Employed for the Group as well as for the Insurance and Risk division;
- Growth in Net Asset Value per share;
- Investment returns as it relates to investments in equities;
- The combined ratio ((claims + expenses) ÷ premium) as it relates to the Insurance and Risk division; and
- Growth in investable assets (our calculation of float) as it relates to the Insurance and Risk division.

The Policy sets the guidelines within which Remco, the Board and, in turn, the subsidiary Remco's and boards are authorised to enter into agreements concerning performance related remuneration for its executive directors, senior employees and employees. This is with a view to being able to attract, develop and retain competent key individuals who contribute to improving the earnings and value creation of the Group for the benefit of all stakeholders.

REMUNERATION POLICY ENHANCEMENTS

Remco recently considered and recommended approval of certain principle enhancements to the Conduit remuneration policy. These principle enhancements were mainly motivated by the continuing desire to drive and align performance with sustainable, long-term value creation. The Board approved the principles and the Executives are responsible for implementation. Formal implementation shall have regard to the practical implications associated with each principle, subject to compliance with the many legal and regulatory aspects which accompany enhancements of this nature including, where applicable, Board, JSE and/or shareholder approval of all specifics. The principle enhancements, intended for implementation during the 2021/2022 fiscal year and/or once all the current transactions have been successfully implemented, are summarised as follows:

1. **In order to more closely align the interests of Executives with shareholders and other stakeholders:** The ability for Directors and Executives to receive their annual fixed and/or variable (where appropriate) pay in the form of Conduit shares. It is the intention for the individual to elect to receive his/her compensation in the form of cash or shares or a combination thereof, which election will be unique to the individual concerned.
2. **In order to drive a culture of continuous improvement:** Adjusting Investment Returns and/or NAV to include a high watermark. Where variable remuneration (STIs and LTIs) are earned for the additional (or cumulative increase) returns over and above the previous high watermark.
3. **In order to drive a longer-term and sustainable focus on performance:** Adjusting the LTI measurement period from a 3-year rolling measurement period to a 5-year rolling measurement period.
4. **In order to align with trending market practice in governance:** The introduction of a Malus and Claw back policy in certain circumstances as determined by Remco and in turn the Board, affecting variable pay (STI and LTI).
5. The introduction and replacement of the existing LTI Scheme with the Accelerated Buy-in ("ABI") Structure. In essence, ABI is an innovative mechanism to effectively align management with shareholder interests. This structure is directly linked to company performance and not necessarily share price.

The aforementioned principles will be developed and expanded upon in future integrated reports.

IMPLEMENTATION REPORT

The implementation of the Policy is managed in terms of Remco's terms of reference and approved Levels of Authority, as adopted by the Board. Where the Levels of Authority do not adequately address any particular control or management function contained in the Policy, the approval or implementation thereof must be signed off by no less than two executive directors.

REMCO

Remco has been established in accordance with the provisions of the JSE Listings Requirements and the principles of King IV™. Remco comprises only independent non-executive directors who bring independent thought and scrutiny to all aspects of the Group's remuneration policy.

Remco is responsible for adopting remuneration policies and practices in accordance with its terms of reference. The policies and practices are approved by the Board, regularly reviewed and aligned with the Group's objectives.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The executive directors have service agreements ("the service agreements") in place in order to:

a. ensure continuity and retention;
b. provide the Group and the executive with protection; and
c. reflect operational and labour law best practice.

The service agreements contain restraint of trade provisions in terms of which the executive directors, at the Group's election, are restrained from competing (either directly or indirectly) with the Group during their employment and for a period of up to two years after the termination of their employment with the Group. If the restraint is enforced, the executive will be remunerated for the restraint period after the termination date.

In addition, some service agreements contain minimum employment periods ranging between two and four years, whereafter the service agreements continue indefinitely. In the event of the Group terminating a service agreement for any reason other than misconduct, prior to the expiry of the minimum employment period, the Group is liable to pay the executive for the remainder of the minimum employment period. Reciprocally, in the event of the executive resigning prior to the expiry of the minimum employment period, the executive is liable for the penalties contained in the service agreement.

Should the executive resign from the Group after expiry of the minimum employment period, a six months' notice period is applicable. The executive is remunerated in full during the notice period.

STRUCTURE

Conduit has input into the remuneration structure of all Conduit employees and the heads of the wholly or majority owned subsidiaries with governance and authority vesting in Remco and in turn the Board. Compensation/remuneration at subsidiary level is delegated to Remco and in turn the board of the subsidiary. Executive compensation takes the form of a basic salary, a short-term incentive bonus based on the matrix of performance outcomes, and a long-term cash and equity incentive also based on a matrix of performance outcomes. Compensation should be as simple as possible and is unique to each executive.

1. Basic salary and benefits

Each executive receives a basic salary, as determined by Remco from time to time. In addition, executives receive the following benefits that are not included in the basic salary:

a. Group Life Cover;
b. Permanent Health Insurance/Disability Cover;
c. Funeral Cover;
d. Education Protector Cover;
e. AIDS/HIV Cover; and
f. Long Service Awards.

2. Short-term incentive

An annual cash payment based on basic salary on the achievement of certain targets. The short-term incentive bonus is tailored to the performance of an individual measured by performance criteria over which he or she has influence. There is a maximum payout in any one year, but no minimum. Remco retains the authority to pay discretionary bonuses to executives under appropriate circumstances.

Remco has endorsed certain enhancements to the STI that will introduce amendments in 2021/2022 fiscal year and/or once all the current transactions have been successfully implemented.

3. Long-term incentive

A 50% cash and 50% equity bonus based on performance metrics that will ultimately be calculated on a 3-year rolling basis. Shares will be purchased on market by the company to fulfil its obligation. There is a maximum payout in any one year, but no minimum. Remco retains the authority to pay discretionary bonuses to executives under special circumstances.

Each of the executives' (other than the Chief Executive Officer) combined short- and long-term incentive for any one year can range between 0% and 90% of the basic annual salary. The Chief Executive Officer's combined short- and long-term incentive for any one year can range between 0% and 202.5% of his basic annual salary.

Remco has endorsed the introduction of a new LTI scheme to be developed and implemented during 2021/2022 fiscal year and/or once all the current transactions have been successfully implemented.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Group's policy on remuneration for non-executive directors is that, as a guideline, it should:

a. be market-related, having regard for the fees paid and number of meetings attended by non-executive directors of groups or companies of similar size and structure and operating in similar sectors;

b. not be linked to Conduit's share price or performance;

c. consider market norms and practices, as well as the additional responsibilities placed on Board members by existing and new legislation and corporate governance principles; and

d. be reviewed and recommended to the Board and approved, in advance, by shareholders at the AGM.

In addition, non-executive directors' remuneration shall:

1. be subject to an annual increase which is partly determined by the Group's average increases for its employees and subject to Board and shareholder approval;
2. be limited to a fee;
3. not include any additional benefits; and
4. specifically exclude the participation by non-executive directors in any Conduit share scheme.

It is recognised that Board and Committee Chairpersons undertake additional Board work to that undertaken by non-executive directors and for this reason, may be remunerated at a different level.

The Group pays for all travel and accommodation expenses incurred by non-executives to attend Board and Committee meetings, as well as the expenses incurred in the execution of ad-hoc duties. These payment and/or reimbursement of expenses are governed by a formal Travel and Expense Policy approved by the Board.

REMUNERATION SUMMARY

1. Details of the remuneration paid to executive directors and non-executive directors are contained in note 42 on page 102 of the integrated report.
2. Details of directors' shareholding in Conduit and their interest in share options are contained in note 50 on page 125 of the integrated report.

In terms of King IV™, the Remuneration Policy and the implementation report must be tabled every year for separate non-binding advisory votes by shareholders at the annual general meeting. Should 25% or more of the votes cast be against one or both of these resolutions, the Company undertakes to engage with shareholders as to the reasons therefore and undertakes to take account of recommendations in terms of the feedback received.

CONCLUSION

Remco is satisfied that Conduit's remuneration policy is suitable for the Group and is satisfied that it has fulfilled its responsibilities in accordance with its Terms of Reference for the period under review.

Ronald Napier
Chairman

Johannesburg
30 November 2020

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Conduit Capital Limited and its subsidiaries

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Conduit Capital Limited and its subsidiaries (the group and company) set out on pages 60 to 129, which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Conduit Capital Limited and its subsidiaries as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board of Auditors' Code of *Professional Conduct for Registered Auditors* ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Completeness and Accuracy of insurance contract liabilities (consolidated financial statements)	
Included in policyholder liabilities under insurance contracts are policyholder liabilities amounting to R34.9 million and under insurance assets and liabilities are net claims incurred but not reported ("IBNR") amounting to R41 million. We considered the completeness and accuracy of insurance contract liabilities to be of significance to our current year audit due to the following: • The complexities over the calculations and the magnitude of the IBNR liability and policyholder liability. • Actuarial assumptions and methodologies applied entails judgements about future events, including the impact of the Covid-19 mortality strain on group schemes. • Substantial uncertainty regarding the ultimate outcome of claims that have occurred but had not yet been reported by the reporting date. Significant judgement was required to allow for the impact of the Covid-19 pandemic to adjust expected ultimate claims and thus the IBNR. Lockdown restrictions as well as slower receipts and processing of claims notifications were taken into account as significant judgement to ensure that the most accurate estimate of the IBNR was achieved. • The significance of estimation uncertainty as a result of assumptions used by management.	Our audit procedures included amongst others: • Assessed the design and implementation of key controls in the calculation of insurance contract liabilities performed by management. • We assessed the competence, capabilities and objectivity of the actuaries who performed the valuation of insurance contract liabilities. • With the assistance of our actuarial experts, we assessed the valuation methodology and management's assumptions for compliance with SAP 104, prior year methodology, legislation and group accounting policy. • With the assistance of our actuarial expert we assessed management's assumptions and adjustments regarding the impact of Covid-19 and lockdown restrictions against research performed on future expected trends. • With the assistance of our actuarial expert we have assessed management's assumptions including benchmarking against published research and data. • We reviewed the Analysis of Surplus to understand the components of movements between last year and this year. • On a sample basis, we tested the data integrity in the policyholder database to source documents.

Key audit matter	How our audit addressed the key audit matter
Management has engaged with external actuaries in calculating the policyholder liabilities and made use of its in-house actuarial expertise in determining its IBNR liability. Management valued policyholder liabilities in accordance with the Financial Soundness Valuation ("FSV") method as required by SAP 104. Refer to insurance assets and liabilities in note 24 and policyholder liabilities under insurance contracts in note 18 of the group financial statements.	• We performed test checks on the reconciliations of the bordereaux reports to the general ledger. • We assessed the adequacy and completeness of the disclosures in the annual financial statements.
Goodwill impairment assessment (consolidated financial statements)	
Included in intangible assets is goodwill amounting to R53 million. R39 million of the total balance relates predominantly to the insurance business, and R14 million relates to a new acquisition in the current year. In terms of IAS 36 Impairment of Assets, management is required to annually test goodwill for impairment. Management have prepared a value in use impairment calculation per cash generating unit to assess if any impairment is required. Due to the degree of management judgement over factors such as future cash flows, growth rates and discount rates, this has been considered a key audit matter. An impairment of R4.5 million has been accounted for in the current year. Refer to Intangible Assets note 17 of the group financial statements.	Our audit procedures included amongst others: • Assessed the design and implementation of key controls in the goodwill impairment process performed by management. • With the assistance of our internal valuation specialists, we critically evaluated per cash generating unit the budgeted forecast, discount rates, cash flows and assumptions used to ensure there was adequate support for the assumptions underlying the forecast. • Compared the financial forecasts per cash generating unit against historical performance to evaluate the reliability of the data used. • Re-performed the calculations in the impairment models and performed sensitivity analysis to determine the impact thereon should the key assumptions change. • We assessed the adequacy and completeness of the disclosures in the annual financial statements.
Assessment of Going Concern (consolidated financial statements)	
As required by IAS 1: When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment by management, as approved by the directors, involves making significant judgements and estimates about the future and the going concern assumption underpins the recognition and measurement of the entire financial statements. As a result, it was concluded to be a KAM. The Prudential Authority ("PA") has taken note of the statutory Solvency Capital Ratio ("SCR") being below the minimum level of 1 for Constantia Insurance Company Limited and Constantia Life and Health Assurance Company Limited ("the companies") and the various planned corrective actions being implemented and the measures put in place in order to restore statutory capital to the prescribed minimum levels and has undertaken to work with the companies in order to resolve the matter, rather than enforce an immediate suspension of the companies' activities until the matter has been resolved.	Our audit procedures included amongst others: • Assessed the key inputs and assumptions used in the 2021 going concern assessment budget ("budget"), based on our knowledge of the industry and business. • We have challenged management, primarily on their assumptions to which the assessment is most sensitive. The key assumptions used for estimating cash flow projections are those relating to growth in premium income, claims ratio and underwriting results. • We considered management's assessment of Covid-19 as a key assumption into the budget. • We evaluated the liquidity risk management processes in place which includes preparation of 12-month cash projections that includes underwriting movements, operational expense movements and abnormal and unforeseen expenditure. The 12-month cash projections serve to identify whether the Group may be subject to liquidity shortfalls in the short-term planning horizon. • We critically analysed management's stress-test that includes declining premium levels and increasing claim levels and its impact on the cash flow for the group.

Key audit matter	How our audit addressed the key audit matter
As explained in Note 49.7 of the group financial statements, should the planned initiatives to restore the SCR not be successful, the SCR of these companies may not be restored to a minimum level of 1 in the short term. As disclosed in note 52 of the group financial statements, the board concluded that there are no material uncertainties related to events or conditions that will affect the Group's ability to continue as a going concern.	• We furthermore challenged management by comparing the assumptions applied to the historical performance of the group, local economic development and industry outlook, taking into account the sensitivity of the budget to changes in the respective assumptions. • We evaluated the 2021 financial budgets against the budgets approved by the Board of directors and evaluated the solidity of the financial budget preparation process and the reasonability of the 2021 forecasts. • We evaluated the most recent actual results against the budgeted 2021 forecast for reasonability. • We considered the impact of going concern on the audit report. • We assessed the integrity and mathematical accuracy of the budget by re-performing the calculations. • We obtained an understanding of the process followed by the PA for suspension of an insurer's license due to non-compliance with the regulatory requirements brought about the Financial Soundness Standards, which governs insurers and introduced the Solvency Asset Management ("SAM") regime as the industry standard for measuring an insurance company's solvency capital requirements. The key measures of capital adequacy under SAM are the Minimum Capital Requirements ("MCR") ratio and the SCR ratio. • Considered the adequacy and completeness of the group's disclosures in terms of International Financial Reporting Standard.
Assessment of carrying value of investments in subsidiaries (company financial statements)	
At 30 June 2020, the company's investments in subsidiaries is valued at R1.1 billion before impairment (Refer note 22). In accordance with IAS 36 – *Impairment of assets*, the company is required to consider whether there are indicators of impairment with respect to investments in subsidiaries. When indicators of impairment are identified the recoverable amount is calculated to assess the carrying value for impairment. The impairment test is considered a key audit matter to our audit due to the significant judgements and assumptions applied by management when calculating the discounted cash flows in order to determine whether the recoverable amounts exceed the carrying value of investments. An impairment of R550 million has been accounted for in the current year.	Our audit procedures, amongst others, included the following: • We determined whether we had identified any indicators of impairment to the carrying value of investments in subsidiaries through knowledge of the business. • We furthermore used our internal valuation experts to assist us in evaluating the reasonability of the assumptions and methodologies used by management to determine the recoverable amount of the investments in subsidiaries. The reasonableness of the forecasts of premium growth, claims ratio, underwriting results and discount rates were assessed, as well as testing the accuracy of the calculations and we performed a sensitivity analysis around the key assumptions used in the model. • We evaluated the adequacy and completeness of disclosures in the financial statements in terms of International Financial Reporting Standards.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Conduit Capital Integrated Annual Report 2020" which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and /or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Conduit Capital Limited and its subsidiaries for 2 years.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

V Pretorius
Director
Registered Auditor

30 November 2020

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 30 June 2020.

NATURE OF THE BUSINESS

Conduit Capital is an investment holding company that, through its subsidiaries and associates, carries on business in the financial services industry with the main focus being on insurance and related investment activities.

STATED CAPITAL

The authorised stated capital of the Company is 1 500 000 000 ordinary shares with no par value (2019: 1 500 000 000 ordinary shares with no par value). This issued stated capital of the Company is 764 443 900 ordinary shares with no par value (2019: 1 500 000 000 ordinary shares with no par value).

During the year the Group acquired 3 122 420 (2019: 4 833 359) of its own shares, which are currently being held as treasury shares by subsidiary companies, at an average consideration of 62.24 cents per share (2019: 168.35 cents per share). The Group also used 7 962 500 of its treasury shares at 100 cents per share in part payment for the interest that it acquired in Leymic Holdings Proprietary Limited.

There were no other changes to the issued share capital or treasury shares during the reporting period. Please refer to notes 30 and 46.5 of the Financial Statements for further details.

ACQUISITIONS, DISPOSALS AND IMPAIRMENTS OF PROPERTY, PLANT AND EQUIPMENT, SOFTWARE, INVESTMENTS AND FINANCIAL ASSETS

The Group made the following cash acquisitions and investments during the year:

1. property, plant and equipment, software and other intangible assets to the value of approximately R7.29 million (2019: R19.71 million);
2. listed investments held at fair value through profit and loss, to the value of approximately R6.02million (2019: R16.78 million);
3. no unlisted investments were acquired during the year (2019: R6.65 million);
4. no associate companies were acquired during the year (2019: R1.63 million), but loans to the value of R4.13 million were granted to associates (2019: R7.61 million); and
5. a subsidiary company to the value of approximately R4.31 million (2019: Nil).

The Group disposed of and impaired the following assets and investments during the year:

1. listed investments held at fair value through profit and loss to the value of approximately R60.76 million were disposed of (2019: R16.01 million);
2. no unlisted investments were disposed of (2019: R4.0 million);
3. trade debtors and loans of R15.08 million were impaired and written off through profit and loss (2019: R21.33 million). No previous period impairments were reversed through profit and loss (2019: Nil);
4. property, plant and equipment, software and other intangible assets were disposed of for R0.99 million (2019: R0.06 million), while software of R6.40 million was impaired and written off through profit and loss (2019: Nil); and
5. associate companies were disposed of for R31.92 million (2019: Nil) and were further impaired by a net R21.47 million (2019: R33.99 million).

STATUTORY CAPITAL BELOW REGULATORY REQUIREMENTS

The Prudential Authority ("PA") that governs the South African assurance companies came into effect on 1 July 2018, following the promulgation of the Insurance Act No 18 of 2017. This also brought about the Financial Soundness Standards that govern all insurers. These financial soundness standards necessitated a change to CICL and CLAH's solvency capital requirement ("SCR") calculation.

The Financial Soundness Standards defines two levels of capital that an insurer is required to comply with at all times:

- The prescribed minimum capital requirement ("MCR") that refers to the absolute minimum level of eligible own funds that an insurer must hold to protect all its policyholders. The minimum MCR is 1.00; and
- The prescribed SCR, which refers to the level of eligible own funds that an insurer must hold to ensure that the value of its assets will exceed the technical provisions and other liabilities at a 99.50% confidence level over a one year time horizon. The minimum SCR is 1.00.

The SCR model requires an additional surplus of assets (buffer) above liabilities to take account of potential adverse outcomes of both the inherent risk of underwritten portfolios and the future cost of claims of these portfolios and should the insurer not have a sufficient buffer in place (i.e. the SCR is below 1.00), the PA has various rights of response and intervention, commencing with closer supervision of the insurer.

As at 30 June 2020, CICL reported in its quarterly return to the PA a provisional SCR of 0.33, primarily as a result of further unrealised losses in the listed equity portfolio, as well as underwriting losses incurred within the property and casualty business during the financial year. CICL's provisional MCR on the same date was 1.26, but due to audit adjustments that were processed after submission of the quarterly returns it is expected that the ratios to be reported in CICL's annual return to the PA will reflect lower levels than those reflected here.

As at 30 June 2020, CLAH reported in its quarterly return to the PA a provisional SCR of 0.94, primarily as a result of realised losses in the listed equity portfolio, as well as growth related expenses incurred during the financial year. CLAH's provisional MCR on the same date was 1.20.

CICL and CLAH's ongoing correspondence with the PA includes various action plans to restore the SCR above 1.00 and to add an additional safety margin. It should however be noted that, notwithstanding the substantive remediation efforts already underway, should the planned initiatives not be successful, the companies' SCR may not be restored to a minimum level of 1.00 in the short term.

Please refer to Note 49.7 of the Annual Financial Statements for further details.

GOING CONCERN

The Group's Consolidated Statement of Financial Position as at 30 June 2020 reflects that the Group's current liabilities exceed its current assets by R520.67 million (2019: R231.20 million). The directors, with management, are also in constant communication with the PA regarding the solvency ratios being below statutory levels. The PA has taken note of the various corrective actions being implemented and the measures put in place in order to restore statutory capital to the prescribed minimum levels and has undertaken to work with the companies in order to resolve the matter, rather than enforce an immediate suspension of the companies' activities until the matter has been resolved.

These matters are discussed in detail in note 52 of the Annual Financial Statements and based on the information detailed therein, together with:

- the Board's comfort that the operating and cash flow budgets that were presented for the next financial year can realistically be achieved;
- the PA's positive approach to the corrective actions being taken to restore statutory capital to the minimum levels; and
- the Board's understanding of the processes to be followed by the PA in their determination of CICL and CLAH's ability to continue trading;

the Board concluded that there are no material uncertainties related to events or conditions that will affect the Group or the Company's ability to continue as a going concern.

SUBSEQUENT EVENTS

Between the reporting date and the date of publication of this integrated report the Group acquired 17 170 401 of its own shares (representing 2.25% of the total number of shares in issue), at an average consideration of 58.39 cents per share. These shares are currently held by subsidiary companies as treasury stock.

Other than that, there were no events that resulted in a material impact on the Group between the reporting date and the date of publication of this integrated report.

DIRECTORS AND OFFICERS

The following persons acted as directors during the financial year:

Name					Appointed	Resigned
Chou, Leo			**		9 October 2017	
Louw, Lourens	*(Chief Financial Officer)*				25 August 2004	
Mahlangu, Jabulani		#	*		31 March 2015	8 November 2019
Maizey, Adrian			**		20 February 2017	
Napier, Ronald	*(Chairman)*	#	*	R	31 March 2015	
Riskowitz, Sean	*(Chief Executive Officer)*				31 March 2015	
Siyotula, Nonzukiso		#	*		24 March 2020	
Thorndike, William		#	*	R	9 October 2017	
Xaba, Rosetta		#	*	R	19 May 2015	

* *Non-executive (Independent)*
** *Non-executive (Non-independent)*
\# *Audit and Risk Committee*
R *Remuneration Committee*

The company secretary is CIS Company Secretaries Proprietary Limited. Its business address is Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196. Its postal address is Private Bag X9000, Saxonwold, 2132.

DIRECTORS' SHAREHOLDING

As at 30 June 2020, certain directors beneficially owned 187.24 million (2019: 187.24 million) ordinary shares in Conduit Capital. The directors held no rights to share options (2019: Nil). Full details of these holdings are disclosed in note 50 to the Annual Financial Statements.

DIRECTORS' INTEREST IN CONTRACTS

Other than their letters of employment with the Group and the information disclosed in notes 50 and 51, no director of the Company has an interest in any contract that a company within the Group has entered into.

BORROWING LIMITATIONS OF DIRECTORS

In terms of the Memorandum of Incorporation of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate. At 30 June 2020 and 30 June 2019, the Company's borrowings totalled as follows:

	2020 R'000	2019 R'000
Borrowings from other Group companies	**3 666**	3 552

DIVIDENDS

In line with the Group's strategy, the details of which appear in the Chief Executive Officers' Letter, the Board has not recommended any dividend payment to ordinary shareholders (2019: Nil).

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee's report appears on page 45 of this integrated report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	GROUP 30 June 2020 R'000	GROUP 30 June 2019 R'000	COMPANY 30 June 2020 R'000	COMPANY 30 June 2019 R'000
ASSETS					
Non-current assets		**816 864**	1 214 908	**622 886**	1 168 817
Property, plant and equipment	16	**72 850**	88 537	**–**	–
Intangible assets	17	**106 083**	161 046	**–**	–
Reinsurers' share of policyholder liabilities	18	**12**	21 661	**–**	–
Insurance, trade and other receivables	27	**166 547**	–	**–**	–
Deferred taxation	19	**12 252**	7 922	**–**	–
Investment properties	20	**–**	3 470	**–**	–
Investment in associates	21 & 39	**39 972**	89 166	**–**	11 568
Investment in subsidiaries	22	**–**	–	**622 886**	1 157 249
Investments held at fair value	23	**419 148**	843 106	**–**	–
Current assets		**861 160**	1 069 417	**4 665**	3 356
Insurance assets	24	**439 212**	437 041	**–**	–
Loans receivable	25	**632**	500	**–**	–
Inventory	26	**2 033**	–	**–**	–
Insurance, trade and other receivables	27	**269 408**	436 769	**1 809**	1 511
Taxation		**664**	334	**–**	–
Cash and cash equivalents	28	**149 211**	194 773	**2 856**	1 845
Assets held for sale	29	**11 779**	–	**–**	–
Total assets		**1 689 803**	2 284 325	**627 551**	1 172 173
EQUITY AND LIABILITIES					
Capital and reserves		**175 460**	745 825	**620 798**	1 167 403
Stated capital	30	**1 168 594**	1 162 575	**1 339 250**	1 339 250
Accumulated losses		**(994 751)**	(426 055)	**(718 452)**	(171 847)
Equity attributable to owners of the parent		**173 843**	736 520	**620 798**	1 167 403
Non-controlling interest		**1 617**	9 305	**–**	–
Non-current liabilities		**132 511**	237 886	**3 666**	3 525
Policyholder liabilities under insurance contracts	18	**34 990**	67 924	**–**	–
Interest-bearing borrowings	31	**–**	–	**3 666**	3 525
Lease liabilities	32	**52 767**	58 210	**–**	–
Deferred taxation	19	**44 754**	111 752	**–**	–
Current liabilities		**1 381 832**	1 300 614	**3 087**	1 245
Insurance liabilities	24	**629 958**	622 863	**–**	–
Lease liabilities	32	**5 317**	4 171	**–**	–
Loans payable	33	**11 014**	–	**–**	27
Insurance, trade and other payables	34	**732 583**	671 325	**3 087**	1 218
Taxation		**2 881**	2 255	**–**	–
Bank overdraft	28	**79**	–	**–**	–
Total equity and liabilities		**1 689 803**	2 284 325	**627 551**	1 172 173
Net asset value per share (cents)	46.7.1	**24.6**	105.1		
Tangible net asset value per share (cents)	46.7.2	**9.6**	82.1		

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		GROUP		COMPANY	
	Notes	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Gross written premium	35.1	**2 109 967**	2 050 653	**–**	–
Reinsurance premium		**(1 799 529)**	(1 662 784)	**–**	–
Net written premium		**310 438**	387 869	**–**	–
Net change in provision for unearned premium		**3 899**	(21 598)	**–**	–
Net premium income		**314 337**	366 271	**–**	–
Reinsurance commission received		**719 201**	484 456	**–**	–
Other income	35.2	**34 158**	30 708	**–**	–
Rental income	38.1	**1 979**	980	**–**	–
Income from insurance operations		**1 069 675**	882 415	**–**	–
Total insurance expenses		**(1 242 784)**	(1 169 925)	**–**	–
Net claims and movement in claims reserves	36	**(171 359)**	(157 535)	**–**	–
Insurance contract acquisition costs		**(301 378)**	(295 322)	**–**	–
Administration and marketing expense		**(747 619)**	(697 248)	**–**	–
Other operating expenses	38.2	**(22 428)**	(19 820)	**–**	–
Net underwriting loss		**(173 109)**	(287 510)	**–**	–
Net non-insurance expenses		**(434 898)**	(384 302)	**(10 876)**	(1 785)
Investment (loss) income	37	**(393 091)**	(363 795)	**3 051**	6 668
Other income	35.2	**43 426**	11 669	**91**	69
Cost of sales		**(7 242)**	–	**–**	–
Administration and marketing expense		**(75 886)**	(32 254)	**(14 018)**	(8 530)
Other (expenses) income	38.3	**(2 105)**	78	**–**	8
Operating loss		**(608 007)**	(671 812)	**(10 876)**	(1 785)
Finance charges	40	**(8 329)**	(3 181)	**(161)**	(177)
Share of profit of associate	21	**3 244**	2 971	**–**	–
Other non-operating expenses and losses	38.4	**(28 930)**	(34 662)	**(535 568)**	–
Loss before taxation	41	**(642 022)**	(706 684)	**(546 605)**	(1 962)
Taxation	44	**71 393**	53 888	**–**	–
Loss for the year		**(570 629)**	(652 796)	**(546 605)**	(1 962)
Other comprehensive income		**–**	–	**–**	–
Total comprehensive loss		**(570 629)**	(652 796)	**(546 605)**	(1 962)
Attributable to:					
Equity holders of the parent		**(568 696)**	(651 665)		
Non-controlling interest		**(1 933)**	(1 131)		
Total comprehensive loss		**(570 629)**	(652 796)		
Loss per share (cents)					
– Basic and diluted	46.6.1	**(80.7)**	(92.8)		

STATEMENTS OF CHANGES IN EQUITY

GROUP	Note	Stated capital R'000	Treasury shares R'000	(Accumulated losses) Retained income R'000	Non-controlling interest R'000	Total R'000
Balance as at 1 July 2018		1 314 964	(144 251)	225 610	10 436	1 406 759
Total comprehensive loss for the year		–	–	(651 665)	(1 131)	(652 796)
Treasury stock acquired through subsidiaries		–	(8 138)	–	–	(8 138)
Balance at 30 June 2019		1 314 964	(152 389)	(426 055)	9 305	745 825
Total comprehensive loss for the year		**–**	**–**	**(568 696)**	**(1 933)**	**(570 629)**
Treasury stock acquired through subsidiaries		**–**	**(1 944)**	**–**	**–**	**(1 944)**
Treasury stock disposed of through subsidiaries		**–**	**7 963**	**–**	**–**	**7 963**
Acquisition of minorities	47.4	**–**	**–**	**–**	**(5 755)**	**(5 755)**
Balance at 30 June 2020		**1 314 964**	**(146 370)**	**(994 751)**	**1 617**	**175 460**
		(Refer note 30)	(Refer note 30)			

COMPANY	Stated capital R'000	Accumulated losses R'000	Total R'000
Balance as at 1 July 2018	1 339 250	(169 885)	1 169 365
Total comprehensive loss for the year	–	(1 962)	(1 962)
Balance at 30 June 2019	1 339 250	(171 847)	1 167 403
Total comprehensive loss for the year	**–**	**(546 605)**	**(546 605)**
Balance at 30 June 2020	**1 339 250**	**(718 452)**	**620 798**

STATEMENTS OF CASH FLOWS

	Notes	GROUP 30 June 2020 R'000	GROUP 30 June 2019 R'000	COMPANY 30 June 2020 R'000	COMPANY 30 June 2019 R'000
Cash flows from operating activities		**(112 679)**	(106 869)	**(9 310)**	(1 513)
Cash utilised in operations	47.2	**(118 077)**	(116 788)	**(12 356)**	(8 181)
Interest received	37	**5 490**	13 461	**251**	668
Finance charges	40	**(1 443)**	(667)	**(5)**	–
Dividends received from investments	37	**1 556**	764	**2 800**	6 000
Taxation paid	47.3	**(205)**	(3 639)	**–**	–
Cash flows from investing activities		**75 091**	(26 314)	**10 336**	(15 783)
Disposal (acquisition) of associates	21	**31 920**	(1 625)	**26 000**	–
Loans granted to associates(Note a)	21	**(4 125)**	(7 614)	**–**	4 000
Dividends received from associates	21	**3 175**	6 000	**–**	–
Acquisition of subsidiaries (net of cash acquired)	47.4	**(4 314)**	–	**–**	–
Loans granted to subsidiaries(Note a)	33 & 48.3	**–**	–	**(15 664)**	(19 783)
Acquisition of property, plant and equipment	16	**(6 730)**	(15 847)	**–**	–
Disposal of property, plant and equipment	16	**941**	–	**–**	–
Acquisition of intangible assets	17	**(563)**	(3 862)	**–**	–
Disposal of intangible assets	17	**51**	65	**–**	–
Acquisition of financial investments	23	**(6 019)**	(23 436)	**–**	–
Disposal of financial investments	23	**60 755**	20 005	**–**	–
Cash flows from financing activities		**(8 053)**	(12 105)	**(15)**	(19)
Shares repurchased	30	**(1 944)**	(8 138)	**–**	–
Interest bearing borrowings repaid	31	**–**	–	**(15)**	(19)
Loans granted to third parties	25	**(415)**	(500)	**–**	–
Loans repaid by third parties	25	**311**	62	**–**	–
Loans received from third parties	33	**6 678**	–	**–**	–
Loans repaid to third parties	33	**(1 500)**	–	**–**	–
Loan funding received: Leases	32	**–**	40	**–**	–
Loan funding repaid: Leases	32	**(11 183)**	(3 569)	**–**	–
Net (decrease) increase in cash and cash equivalents		**(45 641)**	(145 288)	**1 011**	(17 315)
Cash and cash equivalents at the beginning of the year		**194 773**	340 061	**1 845**	19 160
Cash and cash equivalents at the end of the year	28	**149 132**	194 773	**2 856**	1 845

(Note a) The *loans granted to associates* and *loans granted to subsidiaries* lines were inadvertently reflected under cashflows from financing activities during the prior year. It has been corrected in the current year.

SEGMENTAL ANALYSIS OF EARNINGS

SEGMENT REPORTING

The Group operates two main business segments: **Insurance and Risk**, and **Investments**. In identifying its operating segments Mr Sean Riskowitz, the chief operating decision maker, generally follows the Group's product lines, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each one requires different technologies and other resources, as well as marketing approaches (if any). All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

	Insurance and risk R'000	Investments R'000	Total R'000
YEAR ENDED 30 JUNE 2020			
Income from operations	1 069 675	36 989	1 106 664
Expenses	(1 242 784)	(48 082)	(1 290 866)
Operating result	(173 109)	(11 093)	(184 202)
Equity accounted income	–	3 244	3 244
Investment loss	(9 515)	(384 012)	(393 527)
Other	(7 167)	(30 075)	(37 242)
Loss before head office expenses and taxation(Note b)	(189 791)	(421 936)	(611 727)
Unallocated net head office expenses			(30 295)
Taxation			71 393
Loss for the year			(570 629)
Capital utilised			
Capital employed at end of year	140 836	495	175 460
Reallocation	(136 953)	136 953	–
Capital utilised at end of year	3 883	137 448	175 460
Average capital utilised during the year	47 433	344 896	432 254

(Note b) Included in Loss before head office expenses and taxation are the following items:

	Insurance and risk	Investments
– Net claims and movement in claims reserves	(171 359)	–
– Insurance contract acquisition costs	(301 378)	–
– Fees paid to outsourced service providers	(449 130)	–
– Consulting fees paid	(20 496)	(5 606)
– Depreciation and amortisation	(12 618)	(10 706)
– Direct operating expenses in respect of investment properties	(51)	–
– Foreign exchange losses	(6 014)	–
– Impairments	(16 414)	(14 784)
– Legal fees	(7 137)	252
– Short term lease charges	(3 456)	(1 857)
– Secretarial fees	(110)	(47)
– Staff costs	(162 842)	(20 663)
– Interest income	2 758	2 368
– Finance charges	(7 360)	(746)

	Insurance and risk R'000	Investments R'000	Total R'000
YEAR ENDED 30 JUNE 2019			
Income from operations	882 415	–	882 415
Expenses	(1 169 925)	(2 963)	(1 172 888)
Operating result	(287 510)	(2 963)	(290 473)
Equity accounted income (loss)	(3 375)	6 346	2 971
Investment (loss) income	13 041	(378 396)	(365 355)
Other	(12 124)	(26 993)	(39 117)
Loss before head office expenses and taxation	(289 968)	(402 006)	(691 974)
Unallocated net head office expenses			(14 710)
Taxation			53 888
Loss for the year			(652 796)
Capital utilised			
Capital employed at end of year	700 301	14 577	745 825
Reallocation	(599 730)	599 730	–
Capital utilised at end of year	100 571	614 307	745 825
Average capital utilised during the year	224 623	856 224	1 119 923

1. BASIS OF PREPARATION

The Group's consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act, No. 71 of 2008 and the Listings Requirements of JSE Limited. The Group's Financial Statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, the application of the equity method in accounting for investments in associated companies and the valuation of long-term policyholder liabilities on a financial soundness valuation basis. The Financial Statements incorporate the principal accounting policies set out below and which are consistent with those applied in the annual financial statements for the year ended 30 June 2019, except for the adoption of the amended IAS 28: *Investment in Associates and Joint Ventures* and IFRIC 23: *Uncertainty over Income Tax Treatments*. There was no material impact to the Group on adopting the amendments and the interpretation.

It should be noted that, as IFRS is implemented internationally, evolving practices with regard to the interpretation and application of standards under IFRS could impact future reported results and disclosure.

The significant accounting policies have been included in the relevant notes in the Financial Statements. Those accounting policies considered to be of a general nature and not relating to a specific note have been disclosed below.

2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Refer to notes 17.2, 17.4, 21, 23.2, 25, 29 and 39 for further information.

Insurance liabilities

Insurance contract accounting requires that estimates and judgements be made. In particular, judgement is required in the determination of the Outstanding Claims Reserve and Incurred but Not Reported ('IBNR") provision. These estimates are based on best practice applications of actuarial and claims estimation techniques. These techniques essentially rely on developments measured in the past, applied into the future and judgement applied. The key judgement relates to the extent to which the past can be used as a measure of the current expectations, where operational and business expert input help ensure appropriate judgement is applied. In addition, estimation is required in projecting liability outflow and expected future premiums and discounting these cashflows at the valuation date based on the valuation interest rate.

Refer to notes 18.3, 24 and 49.6 for a detailed explanation of the reserves raised and the effect of COVID-19 on the assumptions and significant judgements.

Taxation

The tax expense and liability are management's estimate of the final tax liability of the entity, which will be finalised once assessed by the Revenue authorities.

Management believes that the estimates and assumptions that were used in order to make these judgements at the end of the reporting period are reasonable.

Refer to notes 19 and 44 for further information.

2. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY continued

KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Investment properties

The fair value of investment properties has been determined with the use of open market values by either the professional property valuators or the directors of the group.

The market values are an estimate based on observable market data such as market rentals in the vicinity of the location of the property, supply and demand of similar properties in the area and the size and nature of the buildings and therefore is just an estimate.

Refer to note 20 for further information.

Investment in unlisted equities

Estimates and judgements are exercised in the valuation of unlisted shares (note 23.2). Fair values are determined either by way of discounting expected future cash flows where reliable information is available or by using the net asset value of the investment, as appropriate to the circumstances of each individual investment.

3. BASIS OF CONSOLIDATION

The consolidated Financial Statements include the financial position, results and cash flow information of the Company and its subsidiaries, including its share trust. The results of subsidiaries acquired and disposed of during the reporting period are included in the consolidated Financial Statements from the date that effective control was acquired and up to the date that effective control ceased. Control exists when the Group is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its ability to direct the relevant activities over the entity.

On acquisition, the Group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less cost to sell. The excess of cost of shares acquired over the fair value of subsidiaries' identifiable net assets at dates of acquisition is expressed as goodwill. Goodwill is carried at cost and is assessed annually for impairment.

BUSINESS COMBINATIONS

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition conditions of IFRS 3: Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5: Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts; whose classification remains as per their inception date.

4. FINANCIAL INSTRUMENTS

4.1 INITIAL RECOGNITION

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9: Financial Instruments.

Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets

- Equity instruments which are mandatorily at fair value through profit or loss; and
- Loans to fellow group companies, loans receivable and trade and other receivables which are recognised at amortised cost.

Financial liabilities

- Amortised cost

4. FINANCIAL INSTRUMENTS continued

4.1 INITIAL RECOGNITION continued

Note 12 presents the financial instruments held by the group based on their specific classifications.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the statement of financial position when the Group or the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group or Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets carried at amortised cost are subject to impairment testing.

4.2 SUBSEQUENT MEASUREMENT

After initial recognition, these instruments are measured as follows:

Third party loans, insurance, trade and other receivables

Loans, insurance, trade and other receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, provided that the Group's and the Company's objective in holding the assets is to realise the contractual cashflows and that cashflows associated with the assets comprise only payments of principal and interest amounts thereon, on specified dates. If these conditions are not met, they are measured subsequently at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost.

Financial liabilities

Financial liabilities, including insurance, trade and other payables, loans payable and other liabilities, are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

4.3 GAINS OR LOSSES

A gain or loss arising from a change in a financial asset or liability is recognised as follows:

- a gain or loss on a financial asset or liability classified as at fair value through profit or loss is recognised in profit or loss; and
- where financial assets and liabilities are carried at amortised cost, a gain or loss is recognised in profit or loss through the amortisation process, or when the financial asset or liability is derecognised or impaired.

4.4 LOANS TO/FROM GROUP COMPANIES

These include loans to/from subsidiaries, associates and fellow subsidiaries and are carried at amortised cost.

4.5 IMPAIRMENT OF FINANCIAL ASSETS

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have a low credit risk (Stage 1);
- financial assets that have deteriorated significantly in quality since initial recognition and whose credit risk is not low (Stage 2); and
- financial assets that have objective evidence of impairment at the reporting date (Stage 3).

12 month expected credit losses are recognised for Stage 1, while lifetime expected credit losses are recognised for Stage 2 and 3.

Measurement of the expected credit losses is determined by the probability-weighted estimate of credit losses over the expected life of the financial instrument, taking into account the time value of money.

4. FINANCIAL INSTRUMENTS continued

4.5 IMPAIRMENT OF FINANCIAL ASSETS continued

A loan is in default when there is evidence that the borrower is in significant financial difficulty such that it will have insufficient funds to repay the loan on demand. This is assessed based on a number of factors including cash flow projections and various liquidity and solvency ratios.

Insurance, trade and other receivables are in default when a debtor has exceeded their payment terms as prescribed by the Group or Company or shows signs of financial difficulty, such an not being liquid or solvent or being under business rescue.

A significant increase in credit risk ("SICR") assessment is performed qualitatively by reference to the borrower's cash flow and liquid asset position. The risk that the borrower will default on a demand loan depends on whether the borrower has enough cash or other liquid assets to repay the loan immediately (low risk of default) or insufficient cash or other liquid assets to repay the loan immediately (potential risk of default).

At year end, the Group considers whether there was a SICR based on the accounting policy. In respect of loans repayable on demand, if there is no SICR, then it can be concluded that the risk of default is 0%, thus no expected credit loss ("ECL") allowance should be recognised. If there is a SICR, then the Group evaluates the different recovery options and credit loss scenarios to assess the risk of default.

The Group makes use of a simplified approach in accounting for insurance, trade and other receivables and records the loss allowances as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument. In calculating the potential for default, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL by using a provision matrix and analysis.

Reinsurance assets

The Group assesses at each statement of financial position date whether there is objective evidence that reinsurance assets are in default. The reinsurance assets are assessed as being in default only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the reinsurance asset that can be reliably estimated.

Objective evidence that a reinsurance asset is in default includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the reinsurer;
- a breach of contract, such as default; or
- it becoming probable that the reinsurer will enter bankruptcy or other financial reorganisation.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in profit or loss.

The Group makes use of a simplified approach in accounting for reinsurance assets and records the loss allowances as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument. In calculating the potential for default, the Group uses its historical experience, external indicators and forward-looking information.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from insurance contract holders. If there is objective evidence that the insurance receivable is in default, the Group reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss. The Group gathers the objective evidence that an insurance receivable is in default using the same process adopted for reinsurance assets. The impairment loss is also calculated under the same method used for other assets.

4. FINANCIAL INSTRUMENTS continued

4.5 IMPAIRMENT OF FINANCIAL ASSETS continued

Impairment of other assets

The Group assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss which is immediately recognised in profit or loss.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

5. INSURANCE CONTRACTS

5.1 CLASSIFICATION OF INSURANCE CONTRACTS

A contract is classified as an insurance contract if it is a contract under which the Group's insurance entities accept significant insurance risk from another party, the policyholder, by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event, the insured event, adversely affects the policyholder. Such contracts are accounted for in terms of IFRS 4 – *Insurance Contracts*.

Insurance risk is risk other than financial risk, transferred from the holder of a contract to the issuer. Financial risk is defined as the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

An insurance risk is significant if the benefits to be paid under the contract, if the insured event occurs, are materially higher than any benefit to be paid under the contract should the insured event not occur.

The Group classifies financial guarantee contracts as insurance contracts.

5.2 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS

5.2.1 Premiums

Premium income relates to premiums received on insurance contract business entered into during the reporting period, irrespective of whether the risk cover in terms of that contract relates in whole or in part to later accounting periods, together with any adjustments to premiums recognised in prior accounting periods and changes to the unearned premium liability. Premiums are shown gross of commission payable to intermediaries and management fees payable to underwriting managers and exclude value added taxation levied on premiums, where applicable.

Premiums are recognised as revenue (earned premiums) proportionally over the period of cover provided by the insurance contract. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. The liability is generally calculated on a time proportionate basis.

5.2.2 Acquisition costs and deferred acquisition costs

Acquisition costs, which include commissions paid to intermediaries, are recognised over the period in which the related premiums are earned. A deferred acquisition cost asset is recognised in respect of costs paid relating to premium income which remains unearned as at the reporting date.

5.2.3 Claims

Claims paid are recognised in profit or loss and consists of claims and related expenses paid during the reporting period and changes in the provision for outstanding claims, together with any other adjustments to claims estimates from previous years. Where applicable, adjustments are made for salvage and subrogation recoveries received.

The provision for outstanding claims comprises the Group's estimate of the undiscounted ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not, and related internal and external claims handling expenses. Related anticipated reinsurance recoveries are disclosed separately as assets. These estimated reinsurance and other recoveries are assessed in a manner similar to the assessment of the claims outstanding. Outstanding claims are stated net of expected subrogation and salvage recoveries.

5. INSURANCE CONTRACTS continued

5.2 RECOGNITION AND MEASUREMENT OF INSURANCE CONTRACTS continued

5.2.3 Claims continued

Adjustments to the amounts of claims provisions established in prior years are reflected in the Financial Statements for the period in which the adjustments are made. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses, including an implicit risk margin to allow for the ultimate cost of claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court rulings. The methods used to value these provisions, and the estimates made, are reviewed regularly.

5.2.4 Profit commission

In terms of agreements entered into with the underwriting managers, whereby a profit commission will become due and payable if a loss ratio below a stipulated level is achieved, a provision is made to cover estimated profit commissions payable. The provision is based on the performance of the affected underwriting managers as at the reporting date. However, this provision may change should the results be affected by any claims developments after this date. Final payment of profit commissions is only made after these subsequent claims developments.

5.2.5 Reinsurance

Reinsurance contracts are contracts entered into by the Group with reinsurers under which the Group is compensated for the entire or a portion of losses arising on one or more of the insurance contracts issued by the Group.

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss exposure. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance services received.

Amounts recoverable under reinsurance contracts are assessed for default at the reporting date. Such assets are considered in default if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that there is a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses are recognised in profit or loss.

The Group makes use of a simplified approach in accounting for reinsurance assets and records the loss allowances as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument. In calculating the potential for default, the Group uses its historical experience, external indicators and forward-looking information.

5.2.6 Reinsurance commission

Commission on reinsurance contracts placed with reinsurers is received to cover the administration costs of the Group and is earned over the period over which the premium is earned. The commission is earned consistent with the pattern of risk of the underlying direct insurance policies.

5.2.7 Policyholder liabilities under long-term insurance contracts

The Group's liabilities under unmatured policies of long-term insurance contracts are calculated at the reporting date by the Independent Statutory Actuary in accordance with prevailing legislation, on the 'Financial Soundness Valuation' basis using a discounted cash flow methodology as prescribed by SAP 104 issued by the Actuarial Association of South Africa. The transfer to or from the policyholder liabilities under insurance contracts reflected in profit or loss represents the increase or decrease in actuarial liabilities.

6. LEASES

FINANCIAL LEASES

Leases under which the risks and rewards of ownership are assumed, are classified as financial leases and the leased assets are treated as property, plant and equipment in accordance with the policy note on these assets. The corresponding financial lease obligations are treated as a financial instrument liability.

OPERATING LEASES (AS LESSOR)

Leases under which the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Rights and obligations incurred under operating leases are accrued in profit or loss over the period of the lease on a straight-line basis.

The Group assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determines whether the asset under consideration is “identified”, which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

LEASE LIABILITY

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred; and
- less any lease incentives received.

The liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, using the effective interest rate method, and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (refer note 40).

RIGHT-OF-USE ASSETS

Right-of-use assets are presented in property, plant and equipment on the Statement of Financial Position and are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. Depreciation starts at the commencement date of a lease and the charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Initial measurement is at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Refer to note 14 for further details.

7. EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render the service that increases their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

7. EMPLOYEE BENEFITS continued

DEFINED CONTRIBUTION PLANS

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

8. TAXATION

CURRENT TAX ASSETS AND LIABILITIES

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

9. FOREIGN CURRENCIES

A foreign currency transaction is recorded on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

10. STANDARDS AND INTERPRETATIONS

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

During the current year, the Company and the Group adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 28: *Investments in Associates and Joint Ventures*

Long-term interest in Associates and Joint Ventures

Clarification provided that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The effective date of the amendments is for years beginning on or after 1 January 2019 and the Group adopted the amendments for the first time in the 2020 annual financial statements. There was no material impact to the Group on adopting the amendments.

IFRIC 23: *Uncertainty over Income Tax Treatments*

Specification as to how an entity should reflect the effects of uncertainties in accounting for income taxes.

The effective date of the interpretation is for years beginning on or after 1 January 2019. The Group adopted the interpretation for the first time in the 2020 annual financial statements. There was no material impact to the Group on adopting the interpretation.

11. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group has chosen not to early adopt the following standards and interpretations which have been published and are believed to be mandatory for the Group's accounting periods beginning on or after 1 July 2020 or later periods:

IAS 1: *Presentation of Financial Statements* AND IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*

Disclosure initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendments is for years beginning on or after 1 January 2020 and the Group will adopt the amendments for the first time in the 2021 annual financial statements and it is unlikely that the amendment will have a material impact on the Group's annual financial statements.

11. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE continued

IFRS 17: *Insurance contracts*

The standard was issued in May 2017 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Initial work performed on the impact of IFRS 17 indicates that there will be a significant impact on the underlying valuation models, systems and processes.

The effective date of the standard is for years beginning on or after 1 January 2023 and the Group expects to adopt the standard for the first time in the 2024 annual financial statements.

The Group is in the process of assessing the requirements of the standard against current data, processes and valuation models and is expected to finalise this assessment during 2021.

12. GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

12.1 ASSETS

	2020		2019	
	Financial assets at amortised cost R'000	Fair value through profit or loss R'000	Financial assets at amortised cost R'000	Fair value through profit or loss R'000
Non-current				
Reinsurers' share of policyholder liabilities (note 18.1)	12	–	21 661	–
Insurance, trade and other receivables (note 27)	166 547	–	–	–
Investments (note 23)	–	419 148	–	843 106
Listed investments	–	350 806	–	794 447
Unlisted investments	–	68 342	–	48 659
Current				
Loans receivable (note 25)	632	–	500	–
Insurance assets (note 24.2)	439 212	–	437 041	–
Insurance, trade and other receivables (note 27)	204 939	–	428 461	–
Cash and cash equivalents (note 28)	149 211	–	194 773	–
	960 553	419 148	1 082 436	843 106

12.2 LIABILITIES

	2020		2019	
	Financial liabilities at amortised cost R'000	Fair value through profit or loss R'000	Financial liabilities at amortised cost R'000	Fair value through profit or loss R'000
Non-current				
Policyholder liabilities under insurance contracts (note 18.1)	34 990	–	67 924	–
Current				
Insurance liabilities (note 24.1)	629 958	–	622 863	–
Loans payable (note 33)	11 014	–	–	–
Insurance, trade and other payables (note 34)	732 583	–	671 325	–
Bank overdraft (note 28)	79	–	–	–
	1 408 624	–	1 362 112	–

The carrying value of assets and liabilities approximates the fair value.

13. COMPANY FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

13.1 ASSETS

	2020 Financial assets at amortised cost R'000	2019 Financial assets at amortised cost R'000
Current		
Trade and other receivables (note 27)	**1 031**	1 023
Cash and cash equivalents (note 28)	**2 856**	1 845
	3 887	2 868

13.2 LIABILITIES

	2020 Financial liabilities at amortised cost R'000	2019 Financial liabilities at amortised cost R'000
Non-current		
Interest bearing borrowings (note 31)	**3 666**	3 525
Current		
Loans payable (notes 33 and 48.3)	**–**	27
Trade and other payables (note 34)	**3 087**	1 218
	6 753	4 770

The carrying value of assets and liabilities approximates the fair value.

14. GAINS AND LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES PER CATEGORY

The following table presents the total net gains or losses for each category of financial assets and financial liabilities:

14.1 GROUP

	Financial assets at amortised cost R'000	Fair value through profit or loss R'000	Financial liabilities at amortised cost R'000	Total R'000
14.1.1 2020				
Interest received (note 37)	**5 490**	**–**	**–**	**5 490**
Finance charges (note 40)	**–**	**–**	**(1 443)**	**(1 443)**
Dividend income (note 37)	**–**	**1 556**	**–**	**1 556**
Realised fair value adjustment of financial assets (note 37)	**–**	**(51 782)**	**–**	**(51 782)**
Unrealised fair value adjustment of financial assets (note 37)	**–**	**(347 385)**	**–**	**(347 385)**
Amounts (written off) released (notes 38.2 and 38.3)	**(15 085)**	**–**	**–**	**(15 085)**
	(9 595)	**(397 611)**	**(1 443)**	**(408 649)**
14.1.2 2019				
Interest received (note 37)	13 461	–	–	13 461
Finance charges (note 40)	–	–	(667)	(667)
Dividend income (note 37)	–	764	–	764
Realised fair value adjustment of financial assets (note 37)	–	3 426	–	3 426
Unrealised fair value adjustment of financial assets (note 37)	–	(382 006)	–	(382 006)
Amounts written off (notes 38.2 and 38.3)	(21 333)	–	–	(21 333)
	(7 872)	(377 816)	(667)	(386 355)

14. GAINS AND LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES PER CATEGORY continued

14.2 COMPANY

	Financial assets at amortised cost R'000	Financial liabilities at amortised cost R'000	Total R'000
14.2.1 2020			
Interest received (note 37)	251	–	251
Finance charges (note 40)	–	(161)	(161)
Dividend income (note 37)	2 800	–	2 800
	3 051	(161)	2 890
14.2.2 2019			
Interest received (note 37)	668	–	668
Finance charges (note 40)	–	(177)	(177)
Dividend income (note 37)	6 000	–	6 000
	6 668	(177)	6 491

15. GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

FAIR VALUE HIERARCHY

The assets valued at fair value through profit or loss in the statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2020				
Assets				
– Listed investments	350 806	–	–	350 806
– Unlisted investments	–	–	68 342	68 342
	350 806	–	68 342	419 148
2019				
Assets				
– Listed investments	794 447	–	–	794 447
– Investment properties	–	–	3 470	3 470
– Unlisted investments	–	–	48 659	48 659
	794 447	–	52 129	846 576

15. GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY continued

FAIR VALUE HIERARCHY continued

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;
– Financial assets classified in Level 2 have been valued using inputs other than quoted market prices (included within Level 1) that are observable for the asset and liability, either directly or indirectly; and
– The fair value of the financial assets classified in Level 3 has been determined by inputs that are not based on observable market data in that the future expected cash flows from the underlying unlisted entities have been discounted at market related rates. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	2020 R'000	2019 R'000
Current		
Financial assets at fair value through profit or loss		
Opening balance	**52 129**	48 224
Additions	**–**	6 653
Reclassification to owner occupied properties	**–**	(450)
Reclassifiction from insurance, trade and other receivables	**29 945**	–
Reclassification to assets held for sale	**(2 500)**	–
Disposal of unlisted investments	**–**	(4 000)
(Losses) profits recognised in profit or loss	**(11 232)**	1 702
Closing balance	**68 342**	52 129

Changing inputs to the Level 3 valuations to reasonable alternative assumptions would not significantly change amounts recognised in profit or loss, total assets, total liabilities or total equity.

The inputs, assumptions and judgements used in the valuation of investment properties are detailed in note 20.2, whereas those used in the valuation of the unlisted investments in Level 3 are described in note 23.2.

16. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment are carried at cost, less accumulated depreciation and impairment losses. Each item's useful life and residual value is reassessed on an annual basis and its carrying value is determined by applying an appropriate depreciation charge against profit or loss.

Depreciation is provided on all property, plant and equipment (other than land) to write down the cost, less expected residual value, by equal instalments over their useful lives. The current estimated useful lives are as follows:

Category	Expected useful life
Motor vehicles	5 years
Computer hardware	3 – 6 years
Furniture and fittings	6 – 10 years
Office equipment	5 – 10 years
Leasehold improvements	1 – 5 years
Right-of-use assets – Property	1 – 8 years
Owner occupied property	20 years

16. PROPERTY, PLANT AND EQUIPMENT continued

GROUP	2020 Cost R'000	2020 Accumulated depreciation R'000	2020 Net carrying value R'000	2019 Cost R'000	2019 Accumulated depreciation R'000	2019 Net carrying value R'000
Owner occupied properties (Land)	–	–	–	2 729	–	2 729
Owner occupied properties (Buildings)	–	–	–	6 550	–	6 550
Right-of-use assets – Property	61 836	(11 531)	50 305	62 519	(3 252)	59 267
Leasehold improvements	11 825	(2 159)	9 666	9 133	(703)	8 430
Computer hardware	10 465	(6 141)	4 324	8 638	(3 620)	5 018
Office equipment	2 694	(2 168)	526	2 546	(1 895)	651
Furniture and fittings	9 467	(2 099)	7 368	7 584	(1 917)	5 667
Motor vehicles	1 950	(1 289)	661	1 513	(1 288)	225
	98 237	(25 387)	72 850	101 212	(12 675)	88 537

GROUP	Owner occupied properties (Land) R'000	Owner occupied properties (Buildings) R'000	Right-of-use assets – Property R'000	Leasehold improvements R'000	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
2020									
Movement for the year									
Opening carrying value	2 729	6 550	59 267	8 430	5 018	651	5 667	225	88 537
Reclassification to held for sale	(2 729)	(6 550)	–	–	–	–	–	–	(9 279)
Additions	–	–	–	2 524	1 461	130	2 615	–	6 730
Disposals	–	–	(683)	–	(43)	(16)	(56)	(19)	(817)
Depreciation	–	–	(8 279)	(1 388)	(2 263)	(302)	(884)	(188)	(13 304)
Acquired as part of business combination	–	–	–	100	151	63	26	643	983
	–	–	50 305	9 666	4 324	526	7 368	661	72 850

No depreciation is raised on owner occupied buildings as the residual value of the buildings (2019: R15.60 million) is in excess of the carrying value.

During the current year, the properties were placed on the market for the combined fair value of R15.83 million, which is in excess of the carrying value. As a result, no impairment was required prior to the properties being reclassified as held for sale. As at the reporting date, one of the properties was disposed of at the asking price. It remains management's intention to dispose of the remaining property. Refer to note 29 for further detail.

Motor vehicles with a net book value of R0.13 million (2019: R0.21 million) are encumbered as security for interest-bearing borrowings.

16. PROPERTY, PLANT AND EQUIPMENT continued

GROUP	Owner occupied properties (Land) R'000	Owner occupied properties (Buildings) R'000	Right-of-use assets – Property R'000	Leasehold improvements R'000	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
2019									
Movement for the year									
Opening carrying value	2 607	6 222	–	23	3 872	785	2 828	409	16 746
Reclassification from investment properties	122	328	–	–	–	–	–	–	450
Adjustment relating to early adoption of IFRS 16	–	–	2 915	–	–	–	–	–	2 915
Additions	–	–	59 604	8 620	3 260	213	3 721	33	75 451
Disposals	–	–	–	–	(257)	(44)	(376)	–	(677)
Depreciation	–	–	(3 252)	(213)	(1 857)	(303)	(506)	(217)	(6 348)
	2 729	6 550	59 267	8 430	5 018	651	5 667	225	88 537

In the prior year, the Group opted for the transitional arrangement of adjusting opening retained income instead of restating prior year comparatives. At the date of recognition all operating lease liabilities were reversed and the new lease liabilities were recognised (refer note 32). This had an adjusting effect to the opening retained income balance of R0.24 million in the 2019 financial year.

The Group has chosen to use the cost model under IAS 16 to depreciate the right-of-use assets. Since the leases do not transfer ownership of the underlying assets to the lessee by the end of the lease term, the Group depreciates the assets over the shorter of the lease term and the assets' useful economic life. The Group has assessed that the useful economic life of the underlying assets exceeds the lease term, so the depreciation of the right-of-use assets will begin on the adoption date and be charged evenly over the remaining lease term, as this best represents the consumption of the economic benefits of the asset.

17. INTANGIBLE ASSETS

ACCOUNTING POLICY

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interests in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is included in intangible assets, while goodwill on the acquisition of associates is included in investments in associates. Internally generated goodwill is not recognised as an asset.

Intangible assets are recognised only when the cost can be measured reliably and if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

The costs relating to many internally generated intangible assets cannot be capitalised and are expensed as incurred. This includes research, start-up and advertising costs. Expenditure on internally generated brands, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are initially recognised at cost.

The useful life of intangible assets is assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it is amortised over its useful life through profit or loss. Amortisation periods and methods of amortisation for intangible assets with a finite useful life are reviewed annually, or earlier where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives (e.g. goodwill) are not amortised, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Intangibles with indefinite useful lives are reviewed annually to ensure that the carrying value does not exceed the recoverable amount, regardless of whether an indicator of impairment is present and whether or not the intangible asset continues to have an indefinite life.

The expected useful lives of the different categories of intangible assets are estimated to be as follows:

Category	Expected useful life
Computer software	2 – 6 years
Goodwill	Indefinite
Licences	13 years

17. INTANGIBLE ASSETS continued

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Goodwill (note 17.1)	53 226	39 526	–	–
Computer software (note 17.2)	30 283	96 761	–	–
Licences (note 17.3)	22 574	24 759	–	–
	106 083	161 046	–	–
17.1 GOODWILL				
17.1.1 Net carrying value				
Cost	57 740	39 526	–	–
Impairment	(4 514)	–	–	–
Net carrying value	53 226	39 526	–	–
17.1.2 Goodwill per cash generating unit				
24 Fix Proprietary Limited				
– Cost	4 365	–	–	–
Black Ginger 92 Proprietary Limited				
– Cost	1 992	1 992	–	–
Constantia Risk and Insurance Holdings Proprietary Limited				
– Cost	32 379	32 379	–	–
Deal Design Commercial Property and Business Broking Proprietary Limited trading as Century 21				
– Cost	5 155	5 155	–	–
Fixico South Africa Proprietary Limited				
– Cost	3 725	–	–	–
Kulundleko Solutions Proprietary Limited trading as Repair Solutions				
– Cost	10 124	–	–	–
– Impairment	(4 514)	–	–	–
	53 226	39 526	–	–
17.1.3 Movement for the year				
At beginning of the year	39 526	39 526	–	–
Acquisition as part of subsidiaries' purchase (note 47.4)	18 214	–	–	–
Impairment	(4 514)	–	–	–
	53 226	39 526	–	–

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000

17. INTANGIBLE ASSETS continued

17.2 COMPUTER SOFTWARE

17.2.1 Net carrying value

	Group 30 June 2020 R'000	Group 30 June 2019 R'000	Company 30 June 2020 R'000	Company 30 June 2019 R'000
Cost	**60 666**	119 883	**–**	–
Amortisation	**(30 383)**	(23 122)	**–**	–
Net carrying value	**30 283**	96 761	**–**	–

17.2.2 Movement for the year

	Group 30 June 2020 R'000	Group 30 June 2019 R'000	Company 30 June 2020 R'000	Company 30 June 2019 R'000
At beginning of the year	**96 761**	54 887	**–**	–
Additions	**563**	3 862	**–**	–
Software under development	**–**	50 000	**–**	–
Disposals	**(51)**	–	**–**	–
Acquisition as part of sale of business/subsidiary	**(7)**	–	**–**	–
Impairment[(1)]	**(56 404)**	–	**–**	–
Amortisation	**(10 593)**	(11 988)	**–**	–
	30 283	96 761	**–**	–

[(1)] *The following impairments were recorded during the year:*

- *R0.37 million relating to software that was used in connection with the Group's medical gap cover business and which became obsolete when the function that the software pertained to was outsourced to the medical gap cover underwriting manager;*
- *R3.04 million relating to software that was capitalised when being developed to administer a new personal lines product and that was rendered obsolete when the product was discontinued during the year; and*
- *R53.00 million relating to a provision that was raised in 2019 for the acquisition of software to be used in the Group's medical malpractice business and that was written off during 2020 after it was established that software that could perform the same function was available at a fraction of the initial capital outlay. This amount was partly offset by the reversal of a creditor accrual to the value of R50.00 million, resulting in a net project loss of R3.00 million.*

Also refer to note 17.4.2.

The remaining expected useful life of computer software is 2 – 6 years.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000

17.3 LICENCES

17.3.1 Net carrying value

	Group 30 June 2020 R'000	Group 30 June 2019 R'000	Company 30 June 2020 R'000	Company 30 June 2019 R'000
Cost	**28 400**	28 400	**–**	–
Accumulated amortisation	**(5 826)**	(3 641)	**–**	–
Net carrying value	**22 574**	24 759	**–**	–

17.3.2 Movement for the year

	Group 30 June 2020 R'000	Group 30 June 2019 R'000	Company 30 June 2020 R'000	Company 30 June 2019 R'000
Cost	**24 759**	28 400	**–**	–
Amortisation	**(2 185)**	(3 641)	**–**	–
Net carrying value	**22 574**	24 759	**–**	–

The average remaining expected useful life of Licences is 10.3 years.

17. INTANGIBLE ASSETS continued

17.4 IMPAIRMENT TESTING OF INTANGIBLE ASSETS

17.4.1 Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following individual cash generating units, which have different risk profiles and underlying assets and are separate cash generating units for impairment testing:

- 24 Fix Proprietary Limited ("24 Fix");
- Black Ginger 92 Proprietary Limited ("Black Ginger");
- Constantia Risk and Insurance Holdings Proprietary Limited ("CRIH");
- Deal Design Commercial Property and Business Broking Proprietary Limited trading as Century 21 ("Century 21");
- Fixico South Africa Proprietary Limited trading ("Fixico"); and
- Kulundleko Solutions Proprietary Limited trading as Repair Solutions ("Repair Solutions").

24 Fix and Fixico

The recoverable amounts for 24 Fix and Fixico have been determined based on a "value in use calculation" that:

- uses free cash flow projections based on the budgeted operating results for each entity, covering a five year period; and
- extrapolates cash flows beyond the fifth year by using a growth rate of 3.6%.

Cash flows for 24 Fix have been discounted using a risk adjusted pre-tax cost of equity rate of 32.7%, whereas the discount rate in respect of Fixico was 32.8%.

These calculations indicate that there is no need for impairment of the carrying value of goodwill relating to either of these entities in the current financial period.

The directors further believe that any reasonable change in the key assumptions would not cause the carrying amounts of the cash generating units to exceed the recoverable amounts that remain.

Black Ginger and CRIH

The recoverable amount for each of Black Ginger and CRIH has been determined based on a "value in use calculation" that:

- uses operational cash flow projections based on budgeted operating results covering a five year period;
- extrapolates cash flows beyond the fifth year by using a growth rate of 3.6% (2019: 5.0%); and
- adjusts the final result with the cost of any additional capital that might be required to generate the budgeted operating results.

Non-operational excess assets (cash, investments and properties) relating to these entities are valued at market values less the cost of liquidation, while the economic value of the insurance float and any other investable assets is based on:

- the projected investment returns generated by these assets; and
- adjusted for growth at rates that reduces from 20% in year 1 to 7.5% in year 5 and remaining stable at 3% thereafter (the same as in 2019).

Cash flows and returns have been discounted using a risk adjusted pre-tax cost of equity rate of 30.6% (2019: 41.7%).

These calculations indicate that there is no need for impairment of the carrying value of goodwill relating to these entities in the current financial period.

The directors further believe that any reasonable change in the key assumptions would not cause the carrying amounts of the cash generating units to exceed the recoverable amounts that remain.

17. INTANGIBLE ASSETS continued

17.4 IMPAIRMENT TESTING OF INTANGIBLE ASSETS continued

17.4.1 Impairment testing of goodwill continued

Century 21

The recoverable amount for Century 21 has been determined based on a "value in use calculation" that limits the value of the business to the market value of the Century 21 licence which, in terms of the agreement with the global master franchisor, would be valued at three times the average annual income generated by Century 21 during the past three years.

Based on the above it has been determined that the recoverable amount currently exceeds the carrying amount by R3.20 million, hence there is no need for impairment of the carrying value of goodwill relating to this entity in the current financial period.

Indications are that an 20.3% reduction in Century 21's average annual income will result in the recoverable amount being equal to the carrying value of goodwill for this entity, while a 53.1% reduction will result in goodwill being impaired in full.

Repair Solutions

The recoverable amount for Repair Solutions have been determined based on a "value in use calculation" that:

- uses free cash flow projections based on the budgeted operating results for the company, covering a five year period; and
- extrapolates cash flows beyond the fifth year by using a growth rate of 3.6%.

Cash flows have been discounted using a risk adjusted pre-tax cost of equity rate of 29.8%.

These calculations indicated that the carrying value of goodwill relating to this entity had to be impaired by R4.51 million during the current financial period.

The directors further believe that, after the impairment above was implemented, any reasonable change in the key assumptions would not cause the carrying amounts of the cash generating units to materially exceed the recoverable amount that remain.

17.4.2 Impairment testing of other intangible assets

The useful life and residual value of each asset is assessed twice annually and its carrying value is restated by applying the appropriate amortisation charge against the profit or loss.

These assessments indicate that there is no need for further impairment of the carrying value of other intangible assets in the current financial period.

18. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS

ACCOUNTING POLICY

Refer to the insurance contracts accounting policy, note 5 for further details.

SIGNIFICANT JUDGEMENT

The policyholder liabilities arising from long-term insurance contracts are determined by the statutory actuaries based on appropriate estimates and assumptions.

18. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS continued

GROUP	GROSS 30 June 2020 R'000	GROSS 30 June 2019 R'000	REINSURANCE 30 June 2020 R'000	REINSURANCE 30 June 2019 R'000
Opening balance	**(67 924)**	(37 200)	**21 661**	–
Transfer from profit or loss (note 36)	**32 934**	(30 724)	**(21 649)**	21 661
	(34 990)	(67 924)	**12**	21 661
18.1 ANALYSIS OF POLICYHOLDER (LIABILITIES) ASSETS				
Individual funeral cover	**(15 985)**	(24 257)	**12**	15
Group funeral cover	**(19 005)**	(43 667)	**–**	21 646
	(34 990)	(67 924)	**12**	21 661
18.2 MATURITY ANALYSIS OF POLICYHOLDER (LIABILITIES) ASSETS				
Policyholder liabilities are expected to become payable as follows:				
Up to one year	**(23 421)**	(47 215)	**12**	21 661
One year to five years	**(845)**	(4 437)	**–**	–
More than five years	**(10 724)**	(16 272)	**–**	–
	(34 990)	(67 924)	**12**	21 661

For Group business the maturity levels correspond to the contract boundary for each Group. Where the contract boundary is determined to be less than or equal to 12 months the liability is determined to less than a year.

For Individual business the maturity levels are determined on a best-estimate basis where the liability is calculated by projecting all the expected future cash flows on each policy and discounting them at the appropriate interest rate.

18.3 KEY ASSUMPTIONS

There were no changes to the valuation basis from the prior year.

In the calculation of liabilities, provision was made for the best estimate of the future experience plus the compulsory margins prescribed by the Actuarial Society of South Africa's Standard of Actuarial Practice ("SAP") 104. SAP 104 is intended to provide for a minimum level of financial resilience in the liabilities to ensure that profits are not recognised prematurely.

For the group funeral business an IBNR reserve was established based on the most recent claims run-off numbers. These claims run-off numbers were based on the results of "experience investigations" and current and expected future market conditions. In certain instances a deficiency reserve was established to allow for any expected losses on the group funeral policies.

For individual business units, a prospective valuation is carried out with the following principal assumptions:

- Inflation rate 4.60% (2019: 5.67%)
- Interest rate 7.70% (2019: 7.17%)
- Withdrawal assumptions were based on experience in the portfolio and in the market
- Mortality rates were based on SA85/90 Heavy (2019: SA85/90 Heavy) and the relevant AIDS tables, adjusted to reflect the most recent claims experience

All business is non-participating business and policyholders would have a reasonable expectation that contractual benefits would be met and that there would be no undue delay in the processing of claims and queries.

Covid-19

In response to the Covid-19 pandemic, an additional provision was raised to cover claims anticipated as a result of the pandemic over the 12-months following the year-end.

The Covid-19 reserve is derived from projected fatality and hospitalisation rates based on local expected experience for the 12 months from 30 June 2020. It should be noted however that, due to data limitations around how the pandemic has affected the Group up to the valuation date and how the pandemic is likely to develop in future, significant judgement exists in the establishment of the Covid-19 reserve.

18. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS continued

18.4 MATCHING OF ASSETS AND LIABILITIES

The Group only underwrites assistance insurance business and, to that extent, the matching of assets and liabilities is reasonably simple. In the settlement of policyholder liabilities, cash resources and (where required) the equity investments are utilised. Cash resources and the equity investments provide sufficiently liquid funds for the settlement of liabilities and are therefore suitable for the matching of assets and liabilities and in providing for the settlement patterns of the funeral business.

18.5 SENSITIVITIES

Net policyholder liabilities have been calculated at R34.98 million by the statutory actuary as at 30 June 2020 (2019: R46.26 million). The following scenarios indicate the value of the liabilities if the factors influencing the valuation had to change by the percentages given:

		2020		2019	
Factor	Level of change	Resulting liability R'000	Change %	Resulting liability R'000	Change %
Main basis	None	(34 978)	0.00	(46 263)	0.00
Mortality (and other claims)	10% increase	(40 184)	14.88	(51 067)	10.60
Expenses	10% increase	(37 124)	6.14	(51 666)	11.68
Investment returns	1% reduction	(36 202)	3.50	(48 483)	4.80
Withdrawals	10% increase	(34 680)	(0.85)	(45 740)	(1.13)
Inflation	1% increase	(35 754)	2.22	(47 994)	3.74

19. DEFERRED TAXATION

ACCOUNTING POLICY

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax base (or tax value) used in the computation of current taxable profits.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

In respect of temporary differences arising out of the fair value adjustment on investment properties, properties held for sale or investments held at fair value, deferred taxation is provided at the capital gains tax rate to the extent that the carrying value is expected to be recovered through sale of the asset.

19. DEFERRED TAXATION continued

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
Balance at beginning of year	**(103 830)**	(163 365)	**–**	–
Reduction in liability due to acquisition of subsidiary	**14**	–	**–**	–
Charge against the statement of profit or loss and other comprehensive income	**71 314**	59 535	**–**	–
Balance at end of year	**(32 502)**	(103 830)	**–**	–
Relating to:	**(32 502)**	(103 830)	**–**	–
Provisions and accruals	**2 967**	3 728	**–**	–
IFRS 16 (Properties) adjustments	**3 407**	631	**–**	–
Accelerated capital allowances	**(5 080)**	(4 792)	**–**	–
Unrealised gains on investment properties	**(2 194)**	(645)	**–**	–
Unrealised gains on investments	**(30 627)**	(104 285)	**–**	–
Fair value of licence	**(5 061)**	(5 673)	**–**	–
Estimated tax losses	**9 595**	7 206	**–**	–
Limitation of deferred tax assets	**(5 509)**	–	**–**	–
Disclosed as follows per IAS 12 requirements:	**(32 502)**	(103 830)	**–**	–
Deferred tax assets	**12 252**	7 922	**–**	–
Deferred tax liabilities	**(44 754)**	(111 752)	**–**	–

Due to the continued underwriting losses incurred, Constantia Insurance Company Limited ("CICL") decided in 2019 to reverse all the deferred tax assets that it raised in prior years. This resulted in tax assets of R40.7 million being reversed during 2019 and potential tax assets of R67.4 million not being credited to CICL's income statement during that year. The amount that was not credited to CICL's income statement during 2020 totalled R70.0 million and to date a cumulative R212.2 million is not being reflected by CICL in deferred tax assets.

The directors believe that, despite the recent losses being experienced by the insurance subsidiaries, adequate interventions have been put in place to enable the production of future profits and growth and, ultimately, the recovery of any deferred tax asset not yet accounted for within a reasonable period.

20. INVESTMENT PROPERTIES

ACCOUNTING POLICY

Investment properties are initially recognised at cost. External valuations are carried out every two years by external property valuators, with directors performing a valuation in the interim years, using market observable data. When investment properties become owner occupied, the Group reclassifies them to property, plant and equipment, using the fair value at the date of reclassification as the cost. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

SIGNIFICANT JUDGEMENT

The fair value of investment properties has been determined with the use of open market values by professional property valuators. The last valuation carried out by professional valuators was 30 June 2018.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
20.1 NET CARRYING VALUE				
Cost	**–**	919	**–**	–
Fair value adjustment	**–**	2 551	**–**	–
Net carrying value	**–**	3 470	**–**	–
20.2 MOVEMENT FOR THE YEAR				
At beginning of year	**3 470**	3 360	**–**	–
Reclassification to owner occupied properties	**–**	(450)	**–**	–
Reclassification to held for sale (refer note 29)	**(2 500)**	–	**–**	–
Fair value adjustment (refer note 37)	**(970)**	560	**–**	–
	–	3 470	**–**	–

In carrying out the valuation for 2019, the directors determined the fair value of the investment property using the income/investment approach (by way of the capitalisation of net income), based on the work done in June 2018 by R.A. Gibbons (AEI (ZIM), FIV (SA)) from Mills Fitchet Magnus Penny Proprietary Limited, an independent valuator, after taking the following factors into consideration:

- location, size and nature of the building;
- supply, demand and ability to let of similar properties in the area;
- market rentals ranging between R36 and R85 per m^2 in the general vicinity of the properties; and
- a capitalisation rate ranging between 9.5% and 11.0%, as used in the market for similar type properties.

During the current year, the investment property was placed on the market and an offer to purchase was received and accepted, subject to certain conditions. The purchase consideration of R2.50 million was used as the fair value of the property. As at the reporting date, the disposal was not yet finalised and resulted in the value of the property being written down to the fair value prior to being reclassified as held for sale. Refer to note 29 for further detail.

21. INVESTMENT IN ASSOCIATES

ACCOUNTING POLICY

Group

Interests in associates are accounted for under the equity method. The equity method of accounting is the method whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. The use of the equity method is discontinued from the date that the Group ceases to have significant influence over an associate.

Impairment losses reduce the carrying amount of investments in associates.

Distributions received from the associate reduce the carrying amount of the investment.

21. INVESTMENT IN ASSOCIATES continued

Company

Interests in associates are stated at cost, less any impairment losses.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
At beginning of year	**89 166**	116 941	**11 568**	15 568
Loans to (loan repayment)	**4 125**	7 614	**–**	(4 000)
(Disposals) acquisitions	**(31 920)**	1 625	**(26 000)**	–
Attributable portion of earnings	**3 244**	2 971	**–**	–
Dividend received	**(3 175)**	(6 000)	**–**	–
Profit on disposal	**–**	–	**14 432**	–
Impairment (refer note 39)	**(21 468)**	(33 985)	**–**	–
Balance at end of year	**39 972**	89 166	**–**	11 568
Broken down as follows:				
Carrying value of investment	**5 763**	57 460	**–**	11 568
Loans	**34 209**	31 706	**–**	–
Balance at end of year	**39 972**	89 166	**–**	11 568

Details of the impairment calculation are set out in note 39 and further details of the investments are set out in note 48.1.

ASSOCIATES' SUMMARY INFORMATION

The aggregate assets, liabilities, revenue and profits of the associates, all of which are unlisted, were as follows:

	ASOC Management Company Proprietary Limited (25.0%) R'000	Rikatec Proprietary Limited (30.5%) R'000	Other listed in note 48.1 (various) R'000	Total R'000
30 June 2020				
Non-current assets	7 593	706	1 671	9 970
Current assets	13 105	16 652	1 647	31 404
Non-current liabilities	(3 717)	(37 898)	(2 823)	(44 438)
Current liabilities	(9 679)	(1 237)	(1 063)	(11 979)
Revenue	39 769	364	44 074	84 207
After-tax profit (loss) for the year	996	(5 970)	7 262	2 288
Other comprehensive income	–	–	–	–
Total comprehensive income (loss)	996	(5 970)	7 262	2 288
Reconciliation from share of net asset (liability) to carrying value				
Net asset (liability)	7 302	(21 777)	(568)	(15 043)
Share of net asset (liability)	1 826	(6 642)	(148)	(4 964)
Loan balances (refer note 48.1)	2 588	28 915	2 706	34 209
Goodwill (Write-down to carrying value)	(1 823)	8 703	3 847	10 727
Carrying value	2 591	30 976	6 405	39 972

21. INVESTMENT IN ASSOCIATES continued

ASSOCIATES' SUMMARY INFORMATION continued

	Loan amount R'000	Risk of default	Credit loss	ECL R'000	Net R'000
ASOC Management Company Proprietary Limited ("ASOC")	2 588	Low	Low	–	2 588
The credit risk associated with this loan is low, considering the forecasted cash flows and income for Redford Capital Proprietary Limited ("Redford"), the ASOC subsidiary that will provide the cash flow that will be utilised to repay the loan. Redford, in which ASOC holds a 75% interest, generated in excess of R3.20 million in operating cash flows during the 2020 financial year. The lifetime ECL was evaluated and a probability weighted risk of default over the lifetime of the loan that was applied to exposure at default indicated an immaterial ECL. No ECL was therefore recognised.					
Rikatec Proprietary Limited ("Rikatec")	28 915	Low	Low	–	28 915
The credit risk associated with this loan is low, considering the forecasted cash flows and income for Rikatec. Should repayment not take place, management considers the loan to be recoverable by way of converting the full amount or part thereof into further equity in Rikatec, which currently has an estimated fair value of in excess of R60.0 million, should the full loan balance be capitalised. The lifetime ECL was evaluated and a probability weighted risk of default over the lifetime of the loan that was applied to exposure at default indicated an immaterial ECL. No ECL was therefore recognised.					
Mobility Insurance Underwriting Managers Proprietary Limited ("Mobility")	2 706	Low	Low	–	2 706
The credit risk associated with this loan is low, considering the forecasted cash flows and income for Mobility. Should repayment not take place, management considers the loan to be recoverable by way of converting the full amount or part thereof into further equity in Mobility, which currently has an estimated fair value of in excess of R18.0 million, should the full loan balance be capitalised. The lifetime ECL was evaluated and a probability weighted risk of default over the lifetime of the loan that was applied to exposure at default indicated an immaterial ECL. No ECL was therefore recognised.					

The loans receivable by the Group expose it to various risks, including credit and interest rate risks. Refer to note 49 for details of risk exposure and the processes and policies adopted to mitigate these risks.

The directors are of the opinion that the values of the above loans approximate their fair value.

21. INVESTMENT IN ASSOCIATES continued

ASSOCIATES' SUMMARY INFORMATION continued

	Anthony Richards and Associates Proprietary Limited (40.0%) R'000	ASOC Management Company Proprietary Limited (25.0%) R'000	Rikatec Proprietary Limited (28.4%) R'000	Other listed in note 48.1 (various) R'000	Total R'000
30 June 2019					
Non-current assets	3 865	7 198	995	5 080	17 138
Current assets	36 739	6 223	16 613	2 153	61 728
Non-current liabilities	–	(3 346)	(29 293)	(11 274)	(43 913)
Current liabilities	(11 623)	(2 775)	(241)	(959)	(15 598)
Revenue	72 864	20 707	127	12 375	106 073
After-tax profit (loss) for the year	15 370	795	(14 528)	2 903	4 540
Other comprehensive income	–	–	–	–	–
Total comprehensive income (loss)	15 370	795	(14 528)	2 903	4 540
Reconciliation from share of net asset (liability) to carrying value					
Net asset (liability)	28 981	7 300	(11 926)	(5 000)	19 355
Share of net asset (liability)	11 592	1 825	(3 391)	242	10 268
Loan balances (refer note 48.1)	–	4 015	25 230	2 461	31 706
Goodwill (Write-down to carrying value)	41 108	(1 825)	4 452	3 457	47 192
Carrying value	52 700	4 015	26 291	6 160	89 166

22. INVESTMENT IN SUBSIDIARIES

ACCOUNTING POLICY

Company

Investments in subsidiaries are stated at cost, less any impairment losses.

Breakdown of Investment in Subsidiaries

	COMPANY 30 June 2020 R'000	COMPANY 30 June 2019 R'000
Unlisted shares at cost, less amounts written off	**958**	958
Equity loans (terms detailed in note 48.2)	**621 928**	1 156 291
Net carrying value (refer notes 48.2 and 48.3)	**622 886**	1 157 249

Impairment indicators were noticed on the investment in Copper Sunset 186 Proprietary Limited ("Copper Sunset") in the current year, due to the decrease in the value of its investment in the Constantia Insurance Group ("Constantia") as a result of continuing operating losses in Constantia, as well as a decrease in the value of Constantia's listed equities portfolio. An impairment adjustment of R550.0 million was passed in terms of IAS 36.

The recoverable amount has been determined as the higher of fair value less costs to sell and value in use. Fair value is determined in terms of IFRS 13. Value in use is defined as "the present value of future cash flows expected to be derived from an asset or cash generating unit". This is also how fair value of the equities portfolio is determined - the market price of equities reflects the cash flow expectations of multiple market participants discounted at the return on the investment they require to be induced to acquire the investments. The recoverable amount of Copper Sunset has therefore been established by using a combination of the market value of Constantia's equities portfolio as at the reporting date and the fair value of Constantia's operations.

23. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING POLICY

Investments in equity securities are recognised on a trade-date basis and are initially measured at fair value. Investments are classified as "at fair value through profit or loss" and at subsequent reporting dates investments in equity securities are valued at fair value, with changes in fair value being recognised in profit or loss.

Refer to the financial instruments accounting policy, note 4 for further details.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
LONG-TERM INVESTMENTS				
Listed investments (note 23.1)	**350 806**	794 447	**–**	–
Unlisted investments (note 23.2)	**68 342**	48 659	**–**	–
	419 148	843 106	**–**	–
23.1 LISTED EQUITIES AT VALUATION*				
Opening net book value	**794 447**	1 173 391	**–**	–
Additions	**6 019**	16 783	**–**	–
Disposals	**(60 755)**	(16 005)	**–**	–
Fair value adjustment (refer note 37)	**(388 905)**	(379 722)	**–**	–
Closing net book value	**350 806**	794 447	**–**	–
** The Group's listed equity portfolio is reflected under long-term investments due to its strategy of buying and holding companies on a long-term basis.*				
23.2 UNLISTED INVESTMENTS AT VALUATION				
Opening net book value	**48 659**	44 864	**–**	–
Additions	**–**	6 653	**–**	–
Reclassification from Insurance, Trade and Other Receivables	**29 945**	–	**–**	–
Disposals	**–**	(4 000)	**–**	–
Fair value adjustment (refer note 37)	**(10 262)**	1 142	**–**	–
Closing net book value	**68 342**	48 659	**–**	–

The unlisted investments classified in:

- Level 3 of the fair value hierarchy and valued at R49.80 million have been valued by an independent third party using the net asset value of the underlying assets in the investment, adjusted for the impact of expected future earnings, as a basis; and
- Level 3 of the fair value hierarchy and valued at R18.54 million have been valued by an independent third party using the expected free cash flows generated by the underlying assets over the next 10 years, which represents the estimated life of the investment, as a basis.

24. INSURANCE ASSETS AND LIABILITIES

ACCOUNTING POLICY

Refer to the insurance contracts accounting policy, note 5 for further details.

SIGNIFICANT JUDGEMENT

Judgement is required in estimating reserves in respect of reported claims which have not yet been settled, in the determination of the Incurred But Not Reported ("IBNR") provision and in estimating future cash flows in respect of salvages and claims recoveries. Also refer to notes 2 and 24.4 for further details.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
24.1 GROSS INSURANCE LIABILITIES				
Claims reported but not paid	**(316 462)**	(279 057)	**–**	–
Claims incurred but not reported (refer note 24.4 below)	**(176 715)**	(201 253)	**–**	–
Unearned premiums, net of deferred acquisition costs	**(136 781)**	(142 553)	**–**	–
Unearned premiums	**(163 138)**	(170 031)	**–**	–
Deferred acquisition costs	**26 357**	27 478	**–**	–
Total insurance liabilities	**(629 958)**	(622 863)	**–**	–
24.2 RECOVERABLE FROM REINSURERS				
Claims reported but not paid	**217 012**	214 121	**–**	–
Claims incurred but not reported (refer note 24.4 below)	**135 650**	131 961	**–**	–
Unearned premiums, net of deferred reinsurance commission revenue	**86 550**	90 959	**–**	–
Unearned premiums	**116 683**	131 741	**–**	–
Deferred reinsurance commission revenue	**(30 133)**	(40 782)	**–**	–
Reinsurers' share of insurance liabilities	**439 212**	437 041	**–**	–
24.3 NET INSURANCE LIABILITIES				
Claims reported but not paid	**(99 450)**	(64 936)	**–**	–
Claims incurred but not reported (refer note 24.4 below)	**(41 065)**	(69 292)	**–**	–
Unearned premiums	**(50 231)**	(51 594)	**–**	–
Total net insurance liabilities	**(190 746)**	(185 822)	**–**	–

24.4 INCURRED BUT NOT REPORTED ("IBNR") PROVISION

At the reporting date the Group performed a detailed exercise (that included the use of cumulative chain ladder calculations) in order to assess the required provisions and run-off assets in the insurance division. Although showing quite significant variances between the IBNR and asset levels in the various books, it was determined that overall levels of current provisioning is sufficient when compared to the best estimate of what these provisions should be. The average IBNR value across the Group, determined as a result of this exercise, approximates the gross IBNR to amount to 8.4% (2019: 9.8%) of the gross insurance premium for the year.

For the period since April 2020 significant judgement was required to allow for the impact of the Covid-19 pandemic. With the help of business experts, together with new measures such as Google mobility data and feedback from the private healthcare sector on hospitalisation volumes, judgement was applied to adjust expected ultimate claims and thus the IBNR provision. These adjustments were necessary to allow for both reduced exposure to risk events due to lockdown restrictions, as well as slower receipt and processing of claims notifications. The IBNR estimates were back tested and late adjustments made at the year-end in some instances to utilise the latest available data and where the impact was significant, ensuring the most accurate estimation of IBNR provisions were achieved.

25. LOANS RECEIVABLE

ACCOUNTING POLICY

Loans receivable are financial assets measured at amortised cost. Refer to the financial instruments accounting policy, note 4.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
CURRENT – UNSECURED LOANS				
Opening balance	**500**	6 330	**–**	–
Movement due to acquisition of subsidiary	**28**	–	**–**	–
Advances	**350**	500	**–**	–
Interest	**65**	–	**–**	–
Repayments	**(311)**	(62)	**–**	–
Less: Provision for impairment	**–**	(6 268)	**–**	–
	632	500	**–**	–

Unsecured loans' repayment and interest terms are as follows:

- The R0.63 million unsecured loan to an underwriting manager carries interest at the prime overdraft rate. The loan has no specific repayment date and will be repaid out of profit commissions, with the first repayment being made on 1 October 2019.

	Loan amount R'000	Risk of default	Credit loss	ECL R'000	Net R'000
Group – 30 June 2020					
Unison Guarantee Acceptances Proprietary Limited ("Unison")	**632**	**Low**	**Low**	**–**	**632**

The credit risk associated with this loan is low, considering the forecasted income for Unison. Should repayment not take place, management considers the loan to be recoverable by way of retaining Unison's future participation in profit commission. Unison's historical earnings in respect of profit commission exceeded R2.89 million per year over the past 5 years and exceeded R3.22 million per year over the past 3 years. The lifetime ECL was evaluated and a probability weighted risk of default over the lifetime of the loan that was applied to exposure at default indicated an immaterial ECL. No ECL was therefore recognised.

The loans receivable by the Group expose it to various risks, including credit and interest rate risks. Refer to note 49.4 for details of risk exposure and the processes and policies adopted to mitigate these risks.

The directors are of the opinion that the value of the above loan approximates their fair value.

	Loan amount R'000	Risk of default	Credit loss	ECL R'000	Net R'000
Group – 30 June 2019					
Unison Guarantee Acceptances Proprietary Limited ("Unison")	500	Low	Low	–	500

The credit risk associated with this loan is low, considering the forecasted cash flows and income for Unison. Should repayment not take place, management considers the loan to be recoverable by way of retaining Unison's future participation in profit commission. Unison's historical earnings in respect of profit commission exceeded R1.00 million per year over the past 5 years and exceeded R1.45 million per year over the past 3 years. The lifetime ECL was evaluated and a probability weighted risk of default over the lifetime of the loan that was applied to exposure at default indicated an immaterial ECL. No ECL was therefore recognised.

The loans receivable by the Group expose it to various risks, including credit and interest rate risks. Refer to note 49.4 for details of risk exposure and the processes and policies adopted to mitigate these risks.

The directors are of the opinion that the value of the above loans approximates their fair value.

26. INVENTORY

ACCOUNTING POLICY

Inventories are stated at the lower of cost and estimated selling price, less costs to complete and sell. Cost is determined using the first-in, first-out ("FIFO") method.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
26.1 NET CARRYING VALUE	**2 033**	–	**–**	–
26.2 MOVEMENT FOR THE YEAR				
Movement due to acquisition of subsidiary	**2 603**	–	**–**	–
Acquisitions	**2 604**	–	**–**	–
Transferred to cost of sales	**(3 174)**	–	**–**	–
	2 033	–	**–**	–

27. INSURANCE, TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Insurance, trade and other receivables are financial assets measured at amortised cost using the effective interest method. Refer to the financial instruments accounting policy, note 4.

SIGNIFICANT JUDGEMENT

The group assesses its insurance, trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The areas of uncertainty lies with assessing the recoverability of the receivables and the ability of the third party to meet the obligation of payment. The expected credit loss is assessed by taking into account forward looking factors like cash flows, which are not certain. Refer to note 49.4.5 for additional detail.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
Deposits and prepaid expenses	**64 469**	8 308	**778**	488
Insurance receivables	**350 604**	396 201	**–**	–
Trade receivables	**33 760**	21 800	**1 031**	1 023
Other receivables – Unsecured	**2 537**	10 460	**–**	–
Less: Allowance for impairment	**(15 415)**	–	**–**	–
	435 955	436 769	**1 809**	1 511
Deposits include a refundable deposit of R50.0 million, paid to Trustco Group Holdings Limited as part of the agreement to acquire a 100% interest in Herboths Property Development Proprietary Limited. The deposit was deemed to be a current receivable as the transaction is expected to take effect within the next year, subject to the conditions set out in note 49.7.				
Insurance, trade and other receivables can further be broken down into the following:				
– Non-current	**166 547**	–	**–**	–
– Current	**269 408**	436 769	**1 809**	1 511
	435 955	436 769	**1 809**	1 511

The directors are of the opinion that the value of the above receivables approximates their fair value (refer note 49.4) due to their short-term nature.

The insurance, trade and other receivables held by the Group expose it to various risks, including credit and interest rate risks. Refer to note 49 for details of risk exposure and the processes and policies adopted to mitigate these risks.

28. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Comprising:				
Cash	**28**	55	**–**	–
Call accounts	**52 199**	117 399	**2 800**	1 797
Current accounts – Local	**80 331**	55 934	**56**	48
Current accounts – Foreign	**16 653**	21 385	**–**	–
	149 211	194 773	**2 856**	1 845
Bank overdraft	**(79)**	–	**–**	–
Net cash and cash equivalents	**149 132**	194 773	**2 856**	1 845

Balances on call include amounts held on call at banks and at stockbrokers. The directors are of the opinion that the value of the above approximates fair value.

The cash and cash equivalents held by the Group expose it to various risks, including credit and interest rate risks. Refer to note 49 for further detail.

29. ASSETS HELD FOR SALE

ACCOUNTING POLICY

The carrying amount of non-current assets (and disposal groups) classified as held for sale will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for sale from the date these conditions are met and are measured at the lower of their carrying amount and their fair value less costs to sell. Any resulting impairment is reported through the statement of comprehensive income

On classification as held for sale the assets are no longer depreciated. Comparative amounts are not adjusted.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
29.1 NET CARRYING VALUE				
Cost	**3 432**	–	**–**	–
Fair value adjustment	**8 347**	–	**–**	–
Net carrying value	**11 779**	–	**–**	–
29.2 MOVEMENT FOR THE YEAR				
Reclassification from owner occupied properties	**9 279**	–	**–**	–
Reclassification from investment properties	**2 500**	–	**–**	–
	11 779	–	**–**	–

During the current financial year, the owner occupied and investment properties were placed on the market. The owner occupied properties have a combined fair value of R15.83 million, which is in excess of the carrying value. As a result, no impairment was required prior to the properties being reclassified as held for sale. As at the reporting date, one of the properties was disposed of at the asking price. It remains management's intention of management to dispose of the remaining property.

An offer to purchase the investment property was received and accepted, subject to certain conditions. The purchase consideration of R2.50 million was used as the fair value of the property. As at the reporting date, the disposal was not yet finalised and resulted in the value of the property being written down to the fair value prior to being reclassified as held for sale.

30. STATED CAPITAL

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Authorised				
1 500 000 000 ordinary shares of no par value (2019: 1 500 000 000 ordinary shares of no par value)				
Issued				
Opening: 764 443 900 ordinary shares of no par value (2019: 764 443 900 ordinary shares of no par value)	**1 162 575**	1 170 713	**1 339 250**	1 339 250
Treasury shares:				
– 1 353 356 ordinary shares of no par value held by Conduit Management Services Proprietary Limited (2019: 1 353 356)	**–**	(2 048)	**–**	–
– 2 971 495 ordinary shares of no par value held by Constantia Insurance Company Limited (2019: 9 575)	**(1 840)**	–	**–**	–
– 155 000 ordinary shares of no par value held by Constantia Life Limited (2019: nil)	**(100)**	–		
– 13 517 256 ordinary shares of no par value held by Midbrook Lane Proprietary Limited (2019: 21 474 256)	**7 959**	(6 090)	**–**	–
– 41 000 000 ordinary shares of no par value held by Snowball Wealth Proprietary Limited (2019: 41 000 000)	**–**	–	**–**	–
Closing: 764 443 900 ordinary shares of no par value (2019: 764 443 900)	**1 168 594**	1 162 575	**1 339 250**	1 339 250
In terms of a resolution passed at the most recent Annual General Meeting, all authorised and unissued shares are placed under the control of the Company's directors.				
Number of shares (net of treasury shares held)				
Opening balance	**700 606 713**	705 440 072	**764 443 900**	764 443 900
Treasury shares	**4 840 080**	(4 833 359)	**–**	–
	705 446 793	700 606 713	**764 443 900**	764 443 900

31. INTEREST-BEARING BORROWINGS

31.1 ACCOUNTING POLICY

Interest-bearing borrowings are classified as financial liabilities at amortised cost. Refer to the financial instruments accounting policy, note 4.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
31.2 NON-CURRENT BORROWINGS				
Unsecured				
Opening balance	**–**	–	**3 525**	3 367
Interest	**–**	–	**156**	177
Repayment	**–**	–	**(15)**	(19)
	–	–	**3 666**	3 525

The loan from the IMR Share Trust is unsecured, attracts interest at rates linked to prime and is repayable by mutual consent.

32. LEASE LIABILITIES

The lease liabilities recognised relate to leased buildings, motor vehicles and office equipment. The Group has the option to purchase one of the buildings at a nominal amount on completion of the lease term.

An incremental borrowing rate of between 10.25% and 12.00% was applied to the lease liabilities in respect of properties recognised in the statement of financial position at the date of initial application.

It is Group policy to lease motor vehicles and office equipment in some of the non-insurance subsidiaries. The average lease term is 4 to 5 years and the average effective borrowing rate was 10.20% (2019: 11.67%). The Group's obligations are secured by the lessor's charge over certain leased assets (refer note 16).

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Leased buildings				
Opening balance	61 830	–	–	–
Adjustment relating to early adoption of IFRS16	–	3 182	–	–
Additions	–	59 603	–	–
Interest expense	6 827	2 446	–	–
Lease payments	(10 830)	(3 401)	–	–
	57 827	61 830	–	–
Motor vehicles and equipment				
Opening balance	551	611	–	–
Additions	–	40	–	–
Interest expense	59	68	–	–
Lease payments	(353)	(168)	–	–
	257	551	–	–
Minimum lease repayments				
Within one year	11 619	11 160	–	–
In second to five years	48 862	47 528	–	–
After more than five years	23 530	36 487	–	–
	84 011	95 175	–	–
Less: Finance charges component	(25 927)	(32 794)	–	–
	58 084	62 381	–	–
Non-current liabilities	52 767	58 210	–	–
Current liabilities	5 317	4 171	–	–
	58 084	62 381	–	–

33. LOANS PAYABLE

ACCOUNTING POLICY

Loans payable are financial liabilities measured at amortised cost. Refer to the financial instruments accounting policy, note 4.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Current – unsecured loans				
Opening balance	–	–	27	132
Acquisition as part of subsidiaries' purchase	5 836	–	–	–
Advances	6 678	–	–	–
Repayments	(1 500)	–	(27)	(105)
	11 014	–	–	27

33. LOANS PAYABLE continued

Unsecured loans' repayment and interest terms are as follows:

– R8.475 million in unsecured loans from the vendors of the Leymic Group carry no interest, have no specific repayment dates and will be repaid out of profits generated by the Leymic Group.
– a R2.000 million unsecured loan from a client of the Leymic Group carries no interest and is repayable at R100 000 per quarter, with effect from the first quarter of the 2021 financial year;
– a R0.500 million unsecured loan from a minority shareholder of a Leymic Group subsidiary carries no interest, has no specific repayment date and will be repaid out of profits generated by the specific subsidiary; and
– a R0.039 million unsecured loan from a minority shareholder of a Leymic Group subsidiary carries no interest, has no specific repayment date and will be repaid out of profits generated by the specific subsidiary.

34. INSURANCE, TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

Insurance, trade and other payables are financial instruments measured at amortised cost. Refer to the financial instruments accounting policy, note 4.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
Accruals	**36 503**	24 867	**796**	590
Insurance payables	**638 426**	558 950	**–**	–
Trade payables	**57 623**	87 477	**2 260**	597
Dividends payable	**31**	31	**31**	31
	732 583	671 325	**3 087**	1 218

The directors are of the opinion that the value of the above payables approximates their fair value (refer note 49.5) due to their short-term nature.

35. REVENUE

ACCOUNTING POLICY

The Group and Company currently have several revenue streams that include the following:

- Advisory, consulting and management fees;
- Commission and royalty fees; and
- Sale of goods.

To determine whether to recognise revenue, the Group and Company follow a five-step process:

1. identifying the contract with a client;
2. identifying the performance obligations;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and
5. recognising revenue as/when performance obligation(s) are satisfied.

Revenue for services rendered and from the sale of goods is recognised as follows:

- Revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership of the goods are transferred to the buyer.
- Advisory, consulting and management fees, as well as commission received and royalty income from contracts with clients to provide services to such clients is recognised when the performance obligation is satisfied and could be over time as the services are rendered or at a point in time upon completion of the services.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of value added tax.

There are no significant judgements involved in the determination of the timing of the satisfaction of performance obligations or the transaction price and its allocation to performance obligations.

For insurance contract accounting, refer to note 5.2 for further details.

35. REVENUE continued

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
35.1 INSURANCE REVENUE				
Gross insurance premiums	**2 109 967**	2 050 653	**–**	–
Local	**2 041 970**	1 976 963	**–**	–
Foreign	**67 997**	73 690	**–**	–
35.2 NON-INSURANCE REVENUE (LOCAL)	**77 584**	42 377	**91**	69
Included in Income from Insurance Operations	**34 158**	30 708	**–**	–
Advisory, consulting, management fees and fees received from third parties	**34 158**	30 708	**–**	–
Included in Net non-insurance income	**43 426**	11 669	**91**	69
Advisory, consulting and management fees received from third parties and group companies	**21 550**	5 055	**91**	69
Commissions and royalties	**21 876**	6 614	**–**	–
	2 187 551	2 093 030	**91**	69

36. NET CLAIMS AND MOVEMENT IN CLAIMS RESERVES

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
Gross claims paid	**(1 134 175)**	(1 056 610)	**–**	–
Change in provision for outstanding claims and IBNR	**(24 360)**	(129 981)	**–**	–
Transfer to policyholder liabilities (note 18)	**32 934**	(30 724)	**–**	–
Gross claims and movement in claims reserves	**(1 125 601)**	(1 217 315)	**–**	–
Reinsurers' share of claims paid	**969 148**	906 544	**–**	–
Reinsurers' share of provisions	**6 743**	131 575	**–**	–
Transfer to reinsurer's share of policyholder liabilities (note 18)	**(21 649)**	21 661	**–**	–
Net claims and movement in claims reserves	**(171 359)**	(157 535)	**–**	–

37. INVESTMENT INCOME

ACCOUNTING POLICY

Dividends are recognised when the right to receive payment, which is registered ownership on the last day to register, is established.

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity of the financial instrument.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
Interest income	**5 490**	13 461	**251**	668
Investment income and fair value adjustments (listed shares)	**(387 349)**	(378 958)	**–**	–
Dividend income	**1 556**	764	**–**	–
Fair value adjustment (unrealised)	**(337 123)**	(383 148)	**–**	–
Fair value adjustment (realised)	**(51 782)**	3 426	**–**	–
Investment income (unlisted shares)	**(10 262)**	1 142	**2 800**	6 000
Dividend income (subsidiaries and associates)	**–**	–	**2 800**	6 000
Fair value adjustment (unrealised)	**(10 262)**	1 142	**–**	–
Fair value adjustment (investment properties)	**(970)**	560	**–**	–
	(393 091)	(363 795)	**3 051**	6 668

38. OTHER (LOSSES) (EXPENSES) INCOME

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
38.1 RENTAL INCOME				
Since it is not considered to be part of the main revenue generating activities, the Group presents Rental income separate from Revenue.	**1 979**	980	**–**	–
38.2 INSURANCE				
Foreign exchange (losses) profits	**(6 014)**	1 578	**–**	–
Impairment of financial assets (note 14.1.1)	**(13 010)**	(21 398)	**–**	–
Impairment of computer software	**(3 404)**	–	**–**	–
	(22 428)	(19 820)	**–**	–
38.3 NON-INSURANCE				
(Impairment of financial assets) Impairment reversed (note 14.1.1)	**(2 075)**	65	**–**	–
Foreign exchange (losses) profits	**(30)**	13	**–**	8
	(2 105)	78	**–**	8
38.4 NON-OPERATIONAL				
Associates: (Impairment of) profit on investment (net)	**(21 468)**	(33 985)	**14 432**	–
Goodwill: Impairment	**(4 514)**	–	**–**	–
Property, plant and equipment: Profit (loss) on disposal	**124**	(677)	**–**	–
Software: Impairment (note 17.2)	**(3 000)**	–	**–**	–
Subsidiaries: Loss on disposal (note 47.4)	**(72)**	–	**–**	–
Subsidiaries: Impairment of loans (note 48.3)	**–**	–	**(550 000)**	–
	(28 930)	(34 662)	**(535 568)**	–

39. IMPAIRMENT OF ASSOCIATES

IMPAIRMENTS

In the prior year, as a reflection of the difficult trading conditions experienced in consumer credit markets Conduit Capital impaired its investment in Anthony Richards and Associates Proprietary Limited ("ARA") by R24.65 million to R52.70 million. ARA's recoverable amount at the time was determined based on a "value in use calculation" that:

- used cash flow projections based on budgeted results covering a three year period where the directors expect larger than usual growth;
- assumed growth in earnings at 5% per year thereafter;
- discounted expected cash flows at a pre-tax rate of 27.8%; and
- further reduced the valuation result by the value of any shareholders' loans outstanding.

During the current reporting period, the investment in ARA was disposed of to a third party for a purchase consideration of R26.0 million. Refer note 21 for further details.

The investment in ASOC Management Company ("ASOC Manco") was impaired by a further R1.49 million (2019: R0.54 million) to reflect lower expected management fees receivable due to the difficult trading environment experienced by some of the investments in the underlying fund, particularly due to the Covid-19 pandemic. ASOC Manco's recoverable amount was determined based on a "value in use calculation" that:

- used cash flow projections based on actual results, assumed to grow at 3.6% (2019: 6.0%) per year in perpetuity for Redford Capital Proprietary Limited ("Redford"), a subsidiary in which it holds a 75% interest;
- discounted the Redford expected cash flows at a pre-tax rate of 34.4% (2019: 27.8%);
- assumed ASOC Manco will derive all its future performance fees from a single fund that will wind up in September 2022;
- assumed that the fund will generate annual returns of between 17.5% and 25.0% during the remaining life of the fund; and
- discounted expected cash flows from the expected performance fees charged to the fund at a pre-tax rate of 15.1% (2019: 14.2%).

The result of the exercise is detailed below:

The equity loan of R8.80 million granted to Jasure Financial Services Proprietary Limited ("JaSure") was impaired in full during 2019 due to reduced market opportunities available to the business. The investment in Jasure was disposed of in January 2020 for a consideration of R6.92 million.

40. FINANCE CHARGES

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
Interest paid: Lease Liabilities	**(6 886)**	(2 514)	**–**	–
Interest paid: Other	**(1 443)**	(667)	**(161)**	(177)
	(8 329)	(3 181)	**(161)**	(177)

41. LOSS BEFORE TAXATION

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
The loss before taxation includes:				
Consulting fees paid	**(28 497)**	(21 204)	**(2 169)**	(1 336)
Depreciation and amortisation	**(26 082)**	(21 977)	**–**	–
Direct operating expenses in respect of investment properties	**(51)**	(72)	**–**	–
Legal fees	**(7 376)**	(274)	**(401)**	(164)
Management fees paid to third parties	**–**	(687)	**–**	–
Short term lease charges	**(5 821)**	(842)	**–**	–
Equipment	**(168)**	(182)	**–**	–
Premises	**(5 653)**	(660)	**–**	–
Secretarial fees	**(345)**	(322)	**(175)**	(178)
Staff costs	**(193 397)**	(161 643)	**–**	–
Salaries and wages (excluding directors' remuneration)	**(181 136)**	(153 824)	**–**	–
Provident fund (defined contribution plan)	**(12 261)**	(7 819)	**–**	–

42. DIRECTORS' REMUNERATION

	Directors' fees R'000	Basic salary R'000	Consulting fees R'000	Other benefits R'000	Total R'000
42.1 2020					
Paid for by Company:					
NON-EXECUTIVE					
Napier, R	630	–	–	–	630
Chou, L	345	–	–	–	345
Mahlangu, J	145	–	–	–	145
Maizey, A	345	–	927	–	1 272
Siyotula, N	122	–	–	–	122
Thorndike, W	436	–	–	–	436
Xaba, R	435	–	–	–	435
	2 458	–	927	–	3 385
Paid for by subsidiaries:					
NON-EXECUTIVE					
Mahlangu, J	122	–	–	–	122
Siyotula, N	286	–	–	–	286
Xaba, R	423	–	–	–	423
EXECUTIVE					
Louw, L E	–	2 687	–	334	3 021
Riskowitz, S	–	2 272	–	146	2 418
	831	4 959	–	480	6 270
	3 289	4 959	927	480	9 655
42.2 2019					
Paid for by Company:					
NON-EXECUTIVE					
Napier, R	600	–	–	–	600
Chou, L	329	–	–	–	329
Mahlangu, J	414	–	–	–	414
Maizey, A	329	–	671	–	1 000
Thorndike, W	344	–	–	–	344
Xaba, R	414	–	–	–	414
	2 430	–	671	–	3 101
Paid for by subsidiaries:					
NON-EXECUTIVE					
Mahlangu, J	350	–	–	–	350
Xaba, R	350	–	–	–	350
EXECUTIVE					
Louw, L E	–	2 523	–	352	2 875
Riskowitz, S	–	2 272	–	7	2 279
	700	4 795	–	359	5 854
	3 130	4 795	671	359	8 955

43. RETIREMENT BENEFITS

58.9% of the Group's employees contribute to the GTC Umbrella Provident Fund of which the Group is a participant and which is a defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the period in which they are due and as such are included in staff costs.

Contributions for the period under consideration amounted to R12.26 million (2019: R7.82 million). The umbrella fund and its participants are registered in terms of and regulated by the Pension Funds Act.

The rest of the Group has no formal or informal retirement benefit arrangements for employees or directors.

44. TAXATION

ACCOUNTING POLICY

Current tax and deferred tax are charged against profit or loss and are based on the expected taxable income for the year, as adjusted for items which are non-taxable or disallowed, as well as any adjustment of tax payable for previous years, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
44.1 TAXATION				
South African normal taxation	79	(5 647)	–	–
Current period	(829)	(1 946)	–	–
Reversal of prior period receivable overprovision	–	(3 692)	–	–
Prior period over (under) provision	908	(9)	–	–
Deferred tax	71 314	59 535	–	–
Taxation per statement of profit or loss and other comprehensive income	71 393	53 888	–	–
44.2 TAXATION RECONCILIATION				
Loss before tax	(642 022)	(706 684)	(546 605)	(1 962)
Standard South African normal taxation	179 766	197 872	153 049	549
Non-taxable income	–	3 567	–	1 680
– 5-Funds profits in Life companies	3 103	–	–	–
– Dividends received	261	–	784	–
– Equity accounted income	908	–	–	–
– SARS ETI rebates	1 335	–	–	–
Non-deductible expenses	–	(17 271)	–	–
– Donations	(39)	–	–	–
– Fines & penalties	(37)	–	–	–
– Goodwill	(1 264)	–	–	–
– Keyman insurance	(65)	–	–	–
– Legal fees	(94)	–	–	–
– Pro rata expense adjustment	(20)	–	–	–
Prior period underprovision – Normal taxation	908	(3 701)	–	–
Prior period underprovision – Deferred taxation	(4 514)	(36 053)	–	–
Deferred tax asset not raised in companies with losses	(85 203)	(69 533)	(123 841)	(2 229)
Utilisation of previously unrecognised tax losses	–	680	–	–
Tax rate differential on trusts	(22)	(28)	–	–
Tax rate differential on capital gains	(23 630)	(21 645)	(29 992)	–
Taxation per statement of profit or loss and other comprehensive income	71 393	53 888	–	–

44. TAXATION continued

44.2 TAXATION RECONCILIATION continued

Deferred tax assets have not been recognised in group companies that do not anticipate generating sufficient taxable income to utilise these assets in the foreseeable future. The unused tax losses for which no deferred tax asset has been raised as at the reporting date amounted to R861.55 million (2019: R633.18 million). The estimated tax losses available for set off against future taxable income at Group level is also R861.55 million (2019: R633.18 million). At Company level the amount available for set off is R19.54 million (2019: R22.88 million).

45. CONTINGENT LIABILITIES

45.1 CONTINGENT LIABILITIES

45.1.1 A portfolio acquisition agreement, effective 1 September 2015, exists between CICL and Dealers Indemnity Proprietary Limited ("Dealers"). Dealers receives a monthly annuity of R45 000 for the remainder of the vendor's natural life, subject to a minimum payment of R1.5 million ("the Minimum Payment").

The present value of the annuity payments as at 30 June 2020 amounted to R2 725 267 per an actuarial calculation based on published mortality tables. The Group has initially raised a liability to the value of R1.5 million, which was the minimum amount payable. This amount has now been paid in full. The Group therefore confirms that it has a contingent liability of R2 725 267 as at the reporting date.

45.1.2 The Group will pay to the seller of the Natmed computer software that is currently being used to manage its medical malpractice business ("the Seller") 5% of the gross written premium generated by medical malpractice policyholder clients introduced to it by the Seller between 1 March 2017 and 28 February 2023, on the condition that the cumulative claims loss ratios of those clients during that period does not exceed 30%. The cumulative claims ratio was 44.5% as at the reporting date, giving rise to no potential liability as at the reporting date.

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

46. LOSS/ASSET VALUE PER SHARE

46.1 CALCULATION OF BASIC LOSS

	GROUP	
	30 June 2020 R'000	30 June 2019 R'000
The loss amounts used in the calculation of basic loss per share are as follows:		
Loss for the year	**(570 629)**	(652 796)
Non-controlling interest	**1 933**	1 131
Loss attributable to ordinary shareholders	**(568 696)**	(651 665)

46.2 RECONCILIATION BETWEEN BASIC LOSS AND HEADLINE LOSS

	2020		2019	
	Gross R'000	**Net R'000**	Gross R'000	Net R'000
Headline loss is determined as follows:				
Loss attributable to ordinary shareholders		**(568 696)**		(651 665)
(Profit) loss on disposal of property, plant and equipment	**(124)**	**(77)**	677	677
Impairment of associates	**21 468**	**10 980**	33 985	28 399
Impairment of goodwill	**4 514**	**4 514**	–	–
Impairment of computer software	**6 404**	**5 807**	–	–
Profit on revaluation of investment properties	**–**	**–**	(450)	(349)
Loss on disposal of subsidiary	**72**	**72**	–	–
Non-controlling interest on the items above (after taxation)		**68**		–
Headline loss		**(547 332)**		(622 938)

46. LOSS/ASSET VALUE PER SHARE continued

46.3 CALCULATION OF NET ASSET VALUE

	GROUP	
	30 June 2020 R'000	30 June 2019 R'000
The net asset value amounts used in the calculation of net asset value per share are as follows:		
Capital and reserves	**175 460**	745 825
Non-controlling interest	**(1 617)**	(9 305)
Equity attributable to owners of the parent/Net asset value	**173 843**	736 520

46.4 RECONCILIATION BETWEEN NET ASSET VALUE AND TANGIBLE NET ASSET VALUE

	30 June 2020 R'000	30 June 2019 R'000
Tangible net asset value is determined as follows:		
Net asset value	**173 843**	736 520
Intangible assets	**(106 083)**	(161 046)
Tangible net asset value	**67 760**	575 474

46.5 SHARES IN ISSUE

46.5.1 Number of shares ('000)

	30 June 2020	30 June 2019
Shares in issue	**764 444**	764 444
Shares held as treasury shares	**(58 997)**	(63 837)
	705 447	700 607

46.5.2 Weighted average number of shares ('000)

	30 June 2020	30 June 2019
Shares in issue	**764 444**	764 444
Shares held as treasury shares	**(59 363)**	(62 344)
	705 081	702 100

46.5.3 There is no dilutive impact on the weighted average number of shares.

46.6 LOSS PER SHARE (CENTS)

	30 June 2020	30 June 2019
46.6.1 Basic and Diluted loss per share	**(80.7)**	(92.8)
46.6.2 Headline and Diluted Headline loss per share	**(77.6)**	(88.7)

46.7 ASSET VALUE PER SHARE (CENTS)

	30 June 2020	30 June 2019
46.7.1 Net asset value per share (cents)	**24.6**	105.1
46.7.2 Tangible net asset value per share (cents)	**9.6**	82.1

47. NOTES TO THE CASH FLOW STATEMENTS

47.1 THE FOLLOWING CONVENTION APPLIES TO FIGURES OTHER THAN ADJUSTMENTS:

Outflows of cash are represented by amounts in brackets, while inflows are represented by amounts without brackets.

47.2 RECONCILIATION OF LOSS BEFORE TAXATION TO CASH UTILISED IN OPERATIONS

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Loss before taxation	(642 022)	(706 684)	(546 605)	(1 962)
Adjustments for:				
Depreciation and amortisation	26 082	21 977	–	–
Dividend income	(1 556)	(764)	(2 800)	(6 000)
Finance charges				
– Lease liabilities	6 886	2 514	–	–
– Other	1 443	667	161	177
Interest income	(5 490)	(13 461)	(251)	(668)
Profit on disposal of associates	–	–	(14 432)	–
Impairment of associates	21 468	33 985	–	–
Impairment of computer software	6 404	–	–	–
Impairment of goodwill	4 514	–	–	–
Impairment of financial assets	15 085	21 333	–	–
Investment losses	399 167	378 580	–	–
(Profit) loss on disposal of property, plant and equipment	(124)	677	–	–
Revaluation of investment property	970	(560)	–	–
Profit on disposal of subsidiaries	72	–	–	–
Impairment of subsidiaries' loans	–	–	550 000	–
Share of profit from associate	(3 244)	(2 971)	–	–
Operating cash flows before working capital changes	(170 345)	(264 707)	(13 927)	(8 453)
Working capital changes	52 268	147 919	1 571	272
– Increase in trade and other receivables	(38 815)	(188 755)	(298)	(110)
– Increase in trade and other payables	96 874	303 440	1 869	382
– Decrease in inventory	570	–	–	–
– Decrease (increase) in reinsurers' share of policyholder liabilities	21 649	(21 661)	–	–
– (Decrease) increase in policyholder liabilities	(32 934)	30 724	–	–
– Increase in insurance assets	(2 171)	(158 557)	–	–
– Increase in insurance liabilities	7 095	182 728	–	–
Cash utilised in operations	(118 077)	(116 788)	(12 356)	(8 181)

47.3 TAXATION PAID

	GROUP 30 June 2020 R'000	GROUP 30 June 2019 R'000	COMPANY 30 June 2020 R'000	COMPANY 30 June 2019 R'000
Opening balance	(1 921)	87	–	–
Acquisition of subsidiaries	(580)	–	–	–
Movement on statement of comprehensive income	79	(5 647)	–	–
Closing balance	2 217	1 921	–	–
	(205)	(3 639)	–	–

47. NOTES TO THE CASH FLOW STATEMENTS continued

47.4 RECONCILIATION OF ASSETS ACQUIRED AND SOLD IN SUBSIDIARIES TO CASH PAID

During the year, the Group sold its 100.00% interest in Hurriclaim Proprietary Limited ("Hurriclaim"). It also acquired 58.56% of Leymic Holdings Proprietary Limited and its subsidiaries ("Leymic Group"). The details of the transactions are as follows:

GROUP	Hurriclaim (100.00%) R'000	Leymic Group (58.56%) R'000	Total 2020 R'000
Effective date of change of control	31 Aug '19	1 Dec '19	
Fair value of assets acquired:			
– Property, plant and equipment	–	983	**983**
– Other intangible assets	–	7	**7**
– Loans receivable	–	28	**28**
– Inventory	–	2 603	**2 603**
– Trade and other receivables	(154)	5 555	**5 401**
– Funds at call, bank balances and cash	(2)	1 343	**1 341**
– Deferred taxation	(3)	17	**14**
– Loans payable	–	(5 836)	**(5 836)**
– Trade and other payables	41	(14 425)	**(14 384)**
– Net tax payable	46	(626)	**(580)**
– Minority interest*	–	5 755	**5 755**
– Net asset value acquired	(72)	(4 596)	**(4 668)**
– Goodwill acquired**	–	18 214	**18 214**
– (Purchase) sale price	(72)	13 618	**13 546**
– Loss on sale	72	–	**72**
– Settled with equities	–	(7 963)	**(7 963)**
– Net cash outflow on acquisition/disposal	–	5 655	**5 655**
Loss after tax since acquisition date, included in the consolidated results for the year			**(1 835)**
Turnover since acquisition date, included in the consolidated results for the year			**16 578**
Group loss after tax had the business combination been included for the entire year			**(571 096)**
Group revenue had the business combination been included for the entire year			**2 203 293**

* *Non-controlling interest will be reflected on the proportionate share basis.*

** *Goodwill was paid in order to obtain the majority shareholding in a group of companies with cutting edge systems and technology in their field of business, a number of large, high profile clients and excellent medium to long-term growth prospects in the insurance adjacent market.*

48. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

48.1 THE FOLLOWING INFORMATION RELATES TO THE GROUP'S INVESTMENT IN ASSOCIATE COMPANIES

	Nature of business	Country of incorporation	Number of shares held		Interest		Book value of investment		Indebtedness to Group	
			2020	2019	2020 %	2019 %	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Directly owned										
Anthony Richards & Associates Proprietary Limited	Credit recovery and call centre services	RSA	**–**	100	**–**	40.0	**–**	52 700	**–**	–
Held through a subsidiary										
ASOC Management Company Proprietary Limited	Fund manager	RSA	**2 500**	2 500	**25.0**	25.0	**3**	–	**2 588**	4 015
Jasure Financial Services Proprietary Limited	Underwriting manager	RSA	**–**	1 040	**–**	51.0	**–**	–	**–**	–
Mobility Insurance Underwriting Managers Proprietary Limited	Underwriting manager	RSA	**52**	52	**26.0**	26.0	**3 699**	3 699	**2 706**	2 461
Rikatec Proprietary Limited	Information management and data analytics	RSA	**3 050**	2 850	**30.5**	28.5	**2 061**	1 061	**28 915**	25 229
							5 763	57 460	**34 209**	31 705

<u>*Note:*</u>

All associates of the Group are unlisted companies.

Although the Group owned 51% of the issued share capital in Jasure Financial Services Proprietary Limited ("JaSure"), a share buy-back agreement, together with potential voting rights that have been given to the other JaSure shareholders, resulted in the Group only exerting significant influence and not controlling JaSure. The entity was therefore treated as an associate and not a subsidiary. The investment in JaSure was disposed of during the current year. Refer note 21.

Refer to note 21 for further details relating to the ECL and credit risk management on the various loans to associates.

48. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES continued

48.2 THE FOLLOWING INFORMATION RELATES TO THE COMPANY'S INVESTMENT IN SUBSIDIARY COMPANIES

	Nature of business	Country of incor-poration	Issued ordinary share capital		Interest		Shares at cost less amounts written off		Indebtedness to (by) Conduit Capital	
			2020	2019	2020 %	2019 %	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Directly owned										
Conduit Management Services Proprietary Limited	Management services; equities investment	RSA	**140 000**	140 000	**100.0**	100.0	**140**	140	**23 763**	9 177
Copper Sunset Trading 186 Proprietary Limited	Holding company	RSA	**100**	100	**100.0**	100.0	**2**	2	**532 397**	1 082 338
Marble Gold 213 Proprietary Limited	Holding company	RSA	**100**	100	**100.0**	100.0	**231**	231	**7**	(27)
On Line Lottery Services Proprietary Limited	Dormant	RSA	**150**	150	**80.0**	80.0	**585**	585	**–**	–
Held through a subsidiary										
24 Fix Proprietary Limited[(Note c)]	Home assistance services; Auto glass replacement	RSA	**4 249 769**	–	**29.9**	–	**–**	–	**–**	–
Black Ginger 92 Proprietary Limited	Investment company	RSA	**100**	100	**100.0**	100.0	**–**	–	**15 169**	15 109
Conduit Fund Managers Proprietary Limited	Asset manager	RSA	**1**	1	**100.0**	100.0	**–**	–	**50 592**	49 667
Conduit Ventures Proprietary Limited (previously Flipbase Investments Proprietary Limited)	Holding company	RSA	**1 000**	1 000	**100.0**	100.0	**–**	–	**–**	–
Constantia Insurance Company Limited	Short-term insurer	RSA	**2 247 500**	2 247 500	**100.0**	100.0	**–**	–	**–**	–
Constantia Insurance Holdings Proprietary Limited	Investment company	RSA	**120**	120	**100.0**	100.0	**–**	–	**–**	–
Constantia Life and Health Assurance Company Limited	Long-term insurer	RSA	**13 772 380**	13 772 380	**100.0**	100.0	**–**	–	**–**	–
Constantia Life Limited	Long-term insurer	RSA	**696 000**	696 000	**100.0**	100.0	**–**	–	**–**	–
Constantia Risk and Insurance Holdings Proprietary Limited	Holding company	RSA	**200**	200	**100.0**	100.0	**–**	–	**–**	–
Corporate Specialist Investigations Proprietary Limited (previously Hurriclaim Proprietary Limited[(Note c)]	Claims investigations	RSA	**352 000**	352 000	**46.8**	100.0	**–**	–	**–**	–
Deal Design Commercial Property and Business Broking Proprietary Limited trading as Century 21	Commercial property and business broking	RSA	**100**	100	**51.0**	51.0	**–**	–	**–**	–
Fixico South Africa Proprietary Limited[(Note c)]	Insurer motor assessment platform services	RSA	**120**	–	**29.9**	–	**–**	–	**–**	–

48. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES continued

48.2 THE FOLLOWING INFORMATION RELATES TO THE COMPANY'S INVESTMENT IN SUBSIDIARY COMPANIES continued

	Nature of business	Country of incorporation	Issued ordinary share capital 2020	Issued ordinary share capital 2019	Interest 2020 %	Interest 2019 %	Shares at cost less amounts written off 2020 R'000	Shares at cost less amounts written off 2019 R'000	Indebtedness to (by) Conduit Capital 2020 R'000	Indebtedness to (by) Conduit Capital 2019 R'000
General Legal and Administration Services Limited	Administration services provider	RSA	**1 002**	1 002	**100.0**	100.0	**–**	–	**–**	–
Goodall and Bourne Properties Proprietary Limited	Property company	RSA	**2 000**	2 000	**100.0**	100.0	**–**	–	**–**	–
Goodall and Bourne Trust Company Proprietary Limited	Holding company	RSA	**200**	200	**100.0**	100.0	**–**	–	**–**	–
IMR Share Trust	Dormant	RSA	**–**	–	**–**	–	**–**	–	**(3 666)**	(3 525)
Internetwork Property Services Proprietary Limited	Administrative company	RSA	**100**	100	**100.0**	100.0	**–**	–	**–**	–
Inventory and Risk Surveys Proprietary Limited	Risk surveyor	RSA	**100**	100	**61.0**	61.0	**–**	–	**–**	–
Kulundleko Solutions Proprietary Limited trading as Repair Solutions	Insurer and motor body repairer alignment	RSA	**100**	–	**58.6**	–	**–**	–	**–**	–
Leymic Holdings Proprietary Limited	Holding company	RSA	**4 685**	–	**58.6**	–	**–**	–	**–**	–
Midbrook Lane Proprietary Limited	Equities investment	RSA	**4 093 942**	4 093 942	**100.0**	100.0	**–**	–	**–**	–
Partner Risk Advisory Proprietary Limited[(Note c)]	Risk consultancy	RSA	**100**	–	**33.5**	–	**–**	–	**–**	–
PartsTrader SA Proprietary Limited	Platform provider of automotive parts for insurers, repairers and suppliers	RSA	**120**	–	**58.6**	–	**–**	–	**–**	–
Riskonet Africa Proprietary Limited (previously Cedarrain Investments Proprietary Limited)	Risk consultancy	RSA	**1 000**	1 000	**90.0**	100.0	**–**	–	**–**	–
Snowball Wealth Proprietary Limited	Equities investment	RSA	**24 960**	24 960	**100.0**	100.0	**–**	–	**–**	–
TGI Investment Holding Limited	Investment company	RSA	**9 680 036**	9 680 036	**100.0**	100.0	**–**	–	**–**	–
							958	958	**618 262**	1 152 739

(Note c) Although the effective holding in this entity is less than 50%, Conduit has control over the entity through its majority interest in Leymic Holdings Proprietary Limited, which in turn owns a majority in the entity.

Notes:

- *All subsidiaries in the Group are unlisted companies.*
- *The loan to Black Ginger 92 Proprietary Limited is designated an equity loan, is unsecured, attracts no interest and is repayable at the election of the borrower.*
- *The loan to Conduit Management Services Proprietary Limited is designated an equity loan, is unsecured, attracts no interest and is repayable at the election of the borrower.*
- *The loan to Copper Sunset Trading 186 Proprietary Limited is designated an equity loan, is unsecured, attracts no interest and is repayable at the election of the borrower.*
- *The loan to Conduit Fund Managers Proprietary Limited is designated an equity loan, is unsecured, attracts no interest and is repayable at the election of the borrower.*
- *The loan to (from) Marble Gold 213 Proprietary Limited is unsecured, attracts no interest and is repayable by mutual consent.*
- *The loan from the IMR Share Trust is unsecured, attracts interest at rates linked to prime and is repayable by mutual consent.*

48. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES continued

48.3 ALLOCATED AS FOLLOWS

	COMPANY 30 June 2020 R'000	COMPANY 30 June 2019 R'000
Shares at cost, less impairment	958	958
Equity loans	621 928	1 156 291
– Gross	1 171 928	1 156 291
– Impairment	(550 000)	–
Investment in subsidiaries (note 22)	622 886	1 157 249
Interest bearing borrowings	(3 666)	(3 525)
Loans payable	–	(27)
	619 220	1 153 697

49. RISK MANAGEMENT

49.1 CURRENCY RISK

Currency risk is the risk that the value of a financial instrument denominated in a foreign currency will fluctuate against the Rand ("ZAR") as a result of changes in foreign exchange rates.

The Group is exposed to currency risk with regards to its reinsurance operations in Africa. Premium income from these operations, which contributed approximately 3.3% to the Group's gross premium income for the current financial period (2019: 3.6%), was earned in US Dollar ("USD") and fluctuations in the ZAR/USD exchange rate may influence underwriting results and asset values (as it relates to USD denominated assets) to a material extent.

As at the reporting date the Group had the following USD exposure:

	Exposure in USD '000	Converted to ZAR '000	Rand weakens 10% R'000	Rand strengthens 10% R'000
30 June 2020				
Assets	9 260	160 751	176 826	144 676
Liabilities	(8 910)	(154 677)	(170 145)	(139 210)
Net assets	350	6 074	6 681	5 466
30 June 2019				
Assets	10 308	145 623	160 185	131 060
Liabilities	(8 477)	(119 756)	(131 731)	(107 780)
Net assets	1 831	25 867	28 454	23 280

The Company had no foreign currency exposure.

Management believes the currency risk to be fairly negligible and has elected not to hedge against any losses. Assets and liabilities exposed to currency risks are however assessed regularly and forward cover positions would be considered should the need arise.

49. RISK MANAGEMENT continued

49.2 INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

The Group has some investments and borrowings that are subject to interest rate risk. Details of these investments are set out in note 23. Additional exposure to interest rate risk is in the form of cash balances held at call with banks (see note 28), which earn interest at rates that vary on a daily basis, loans receivable that earn interest at rates that are linked to the prime lending rate (see note 25).

49.2.1 An increase or decrease of 2% in the respective interest rates would result in the following changes in the fair values of these financial instruments of the Group:

	2020 2% increase R'000	2019 2% increase R'000	2020 2% decrease R'000	2019 2% decrease R'000
Financial assets				
Cash and interest bearing loans	**1 313**	3 595	**(1 313)**	(3 595)
Financial liabilities				
Interest bearing borrowings	**(320)**	(130)	**320**	130

49.2.2 An increase or decrease of 2% in the respective interest rates would result in the following changes in the fair values of these financial instruments of the Company:

	2020 2% increase R'000	2019 2% increase R'000	2020 2% decrease R'000	2019 2% decrease R'000
Financial assets				
Cash and cash equivalents	**86**	201	**(86)**	(201)
Financial liabilities				
Loans payable	**(74)**	(69)	**74**	69

The Group and the Company monitor and manage this risk through its Investment Committee and the Board's oversight.

49.3 MARKET RISK

Market risk is the risk of an adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices and foreign currency exchange rates, besides those disclosed more specifically under currency and interest rate risks.

Key areas where the Group is exposed to market risk are:

- listed investments;
- unlisted investments; and
- investment properties and property holding subsidiaries.

Management is of the view that when considering:

- the length of the remaining investment horizon for each of the investments currently in the investment portfolio; and
- the exaggerated impact that the current illiquidity of the investment portfolio could have on share price movements, despite the fact that the underlying value of each individual investment might remain intact;

any sensitivity analysis of the investment portfolio, based on potential share price movements, would provide very limited value at this time.

49. RISK MANAGEMENT continued

49.3 MARKET RISK continued

The table below offers an indication of the levels of volatility that can be experienced in the Group's listed equity portfolio based on mark-to-market movements, as compared to the JSE All Share Index. It should however be emphasised that these short-term share price movements do not necessarily have any connection to the underlying long-term value of the investments in the portfolio over the remaining term of the investments:

		2020		2019	
		Portfolio	JSE All Share index	Portfolio	JSE All Share index
Market value as at reporting date (R'000)	A	**350 806**	**54 362**	794 447	58 204
Market value based on highest closing price achieved by individual portfolio components during the reporting year (R'000)	B	**948 728**	**59 002**	1 540 418	59 545
Market value based on lowest closing price achieved by individual portfolio components during the reporting year (R'000)	C	**218 082**	**37 963**	612 512	50 664
Premium: B vs A (%)		**170.4**	**8.5**	93.9	2.3
Discount: C vs A (%)		**(37.8)**	**(30.2)**	(22.9)	(13.0)
Premium: B vs C (%)		**335.0**	**55.4**	151.5	17.5

The Group's Investment Committee reviews and manages market risk by focusing on the qualitative aspects of each investment, supported by quantitative measures such as the analysis of changes in look-through earnings. Further quantitative measures such as sensitivities to share price movements will be introduced at the appropriate time, i.e. when the investment portfolio is more mature, or when the investment horizon reduces to such an extent that the portfolio (or parts thereof) might be liquidated in the foreseeable future.

49.4 CREDIT RISK

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the Group is exposed to credit risk are:
- cash and cash equivalents;
- amounts due from insurance policyholders and intermediaries;
- amounts due from reinsurers and reinsurers' share of insurance liabilities;
- loans receivable; and
- trade and other receivables.

The Group determines counterparty credit quality by reference to ratings from independent ratings agencies or, where such ratings are not available, by internal analysis. The Group seeks to avoid concentration of credit risk by counterparty, business sector, product type and geographical segment.

Counterparty risk relating to reinsurers is mitigated in accordance with the Reinsurance Risk Mitigation policy and includes the minimum requirements reinsurers must satisfy in terms of credit rating thresholds and equivalent jurisdictions.

49. RISK MANAGEMENT continued

49.4 CREDIT RISK continued

The following tables provide information regarding the aggregated credit risk exposure for financial assets with external credit ratings as at:

	AA- R'000	A+ to A- R'000	BBB+ to BBB- R'000	BB+ to BB- R'000	B+ to B- R'000	Not rated R'000	Carrying value R'000
	Credit rating						
49.4.1 GROUP							
30 June 2020							
Loans receivable	–	–	–	–	–	632	632
Loans to associates	–	–	–	–	–	34 209	34 209
Recoverable from reinsurers	205 715	210 533	–	17 398	5 583	(5)	439 224
Insurance, trade and other receivables	–	–	–	–	–	371 486	371 486
Cash and cash equivalents	29	3 284	–	145 865	–	33	149 211
	205 798	218 355	184 005	169 405	5 583	211 616	994 762
30 June 2019							
Loans receivable	–	–	–	–	–	500	500
Recoverable from reinsurers	264 724	122 994	–	24 626	52 063	(5 705)	458 702
Insurance, trade and other receivables	–	–	–	–	–	428 461	428 461
Cash and cash equivalents	54	–	188 543	6 142	1	33	194 773
	264 778	122 994	188 543	30 768	52 064	423 289	1 082 436
49.4.2 COMPANY							
30 June 2020							
Trade and other receivables	–	–	–	–	–	1 031	1 031
Cash and cash equivalents	–	–	–	2 856	–	–	2 856
	–	–	–	2 856	–	1 031	3 887
30 June 2019							
Trade and other receivables	–	–	–	–	–	1 023	1 023
Cash and cash equivalents	–	–	1 844	–	1	–	1 845
	–	–	1 844	–	1	1 023	2 868

49. RISK MANAGEMENT continued

49.4 CREDIT RISK continued

Loans, insurance, trade and other receivables and reinsurance receivables consist mainly of accounts receivable from the Group's customer base, its reinsurers, subsidiaries and associates. Group companies and contracted underwriting managers monitor the financial position of their customers, which include insurance clients, on an ongoing basis. Credit, other than in the insurance division, is extended in terms of an agreement and allowances are made for expected credit losses.

The credit risk is assessed on an ongoing basis to assess the performance of credit facilities extended taking into account past experience and knowledge, including the financial position of the borrower, industry and economic factors impacting the borrower, historical breaches and defaults, ability to pay, probability of default, expected credit losses and also incorporating forward-looking information and general economic conditions of the industry as at the reporting date.

The information is used to determine the probability of default, loss given default and the exposure given default.

Investments held in listed and non-listed shares (note 23) have not been rated as these represent investments in equities of private entities or entities listed on the securities exchange operated by JSE Limited.

The carrying amount of assets included on the statement of financial position represents the maximum credit exposure. At the reporting date management did not consider there to be any material credit risk exposure that was not already covered by a loss allowance.

Impairment history

The following tables provide information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that have not been impaired:

	Ageing of financial assets						
	Not past due R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	Greater than 12 months R'000	Allowance for impairment R'000	Carrying value R'000
49.4.3 GROUP							
30 June 2020							
Loans receivable	**632**	**–**	**–**	**–**	**–**	**–**	**632**
Loans to associates	**34 209**	**–**	**–**	**–**	**–**	**–**	**34 209**
Recoverable from reinsurers	**439 224**	**–**	**–**	**–**	**–**	**–**	**439 224**
Insurance, trade and other receivables	**156 711**	**29 020**	**10 472**	**8 736**	**181 962**	**(15 415)**	**371 486**
Cash and cash equivalents	**149 211**	**–**	**–**	**–**	**–**	**–**	**149 211**
	779 987	**29 020**	**10 472**	**8 736**	**181 962**	**(15 415)**	**994 762**
30 June 2019							
Loans receivable	500	–	–	–	–	–	500
Recoverable from reinsurers	458 702	–	–	–	–	–	458 702
Insurance, trade and other receivables	260 882	58 455	8 893	5 619	94 612	–	428 461
Cash and cash equivalents	194 773	–	–	–	–	–	194 773
	914 857	58 455	8 893	5 619	94 612	–	1 082 436

49. RISK MANAGEMENT continued

49.4 CREDIT RISK continued

	Ageing of financial assets						
	Not past due R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	Greater than 12 months R'000	Allowance for impairment R'000	Carrying value R'000
49.4.4 COMPANY							
30 June 2020							
Trade and other receivables	**1 031**	**–**	**–**	**–**	**–**	**–**	**1 031**
Cash and cash equivalents	**2 856**	**–**	**–**	**–**	**–**	**–**	**2 856**
	3 887	**–**	**–**	**–**	**–**	**–**	**3 887**
30 June 2019							
Trade and other receivables	1 023	–	–	–	–	–	1 023
Cash and cash equivalents	1 845	–	–	–	–	–	1 845
	2 868	–	–	–	–	–	2 868

No independent credit ratings are available for any of the trade receivables or loans. The credit quality of trade receivables has been assessed using historical information of the counterparties including any evidence of financial distress.

The Group and the Company apply the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for trade receivables. To measure expected credit losses ("ECL") on a collective basis, trade receivables are grouped based on similar credit risk and ageing. Historically the Group has not impaired trade receivables. The Group and the Company apply the IFRS 9 simplified approach of measuring ECL using the lifetime expected credit loss allowance for insurance and other receivables, as well as loans.

The expected loss rates are based on the Group and the Company's historical credit losses up to the end of the reporting period. The determined historical rates are then adjusted for current and forward-looking information on factors affecting the Group and the Company's client base.

49. RISK MANAGEMENT continued

49.4 CREDIT RISK continued

The lifetime expected loss provision for insurance, trade and other receivables is as per the commentary to the tables shown below:

Expected credit loss

	Ageing of financial assets						
	Not past due R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	Greater than 12 months R'000	Allowance for impairment R'000	Carrying value R'000
49.4.5 GROUP							
30 June 2020							
Loans receivable	632	–	–	–	–	–	632
Loans to associates	34 209	–	–	–	–	–	34 209
Recoverable from reinsurers	439 224	–	–	–	–	–	439 224
Insurance, trade and other receivables	156 711	29 020	10 472	8 736	181 962	(15 415)	371 486
	630 776	29 020	10 472	8 736	181 962	(15 415)	845 551
Expected credit loss (note 14.1.1)	–	–	–	(278)	(14 807)	–	(15 085)
30 June 2019							
Loans receivable	500	–	–	–	–	–	500
Recoverable from reinsurers	458 702	–	–	–	–	–	458 702
Insurance, trade and other receivables	260 882	58 455	8 893	5 619	94 612	–	428 461
	720 084	58 455	8 893	5 619	94 612	–	887 663
Expected credit loss (note 14.1.2)	(7 219)	–	–	–	(14 114)	–	(21 333)

49. RISK MANAGEMENT continued

49.4 CREDIT RISK continued

Expected credit loss continued

	Ageing of financial assets						
	Not past due R'000	1 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	Greater than 12 months R'000	Allowance for impairment R'000	Carrying value R'000
49.4.6 Company							
30 June 2020							
Trade and other receivables	1 031	–	–	–	–	–	1 031
Cash and cash equivalents	2 856	–	–	–	–	–	2 856
	3 887	–	–	–	–	–	3 887
Expected credit loss	–	–	–	–	–	–	–
30 June 2019							
Trade and other receivables	1 023	–	–	–	–	–	1 023
Cash and cash equivalents	1 845	–	–	–	–	–	1 845
	2 868	–	–	–	–	–	2 868
Expected credit loss	–	–	–	–	–	–	–

* *The majority of the insurance receivable outstanding for longer than 12 months relates to:*
- *R103.2 million in long outstanding premiums on the medical evacuation book. Due to restrictions with the availability of foreign exchange in Angola, minimal payments have been received from insurers in that country. Any claims to be settled in Angola have however been settled directly by the local insurer to the policyholder. To mitigate the risk of non-recoverability of the outstanding premium, any amounts due to the Angolan insurers and the underwriting manager responsible for the business (comprising mainly claims owing, profit commissions and underwriting management fees) have also been held back, or were settled on a net basis. The credit risk and risk of default for this debtor is considered to be low;*
- *R75.7 million owed by a third party collection agency that entered voluntary curatorship. A loss allowance for the full lifetime expected credit loss has been provided for on the outstanding balance. The credit risk has been assessed as medium after consideration of the capital and liquidity risks required to be addressed by the management team and the current expected credit loss of 24.1% in terms of covering the total debt of R1.74 billion in the public domain on the basis of the current book values of the underlying assets; and*
- *R3.2 million of outstanding premium that is normally settled on an annual basis and of which the full amount is expected to be paid by the end of November 2020. The credit risk and risk of default for this debtor is considered to be low as outstanding amounts are settled on an annual basis.*

* *The majority of the insurance receivable outstanding for 4 – 6 months and 7 – 12 months relates to:*
- *R6.5 million of outstanding premium that is normally settled on an annual basis and of which the full amount is expected to be paid by the end of November 2020. The credit risk and risk of default for this debtor is considered to be low as outstanding amounts are settled on an annual basis;*
- *R4.0 million in long outstanding premiums on the medical evacuation book. Due to restrictions with the availability of foreign exchange in Angola, minimal payments have been received from insurers in that country. Any claims to be settled in Angola have however been settled directly by the local insurer to the policyholder. To mitigate the risk of non-recoverability of the outstanding premium, any amounts due to the Angolan insurers and the underwriting manager responsible for the business (comprising mainly claims owing, profit commissions and underwriting management fees) have also been held back, or were settled on a net basis. The credit risk and risk of default for this debtor is considered to be low; and*
- *R2.4 million of outstanding premium and R3.1 million in fees that are normally settled on a quarterly basis. The amount is deemed to be fully recoverable and the credit risk and risk of default for these debtors are considered to be low as outstanding amounts are settled after every 3 months.*

* *ECL rate: 0 – 12 months*
- *An assessment of the ECL were performed for individual significant debtors using a provision matrix over the remainder of the debtors. This assessment resulted in an allowance of less than R1 million, which is considered immaterial and therefore no additional allowance were raised.*

The carrying amounts as disclosed above are shown net of impairment.

The due date for receivables due from contract holders or intermediaries who collect premiums on the insurers' behalf, is by way of an agreement with the contract holders or intermediaries. In terms of the agreement, payment is due by no later than fifteen days after the end of the month in which premiums are collected, in accordance with Insurance Legislation.

Please refer to notes 21, 22 and 25 for further details relating to the ECL and credit risk management on various Group and Company loans.

49. RISK MANAGEMENT continued

49.5 LIQUIDITY RISK

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management monitors this risk on a daily basis through a review of available cash resources and expected and possible future commitments.

The following maturity analysis provides details on expected settlement of financial liabilities recognised at reporting date:

	Within 1 year R'000	2 to 5 years R'000	More than 5 years R'000	Total R'000
49.5.1 GROUP				
2020				
Insurance liabilities and policyholder liabilities under insurance contracts	**653 379**	**845**	**10 724**	**664 948**
Insurance, trade and other payables	**732 583**	**–**	**–**	**732 583**
Bank overdraft	**79**	**–**	**–**	**79**
	1 386 041	**845**	**10 724**	**1 397 610**
2019				
Insurance liabilities and policyholder liabilities under insurance contracts	670 078	4 437	16 272	690 787
Insurance, trade and other payables	671 325	–	–	671 325
	1 341 403	4 437	16 272	1 362 112
49.5.2 COMPANY				
2020				
Interest-bearing borrowings	**–**	**3 666**	**–**	**3 666**
Trade and other payables	**3 087**	**–**	**–**	**3 087**
	3 087	**3 666**	**–**	**6 753**
2019				
Interest-bearing borrowings	–	3 525	–	3 525
Loans payable	27	–	–	27
Trade and other payables	1 218	–	–	1 218
	1 245	3 525	–	4 770

49.6 INSURANCE RISK

The insurance division has a risk management function and a portfolio management function that manage and continuously monitor and report the risks relating to the Group's insurance operations to the division's Risk and Compliance Committee and to management.

49.6.1 Types of insurance policies

The Group writes both short-term and long-term insurance business. The long-term business consists mainly of funeral cover, comprising both individual business and group schemes. Several lines of short-term business are written, providing cover to individuals and insuring business risks. The main short-term lines of business are as follows:

Guarantee:
The insurer assumes obligations in the event that a specified party fails to discharge certain specified obligations, financial or otherwise.

Liability:
The insurer assumes obligations for liabilities incurred by the insured which are not more specifically defined in the contract.

Medical malpractice (also reflected as Liability):
The insurer assumes obligations linked to the occurrence of certain health events or on death or disability of the patient of the insured resulting from certain medical malpractice incidents.

49. RISK MANAGEMENT continued

49.6 INSURANCE RISK continued

49.6.1 Types of insurance policies continued

Motor:

The insurer assumes obligations for damage to or theft of the insured vehicle and for damage caused by the vehicle to third party property or other legal liability arising from the use or ownership of the vehicle. This class of business encompasses light vehicles used for both personal and commercial purposes as well as heavy commercial vehicles.

Accident and Health:

The insurer assumes obligations linked to the occurrence of certain health events and on death or disability of the insured resulting from the occurrence of certain personal accidents.

Aviation:

The insurer assumes obligations for damage to or loss of the aircraft of the insured or other liability arising from ownership of the aircraft.

Property:

The insurer assumes obligations arising from damage to or loss of property of the insured or other liability arising from the ownership of the property.

49.6.2 Concentration of insurance risk

The Group limits its exposure to any one risk through a reinsurance strategy combining both proportional and non-proportional elements.

The insurance division has no specific concentration of insurance risk by policy type or geographic area, except for liabilities that would arise in the event of a natural disaster. The Group mitigates such risk through reinsurance catastrophe cover.

Using gross earned premium as an indicator, the table below illustrates the division's distribution of risks underwritten across the classes of business:

Gross premium earned per class of business	2020 R'000	2019 R'000
Short term		
Accident and Health	**1 013 791**	936 403
Aviation	**48 088**	16 302
Guarantee	**33 477**	30 031
Liability	**204 956**	181 607
Motor	**489 638**	583 008
Property	**172 110**	215 916
Transport	**4 837**	6 540
Miscellaneous (including legal expenses, retrenchment cover)	**12 692**	4 621
Long term	**130 378**	76 225
	2 109 967	2 050 653

49. RISK MANAGEMENT continued

49.6 INSURANCE RISK continued

49.6.3 Management of insurance risk

The acceptance of insurance risk is the core activity of the insurance division. As a result the risk management approach is to ensure that risks are within acceptable limits rather than totally nullified. The principal risk is that the frequency or severity of claims are greater than expected or that premiums have not been correctly rated for the level of risk adopted.

The underwriting results of each underwriting manager or scheme and of each risk class are monitored on a regular basis by the portfolio management function and management and corrective measures are actioned where applicable. This can include the review of underwriting manager procedures for the acceptance of new business, rating procedures and claims administration, the re-rating of existing business, where applicable, or the cancellation of contracts with underwriting managers or policyholders when justified. There are clearly defined limits within which business may be written.

The Group has a programme for the regular internal audit of underwriting activities to identify potential risk areas proactively.

Underwriting risk is further mitigated by a clear reinsurance policy that incorporates both proportional and non-proportional reinsurance programs which are reviewed and monitored by management by individual lines of business. As part of the Group's risk management regime, it annually reviews its reinsurance program to ensure that an appropriate level of risk is retained in the Group.

The Group's short-term insurance risks are spread across various geographical areas and amongst various lines of business, both personal and commercial, including guarantee, liability, motor, accident and health, and property cover. In respect of long-term policies, a reputable actuary is utilised to ensure that adequate premiums are being levied and that the Capital Adequacy Reserve is well covered by assets.

49.6.4 Key insurance risks

Reinsurance credit risk

There is a risk that a reinsurer does not perform in accordance with the reinsurance contract. The risk is limited as risk premiums are paid quarterly to reinsurers and claims can be offset against risk premiums.

The risk is mitigated by the choice of reinsurers. The Group currently deals with the following reputable reinsurers:

- African Reinsurance Corporation (SA) Limited;
- General Reinsurance Africa Limited;
- GIC Re South Africa Limited;
- Hannover Re Group Africa Limited;
- Hannover Rück SE (Societas Europaea);
- Itoo Special Risks Proprietary Limited;
- Munich Reinsurance Company of Africa Limited;
- N.V. Nationale Borg Maatchappij;
- One Re Limited;
- PartnerRe Limited;
- R&V Versicherung AG;
- SCOR SE (Societas Eurpaea); and
- Swiss Re Corporate Solutions Limited

Claims risk

Claims risk is the risk that the Group may pay claims not legitimately incurred. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims, including reviews of individual claims by the claims centre and claims forum, where required. Claims costs are further mitigated by the activities of salvages and recoveries and claims procurement department.

Lapse risk

Lapse risk relates to the risk of financial loss due to negative lapse experience, particularly as it impacts the actuarially assessed policyholder liabilities. Lapse experience is monitored to ensure that negative experience is timeously identified and corrective action taken.

49. RISK MANAGEMENT continued

49.6 INSURANCE RISK continued

49.6.4 Key insurance risks continued

Expense risk

Expense risk is the risk of loss due to actual expense experience being worse than that assumed in premium rates and actuarially calculated policy liabilities. Expenses are continuously monitored and managed through the Group's budgeting and financial reporting processes.

Pricing and Underwriting risk

Pricing and Underwriting risks are the risks that inappropriate business is accepted or that business is not correctly priced relative to the level of risk assumed. These risks are mitigated by an ongoing review of underwriting activities, claims experience and financial performance, as well as periodic reviews of product rating by the Group's actuarial resource.

49.7 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and
- to maintain an optimal capital structure that balances the required returns on shareholders' capital with the risks associated with the entity's business.

The capital structure of the Group consists of invested share capital, retained earnings and non-controlling shareholders' interest as disclosed on the Group's statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, raise additional capital from shareholders, sell assets to reduce debt or review the quantum of risk carried by the Group by passing on risk to reinsurers through proportional reinsurance structures.

The Group's insurance businesses are required by law to maintain a minimum level of solvency in terms of the Insurance Act, no. 18 of 2017 and submit returns on a quarterly and annual basis to the Prudential Authority ("PA"). Solvency for this purpose is calculated in terms of the Act.

The Prudential Authority, which governs South African assurance companies, came into effect on 1 July 2018, following the promulgation of the Insurance Act No 18 of 2017. This also brought about the Financial Soundness Standards which governs all insurers. These Financial Soundness Standards necessitated a change to insurers' capital requirement calculation by introducing the Solvency Assessment and Management ("SAM") regime as the industry standard for measuring an insurance company's solvency capital requirements. The key measures of capital adequacy under SAM are the Minimum Capital Requirement ("MCR") ratio and the Solvency Capital Requirement ("SCR") ratio.

The MCR refers to the absolute minimum level of eligible own funds that an insurer must hold to protect all its policyholders and the prescribed minimum MCR ratio is 1.00.

The SCR on the other hand refers to the level of eligible own funds that an insurer must hold to ensure that the value of its assets will exceed the technical provisions and other liabilities at a 99.50% confidence level over a one year time horizon. The SCR model therefore requires an additional surplus of assets (buffer) above liabilities to take account of potential adverse outcomes of both the inherent risk of underwritten portfolios and the future cost of claims of these portfolios. The prescribed minimum SCR ratio is 1.00.

Should an insurer not have a sufficient buffer in place (MCR or SCR below 1.00), the PA has various rights of response and intervention, commencing with closer supervision of the insurer.

Consistent with others in the industry, the Group monitors capital in its insurance businesses by utilising the SCR and MCR ratios, together with the International Solvency Ratio ("ISR"). Over the medium- to long-term the Group targets:

- an ISR of in excess of 45% and MCR and SCR ratios in excess of 1.25 for its short-term insurance business; and
- MCR and SCR ratios of 1.5 for its long-term insurance businesses.

The ISR is calculated as the short-term insurer's net assets divided by net written premium, while the MCR and SCR ratios are calculated as the insurer's statutory net assets divided by the relevant capital adequacy requirement as calculated in terms of SAM.

Constantia Insurance Company Limited's ("CICL") ISR at the reporting date was 24.05% (2019: 179.9%), while the provisional MCR and SCR ratios that it reported in its quarterly return for the year-end were 1.26 and 0.33, respectively. Constantia Life and Health Assurance Company Limited's ("CLAH") provisionally reported MCR and SCR ratios were 1.20 and 0.94 respectively, while the provisionally reported MCR and SCR ratios of Constantia Life Limited ("CLL") were 1.06 and 2.80 respectively.

Due to audit adjustments that were processed after submission of the quarterly returns it is expected that the ratios to be reported in CICL's annual return to the PA will reflect lower levels than those previously reported.

49. RISK MANAGEMENT continued

49.7 CAPITAL RISK MANAGEMENT continued

SCR below regulatory requirements

CICL's provisional SCR ratio of 0.33 was primarily the result of unrealised losses that continued to be experienced in the listed equity portfolio, in combination with underwriting losses incurred within the property and casualty business during the financial year.

CLAH's provisional SCR ratio of 0.94 was primarily the result of realised losses in the listed equity portfolio in combination with growth related expenses incurred during the financial year.

Given that CICL's provisional SCR ratio of 0.33 and CLAH's provisional SCR ratio of 0.94 as at 30 June 2020 were below the PA's prescribed minimum of 1.00, both insurers have entered into ongoing correspondence with the PA, detailing various action plans to restore the respective companies' SCR to levels above 1.00 and to add an additional safety margin.

These plans include, but are not limited to:

- Continued intervention to improve the cash generative ability of each company, including the sale of equities in the short term, underwriting and operational interventions and improved risk management processes;
- Increased and improved efforts in cost reduction and maintenance;
- The continued sustained turnaround of CICL's property and casualty business through focused remediation initiatives already in progress;
- Continued optimisation of the use of reinsurance structures to transfer some insurance risk to reinsurers; and
- Per SENS announcements released on 11 February 2020 (and updated on 19 November 2020) and 27 March 2020, details of transactions with certain entities within Trustco Group Holdings Limited were disclosed. Through these transactions, pending outcome of valuations for fair and reasonable purposes, the net equity value of the Group, and in turn the solvency capital of entities within the Constantia Insurance Group, will increase, thereby enabling the Constantia entities to consolidate their existing businesses, grow premium volume and pursue new organic and inorganic growth opportunities. The finalisation of these transactions is still subject to certain suspensive conditions, as follows:
  - the transaction announced on 11 February 2020 (and updated on 19 November 2020) whereby Constantia acquires a 100% interest in Herboths Property Development Proprietary Limited is subject to final shareholder approval (which in terms of current expected timelines should be granted at a general meeting of shareholders anticipated to be held in January or February 2021) and approval from the PA (who has given no indication as to when a formal decision will be announced); and
  - the transaction announced on 27 March 2020 whereby Conduit Capital acquires Legal Shield Holdings Limited ("LSH") by way of a reverse merger with LSH is subject to a valuation for fair and reasonable purposes, final shareholder approval (which in terms of current expected timelines should be granted at a general meeting of shareholders anticipated to be held during February or March 2021) and a number of regulatory approvals for which no formal timelines have been given.

Further SENS announcements relevant to these transactions will be made available, as and when appropriate.

It should however be noted that, notwithstanding the substantive remediation efforts already underway, should the planned initiatives not be successful, the companies' SCR may not be restored to a minimum level of 1.00 in the short-term.

49. RISK MANAGEMENT continued

49.8 IMPACT OF COVID-19

The already challenging South African economy deteriorated substantially since February 2020 as the government implemented strict measures to control the Covid-19 pandemic, resulting in a significant decrease in economic activity. The persistant uncertainty as to the eventual extent and impact of Covid-19 resulted in signficant volatility in equity, interest rate and currency markets thereby impacting the Group results for the 2020 financial year. The areas most significantly impacted are further discussed below.

Gross premium earned

There was limited growth in gross premium earned in the current year compared to the prior year as a result of the cancellation of a number of non-performing books and a decrease in the growth of new business, compunded by the impact of Covid-19. This was coupled with the premium relief provided to insured clients to ease the financial pressure experienced over this period.

Underwriting result

During the first half of the current year, the high claims ratios experienced in the property and casualty books were addressed by remedial interventions to mitigate the exposure. These interventions included improved controls and enforced discipline in underwriting processes. Following the interim period, it is evident that the remedial action undertaken resulted in the stabilisation of the books.

The strict lockdown measures implemented due to Covid-19, resulted in a further positive impact on the claims experience, with fewer claims being reported over this period.

Contingent Business Interruption (“CBI”) exposure

The Group’s Contingent Business Interruption (CBI) exposure, as a result of the Covid-19 pandemic, is limited as a result of the specific policy wording relating to the CBI extension for contagious and infectious diseases.

This type of cover is generally considered to be perils based, in that a peril has to occur, causing damage to insured property before the policy can respond. In this instance, and for example, business operations must be interrupted as a result of or as a consequence of physical damage caused by one of the perils listed under the fire section of the insurance policy occurring at the premises and be directly attributable to a localised infection (Covid-19) in order for it to be covered. Covid-19 or any other pandemic would foreseeably not cause such damage to property in the manner as listed under the Fire section of the policy. This view is shared by both the Financial Sector Conduct Authority (“FSCA”) and the majority of the reinsurers in response to the industry’s Covid-19 CBI claims. It is critical to note the treaties with the Group’s reinsurers only cover those claims covered in terms of our policies. To lodge a claim with our reinsurance partners under an alternative interpretation of the policy wording to our own, would result in the interpretation being definitively decided upon in the South African judicial system.

Investment result

The listed equity portfolio (refer note 23) contributes a significant amount to the capital of the Group. The market value of the portfolio was adversely impacted by the downturn in the financial markets resulting from Covid-19 and deteriorating economic conditions.

During the current period, R388.91 million (2019: R379.72 million) in net investment losses was reported on the listed equities portfolio (excluding treasury stock).

50. DIRECTORS' INTEREST IN SHARES

	Direct	Indirect	Total
30 June 2020			
Chou, Leo	**73 157 606**	**45 619 342**	**118 776 948**
Louw, Lourens	**4 145 000**	**–**	**4 145 000**
Maizey, Adrian*	**955 095**	**6 189 910**	**7 145 005**
Napier, Ronald	**–**	**–**	**–**
Riskowitz, Sean*	**8 393 722**	**9 712 695**	**18 106 417**
Siyotula, Nonzukiso	**–**	**–**	**–**
Thorndike, William**	**31 973 318**	**7 076 644**	**39 049 962**
Xaba, Rosetta	**14 914**	**–**	**14 914**
	118 639 655	**68 598 591**	**187 238 246**

On 20 November 2020 Mr Leo Chou announced a 20% increase in his indirect beneficial interest in a company holding 30 075 115 Conduit shares, resulting in his indirect beneficial shareholding increasing by 6 015 023 shares. On the same day he announced that the 30 075 117 Conduit shares were pledged and ceded as security for a financial obligation.

Other than that, there were no movements in any of the above shareholdings between the year-end and the date of this report.

	Direct	Indirect	Total
30 June 2019			
Chou, Leo	73 157 606	45 619 342	118 776 948
Louw, Lourens	4 145 000	–	4 145 000
Mahlangu, Jabulani	–	–	–
Maizey, Adrian*	955 095	6 189 910	7 145 005
Napier, Ronald	–	–	–
Riskowitz, Sean*	8 393 722	9 712 695	18 106 417
Thorndike, William**	31 973 318	7 076 644	39 049 962
Xaba, Rosetta	14 914	–	14 914
	118 639 655	68 598 591	187 238 246

* *In addition to their personal direct or indirect beneficial interest in Conduit Capital shares, Messrs Sean Riskowitz and Adrian Maizey control Protea Asset Management ("Protea") and Riskowitz Capital Management ("RCM"). Protea is the Investment Advisor, and RCM is the General Partner, to Ithuba Investments LP and Riskowitz Value Fund LP, both investment partnerships which directly own Conduit Capital shares. Through Protea and RCM, Messrs Riskowitz and Maizey control an additional 221 139 662 Conduit Capital shares.*

** *In addition to his personal direct and indirect beneficial interest in Conduit Capital shares, Mr William Thorndike is a member of Sun Mountain Partners LLC, which is the General Partner of Sun Mountain Fund LP that controls an additional 4 320 000 Conduit Capital shares.*

51. RELATED PARTY TRANSACTIONS

The Company and its subsidiaries, in the ordinary course of business, entered into various transactions with related parties, as detailed below:

51.1 SHAREHOLDERS

The principal shareholders of the Company are detailed in the section dealing with shareholder information. There were no dealings with the Company's principal shareholders, other than those who are also directors of the Company. These dealings are disclosed in note 51.3 and 51.4.3.

51.2 COMPANIES WITHIN THE GROUP

51.2.1 Subsidiaries

Details of investments in and loans to/from subsidiary companies are disclosed in notes 48.2 and 48.3. Additional information about the impact that these balances have on the Group and the Company's Financial Statements are disclosed in note 22. Details of trading transactions with subsidiary companies and outstanding balances are reflected in note 51.4.1.

51.2.2 Associates

Details of investments in associate companies are disclosed in note 48.1.

Details of trading transactions with associate companies are reflected in notes 21 and 51.4.2.

51.3 DIRECTORS AND KEY MANAGEMENT

51.3.1 Dealings in capacity as a director of the company

The directors' report and the notes to the Financial Statements disclose details relating to directors' emoluments (note 42) and shareholdings in the Company (note 50).

51.3.2 Companies transacted with and controlled by a director or a director of a major subsidiary

Mr Sean Riskowitz controls and manages:

- Ithuba Investments LP;
- Protea Asset Management LLC;
- Riskowitz Capital Management LLC; and
- Riskowitz Value Fund LP.

(all together "the Riskowitz Group").

Mr Adrian Maizey also perform duties for, and is compensated for performing those duties, by the Riskowitz Group. Mr. Maizey has an interest in the Riskowitz Group.

Mr Peter Todd, a director and the CEO of Constantia, was a director of Kulundleko Solutions Proprietary Limited trading as Repair Solutions and Corporate Specialist Investigations Proprietary Limited prior to its acquisition by the Group.

51.3.3 Dealings in capacities other than as a director of the company

During the year ended 30 June 2020 the Group has had no dealings with directors other than in their capacity as directors or as disclosed below.

Further details of transactions with directors' companies and key management are disclosed in note 51.4.3.

51. RELATED PARTY TRANSACTIONS continued

51.4 TRADING TRANSACTIONS AND OUTSTANDING BALANCES OTHER THAN LOAN BALANCES

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
51.4.1 Subsidiaries				
Deal Design Commercial Property and Business Broking Proprietary Limited trading as Century 21				
– Balance due by	–	–	3	–
IMR Share Trust				
– Interest paid	–	–	(156)	(177)
Riskonet Africa Proprietary Limited				
– Balance due by	–	–	5	–
51.4.2 Associates				
Anthony Richards and Associates Proprietary Limited				
– Dividend received	–	–	2 800	6 000
– Director's fees received	–	69	–	69
Administration Plus Proprietary Limited				
– Management fees paid	–	(2 023)	–	–
Jasure Financial Services Proprietary Limited				
– Interest received	–	1 306	–	–
– Loan balance impairment reversed (impaired)	6 920	(8 803)	–	–
Rikatec Proprietary Limited				
– Interest received	1 946	2 647	–	–
51.4.3 Directors and directors' companies				
Repair Solutions				
– Consulting fees paid	15	–	–	–
Corporate Specialist Investigations Proprietary Limited				
– Consulting fees paid	945	–	–	–
The Riskowitz Group				
– acquired some shares from the Conduit Group in what was classified as a "small related party transaction".	34 323	–	–	–

52. GOING CONCERN

The Board assesses the going concern status of each legal entity in the Group on an annual basis, with the assessment involving making a judgement, at a particular point in time, about the future outcome of events or conditions which are inherently uncertain.

The directors believe that the Group and Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis.

GROUP AND COMPANY LIQUIDITY POSITION

1. The Group and the Company reflect a positive Net Asset Value ("NAV") of R175.46 million and R620.80 million respectively, backed by cash and investments in listed equity portfolios, unlisted investments, loans to fellow group companies and investments in subsidiaries and associates. The Group and Company are thus solvent.
2. The Group's net current liabilities exceed current assets by R520.67 million, due to amongst other:
   - listed and unlisted equity investments of R419.15 million; and
   - a long-outstanding premium receivable of R103.19 million relating to the medical evacuation business being reflected under non-current assets.

   The long-outstanding premium debtor is effectively funded by a similarsized creditor (currently reflected under current liabilities) that would only become payable when the premium is received.
3. The Group has positive cash reserves of R149.21 million (Company: R2.86 million). A cash flow forecast for the next year appears to indicate that this will be more than sufficient for the Group and the Company to settle all of its cash obligations during the next year.
4. Although cash outflows from operating activities have been reported over the previous two years, there has been significant improvement shown in that Group operating outflows, adjusted for the R50.00 million deposit paid in respect of the Herboths transaction ("adjusted operating cash flow") have decreased by 41.3% from the prior year. The Group's adjusted operating cash flow for the second half of the financial year reflected a positive R44.16 million.

   These improvements are due to remedial and strategic actions being undertaken at both underwriting and operational levels to further improve efficiencies and manage costs. It should also be noted that, historically, cash outflows from operating activities were as a result of outlays incurred in anticipation of new insurance growth opportunities and expansion and not a reflection of negative operating results only.
5. In terms of liquidity, although the Group reflects a net current ratio of less than 1, the Group has positive cash reserves of R149.21 million. The Group also reflects listed investments valued at R350.81 million. The listed investments have been classified as noncurrent assets as it is the underlying intention to hold them for a period longer than 12 months (i.e. not for trading purposes). Should the whole investment or part thereof be required to be liquidated, an active market platform exists for the disposal/s to take place (as has been proven on numerous occasions in the past). Also refer to the cash flow forecast comment in paragraph 3 above.
6. There has been an improvement of 30.2% in Group operating losses (excluding investment losses) when compared to the prior reporting period. The improvement in general is as a result of combined remedial and strategic actions being undertaken on both underwriting and operational levels to further improve efficiencies and manage costs.
7. The directors, with management, are in constant communication with the PA regarding CICL and CLAH's solvency ratios being below statutory levels. The PA has taken note of the various planned corrective actions being implemented and the measures put in place in order to restore statutory capital to the prescribed minimum levels (refer note 49.7: Capital Risk Management) and has undertaken to work with the companies in order to resolve the matter, rather than enforce an immediate suspension of the companies' activities until the matter has been resolved.
8. To efficiently and effectively manage cash flows and reserves, creditor terms are noted and utilised in the monthly payment cycles. Should there be delays in payments, this is usually as a result of account queries.
9. The Board has incorporated in its going concern assessment its best estimate of the likely impact of the Covid-19 pandemic. The Board further confirmed that it intends to follow through on all management intentions incorporated into the analysis and that such actions are feasible (refer note 49.8: Impact of Covid-19).

Based on:

- the information detailed above;
- the Board's comfort that the operating and cash flow budgets that were presented for the next financial year can realistically be achieved;
- the PA's positive approach to the corrective actions being taken to restore statutory capital to the minimum levels; and
- the Board's understanding of the processes to be followed by the PA in their determination of CICL and CLAH ability to continue trading;

the Board concluded that there are no material uncertainties related to events or conditions that will affect the Group or the Company's ability to continue as a going concern.

53. SUBSEQUENT EVENTS

Between the reporting date and the date of publication of this integrated report the Group acquired 17 170 401 of its own shares (representing 2.25% of the total number of shares in issue), at an average consideration of 58.39 cents per share. These shares are currently held by subsidiary companies as treasury stock.

Other than that, there were no events that resulted in a material impact on the Group between the reporting date and the date of publication of this integrated report.

SHAREHOLDER INFORMATION

as at 30 June 2020

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 099	79.18	291 077	0.04
1 001 – 10 000 shares	292	11.01	1 165 575	0.15
10 001 – 100 000 shares	140	5.28	4 814 381	0.63
100 001 – 1 000 000 shares	72	2.72	27 305 197	3.57
1 000 001 shares and over	48	1.81	730 867 670	95.61
	2 651	100.00	764 443 900	100.00

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Close corporations	6	0.23	26 126 426	3.42
Individuals	2 509	94.64	166 791 047	21.81
Nominees and trusts	56	2.11	56 004 647	7.33
Other persons and corporations	41	1.55	339 305 202	44.39
Private companies	34	1.28	158 820 982	20.78
Public companies	4	0.15	17 375 594	2.27
Share trusts	1	0.04	20 002	–
	2 651	100.00	764 443 900	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Non-public shareholders	33	1.25	524 135 585	68.57
Directors' holdings	15	0.57	187 238 246	24.49
Associates' holdings	12	0.45	278 560 671	36.44
Own holdings	5	0.19	58 316 666	7.63
Share trust	1	0.04	20 002	0.01
Public shareholders	2 618	98.75	240 308 315	31.43
	2 651	100.00	764 443 900	100.00

REGISTERED SHAREHOLDERS, INCLUDING DIRECTORS AND THEIR ASSOCIATES, HOLDING 3% OR MORE

	Number of shares	%
Pershing LLC	262 592 484	34.35
Chou Leo Chih Hao Mr	73 157 606	9.57
Snowball Wealth Proprietary Limited	41 000 000	5.36
Sygma Inv And Consulting Proprietary Limited	37 922 612	4.96
Morgan Stanley Smith Barney LLC	33 973 318	4.44
Citiclient Nominees No 8 NY GW	33 445 444	4.38
Appias Proprietary Limited	28 913 857	3.78
	511 005 321	**66.84**

CONDUIT CAPITAL LIMITED

Incorporated in the Republic of South Africa
(Registration number 1998/017351/06)
Share code: CND ISIN: ZAE000073128
("Conduit Capital" or "the Company" or "the Group")

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the annual general meeting of the shareholders of Conduit Capital ("AGM"), as at Friday, 8 January 2021, being the record date to receive the AGM notice in terms of section 59(1)(a) of the Companies Act of South Africa ("Companies Act"), will be held at 17:00 on Monday, 18 January 2021 entirely via a remote interactive electronic platform, Zoom, for the purpose of considering, and, if deemed fit, to (i) pass, with or without modification , the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements") and (ii) deal with such other business as may lawfully be dealt with at the meeting, which meeting is to be participated in and voted at by shareholders registered as such as at Friday, 8 January 2021, being the record date to participate in and vote at the AGM in terms of section 62(3)(a), read with section 59(1)(b), of the Companies Act. The last day to trade, in order to participate in and vote at the AGM is therefore Tuesday, 5 January 2021.

Kindly note that in terms of section 63(1) of the Companies Act, meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Acceptable forms of identification include valid identity documents, drivers' licences and passports. Shareholders or their duly authorised proxies who wish to participate in the AGM, must register to do so by lodging a completed Electronic Participation Application Form by no later than 09:00 on Thursday, 14 January 2021.

ORDINARY RESOLUTIONS

ORDINARY RESOLUTION NUMBER 1

Adoption of annual financial statements

"Resolved that the annual financial statements of the Company, including the reports of the directors, auditor, the Audit and Risk Committee, the Social and Ethics Committee and the Remuneration Committee for the year ended 30 June 2020, be and are hereby received and adopted."

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

ORDINARY RESOLUTION NUMBER 2

Appointment of director

Ms Nonzukiso Siyotula's appointment as an independent non-executive director in terms of clause 26.2 of the Memorandum of Incorporation of the Company.

"**Resolved that** the appointment of Ms Nonzukiso Siyotula as an independent non-executive director of the Company be confirmed." An abridged *curriculum vitae* of Ms Siyotula is included in **Annexure A** to this notice.

The board of directors has considered Ms Siyotula's past experience and recommends that she be appointed as a director of the Company.

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

ORDINARY RESOLUTION NUMBER 3

Re-election of director

Mr William N Thorndike Jr retires by rotation in terms of clause 26.8 of the Memorandum of Incorporation and, being eligible, offers himself for re-election as an independent non-executive director of the Company.

"**Resolved that** the re-election of Mr William N Thorndike Jr as an independent non-executive director of the Company be confirmed." An abridged *curriculum vitae* of Mr Thorndike is included in **Annexure A** to this notice.

The board of directors has considered Mr Thorndike's past performance and contribution to the Company and recommends that he be re-elected as a director of the Company.

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

ORDINARY RESOLUTION NUMBER 4

Re-election of director

Mr Leo CH Chou retires by rotation in terms of clause 26.8 of the Memorandum of Incorporation and, being eligible, offers himself for re-election as a non-executive director of the Company.

"**Resolved that** the re-election of Mr Leo CH Chou as a non-executive director to the Company be confirmed." An abridged *curriculum vitae* of Mr Chou is included in **Annexure A** to this notice.

The board of directors has considered Mr Chou's past performance and contribution to the Company and recommends that he be re-elected as a director of the Company.

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

ORDINARY RESOLUTION 5

Ordinary resolution numbers 5.1 to 5.4: Appointment and Re-appointment of members of the Audit and Risk Committee
Ordinary resolution number 5.1: Appointment of Ms Nonzukiso Siyotula as Chairperson and as a member of the Audit and Risk Committee

"**Resolved that** in terms of section 94(2) of the Companies Act and subject to the passing of ordinary resolution number 2, Ms Nonzukiso Siyotula, an independent non-executive director, be appointed as Chairperson and as a member of the Audit and Risk Committee."

An abridged *curriculum vitae* of Ms Siyotula is included in **Annexure A** to this notice.

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

Ordinary resolution number 5.2: Re-appointment of Mr Ronald Napier as a member of the Audit and Risk Committeee

"**Resolved that** in terms of section 94(2) of the Companies Act, Mr Ronald Napier, an independent non-executive director, be re-appointed as a member of the Audit and Risk Committee."

An abridged *curriculum vitae* of Mr Napier is included in **Annexure A** to this notice. The attention of shareholders is specifically drawn to the dual roles of Mr Napier as independent non-executive director and Chairperson of the Company and as a member of the Audit and Risk Committee.

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

Ordinary resolution number 5.3: Re-appointment of Mr William N Thorndike Jr. as a member of the Audit and Risk Committee

"**Resolved that** in terms of section 94(2) of the Companies Act and subject to the passing of ordinary resolution number 3, Mr William N Thorndike Jr., an independent non- executive director, be re-appointed as a member of the Audit and Risk Committee."

An abridged *curriculum vitae* of Mr Thorndike is included in **Annexure A** to this notice.

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

Ordinary resolution number 5.4: Re-appointment of Ms Rosetta Xaba as a member of the Audit and Risk Committee

"**Resolved that** in terms of section 94(2) of the Companies Act, Ms Rosetta Xaba, an independent non-executive director, be re-appointed as a member of the Audit and Risk Committee."

An abridged *curriculum vitae* of Ms Xaba is included in **Annexure A** to this notice.

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

ORDINARY RESOLUTION NUMBER 6

Re-appointment of auditors

"**Resolved that** BDO South Africa Incorporated, together with Ms Vianca Pretorius, being the designated audit partner, be appointed as the auditors of the Company."

The Audit and Risk Committee has nominated BDO South Africa Incorporated for appointment as auditors of the Company under section 90 of the Companies Act.

The Audit and Risk Committee has evaluated the performance of BDO South Africa Incorporated and recommends their re-appointment as the external auditors of the Group in accordance with paragraph 3.84(g)(iv) of the JSE Listings Requirements.

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

ORDINARY RESOLUTION NUMBER 7

Ordinary resolution number 7.1: Approval of Remuneration Policy

"**Resolved that**, through a non-binding advisory vote, the Remuneration Policy of the Company, the salient features of which are set out in the Directors' Remuneration Report contained on pages 48 to 51 of the integrated report, be and is hereby approved."

Ordinary resolution number 7.2: Approval of Remuneration Implementation report

"**Resolved that**, through a non-binding advisory vote, the Remuneration Implementation report of the Company, the salient features of which are set out in the Directors' Implementation Report contained on page 49 of the integrated report, be and is hereby approved".

Explanatory note for ordinary resolutions 7.1 and 7.2

The King IV Report on Corporate Governance requires that the Company's Remuneration Policy and the Remuneration Implementation report be tabled to shareholders, with both subject to separate non-binding advisory votes at each AGM. Failure to pass this resolution will not have legal consequences relating to existing arrangements. Should either the Remuneration Policy or the Remuneration Implementation report, or both, be voted against by 25% or more of the voting rights exercised, the Board is committed to engaging with shareholders in order to ascertain the reasons therefore, and to address all legitimate and reasonable objections and concerns.

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

ORDINARY RESOLUTION NUMBER 8

Control of authorised but unissued ordinary shares

"**Resolved that** the authorised but unissued ordinary shares in the capital of the Company are hereby placed under the control and authority of the directors of the Company ("Directors") and that the Directors be and are hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the Directors may from time to time and in their discretion deem fit, subject to the provisions of sections 38 and 41 of the Companies Act, the Memorandum of Incorporation of the Company and the JSE Listings Requirements, as amended from time to time.

Ordinary resolutions adopted at this AGM require approval by a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

ORDINARY RESOLUTION NUMBER 9

General issue of shares for cash

"**Resolved that** the directors of the Company are hereby authorised, by way of a general authority, to:

- allot and issue, or to issue any options in respect of the authorised but unissued ordinary shares in the capital of the Company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company purchased by subsidiaries of the Company, for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, the Memorandum of Incorporation and the JSE Listings Requirements, as amended from time to time, and the following limitations:
  a) the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
  b) any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;

c) the securities which are the subject of a general issue for cash may not exceed 15% (fifteen percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 103 241 458 securities. Any securities issued under this authorisation will be deducted from the aforementioned 103 241 458 listed securities. In the event of a sub-division or a consolidation the authority will be adjusted to represent the same allocation ratio;
d) this general authority will be valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
e) an announcement giving full details, including the number of shares issued, the average discount to the weighted average price of the equity securities over the 30 business days prior to the date that the issue is agreed in writing between the issuer and the party/ies subscribing for the securities and in respect of the issue of options or convertible securities. The effects of the issue of the statement of financial position, impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share, or, in respect of an issue of ordinary shares, an explanation of the intended use of the funds will be published when the Company has issued ordinary shares representing, on a cumulative basis within the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
f) in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party/ies subscribing for the securities; and
g) whenever the Company wishes to use ordinary shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares."

Under the JSE Listings Requirements, Ordinary Resolution Number 9 must be passed by a 75% (seventy five percent) majority of the votes cast in favour of the resolution by all members present or represented by proxy at the AGM.

SPECIAL RESOLUTIONS

SPECIAL RESOLUTION NUMBER 1

General approval to acquire shares

"**Resolved,** by way of a general approval that the Company and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the Company in terms of sections 46 and 48 of the Companies Act, the Memorandum of Incorporation of the Company and its subsidiaries and the JSE Listings Requirements, as amended from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution number 1;
- in determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) (or 10% (ten percent) where the acquisitions are effected by a subsidiary) of the Company's issued ordinary share capital;
- the Company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ("Test") and that since the Test was done there have been no material changes to the financial position of the Group;
- the Company or its subsidiaries may not acquire ordinary shares during a prohibited period (as defined in paragraph 3.67 of the JSE Listings Requirements) unless a repurchase programme is in place (where the dates and quantities of shares to be repurchased during the prohibited period are fixed) and full details have been submitted to the JSE in writing prior to commencement of the prohibited period; and
- an announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Explanatory note

The purpose of this special resolution number 1 is to obtain an authority for and to authorise the Company and the Company's subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares.

It is the intention of the directors of the Company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it.

Special resolutions adopted at this AGM require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

1.1 Other disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are contained in the annual report of which this notice forms part:

- major shareholders of the Company – page 130; and
- directors' interests in securities – page 125.

1.2 Material change

There have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Company's financial year-end and the date of this notice.

1.3 Directors' responsibility statement

The directors, whose names appear on page 43 of the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 1 that have been omitted which would make any statement in relation to special resolution number 1 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 1, together with this notice, contains all information required by law and the JSE Listings Requirements in relation to special resolution number 1.

1.4 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of 12 (twelve) months thereafter:

- the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
- the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
- the working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.

SPECIAL RESOLUTION NUMBER 2

Loans or other financial assistance to subsidiaries and other related or inter-related companies

"Resolved that, as a special resolution, in terms of section 45 of the Companies Act, the shareholders of the Company hereby approve of the Company providing, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution number 2, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to any present or future subsidiaries and any other related or inter-related company or corporation, provided that:

a) the Board, from time to time, determines: (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance and (iii) the terms and conditions under which such financial assistance is provided; and

b) the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 2 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance."

Explanatory note

The purpose of this special resolution number 2 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Companies Act to a present or future subsidiary and any other related or inter-related company or corporation.

Special resolutions adopted at this AGM require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

Notice given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the Board authorising the Company to provide such direct or indirect financial assistance in respect of special resolution number 2:

a) by the time that this notice of AGM is delivered to shareholders of the Company, the Board will have adopted a resolution ("Section 45 Board Resolution") authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which special resolution number 2 is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) to a present or future subsidiary and any other related or inter-related company or corporation;
b) the Section 45 Board Resolution will be effective only if and to the extent that special resolution number 2 is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the Board being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and
c) in as much as the Section 45 Board Resolution contemplates that such financial assistance will in the aggregate exceed one- tenth of one percent of the Company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the Section 45 Board Resolution to shareholders of the Company. Such notice will also be provided to any trade union representing any employees of the Company.

SPECIAL RESOLUTION NUMBER 3

Non-executive Directors' Remuneration

Fees paid to non-executive directors ("NED fees") for their services as directors of the Company for the year ended 30 June 2020 were authorised in terms of a special resolution approved by shareholders at the AGM held on 15 November 2019. The same resolution authorised the Board to approve an annual increase of NED fees for the 2021 financial year by an amount not exceeding 10% (ten percent).

The Board authorised NED fees to increase by 4% (four percent) for the year ending 30 June 2021, resulting in the following NED fees:

Position	Approved fee in ZAR for the year ending 30 June 2021	Approved fee in USD for the year ending 30 June 2021
Chairman of the Board	R655 560	
Chairman of the Audit and Risk Committees	R452 700	
Chairperson of the Social and Ethics Committee	R452 700	
Other non-executive directors	R359 280	
Foreign non-executive directors		$26 220

Note: The above fees include fees for acting as chairpersons or members of applicable committees and sub-committees.

"Resolved that:

a) the annual remuneration payable to the non-executive directors of the Company for their services as directors of the Company for the year ending 30 June 2021 be ratified; and

b) in terms of the provisions of sections 66(9) of the Companies Act, an annual increase, to be approved by the Board (but not exceeding 10% of the fees payable to the non-executive directors for their services as directors), be hereby approved for a period of two years from the date of passing this resolution or until its renewal, whichever is the earlier."

Explanatory note

In terms of section 66(9) of the Companies Act, a company is required to pre-approve the payment of remuneration to non-executive directors for their services as directors for the ensuing financial year by means of a special resolution passed by shareholders of the Company within the previous two years.

Special resolutions to be adopted at this AGM require approval from at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

ORDINARY RESOLUTION

ORDINARY RESOLUTION NUMBER 10

Signature of documents

"Resolved that any director and/or the Company Secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of the ordinary and special resolutions which are passed by the shareholders with and subject to the terms thereof."

Ordinary resolutions adopted at this AGM require approval from a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

OTHER BUSINESS

To transact such other business as may be transacted at the AGM of the Company.

QUORUM

A quorum for the purpose of considering the resolutions above consists of three shareholders of the Company, personally present (and if the shareholder is a body corporate, the representative of the body corporate) and entitled to vote at the AGM. In addition, a quorum will comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

VOTING AND PROXIES

Special resolutions adopted at this AGM require the approval of at least 75% (seventy five percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting. Ordinary resolutions adopted at this AGM, save for ordinary resolution 8 which, in terms of the JSE Listings Requirements requires the approval of more than 75% (seventy five percent) of the votes exercised on such resolution by shareholders present and represented by proxy at the meeting, require the approval of a simple majority, which is more than 50% (fifty percent) of the votes exercised on such resolutions by shareholders present or represented by proxy at the meeting.

A shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to electronically participate, attend and act in his/her stead. A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy is attached hereto.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in "own name" dematerialised form

The electronic platform to be utilised to host the AGM does not provide for electronic voting during the meeting.

Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the Form of Proxy and lodging this form with the Company's Transfer Secretaries by no later than 09:00 on Thursday, 14 January 2021 by:

- delivery to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank; or
- email to proxy@computershare.co.za.

Any forms of proxy not submitted by this time can still be lodged by email to proxy@computershare.co.za and to craig.laidlaw@computershare.co.za prior to the commencement of the meeting.

Shareholders are reminded that they are still able to vote normally through proxy submission, despite deciding to participate either electronically or not at all in the AGM.

Shareholders who indicate in the Electronic Participation Application Form that they wish to vote during the electronic meeting, will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.

DEMATERIALISED SHAREHOLDERS WITHOUT 'OWN NAME' REGISTRATION

Dematerialised shareholders, other than those with 'own name' registration, who wish to participate in the AGM, should instruct their Central Securities Depository Participant ("CSDP") or Broker to issue them with the necessary letter of representation to participate in the AGM, in the manner stipulated in the relevant custody agreement. The letter of representation will need to be submitted together with the completed Electronic Participation Application Form to the Company's Transfer Secretaries and to the Company in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

If these shareholders do not wish to participate in the AGM in person, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH 'OWN NAME' REGISTRATION

Those Certificated Shareholders and Dematerialised Shareholders with 'own name' registration, who wish to participate in the AGM (either in person or represented by proxy), must submit a completed Electronic Participation Application Form to the Company's Transfer Secretaries and to the Company in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

ELECTRONIC PARTICIPATION

The Company's Memorandum of Incorporation authorises the conduct of shareholders' meetings entirely by electronic communication as does section 63(2)(a) of the Companies Act. In light of the measures put in place by the South African Government in response to the COVID-19 pandemic, the Board has decided that the AGM will only be accessible through a remote interactive electronic platform as detailed below.

Shareholders or their duly appointed proxies who wish to participate in the AGM are required to complete the Electronic Participation Application Form available immediately after the proxy form and email same to the Company's Transfer Secretaries at proxy@computershare.co.za and to craig.laidlaw@computershare.co.za as soon as possible, but in any event by no later than 09:00 on Thursday, 14 January 2021.

Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the AGM.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. The Company's Transfer Secretaries will provide the Company with the nominated email address of each verified shareholder or their duly appointed proxy to enable the Company to forward them a Zoom meeting invitation required to access the AGM.

Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the AGM are requested by no later than 16:50 on Monday, 18 January 2021 to click on the "Join Zoom Meeting" link to be provided Company's company secretary or by the secretarial office, with admission to the meeting being controlled by the company secretary/secretarial office.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or Company who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder or their proxy from participating in and /or voting at the AGM.

By order of the Board

CIS Company Secretaries Proprietary Limited
Company Secretary

30 November 2020
Johannesburg

ANNEXURE A

ABBREVIATED CURRICULUM VITAE OF DIRECTOR APPOINTMENTS, DIRECTORS OFFERING THEMSELVES FOR RE-ELECTION AND MEMBERS OF THE AUDIT AND RISK COMMITTEE

The occupation and relevant business experience of **Nonzikuso Siyotula** is set out below:

Qualifications: CA(SA), ACMA, MBA

Role:
- Independent non-executive director
- Chairman of the Audit and Risk Committee

Nonzikuso is the former Chief Executive Officer of Thebe Investment Corporation and holds a CA(SA), ACMA, MBA and completed executive programmes from Harvard, Insead and Oxford. She has been recognized as Young Global Leader by the World Economic Forum and is a Tutu Fellow. She currently serves on the board of Bidvest Group Limited, Wescoal Holdings Limited and Taste Holdings Limited, amongst others.

The occupation and relevant business experience of **Leo Chih Hao Chou** is set out below:

Qualifications: B Com (UNISA)

Role:
- Non-executive director
- Member of the Investment Committee

Leo is the Executive Chairman of Sygma Investment & Consulting Proprietary Limited, a private investment company based in Cape Town with holdings in international brand distribution, retail, niche logistics and investments in marketable securities and treasury management. Leo has over 15 years of investment and capital allocation experience. Leo previously served as Chairman and CEO of Snowball Wealth, a privately held investment company, which was sold to Conduit Capital Limited. Leo obtained a Bachelor of Commerce degree from the University of South Africa. He currently serves as a Non-Executive Director of Taste Holdings Limited.

The occupation and relevant business experience of **William N Thorndike Jr.** is set out below:

Qualifications: MBA (Stanford)

Role:
- Independent non-executive director
- Lead Independent Director
- Member of the Investment Committee
- Member of the Nomination Committee
- Member of the Remuneration Committee
- Member of the Audit and Risk Committee

In 1994 Will founded Housatonic Partners in Boston, a leading middle market private equity firm with offices in Boston and San Francisco and has been Managing Director since that time. Will is a graduate of Harvard College and the Stanford Graduate School of Business. He is a Director of Carillon Assisted Living LLC; Conduit Capital Ltd; CONSOL Energy Inc. (Chair) (NYSE: CNX); Lincoln Peak Holdings LLC; OASIS Group Ltd; QMC International LLC; ZircoDATA; a Trustee of WGBH; College of the Atlantic; and a founding partner at FARM, a social impact investing collaborative. He is the author of The Outsiders.

The occupation and relevant business experience of **Ronald Napier** is set out below:

Qualifications: BA LLB, MA (Oxford)

Role:
- Independent non-executive director
- Chairman of the Board
- Chairman of the Nominations Committee
- Chairman of the Remuneration Committee
- Member of the Audit and Risk Committee

Ronnie is a former senior partner of law firm Webber Wentzel, having spent over 50 years practising law. He presently is an executive consultant to the firm having retired as a partner in 2001. Ronnie was the general representative for Lloyd's of London in South Africa for a period of 21 years and also served on the Board of the South African Insurance Association for 20 years, having held the position of chairman for 12 of those years. He is the current chairman of the Insurance Crime Bureau, chairman of the Fire Protection Association of South Africa, chairman of Sunderland Marine Insurance Company and a Board member of Business Against Crime. Ronnie holds an MA (Oxon) degree.

The occupation and relevant business experience of **Rosetta Xaba** is set out below:

Qualifications: B Compt (Hons) (UNISA), Post Graduate Diploma in Accounting (KZN), CA (SA)

Role:
- Independent non-executive director
- Chairperson of the Social and Ethics Committee
- Member of the Audit and Risk Committee
- Member of the Remuneration Committee
- Member of the Nominations Committee

Rosetta is a chartered accountant, having obtained her B Compt from UNISA and a Postgraduate Diploma in Accounting from the University of Natal. She trained at KPMG and thereafter worked as a manager in the External and Internal Audit divisions. Rosetta then spent four years at Deloitte Consulting, working in the public sector division. In 2007, Rosetta started her own accounting, auditing and consulting company, which she currently runs. Her clients span across the public sector, private companies and NGOs. Rosetta is currently a non-executive director at Finbond Group Limited, Conduit Capital, Constantia Insurance Company, South African Association of Local Governments (SALGA), Little Eden Society for the Care of Persons with Mental Handicaps and Tharisa Minerals Trust. She has previously served on the boards and/or audit and finance committees of International Trade Administration Commission of South Africa (ITAC), Human Sciences Research Council (HSRC), South African Nursing Council, South African Pharmacy Council, Eskom Development Foundation, Technology Innovation Agency (TIA) and Insurance SETA.

APPLICATION FORM FOR ELECTRONIC PARTICIPATION AT THE ANNUAL GENERAL MEETING

CONDUIT CAPITAL LIMITED

Incorporated in the Republic of South Africa
(Registration number 1998/017351/06)
Share code: CND ISIN: ZAE000073128
("Conduit Capital" or "the Company" or "the Group")

ANNUAL GENERAL MEETING – 17:00 ON MONDAY, 18 JANUARY 2021 ("AGM')

Capitalised terms which are not defined herein shall bear the meanings assigned in the notice of annual general meeting (the "AGM Notice") to which this form is attached and forms part.

Instructions

Shareholders or their proxies, have the right, as provided for in the Company's Memorandum of Incorporation and the Companies Act, to participate in the AGM by way of electronic communication.

Shareholders or their duly appointed proxies who wish to participate in the AGM must complete this application form and email it (together with the relevant supporting documents referred to below) to the Company's Transfer Secretaries at proxy@computershare.co.za and to the Company at craig.laidlaw@computersharen.co.za as soon as possible, but in any event by no later than 09:00 on Thursday, 14 January 2021.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. The Company's Transfer Secretaries will provide the Company with the email address of each verified shareholder or their duly appointed proxy (each, "a Participant") to enable the Company to forward the Participant a Zoom meeting invitation required to access the AGM.

The Company will send each Participant a Zoom meeting invitation with a link to "Join the Zoom Meeting" on Monday, 18 January 2020 to enable Participants to link up and participate electronically in the AGM. This link will be sent to the email address nominated by the Participant in the table below.

Please note

The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the Form of Proxy and lodging the completed proxy form together with this Electronic Participation Application Form with the Company's Transfer Secretaries.

Participants who indicate in this form that they wish to vote during the electronic meeting, will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or the Company who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Participant from participating in and / or voting at the AGM.

By signing this application form, the Participant indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the AGM or any interruption in the ability of the Participant to participate in the AGM via electronic communication, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else, including without limitation the Company and its employees.

Full name of shareholder: ____________________

Identity or registration number of shareholder: ____________________

Full name of authorised representative (if applicable): ____________________

Identity number of authorised representative: ____________________

Email address: ____________________ ** Note: this email address will be used by the Company to share the Zoom meeting invitation required to access the AGM electronically*

Cell phone number: ____________________ Telephone number, including dialling codes: ____________________

** Note: The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the proxy form.*

Indicate (by marking with an 'X') whether:

	votes will be submitted by proxy (in which case, please enclose the duly completed proxy form with this form); or
	the Participant wishes to exercise votes during the AGM. If this option is selected, the Company's Transfer Secretaries will contact you to make the necessary arrangements.

By signing this application form, I consent to the processing of my personal information above for the purpose of participating in Conduit Capital's AGM.

Signed at ____________________ on ____________________ 2021

Signature ____________________

Documents required to be attached to this application form

1. In order to exercise their voting rights at the AGM, shareholders who choose to participate electronically may appoint a proxy, which proxy may participate in the AGM, provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and as envisaged in the notice of the AGM.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the AGM, must be attached to this application.
3. A certified copy of the valid identity document/passport/ of the person attending the AGM by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by theshareholder, its proxy or representative, and delivered as detailed above. The Company may in its sole discretion accept any incomplete application forms.

FORM OF PROXY

CONDUIT CAPITAL LIMITED

Incorporated in the Republic of South Africa
(Registration number 1998/017351/06)
Share code: CND ISIN: ZAE000073128
("Conduit Capital" or "the Company" or "the Group")

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with "own-name" registration;

at the annual general meeting ("AGM") of shareholders of the Company to be held entirely via a remote interactive electronic platform Zoom at 17:00 on Monday, 18 January 2021 and any adjournment thereof.

Certificated shareholders, "own name" dematerialised shareholders and dematerialised shareholders other than "own name", who have requested a Letter of Representation from their CSDP or broker in order to vote during the meeting and who have provided the transfer secretary with their details and email address will be provided with the necessary instructions on how to vote.

These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder ______________________________

Name of registered shareholder ______________________________

Address ______________________________

Telephone work ( ) ______________ Telephone home ( ) ______________ Cell: ______________

being the holder/custodian of ______________ ordinary shares in the Company, hereby appoint (see note):

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the AGM of the company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
		For	Against	Abstain
1.	**Ordinary resolution 1** Adoption of annual financial statements			
2.	**Ordinary resolution 2** Appointment of Ms Nonzukiso Siyotula as director			
3.	**Ordinary resolution 3** Re-election of Mr William N Thorndike Jr, who retires by rotation, as director			
4.	**Ordinary resolution 4** Re-election of Mr Leo CH Chou, who retires by rotation, as director			
5.	**Ordinary resolution 5.1** Appointment of Ms Nonzukiso Siyotula as Chairperson and as a member of the Audit and Risk Committee			
6.	**Ordinary resolution 5.2** Re-appointment of Mr Ronald Napier as a member of the Audit and Risk Committee			
7.	**Ordinary resolution 5.3** Re-appointment of Mr William N Thorndike Jr as a member of the Audit and Risk Committee			
8.	**Ordinary resolution 5.4** Re-appointment of Ms Rosetta Xaba as a member of the Audit and Risk Committee			
9.	**Ordinary resolution 6** Re-appointment of BDO South Africa Incorporated as auditors and Ms Vianca Pretorius as the designated audit partner			
10.	**Ordinary resolution 7.1** Approval of the remuneration policy			
11.	**Ordinary resolution 7.2** Approval of the remuneration implementation report			
12.	**Ordinary resolution 8** Control of authorised but unissued ordinary shares			
13.	**Ordinary resolution 9** General issue of shares for cash			
14.	**Special resolution number 1** General approval to acquire shares			
15.	**Special resolution number 2** Loans or other financial assistance to subsidiaries and other related or inter-related companies			
16.	**Special resolution number 3** Approval of non-executive directors' remuneration			
17.	**Ordinary resolution number 10** Signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the AGM may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the Company.

Signed at ______________________________ on ______________________________ 2021

Signature ______________________________

Assisted by (if applicable) ______________________________

NOTES TO PROXY

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the company) of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the AGM notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries at any time prior to the start of the AGM, or prior to voting on any resolution proposed at the AGM.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy shall be entitled to vote as he/she thinks fit.
7. The Chairperson of the AGM may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy including the Chairperson of the AGM, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the AGM.
11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
12. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy;
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

    The Board requests that completed forms of proxy are received at the office of the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2001 (Private Bag x9000, Saxonwold, 2132), or via email to proxy@computershare.co.za by 09:00 on Thursday, 14 January 2021. Any forms of proxy not lodged by this time may still be lodged by email to proxy@computershare.co.za and to craig.laidlaw@computershare.co.za prior to the commencement of the meeting.
13. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act:

a. A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting.

b. The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

c. The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

d. If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

e. Attention is also drawn to the "Notes to proxy".

f. The completion of a form of proxy does not preclude any shareholder from attending the AGM.

DIRECTORATE, ADMINISTRATION AND CORPORATE INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE

Republic of South Africa

NATURE OF BUSINESS

Listed investment holding company

DIRECTORS

Ronald Napier – BA LLB, MA (Oxford)
Independent chairman and non-executive director

William Thorndike** – MBA (Stanford)
Lead independent non-executive director

Sean Riskowitz* – BCom (Wits)
Chief executive officer

Leo Chou – BCom (Unisa)
Non-executive director

Lourens Louw – BCom (Stellenbosch)
Chief financial officer

Nonzukiso Siyotula – BAC (Wits), CA (SA), ACMA (CIMA), MBA (GIBS)
Independent non-executive director

Adrian Maizey** – BBA (Accounting), MBA (Harvard), CPA (USA)
Non-executive director

Rosetta Xaba – B.Compt (Hons), CA(SA)
Independent non-executive director

** Dual RSA and USA citizen*
*** USA citizen*

ADMINISTRATION

Registered address
Building B, Nicol Main Office Park
2 Bruton Road
Bryanston, 2191

Postal address
PO Box 97, Melrose Arch, 2076
Tel: (+27 11) 686 4200

Registration number
1998/017351/06

Level of assurance
These Annual Financial Statements have been audited

Preparer
The Annual Financial Statements were internally compiled by:
Lourens Louw
Chief financial officer

CORPORATE INFORMATION

Bankers
Absa Bank
FirstRand Bank
Grindrod Bank
Investec Bank
Mercantile Bank
Nedbank
Standard Bank

Company Secretary
CIS Company Secretaries
Proprietary Limited
(Registration number: 2006/024994/07)

Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132

Sponsors
Merchantec Proprietary Limited t/a Merchantec Capital
(Registration number: 2008/027362/07)
13th Floor, Illovo Point, 68 Melville Road, Illovo, 2196
PO Box 41480, Craighall, 2024

Independent auditors
BDO South Africa Incorporated
Chartered Accountants (SA)
Wanderers Office Park, 52 Corlett Drive
Illovo, 2196
Private Bag X5, Northlands, 2116

Corporate advisor and legal advisor
Cliffe Dekker Hofmeyr Incorporated
(Registration number: 2008/018923/21)
11 Buitengracht Street, Cape Town, 8001

Alpha code
CND

ISIN
ZAE000073128