CONDUIT CAPITAL

Integrated Annual Report 2018

A NOTE ABOUT FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements that, unless otherwise indicated, reflect Conduit Capital's expectations for the future as at 30 June 2018. 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. 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.

FEEDBACK ON REPORT

We welcome your feedback on this report.

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

CONTENTS

ABOUT THIS REPORT

In reflecting on the 2018 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 2018 Integrated Annual Report ("integrated report") provides information and insights covering the period between 1 July 2017 and 30 June 2018, 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 on 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 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 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 Johannesburg Stock Exchange'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 Company's and 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 100 and 101 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 Grant Thornton. Non-financial information has not been independently assured.

BOARD RESPONSIBILITY STATEMENT

The directors and executive management have been integrally involved in the preparation of this report. The 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 report was approved by the Capital Conduit board of directors ("the Board") on 16 October 2018.

SPOTLIGHT ON 2018

Net Asset Value (NAV) per share **increased by 12.8%** to 198.0 cents

Headline earnings per share of **21.0 cents** (2017: 20.8 cents loss per share)

Headline earnings of **R133.5 million** (2017: R82.7 million loss)

220.9 cents (2017: 193.3 cents) per share in **cash and investments at work**

Weighted return on investment portfolio: 44.5% (including dividends)

Repurchased 8.2 million Conduit shares at a total cost of R16.3 million

Concluded the acquisition of 51% of the holding company of the Century 21 Realty Master Franchise License in South Africa

Raised R350 million in capital by way of a fully underwritten rights offer/issue

Global Credit Rating – BBB(ZA) and A3(ZA) in the long-term and short-term, respectively and an international scale rating of B+ with a stable outlook

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 in order to create 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 as 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:

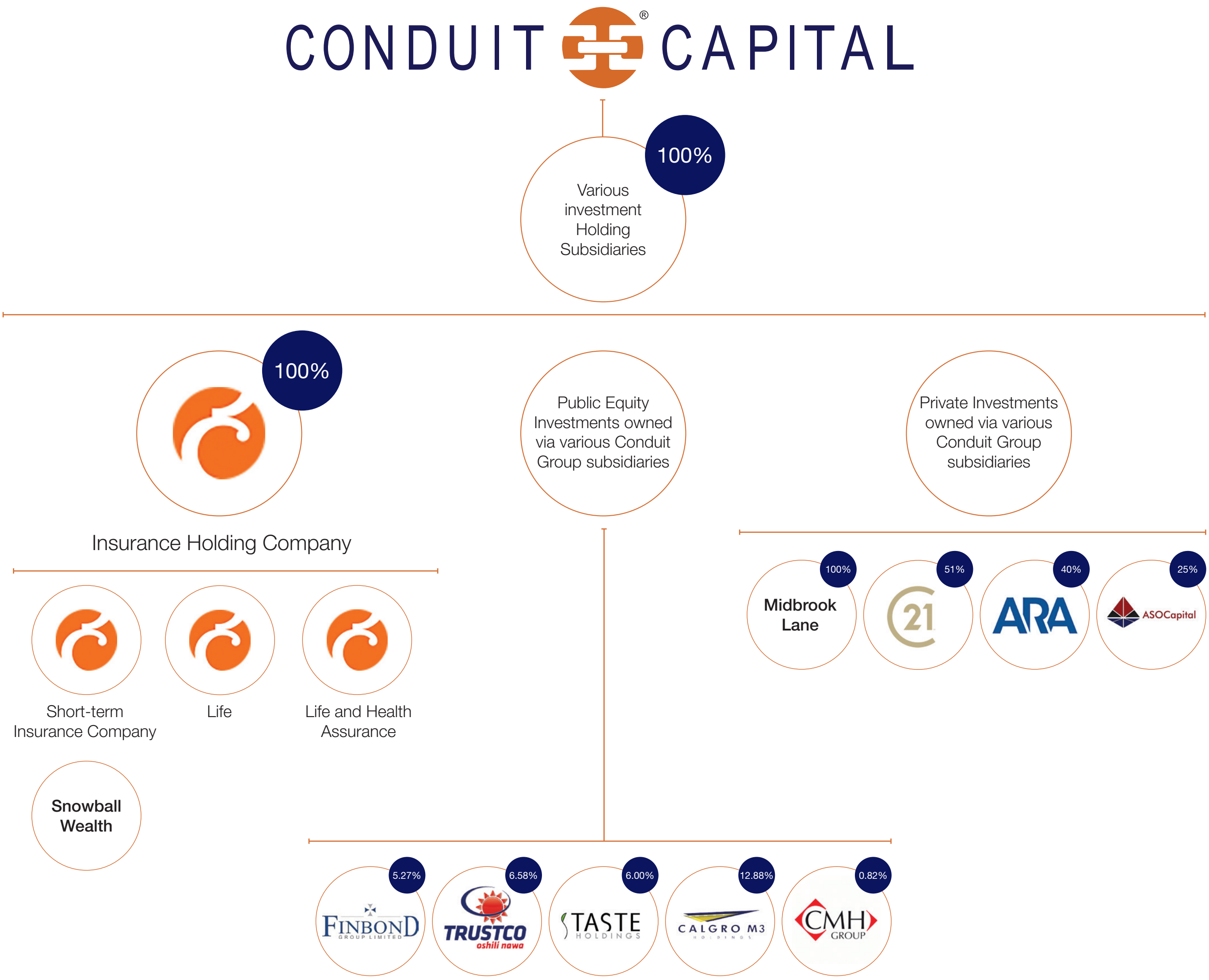
1. The three insurance licences
2. Insurance-related investments

INVESTMENTS

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

1. Public equity investments
2. Private investments

GROUP STRUCTURE



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

CONDUIT'S VALUE INVESTMENT STRATEGY IN A NUTSHELL

- Invest in, and sustainably grow, insurance businesses.
- Increase float at no cost by achieving insurance combined ratios below 100%.
- Pursue value-oriented, non-insurance investments to enhance the capital base of the insurers.

OUR VISION AND SHAREHOLDER COMMITMENT

VISION

- 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.

COMMITMENT TO OUR SHAREHOLDERS

Our commitment to our shareholders is encapsulated in our Shareholder Manifesto, the key points of which are summarised below:

- We are long-term owners of a business enterprise. We do not try to make short-term trading profits;
- We measure our performance against the intrinsic growth in per share value we achieve, not by the size of our business or irrelevant financial ratios;
- We are partners with the managers of the companies in which we invest. We expect them to also own shares in their companies;
- We do not take anything at face value and put in the effort to understand the businesses in which we invest, and their real performance;
- We are committed to the strategy of ensuring that Conduit owns a diversified set of high-quality businesses in both the insurance and non-insurance industries, and through the public and/or private markets;
- We make long-term, sustainable investments even if they might produce short-term losses;
- We retain earnings for as long as the value of every rand retained exceeds one rand and good investment opportunities can still be found;
- We are open, transparent and honest in all our communications and reporting; and
- We only issue shares when we are confident that the value achieved will be greater than the value given up.

The full shareholders manifesto is available on the Company's website.

HOW WE CREATE VALUE

CAPITAL ALLOCATION AND INVESTMENT STRATEGY

At Conduit, we take capital allocation decisions extremely seriously. 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 responsibility at Conduit is to guide the strategy of our subsidiaries and allocate capital across the Group as efficiently as possible.

In terms of capital allocation, our aim is to create more than a rand of value for every rand invested by the Company. We spend time identifying, researching and evaluating different opportunities. We will buy or invest in companies when the right opportunity presents itself and when it makes logical sense from an opportunity cost point of view. We are conservative, but opportunistic capital allocators, always concerned with the downside of an investment before we consider the upside. We seek companies with durable competitive advantages managed by motivated, honest and ambitious people. We operate on a decentralised basis and allocate capital to support long-term sustainable growth primarily in the insurance industry.

Investable capital, by order of preference, will be used first to support internal growth in existing insurance operations. Should no sufficiently attractive opportunities exist, we will seek acquisitions in the realm of insurance or non-insurance businesses generally.

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 (our listed equity investment strategy is explained in more detail below). Finally, we will consider the repurchase of the Company's shares, when it is believed this action creates better returns than any of the above choices.

HOW WE MANAGE CONDUIT CAPITAL

The executive management team at Conduit fulfils both strategic and operational roles in the Group and comprises:

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

All 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 does 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 CREATE VALUE

HOW WE APPROACH INVESTMENTS

Conduit is a long-term shareholder in a select group of listed companies. Investing in non-insurance businesses is a stated objective of the Group, which bolsters our capital base and, through earnings diversification, allows the insurance operations to focus on profitable growth. Our investment objective is to identify, understand and invest in companies that meet two broad criteria:

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

In determining companies in which to invest, we spend significant time understanding the business, researching its competitive advantage and getting to know management. We are primarily looking for four key attributes in these companies:

1

Jockey

The company must have an able, competent and energised management team. There is no use running a race if your jockey does not have the capacity to win.

2

Horse

The jockey must have an underlying vehicle (the horse) with a clear ability to win the race. The horse is the business, which must demonstrate a robust competitive advantage that will enable it to maintain and grow its economic position over time.

3

Runway

The company must have a clear path, over the next 10 or more years, to produce and compound long-term growth in intrinsic value.

4

Price

While many companies may tick the three boxes above, even a great company can be a bad investment at the wrong price. We therefore have the patience and discipline to wait for the right company at the right price.

Business value and market price can diverge for long periods of time. We have a disciplined approach, combined with patience. At this stage in our evolution, we are not necessarily concerned that Conduit's net income after tax will be lumpy because stock prices are inherently volatile and market behaviour is not necessarily always rational. Growth in net asset value per share is a better proxy for the performance of Conduit's underlying business value.

OUR BUSINESS ACTIVITIES

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.

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 Board, in conjunction with the executive management team has applied its mind in considering all material aspects of value creation while developing the Group's core business during the period under review.

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; and
- Growth in investable assets in the Insurance segment.

OUR BUSINESS ACTIVITIES

INSURANCE AND INVESTMENT ACTIVITIES

To assist shareholders – current and prospective – in understanding our business and the value proposition, important themes covered in previous reports have been progressively introduced.

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	Management involvement and approach	Financial and non-financial objectives	Key performance metrics
Hold 100% of the issued share capital of Constantia, which operates as an insurer in the SA long- and short-term insurance industries	• Full ownership • Responsibility for overall strategic direction and support • Capital allocation decisions	• 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	• 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 of less than 100% • Absolute growth in investable assets • Increase in float • Effective monitoring and management of capital adequacy and solvency levels

Investments	Management involvement and approach	Financial and non-financial objectives	Key performance metrics
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	• 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	• 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	• 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)

LETTER FROM THE CEO TO THE SHAREHOLDERS OF CONDUIT CAPITAL

Dear fellow Shareholder,

Conduit Capital is a Johannesburg Stock Exchange listed insurance investment holding company. Our subsidiaries are primarily involved in the insurance industry. Conduit's vision is to develop a diversified insurance group supported by a value-oriented, non-insurance investment portfolio that will create value for stakeholders for decades to come. Our goal is to increase intrinsic value[1] per share over the long-term at a rate well above the market average and peers.

We invest in and support our insurance operations so that they can deliver sustainable underwriting profits and generate float to invest in non-insurance opportunities. Float is the money an insurance company receives from premiums and that it holds before it has to pay out claims. The increase in float creates value for the Group, which in turn enjoys a larger capital base from which to support insurance premium growth. We intend to accelerate this cycle, the ultimate effect of which is a long-term sustainable increase in the value of Conduit.

Conduit's strategy can be distilled into the following three priorities:

- invest in and sustainably grow our insurance businesses;
- increase float at no cost by achieving insurance combined ratios[2] below 100%; and
- pursue value-oriented, non-insurance investments to enhance the capital base of the insurers.

MEASURING PERFORMANCE

We measure Conduit's performance by the growth in intrinsic value per share. We believe the best way to assess the change in intrinsic value per share is to consider the change in net asset value per share. The change in net asset value per share should however not be confused with the absolute net asset value per share. This method is appropriate because of the volatility of the earnings streams of our business: Insurance underwriting and Investments.

For the year ended 30 June 2018, the net asset value ('NAV') per share increased by 12.7% to 198.0 cents. On a headline basis, the Group earned R133.5 million compared to last year's R82.7 million loss. Headline earnings was 21.0 cents per share compared to last year's loss of 20.8 cents per share.

Table 1 below shows 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		32.7		40.7		122.1		220		51 806.95	
30 Jun '16	169.5	(3.0%)	19.7	(39.8%)	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	12.7%	28.2	17.0%	172.7	11.6%	48.2	24.9%	198	(17.5%)	62 637.27	14.6%
Average annual		4.2%		(4.8%)		61.9%		(26.6%)		(3.2%)		6.5%
Since inception		13.3%		(13.8%)		324.3%		(60.5%)		(10.0%)		20.9%

[1] *Intrinsic value refers to the actual value of a company or share determined through fundamental analysis without reference to its market value. Intrinsic value can vary significantly from market value.*

[2] *The combined ratio is calculated as net claims plus expenses divided by net earned premium.*

LETTER FROM THE CEO TO THE SHAREHOLDERS OF CONDUIT CAPITAL (continued)

The impact of the Group's approach of incurring short-term upfront costs in exchange for materially higher earnings power into the future can be seen in the NAV numbers above. It is however clear that Conduit has started to use its capital much more efficiently. In June 2015, we had 207.5 cents per share in NAV and float available of which 162.8 cents (or 78.5%) could be invested, while the remaining 44.7 cents per share was required for operations. By June 2018, the Group had increased its premium income by 62.0% (from an annualised R948.6 million in 2015 to R1.54 billion in 2018) but was still able to invest 220.9 cents (or 97.7%) of the 226.2 cents per share in NAV and float in investments and cash.

We believe that this, together with the quality of the insurance operations, the rate at which that business is growing, and its ability to eventually write premium at sustainable combined ratios of materially less than 100% are the reasons why Conduit should trade at a premium to net asset value.

OUR MAJOR ASSETS

Constantia

Our insurance business is comprised of Constantia Insurance Company Limited, Constantia Life Limited and Constantia Life & Health Assurance Company Limited (collectively referred to as Constantia). Constantia is our largest investment by revenue and assets. It is the vehicle through which most of our investment capital will be created. Constantia offers a range of niche insurance and risk management solutions, covering areas such as medical malpractice cover, primary health insurance and medical gap cover products, funeral and life insurance, guarantee and indemnity solutions, medical evacuation insurance and niche motor and property lines. We own 100% of Constantia.

Constantia is an independent and decentralised company under the guidance of its own board of directors and Chief Executive Officer, Volker von Widdern. Constantia's products are distributed through internal divisions to brokers or direct-to-market, or through independent Underwriting Management Agencies ('UMAs'). UMAs are generally incentivised on a cost recovery basis (calculated as a percentage of premium) and through profit share arrangements (to ensure sufficient and sustainable underwriting quality). Since Volker was appointed as CEO, Constantia has evolved from a small insurance company into a business with the capacity to write several billion rand in premium in the medium-term. Constantia has become a modern day, dynamic and ambitious enterprise.

Constantia's Performance

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. The net premiums reported in our financial statements therefore materially understate the actual level of net written premiums. It is more accurate to look at the business on a "solvency reinsurance normalised" basis, as Table 2 below illustrates.

The pro forma information in Tables 2 and 3 below 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 2018. 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.

Table 2

	Year ended 30 June 2018			Year ended 30 June 2017		
	As reported R'000	Pro forma adjustment R'000	Solvency reinsurance normalised R'000	As reported R'000	Pro forma adjustment R'000	Solvency reinsurance normalised R'000
Gross written premium	1 536 885	–	1 536 885	1 069 794	–	1 069 794
Reinsurance premium[3]	(1 144 341)	880 751	(263 590)	(687 890)	547 932	(139 958)
Net written premium	392 544	880 751	1 273 295	381 904	547 932	929 836
Net change in provision for unearned premium[4]	(716)	(19 962)	(20 678)	(13 862)	(5 633)	(19 495)
Net premium income	391 828	860 789	1 252 617	368 042	542 299	910 341
Reinsurance commission received[5]	532 035	(379 260)	152 775	353 965	(283 600)	70 365
Other income	53 440	–	53 440	28 826	–	28 826
Income from insurance operations	977 303	481 529	1 458 832	750 833	258 699	1 009 532
Total insurance expenses	(1 118 381)	(469 099)	(1 587 480)	(885 182)	(251 126)	(1 136 308)
Net claims and movement in claims reserves[6]	(245 919)	(466 957)	(712 876)	(229 805)	(253 225)	(483 030)
Insurance contract acquisition costs	(257 035)	–	(257 035)	(179 807)	–	(179 807)
Administration and marketing expense[7]	(604 854)	(2 142)	(606 996)	(469 145)	2 099	(467 046)
Other expenses	(10 573)	–	(10 573)	(6 425)	–	(6 425)
Net underwriting loss	(141 078)	12 430	(128 648)	(134 349)	7 573	(126 776)
Cost of solvency reinsurance[8]	–	(12 430)	(12 430)	–	(7 573)	(7 573)
Net insurance result	(141 078)	–	(141 078)	(134 349)	–	(134 349)

On this normalised basis, net written premium was up 41.4% to R1.27 billion. The risk retention rate was 82.8%, compared to 84.2% in 2017. Claims were negatively affected by various once-off losses and increased to 56.9% of net insurance income (2017: 54.4%). Administration and marketing expenses increased by 30.0% to R607.0 million as Constantia aggressively reinvested in capacity to build the business to support much higher levels of premium in the future. Despite the higher claims and expenses, the net underwriting loss remained flat in nominal terms and improved from 14.4% of net insurance income in 2017 to 10.3% in 2018. Pleasingly, the net underwriting result before indirect operating expenses showed a major improvement from a loss of R66.2 million to a loss of just R17.8 million this year, as can be seen in Table 3.

The second half of fiscal 2018 saw a 48.2% improvement in the net loss before equity investments. The fourth quarter of the fiscal year was profitable on an operating and net income basis (also before equity investments).

[3] *Write back solvency reinsurance premium as if the solvency reinsurance structures were not in place.*
[4] *Reverse unearned premium reserve movements relating to solvency reinsurance.*
[5] *Write back all commissions and profit commissions received from solvency reinsurers.*
[6] *Constantia assumes all claims and claims provisions settled by solvency reinsurers.*
[7] *Profit commission adjustment relating to specific unearned premium adjustments associated with solvency reinsurance.*
[8] *Account for the cost impact of solvency reinsurance.*

LETTER FROM THE CEO TO THE SHAREHOLDERS OF CONDUIT CAPITAL (continued)

Table 3 below reflects Constantia's gross and net premiums adjusted for solvency reinsurance by Line of Business ("LoB"), together with the underwriting margin for the period under review and the comparative period:

Table 3

	Year ended 30 June 2018				Year ended 30 June 2017			
	Gross written premium R'000	Net written premium excl. solvency reinsurance R'000	Under-writing result before indirect operating expenses[9] R'000	Under-writing result R'000	Gross written premium R'000	Net written premium excl. solvency reinsurance R'000	Under-writing result before indirect operating expenses R'000	Under-writing result R'000
Assistance	98 993	98 745	9 895	9 895	30 097	29 700	(5 608)	(5 608)
Accident and Health	836 161	784 603	25 246	(39 231)	718 394	700 271	374	(41 618)
Guarantee	26 236	13 755	6 359	4 336	28 094	15 401	1 247	(395)
Liability	92 290	65 092	(11 168)	(18 284)	17 959	9 056	(14 543)	(15 593)
Miscellaneous	52 865	28 483	(5 809)	(9 885)	36 673	27 824	(2 665)	(4 809)
Motor	298 359	231 644	(29 563)	(52 570)	160 975	116 357	(29 289)	(38 698)
Property	131 981	50 973	(8 953)	(19 130)	77 602	31 227	(3 398)	(7 934)
Unallocated	–	–	(3 779)	(3 779)	–	–	(12 346)	(12 121)
Underwriting result	1 536 885	1 273 295	(17 772)	(128 648)	1 069 794	929 836	(66 228)	(126 776)
Cost of solvency reinsurance				(12 430)				(7 573)
Net insurance result				(141 078)				(134 349)

Qualitative Performance

The qualitative aspects of any company are as critical as the quantitative. These aspects include but are not limited to the intelligence, ethics and ambition of management, the culture of the organisation, or the underlying quality of the people working there. Although Constantia is still loss-making, there has been a major evolution of the business over the past two years. New hires in key positions and improved systems have created the platform for sustainable growth well into the future.

For the long-term, Constantia is now ideally positioned to realise its vision to become the medium-sized insurer of choice.

Measuring Constantia's Performance

We use three key metrics to monitor Constantia's performance. These are:

Combined ratio

The combined ratio measures the sum of the net loss ratio and the expense ratio of an insurance company relative to net earned premium. The ratio determines whether Constantia's insurance book is profitable. It also measures the "cost" of the investable assets (float) produced by our insurance business that are available for investment. A ratio below 100% means our investable assets cost us nothing to generate (compared to, for example, debt financing at prime interest rates). The lower the ratio the better, as it means we are creating investable assets at no cost. Constantia's combined ratio target for the long-term is 95.0% or better. In fiscal 2018, our adjusted[10] combined ratio was 106.4% compared to 109.3% in 2017. Of the 106.4%, a total of 3.2% was incurred by once-off losses in various books. These books have since been terminated or addressed. The remainder of the difference to 95.0% (or better) should be achieved as the business scales. The target is clearly achievable in the near-term and sustainable for the long-term.

[9] *This column reflects the underwriting result per LoB after the allocation of expenses directly attributable to that LoB, but before the allocation of indirect expenses, e.g. head office expenses.*

[10] *We adjust the combined ratio to exclude up-front costs associated with new business initiatives. We believe the adjusted ratio is a better reflection of underlying performance. It also avoids a situation where new projects are not funded because they may temporarily negatively affect the combined ratio. The combined ratio before these adjustments was 111.3% (2017: 114.4%).*

Growth in Investable Assets

Insurance companies collect premiums now and pay claims later. They then sit on large amounts of money to invest until claims are paid. This capital is known as float. The float calculation is: add insurance liabilities, policyholder liabilities and deduct reinsurance assets. Float increased by 53.1% from R129.9 million to R198.9 million.

The simple float calculation does not, however, appropriately measure how much unencumbered capital is actually available to invest because some of this capital is reinvested or absorbed by Constantia operations. Accordingly, we developed a more conservative calculation called "investable assets". These are assets generated by the insurance companies that can be freely invested and have "float-like" characteristics. We exclude any amounts not meeting these criteria (such as restricted bank balances held in terms of our investment policy). Our version[11] of investable assets can be summarised in terms of the following formula:

Investments held at fair value + Cash and cash equivalents – Assets not held in Constantia
– Assets required to be held in cash

The value of investable assets increased from R123.4 million on 30 June 2017 to R1.0 billion on 30 June 2018. This was primarily due to the introduction of additional capital into Constantia. Constantia's own contribution to Investable Assets was a negative R180.8 million, as follows:

1. Increase in minimum cash requirement (R49.2 million);
2. Investment in infrastructure (R29.0 million); and
3. Cash utilised by operations (including growth initiatives) (R171.5 million); offset by
4. An increase in float R68.9 million.

While Constantia is in a rapid growth and capacity building phase, we expect Investable Asset growth to be muted.

Return on insurance capital employed

Return on insurance capital employed is Constantia's adjusted after tax return (excluding up-front costs associated with new business initiatives and returns generated from non-insurance related activities such as the equity portfolio) on capital utilised for insurance purposes. The metric is designed to ensure that the capital used by the insurer for insurance operating purposes at least meets our minimum hurdle rate, which is 15%. Constantia did not achieve a 15% return on capital for the year, but we expect to start testing the return on capital metrics in fiscal 2019.

Although perhaps not obviously apparent from the financial statements, the future earnings power of Constantia has greatly improved. The investments that have been made over the past two years are expected to attract materially higher premium volumes, a sustainable combined ratio of 95% or better, high returns on insurance capital and growth in investable assets over the medium-term.

INVESTMENTS

Our Strategy

Conduit Capital's investment philosophy is value-driven and based on extensive fundamental research (sometimes lasting years) in order to understand a company's competitive position and management. We seek to identify and understand high-quality companies that can compound underlying intrinsic value over the long-term. We invest from a bottom-up perspective with a focus on a company's business model and management team. Conduit invests in a concentrated portfolio of companies. By their nature, the opportunities in which we invest are rare. When a compelling opportunity arises, we are prepared to invest a substantial portion of our assets. As a result, we typically have five to eight "core positions" representing the vast majority of the portfolio.

Conduit aims to be a stable, anchor shareholder in quality companies allowing talented management teams to create value over time. Our investment may be entirely passive. In other instances, we may constructively engage with management to increase value in a supportive fashion. Our activities have included capital support, strategic growth planning and input, and sometimes board involvement. This broad range of support enhances Conduit's ability to find attractive investments and can sustain or enhance underlying company compounding capability.

The Group invests in quality businesses for the long-term. There are no pre-defined "exit" strategies. This long-term perspective is a structural competitive advantage in South Africa. We have little concern about short-term price fluctuations or financial results. A long-term orientation requires discipline and patience. Conduit's disciplined approach to investing requires that an investment is made only

[11] *This formula may change depending on the types of insurance we write and the types of investments that we make.*

LETTER FROM THE CEO TO THE SHAREHOLDERS OF CONDUIT CAPITAL (continued)

when a conservative estimate of the value of a company exceeds its price by a significant margin. This "margin of safety" ensures we are protected on the downside should the intrinsic value estimate be incorrect. We do not short and do not leverage our public equity investments.

At year-end, shareholders had 220.9 cents (2017: 193.3 cents) per share in cash and investments at work.

Public Equity Investments

The listed equity investment portfolio is a platform through which we make long-term investments in high quality, compounder type companies. We are not "trading" the market nor do we have any interest in short-term share price fluctuations. Conduit views its investments as ownership interests in a company as opposed to a bet on share prices. We try to identify, understand and invest in businesses where we have a high level of conviction in their future performance over the next twenty years or more. Conduit's equity investment portfolio returned 44.5% (including dividends) on a weighted basis in 2018, compared to the JSE All Share Index which returned 14.6% over the same period.

Our public equity investments generally exhibit two key criteria:

1. the company has the capability to compound intrinsic value at a high rate over the long-term due to a confluence of factors centred primarily on the competitive advantage of the business model; and
2. the investee company stock can be purchased at a price significantly below the intrinsic value of the company. The probability of permanent capital loss is therefore minimised.

The equity portfolio is designed to complement the activities of the insurance business by creating a larger asset base over time from which the insurers can grow. The portfolio is expected to generate high returns by investing in outstanding businesses for the long-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 income[12] produced by its investments in other 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. Only share price movements and dividends are accounted for under IFRS, but there is real value to shareholders of retained earnings.

The following Table 4 compares the Group's look-through earnings as at 30 June 2018 with the position as at 30 June 2017:

Table 4

	2018				2017		
Stock	**Share-holding in entity %**	**Share of headline earnings (loss) R'000**	**Share of dividend R'000**	Stock	Share-holding in entity %	Share of headline earnings (loss) R'000	Share of dividend R'000
S1	6.58	13 473	–	S1	6.94	37 639	2 296
S2	12.88	23 682	–	S2	13.92	23 552	–
S3	6.00	(11 850)	–	S3	6.73	(3 711)	–
S4	5.27	13 301	2 903	S4	6.31	8 791	–
S5	0.82	2 045	989	S5	1.68	3 571	1 759
S6	0.00	–	–	S6	1.02	1 650	–
S7	0.00	–	–	S7	1.11	(1 539)	–
		40 651	3 892			69 953	4 055

Core Positions

Conduit has five core equity investments. These companies have been owned for an average of 4 years. Our intention is to be long-term, anchor and supportive owners of these outstanding businesses as they compound their underlying intrinsic value.

[12] *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.*

Calgro M3 Holdings Limited ("Calgro")

Calgro is a property company involved in integrated residential developments, memorial parks and rental property. Calgro produces between 3 000 and 4 000 homes per year with a roughly 54 000-unit pipeline. It is a resilient and robust business, designed to mitigate and manage risk along the property development chain. This durability makes Calgro's business model far superior to the average property development company.

Annual new production by the homebuilding industry in South Africa in 2017 was about 68 000 units. The South African population is approximately 54 million people. At 3.375 people per household, the number of properties required is around 16 million homes. The Deeds Registry shows the total number of residences at 5.9 million[13]. Consequently, the total gross housing shortfall in South Africa is in the region of 10 million properties. Despite enormous demand, the barriers to entry in residential construction, such as access to viable land, water and electricity rights, and project financing, are immense.

The table below illustrates the supply deficit of housing in South Africa, segmented by the category of income targeted by Calgro:

<table>
<tr><th>Family Monthly Income</th><th>Property Value</th><th>Number of Households</th><th>Number of Actual Homes</th><th>Supply Deficit</th><th>Calgro 7 – 9 Year Inventory</th></tr>
<tr><td>< R3.5k</td><td>From R195.0k – R223.0k (Government subsidy dependent)</td><td>4.0m</td><td>1.8m</td><td>2.2m</td><td>12.8k</td></tr>
<tr><td>R3.5k – R8.0k</td><td>R223.0k – R262.5k</td><td rowspan="3">3.7m</td><td rowspan="3">1.8m</td><td rowspan="3">1.9m</td><td>14.8k</td></tr>
<tr><td>R8.0k – R15.0k</td><td>R262.5k – R391.3k</td><td>18.8k</td></tr>
<tr><td>R15.0k - R30.0k</td><td>R391.3k – R695.7k</td><td>6.5k</td></tr>
</table>

Calgro began the year with about 9 000 serviced stands either sold or under top-end (home) construction, making it one of the largest home builders in the country. This number of 9 000 is tiny compared to the ocean of demand. These stands are expected to generate around R500.0 million in net income over the next two to three years, compared to Calgro's market capitalisation of under R1.5 billion. This calculation does not include the remaining R24.0 billion worth of projects that are under simultaneous development. Calgro could reasonably triple the value of its pipeline and still only serve 1% of demand. The company set a target of making all three divisions (residential property, REIT and memorial parks) contribute equally to profits in the medium term, which would imply around R600.0 million in net profits, or a two-to-three year forward price to earnings ratio of 3.3x.

Finbond Group Limited ("Finbond")

Finbond is a financial services provider operating in the South African and North American transaction and instalment loans markets. In South Africa the company owns Finbond Mutual Bank with a 415-branch network, while in North America there are 257 stores and an online lending business. Approximately 70% of revenue and 63% of profit is sourced from the United States and Canada, making Finbond an ideal rand hedge. Finbond makes money through quality underwriting to people who need short-term credit and can afford to pay it back. Finbond keeps all loans on their balance sheet and is not in the business of loan origination and sale. The company does not roll or refinance loans. Finbond earned a 9.2% return on assets and 25.8% return on equity in 2018 (by comparison, Capitec earned 5.6% on assets and 25.4% on equity)[14].

Finbond obtained the first banking license to be issued in South Africa in 12 years in 2012. There are only 16 banks in South Africa. Access to low-cost diversified deposits is a structural competitive advantage for the company. In November 2016, Finbond acquired lending businesses in North America which greatly enhanced the earnings power of the company.

In 2013, Finbond's headline earnings per share was 3.1 cents. In 2018, they earned 33.7 cents per share, a compound annual growth rate in headline earnings per share of 61.2%. Headline earnings per share increased over ten times since 2013. Earnings per share for fiscal 2019 is expected to increase between 40% and 60%, but the company's historical price to earnings ratio is just 10x. If Finbond traded at US or South African listed competitors' valuations, the share would be somewhere around 90% to 140% higher.

Finbond is a high quality company with ambitious long-term growth aspirations in global markets, managed by a driven, disciplined and intelligent management team. It is just the sort of company with which we want to be long-term partners.

Trustco Group Holdings Limited ("Trustco")

Trustco is a Namibian company listed on the JSE and Namibian Stock Exchange. It owns:

- assets in Namibia and other emerging markets, including residential and industrial property developments;
- the most profitable insurers in Namibia;
- a growing bank (one of only two domestic banks in Namibia);
- a student lending business; and
- two diamond mining concessions in Namibia and West Africa.

[13] Data in this paragraph is extracted from Statistics South Africa, Calgro M3 2018 Annual Report and internal research.
[14] Per most recent fiscal year.

LETTER FROM THE CEO TO THE SHAREHOLDERS OF CONDUIT CAPITAL (continued)

The company's compound annual growth rate in shareholder equity over the last 25 years is 49.0%.

Trustco is a business where the qualitative aspects of the company are not immediately obvious from the financial statements. An investor needs to do the work to really understand the brilliance of the business model. Part of this is understanding the culture of the company, the motivations and energy of the people who work there, and the way in which they think. For the last few years, Trustco has been voted either the best or second-best company to work for in Namibia (according to Deloitte). There is an energy about the place and a drive to succeed better than any I have come across. The company is dynamic and opportunistic, creative and ambitious, and has created a vehicle with one of the best capital allocation records of which I am aware.

The residential and industrial property developments provide much needed serviced stands to the Namibian market. The Elisenheim residential development is situated on the northern outskirts of Windhoek and consists of 213 hectares of sellable land. Elisenheim is developed in phases and upon completion is estimated to provide housing to 44 000 individuals. The main target markets are young professionals and first time home owners in the medium income group. The Elisenheim Nature Estate consists of an additional 391 hectares of sellable land which will be developed in future. The Farm Herboths residential development, east of Windhoek, is estimated at approximately 1 660 hectares of sellable land for future development. An adjacent development recently sold out at higher prices than expected. Trustco sells serviced stands and not finished properties, and housing price fluctuations have a limited effect on the selling prices of serviced stands.

The Lafrenz industrial development is situated north of Windhoek. The property was originally purchased for N$1 per square metre and is now selling for N$2 250 per square metre[15]. Two portions of the development have been sold to a developer and are being serviced by Trustco Construction. The remaining 173 hectares of sellable land are available for future development. The City of Windhoek recently approved the application for the establishment of an industrial township which unlocked substantial value in this property.

Total land available for sale is currently 2 469 hectares which is expected to generate future sales revenue of N$43.9 billion over the next 15 to 25 years. Trustco is positioned to grow the property division by acquisition. There is a unique synergy opportunity with Trustco Bank and Trustco's insurance businesses to assist with mortgage financing and credit and life insurance products. The product opportunity per customer in Trustco is much higher than at competitors.

In 2016, Trustco invested in a West African diamond mining concession. Late last year, this concession produced the Meya Prosperity Diamond, a 476-carat type IIa stone (at the time the 29th largest diamond ever found), subsequently sold in Antwerp for $16.5 million to Graff Diamonds plus add-ons (nearly 5% of Trustco's market capitalisation at the time). In their 2018 results Trustco announced the preliminary exploration results indicated at least three million carats and at least $1 billion in value for the single Dyke Zone drilled. The segment generated N$275 million in revenue (from zero last year) with a 50% net profit margin due to extremely high geological efficiencies: grades at Meya are running 3 to 5 times higher than the best special gem quality mines in the world such as Karowe and Letseng. Our research indicates there are likely several dykes of this nature in this concession.

On a sum of the parts analysis at year-end, Trustco's market value was far below what we believe to be a conservative intrinsic value estimate. We expect Trustco will continue to compound underlying value at a very decent rate going forward.

Taste Holdings Limited ("Taste")

Taste is the master license owner of the world's largest pizza business, Domino's Pizza, and the world's largest coffee chain, Starbucks, in South Africa and certain other African countries. In February 2018, Tyrone Moodley stepped down from his executive position at Conduit to take up the position of interim CEO of Taste. Tyrone and the new Taste board are working toward improved store level unit economics, refining the capital allocation process and appointing A-grade people to key positions (so far former executives of Burger King and KFC). There are currently 83 Domino's stores in a market that we think has capacity for 400, and 13 Starbucks stores where we think there is capacity for 150. Taste also owns the Arthur Kaplan and NWJ jewellery brands – solid businesses in their own right but not immune to the present economic cycle.

Taste presents a unique opportunity to deploy capital into the long-term, high return on incremental capital rollout of two of the world's leading brands in their categories. This is the earliest "big market" entry opportunity for these brands in the world. Domino's is the number one or two pizza business in 90 countries worldwide, while Starbucks has achieved success in over 30 countries. In most regions the brands took considerable time and investment to adapt and develop. We plan to support the business through this process.

Taste was valued at just R405.0 million at year-end, and only approximately R250.0 million at the time of writing. The market is sceptical about the ability of the brands to compete, which explains the poor performance of the share price. However, this business, backed by powerful brands and far superior international intellectual property, is all about effective execution. We have tested and retested our hypothesis and reached the conclusion that there is no reason why the brands cannot become number one in their categories in Africa, as has been the case all over the world.

[15] *One Namibian dollar is pegged to one South African rand.*

Combined Motor Holdings Limited ("CMH")

CMH is a diversified new and used car dealer across several vehicle brands and is also the owner of the First Car Rental brand in South Africa. CMH has a long history of profitability in the motor vehicle industry. The company operates throughout South Africa from about 50 dealership sites. The First Car Rental brand is the largest South African-owned brand in the market.

The key metric with any car dealership business is the operating margin. CMH has a history of consistently outperforming peers by way of a superior operating margin, which hit a fantastic 4.2% for the year to end February 2018. CMH is able to achieve better efficiencies in its business because it generally holds lower inventory or moves that inventory faster. The business is hugely cash generative, due to an inventory turn that far exceeds their trade payable cycle. The business produced a return on equity of 38.9%, which is an incredible achievement.

Private Investments

Anthony Richards and Associates Proprietary Limited ("ARA")

Conduit owns 40% of ARA, a credit recovery business. The business focuses on credit management and collections for banks, retailers, healthcare providers and micro-lenders throughout South Africa. ARA does not acquire credit books, which allows the company to operate off a low asset base and generate high returns on capital and excellent cash flows. This year, we expect ARA's return on unlevered equity to be around 60% with a pre-tax profit margin of 30%. The dividend received from ARA in the period under review was R8.8 million. Our 40% shareholding, including a shareholder's loan, is valued at R81.2 million (2017: R90.0 million).

Africa Special Opportunities Capital ("ASOC")

Conduit is an investor in ASOC by way of an interest in the General Partner and an investment in ASOC Fund 1 Limited Partnership, launched in 2017. ASOC is a special situations investment management company and the "first-to-market" of its kind. The objective is to capitalise on solvable business problems and reorganise the affairs of the underlying business to unleash its potential and generate a high multiple return over the life of the fund. ASOC has closed three private deals: one in the early education sector, one in the media industry, and another an express courier company. ASOC is led by the team of Shaun Collyer, Richard Ferguson and Paul Birkett – people who are fanatical about what they do, are not afraid to get their hands dirty and can put capital to work.

Century 21 South Africa ("Century 21")

Conduit owns 51% of Century 21, the South African master franchise holder of one of the world's leading brands in real estate brokerage. The balance of the company is owned by management. The Century 21 brand has over 8 000 franchised offices in 80 countries. The system is a superior partner to franchisees with demonstrated success globally. The South African business has 45 offices, giving the brand plenty of room to grow. The brand attracts high quality franchisees that in turn attract structurally higher commissions due to the quality of service, continually updated marketing, administrative technologies and inventory catering to all LSM groups. Sales across the system exceeded R2.0 billion for the year under review, a robust performance in an industry that is seeing lower volumes and values due to poor economic conditions. We are excited to be partners with Harry Nicolaides and his Century 21 team, who are just getting started.

REMUNERATION

With effect from 1 July 2015, the Conduit Remuneration Committee introduced a new remuneration programme for Conduit Executives and CEOs of wholly-owned subsidiaries. There has been no change to this programme since. Each Executive and subsidiary CEO is incentivised over areas which he or she has influence, as well as overall Group performance. In our view, incentive systems should be clear and achievable, but demanding and in the best interests of all stakeholders.

Each Executive or subsidiary CEO is paid a fixed salary. Performance bonuses take the form of a short-term cash bonus (earned annually) and a long-term bonus comprising 50% cash and 50% shares. Performance in terms of the long-term bonus is calculated over three years and shares due (if any) are acquired on the open market (no shares are issued so there is no dilutive effect). The magnitude of the short and long-term bonuses is determined by a multiple of the employee's base salary in accordance with a weighted formula, and is capped.

The key performance metrics (with the relevant weightings in brackets) that determine performance remuneration are illustrated in the table below:

	Short-Term (1 year)	Long-Term (3 year average)
Conduit CEO	Growth in per share NAV (50%), Return on Capital Employed (25%), Return on Equity Investments (25%)	Growth in per share NAV (50%), Return on Capital Employed (20%), Return on Equity Investments (30%)
Other Conduit Executives	Return on Capital Employed (50%), Growth in per share NAV (50%)	Return on Capital Employed (25%), Growth in per share NAV (75%)
Constantia CEO	Combined Ratio (50%), Investable Asset Growth (20%), Insurance Return on Capital Employed (30%)	Combined Ratio (40%), Investable Asset Growth (30%), Insurance Return on Capital Employed (30%)

LETTER FROM THE CEO TO THE SHAREHOLDERS OF CONDUIT CAPITAL (continued)

The base levels at which performance bonuses begin are:

Growth in per share NAV	10%
Return on Capital Employed	15%
Return on Investments	15%
Combined Ratio	95%
Investable Asset Growth	>0%
Insurance Return on Capital Employed	15%

Further detail on the Group's remuneration policy will be contained in the Remuneration Report in the 2018 Integrated Annual Report. Shareholders will be asked to approve, in non-binding advisory votes, both the Group's remuneration policy and its implementation at the forthcoming Annual General Meeting.

RETURN OF CAPITAL

During the year we repurchased 8.2 million Conduit shares at a total cost of R16.3 million. Repurchased shares are held in treasury and are not included in the calculation of earnings or net asset value per share. Share repurchases are considered in terms of our Group-wide capital allocation framework: should our own shares be the most productive use of capital, we will actively look to engage in on-market repurchases. Repurchases have the benefit of increasing intrinsic value per share, but only when acquired below our estimate of intrinsic value.

Conduit has a range of opportunities in which to deploy capital at attractive rates and therefore no dividend has been declared. Given the long-term investment opportunities available to the Group, it is unlikely Conduit will pay dividends in the foreseeable future. Refer to principle 8 of the Conduit Shareholder Manifesto below for further detail.

PROSPECTS

A tremendous amount of effort has been expended to develop Constantia into a medium-size, innovative and responsive insurer. Improvement is evident in all aspects of the business. We are starting to see the benefits of the interventions made and the evolution is in full swing. Constantia is well positioned to achieve its underwriting targets. The management team has put in place the necessary infrastructure and capacity to scale their operation to become the dominant medium-size, highly profitable insurer in South Africa in the next few years.

The public equity portfolio is materially undervalued and is expected to deliver value to our shareholders over time, notwithstanding the poor state of the South African economy. Our focus is always on the long game. In our view, the upside potential in the quality businesses that we own is material, sustainable and exciting.

Our private investments are building value and are mostly in their own early innings. We thoroughly enjoy the opportunity to partner with exceptional entrepreneurs and welcome the opportunity to make similar investments with like-minded partners in the future.

APPRECIATION

The achievements of the year would not have been possible without our most important asset – our people. I sincerely appreciate the considerable effort of every single person associated with our Group. In particular, I acknowledge the unbelievable energy of Constantia CEO, Volker von Widdern, to overcome the myriad challenges of developing Constantia into a powerhouse insurer. My fellow EXCO and Board Members, thank you for your ongoing support. A big thanks also to each of our subsidiary company and investment company CEOs and management teams, who are relentless in their pursuit to create value for their own shareholders, including Conduit.

Finally, the biggest thanks of all to the thousands of men and women working in or directly associated with our Group, whose dedication and hard work remains the driving force of our ultimate success.

Sean Riskowitz
Chief Executive Officer

Johannesburg
16 October 2018

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 to 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 page 1 of the Integrated Report:

1. UNPACKING THE RESULT

The following progress was made during the year:

a. Shareholders' equity increased from R945.2 million on 30 June 2017 to R1.397 billion on 30 June 2018, as reflected in the Consolidated Statements of Financial Position. This represents a 47.8% increase. NAV per share increased 12.8% from 175.5 cents to 198.0 cents.

b. The Consolidated Statements of Profit or Loss and Other Comprehensive Income reflect a net attributable profit amounting to R127.2 million (or 20.0 cents per share) for the year and the headline profit for the same period was R133.5 million, or 21.0 cents per share (refer note 42.2 on page 96 of the Integrated Report).

c. Cash and cash equivalents increased from R208.1 million in 2017 to R340.1 million in 2018.

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

a. Although a rights offer in December 2017 contributed R340.5 million (after expenses) to the overall increase in shareholders' equity, it diluted the NAV per share by 1.1 cents due to the 175 million new shares in issue. Each new share only contributed a net 194.5 cents to equity. We believe that the long-term opportunities to be unlocked by this rights offer will far outweigh the short-term costs.

b. Shareholders' equity at a Group level includes the effect of 8.2 million treasury shares being acquired in the market. The share repurchase had no effect on the NAV per share as at 30 June 2018. We believe repurchasing shares below intrinsic value will have significant benefits for shareholders over time.

c. The R127.2 million attributable profit includes the following:

   i. unrealised investment profits of R351.4 million (refer note 33 on page 90 of the Integrated Report);

   ii. solvency reinsurance[1] cost of R12.4 million. We believe that the Group's statutory capital requirements would have been in excess of R250.0 million higher if it were not for the solvency reinsurance facilities in place. These funds can now be used for investments;

   iii. start-up losses of R21.4 million on new ventures. It is anticipated that the majority of these will turn profitable during the 2019 financial year;

   iv. once-off losses of R52.6 million on books that have either been cancelled, or where corrective action has been successfully implemented;

   v. head office expenses of R26.9 million; and

   vi. a deferred tax provision of R78.5 million, directly attributable to the unrealised investment profit.

   Constantia is yet to achieve its full potential in terms of the capacity the business has established. We expect it will take another year or two before Constantia has fully "grown into its boots". We are confident, however, that Constantia is well on its way to reaching its medium-term objective of becoming the medium size insurer (with approximately R3 billion in premiums) of choice in South Africa.

d. The rights offer provided Conduit with the opportunity to make the following investments that would not have been possible without the cash infusion:

   i. acquisition of investments of R86.2 million;

   ii. acquisition of subsidiaries of R15.3 million; and

   iii. acquisition of and loans to associates of R26.3 million.

   Conduit expected to pay away at least R41.2 million of the remaining R80.7 million in outflows, in line with its policy to invest *now* in staff and systems at Constantia for future growth opportunities. Cash outflows of R39.5 million, that we did not expect, are mainly once-off cash losses in the two non-performing books described in paragraph c.iv. above. These books have since either been cancelled or corrective action successfully implemented.

[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.*

LETTER FROM THE CFO TO THE SHAREHOLDERS OF CONDUIT CAPITAL (continued)

2. WHAT WE HAVE ACHIEVED SO FAR

Table 1 in the CEO's letter shows the progress we have made, since the Group's strategy changed in 2015, in terms of the Group's NAV per share, our most important yardstick. Table 1 below, which is unaudited, summarises a number of other key drivers that we believe illustrates our overall progress. These are key metrics we monitor. Numbers for Jun '15 have been annualised, where applicable:

Table 1

	Jun '18	Jun '17	Jun '16	Jun '15
Total NAV (R'000)	**1 396 565**	945 233	561 800	448 163
Shares in issue	**705 440**	538 630	331 377	256 377
NAV per share (cents)	**198.0**	175.5	169.5	174.8
Gross written premium (R'000)	**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)	**1 273 295**	929 836	767 444	498 797
Cash and cash equivalents (R'000)	**340 061**	208 101	272 473	312 932
Investment portfolio (R'000)	**1 218 255**	833 171	247 275	104 348
Look-through earnings of equity investment portfolio (R'000)	**40 651**	69 953	21 010	6 193

Conduit Capital has increased its earnings potential per share[2] from 357.3 cents in June 2015 to 401.4 cents in June 2018, which translates into a 12.3% increase. Should we exclude cash (with a limited return) from the equation, the increase was 50.1% from 235.3 cents to 353.2 cents over the three years.

The Group could potentially write double the current premium volume on the June 2018 equity base, whereas it had limited growth opportunities with the June 2015 capital structure. We firmly believe we are on the right track to create sustainable wealth for all stakeholders.

3. MORE ABOUT OUR INSURANCE BUSINESS

Medical Malpractice ("MedMal")

Constantia introduced a MedMal product through EthiQal to South African doctors on 1 January 2017. Annualised premium as at 30 June 2018 was in excess of R120.0 million. We believe total demand for the MedMal products that we underwrite to be between R1.0 billion and R1.2 billion per year. Constantia is currently the only South African insurer in this market.

One of the challenges we faced was that historical MedMal claims data is not readily available in South Africa. In order to be conservative, we raised a claims provision equivalent to 80.0% of earned premium, less actual claims, until sufficient scale had been achieved in the book. Constantia then acquired custom built software towards the end of the 2017 financial year from Natmed Medical Defence ("Natmed") to manage the MedMal portfolio. NatMed came with claims history dating back to 2012 that allowed us to model claims for the *Claims made*[3] policies that Constantia writes. Given the lack of *Occurrence* based claims data in South Africa, management opted to use statistics issued by the National Association of Insurance Commissioners (NAIC) in the USA, adjusted for South African legal costs, to model for *Occurrence* claims.

We believe that the current claims provision of R48.3 million in the MedMal book is sufficient, given its current size and the reinsurance structures that we have in place. Given the long-term nature of MedMal claims, the process to model for claims will be refined over time as more information becomes available.

Medical gap cover

Gross premium volumes increased from R166.1 million during the year ended 30 June 2015 to R629.6 million in the current year, making Constantia one of the largest medical gap cover insurers in the country.

The medical gap cover industry in South Africa experienced huge claims pressure during the 2016 and 2017 financial years, with a sharp increase in fraud related claims and medical aids also pushing a lot of their claims expenses onto insurers. Combined ratios during this period averaged 103.4%, before operating expense allocations. Remedial actions implemented since January 2017 has resulted in the average combined ratio (before operating expense allocations) reducing to 97.0% during the 2018 financial year, which translates into a turnaround of approximately R40.3 million. We believe that further work on the claims management side will result in additional savings over time, and expect the book to return to historic combined ratio levels in the medium term.

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

[3] *"Claims made" policies only cover a claim when the policyholder is insured at the time when the claim is lodged. This is compared to "Occurrence" policies that cover the policyholder for claims that are based on a past event that occurred when he/she was a policyholder, regardless of whether he/she is still a policyholder at the time that the claim is lodged. Our book is split by premium about 60/40 in favour of Occurrence.*

Other Health care products

Regarding the remainder of our Health portfolio, the key strategic imperative is to become operationally involved in the product design and distribution of our UMA partners' products with a view to expanding distribution, diversifying product sales in the existing channels and strengthening our position in high growth areas of primary health care, occupational healthcare and group life/disability/funeral related employee benefit solutions.

Claims triangles

Tables 2, 3 and 4 below provide a summary of the Group's short-term insurance claims build-up since 2012. Table 2 summarises claims for the Medical Gap cover, Medical Evacuation, Medical Malpractice and Primary Healthcare books, whereas Table 3 reflects the remainder of the short-term insurance business and Table 4 provides an overall summary.

The following should be noted when analysing the tables:

a. the tables have not been audited or reviewed by the auditors and management takes no responsibility for the accuracy or not of the information reflected therein;
b. each year represented in the tables starts on 1 July and ends on 30 June the following year, even though the Group's financial year-end for the 2012, 2013 and 2014 financial years ended on 31 August;
c. information in the tables would not necessarily be able to be traced back to the claims numbers in note 32 on page 89 of the Integrated Report due to it:
   i. being based on short-term insurance claims only;
   ii. being reflected on a gross basis, i.e. before any reinsurance; and
   iii. excluding any movements in the Incurred But Not Reported ("IBNR") provisions;
d. the tables are provided for illustrative purposes only and should not be relied on for any purpose, as the short-term insurance business, which consist of various lines of business, has changed almost entirely since 2012 and historical movements may have no bearing on current or future results.

Table 2

	Jun '12	Jun '13	Jun '14	Jun '15	Jun '16	Jun '17	Jun '18	Year move
Jun '18	21 874	48 365	73 404	97 108	299 511	314 333	305 897	369 506
Jun '17	21 874	48 365	73 404	97 068	299 515	250 760		314 250
Jun '16	21 874	48 365	73 375	97 017	236 105			254 882
Jun '15	21 874	48 351	73 350	78 279				91 381
Jun '14	21 874	48 330	60 269					69 995
Jun '13	21 868	38 610						45 833
Jun '12	14 645							14 645

Table 3

	Jun '12	Jun '13	Jun '14	Jun '15	Jun '16	Jun '17	Jun '18	Year move
Jun '18	264 360	306 823	176 229	238 698	110 491	290 964	385 379	407 077
Jun '17	263 928	306 745	176 068	237 801	107 336	273 989		297 808
Jun '16	263 859	306 551	175 141	232 841	89 667			125 484
Jun '15	263 684	305 399	169 857	203 635				243 468
Jun '14	262 663	298 617	137 827					185 959
Jun '13	256 699	256 449						293 563
Jun '12	219 585							219 585

Table 4

	Jun '12	Jun '13	Jun '14	Jun '15	Jun '16	Jun '17	Jun '18	Year move
Jun '18	286 234	355 188	249 633	335 806	410 002	605 297	691 276	776 583
Jun '17	285 802	355 110	249 472	334 869	406 851	524 749		612 058
Jun '16	285 733	354 916	248 516	329 858	325 772			380 366
Jun '15	285 558	353 750	243 207	281 914				334 849
Jun '14	284 537	346 947	198 096					255 954
Jun '13	278 567	295 059						339 396
Jun '12	234 230							234 230

LETTER FROM THE CFO TO THE SHAREHOLDERS OF CONDUIT CAPITAL (continued)

4. CAPITAL ALLOCATION BETWEEN SEGMENTS

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:

a. at year-end the balance sheet of Constantia Insurance Company Limited ("CICL") reflected R855.9 million in equity;
b. included in assets were R895.8 million in listed equities, R30.3 million in deferred tax assets and R225.2 million in cash and cash equivalents;
c. included in liabilities is a deferred tax liability of R118.5 million, associated with the listed equities investment above;
d. CICL required very 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;
e. CICL however did require R156.7 million in regulatory capital (adjusted); and
f. deferred tax assets are not admissible from a regulatory viewpoint.

We can therefore deduce:

a. a portion of the capital in CICL should be allocated to both the Investments segment (it holds listed equities investments) and the Insurance and Risk segment (it has insurance operations);
b. should we exclude the deferred tax assets from CICL's capital, it would have R825.6 million in capital, i.e. enough to satisfy the regulatory capital requirement, but it would require the use of the listed equities investments to achieve this;
c. we therefore 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. R777.3 million in capital (R895.8 million per b. above, less the associated deferred tax liability of R118.5 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 remaining R78.6 million of the capital in CICL should be allocated to the Insurance and Risk segment;
b. then, 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 R156.7 million; and
   ii. any capital remaining in the insurer in terms of a.ii. above after having reduced it with the disallowed deferred tax asset, i.e. R48.3 million (R78.6 million – R30.3 million).

On this basis, R723.1 million (R777.3 – ((R156.7 million – R48.3 million) x 50%)) of the R855.9 million in CICL equity is allocated to the Investments segment, while R132.8 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.

5. CONCLUSION

We have made significant progress toward our objectives in the last two 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
16 October 2018

RISK MANAGEMENT

MANAGEMENT APPROACH

Conduit's long-term sustainability depends, amongst others things, on our ability to manage risks, while at the same time capitalising on any opportunities these may present. We have a comprehensive risk strategy in place that is effectively managed at all levels of the business. Our enterprise-wide risk management framework allows us to identify, assess, mitigate and monitor all risks within acceptable parameters. Key aspects of this risk framework and management approach are as follows:

- Strategic and Operational Risk Trees (registers) are in place with a view to ensuring early identification of risks, their primary and secondary causes and highlighting the most effective mitigation measures;
- Risk Trees are reviewed and updated regularly;
- The potential risk impacts of South Africa's current political and economic environment are deeply assessed, particularly from a strategic and investment perspective;
- Ongoing monitoring of operational risks and opportunities at subsidiary level; and
- Comprehensive monitoring of business continuity risks (including resourcing, talent management, succession planning, etc.), fraud (Levels of Authority and internal controls), and the potential for reputational damage.

Conduit has identified the following three strategic risks as a top priority:

1. Erosion of intrinsic value (NAV)
2. Interruption of business continuity in the underlying businesses and investments
3. Corporate governance, regulatory non-compliance and any other matters impacting Conduit's reputation

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

Constantia is an autonomous company with its own board, management and business strategy.

Nevertheless, the management, mitigations and outcomes of Constantia's risks, opportunities and material matters influences 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 risks, in no specific order, are:

- Cybercrime, IT governance and security;
- Corporate governance and regulatory non-compliance with particular focus on Solvency and Assessment Management Regime ("SAM");
- Underwriting margins and managing underperforming portfolios;
- Fraud;
- Meeting or exceeding certain metric hurdles, such as the combined ratio;
- Growth in investable assets (float creation);
- The impact of Constantia's investment portfolio returns on the insurers' capital adequacy and solvency; and
- Recruiting the skills required to actualise our high growth aspirations.

MATERIAL MATTERS

Conduit must respond to material issues to implement our strategy. To this end, Conduit's leadership regularly identifies the economic, environmental and social matters that we believe could most materially impact our planned strategic objectives. High-level material matters are summarised below:

	Matter	Response
Capital	Sources to support high growth aspirations over the long-term	• Always finding ways to secure capital • Allocate capital (equity, debt and combined ratio below 100%)
People	Recruit the right talent, culture and environment for people to thrive – reward and retain	• New office environment • Culture, culture, culture! • Incentives
Technology	Infrastructure investment, managing "big data" and insuretec disruption	• Short- to medium-term for technology development • Capital set aside for investment into new technology opportunity
Performance	Service, new niche products, return metrics to be achieved and scale to deliver returns Impact of investment portfolio returns on the insurers' capital adequacy and solvency	• Invested and sufficiently capitalised to achieve growth and profitability targets for the next 12 to 18 months • Matters relating to the insurers' capital adequacy requirement and solvency is monitored by the relevant Exco, reported to the Board and ultimately the regulator

CREATING SUSTAINABLE VALUE

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.

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.

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

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.

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.

OUR VALUE CREATION PROCESS

Conduit strives to deliver value across the six key capitals that have been identified as primary resources within any entity that it can, and should, leverage in order to create value for its stakeholders. While integrated reporting is not strictly required to align with these six capitals or resources, they offer a good framework on which to demonstrate the various ways in which Conduit is meeting its commitment to deliver stakeholder value. That said, the fact that Conduit's activities are mainly focused on insurance and investments which means that some of the capitals are more heavily weighted than others.

CORE ACTIVITIES	OUTCOMES
Strategic support and capital allocation to grow insurance and investments Invest in and support insurance opportunities Generate sustainable premium growth and underwriting profits Underwriting profits create capital to invest into non-insurance opportunities Non-insurance opportunities create additional value Larger capital base	• Positive return on capital employed • Growth in Net Asset Value per share • Investment returns • Growth in investable assets • Combined ratio of less than 100% Refer to the Leadership Messages on pages 10 to 23
	• 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

SUPPORTING ACTIVITIES

- **Guiding strategy**
- **Allocating capital**
- **Mitigating risk**
- **Ethical leadership and corporate governance**
- **Group corporate services, finance and treasury**

- Sustainable business growth
- A well-run organisation with few obstacles to operational efficiency
- 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

Refer to the Stakeholder: Analysis and Engagement table on page 28

- Requisite expertise
- Effective internal controls and efficient processes
- Effective risk mitigation
- Industry and peer respect
- Shareholder trust
- Strong support of subsidiary businesses

STAKEHOLDERS: ANALYSIS AND ENGAGEMENT

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 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 net asset value per share • Share price, return on capital, profitability • Management • Business risk and culture • Compliance, 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 • Workshops and training • 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 drives behaviours and equates 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 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)

STAKEHOLDERS: ANALYSIS AND ENGAGEMENT (continued)

Stakeholder group	Primary methods of 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

Stakeholder group	Primary methods of engagement	Material issues raised	Conduit's response
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 • Code of conduct of ASSISA for long-term insurers	• Board representation on certain industry bodies • Proactive engagements with regulators
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 on-going review • 3rd 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 (CSR INVESTMENT)

Conduit, in association with Constantia, supported the following organisations in 2018:

Afrika Tikkun Developing Communities in South Africa	we adopted and continue to support a classroom at the Uthando Centre in Braamfontein
SAIA	financial contribution to their consumer education fund
CHAYIL foundation reaching out to bring change	we contributed to the building of a new classroom in the day care centre
Institute for Sustainable Risk Management	we pay the monthly scholarship fees for 880 students to study at the Institute's learning centre.

Whilst Conduit historically supported initiatives, in conjunction with Constantia, Conduit has now established a Transformation Committee with a view to, amongst other matters, identifying initiatives which Conduit will support directly. Conduit's transformation strategy is explained in more detail in the Corporate Governance Statement on page 42 of the integrated report.

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, 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

Recognising the need to conduct the affairs of Conduit Capital with integrity and in compliance with the King Report on Corporate Governance for South Africa 2016 (“King IV™”), the directors seek to ensure that Conduit Capital adopts a balanced approach to effective corporate governance and are committed to ensuring that the principles and best practice recommendations that are applicable to Conduit Capital are implemented and complied with.

GOVERNANCE FRAMEWORK/APPROACH

The Board recognises that the Companies’ operations have an impact on the society in which it conducts its affairs and is therefore accountable to shareholders and other stakeholders. 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. In this regard, the Board strives to apply its recommended practices of the King Codes in a manner that is appropriate for the organisation and the sector in which it operates. Mindful application of the recommended practices connects the benefits of corporate governance in the interests of the organisation.

The JSE has amended section 3.84 of the Listings Requirements relating to certain governance practices extracted from King IV™, which are mandatory for listed companies to comply with and additionally these mandatory governance practices relate to all documents (circulars and annual reports) submitted to the JSE on or after 1 October 2017, and consequently these governance practices apply to this integrated report.

Conduit Capital is satisfied that the requirements of the Companies Act, the JSE Listings Requirements and all other relevant legislation, regulation, accepted standards and/or codes that are integral to Conduit Capital’s operations have been complied with. Compliance with the broader legislative and regulatory environment is a matter that is kept under review and monitored on an ongoing basis. Conduit Capital is pleased to confirm that there have been no instances of material non-compliance over the course of the year under review. The Board is please to confirm that there have been no regulatory fines levied or legal proceedings instituted against the Company during the year under review.

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.

Board Experience

Ronald Stuart Napier (82)

Independent chairman and non-executive director

BA LLB, MA (Oxford)

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 a MA (Oxon) degree.

Sean Michael Riskowitz (33)

Chief executive officer

B Com (Wits)

Sean is a founder of Midbrook Lane Proprietary Limited, a private investment company. He is also the founder and Managing Member of Riskowitz Capital Management LLC (the General Partner of the Riskowitz Value Fund LP) and the Managing Member of Protea Asset Management LLC, an investment management business, both of which entities are incorporated in the United States of America. Sean has over a decade of formal investment industry experience. Sean holds a BCom (Fin) degree from the University of the Witwatersrand (WITS). Sean became the Chief Executive Officer of Conduit Capital in July 2015.

Leo Chih Hao Chou (37)

Non-executive director

B Com (UNISA)

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.

Lourens Erasmus Louw (48)

Chief financial officer

B Com (Stell)

Lourens studied at the University of Stellenbosch, after which he moved to Johannesburg and qualified as a member of the SA Institute of Stockbrokers. In 1996 Lourens was appointed Financial Director and Compliance Officer of the stock broking firm Irish & Menell Rosenberg (Pty) Ltd and its successors in the Appleton Group. He remained with Appleton until June 2003 when he joined Conduit Capital. Lourens became the Chief Financial Officer of Conduit Capital in October 2004.

Jabulani Mahlangu (51)

Independent non-executive director

B Com (Accounting), B Compt (Hons), CTA, CA (SA)

Jabu completed his articles with PwC in 1996. He joined the Offices for Serious Economic Offences in 1998 as a Forensic Accountant and in 2000 returned to PwC where he was admitted as a partner in 2002 and thereafter appointed as head of the PwC Forensic Services practice in Gauteng. Jabu founded Ligwa Advisory Services in 2010 and has a diverse client base. He has performed audit and forensic related assignments internationally and in addition carried out various statutory appointments. Jabu was also appointed as Inspector of Companies in terms of the Companies Act, 61 of 1973, Curator in terms of the Financial Services Board Act, 97 of 1990, *curator bonis* in terms of the Prevention of Organised Crime Act, 121 of 1998 and Inspector in terms of the Medical Schemes Act 131 of 1998. Jabu holds a B.Com (Acc), B.Compt (Hons) and CTA, CA (SA) degree.

Adrian John Maizey (44)

Non-executive director

BBA (Accounting), MBA (Harvard), CPA (USA)

Adrian is a partner at Protea Asset Management LLC ("Protea"). He has extensive experience in managing investment firms focused on controlling ownership stakes in both private and public companies. Before joining Protea, Adrian was Chief Operating Officer and Chief Compliance Officer of Leonard Green & Partners, LP, a Los Angeles based private equity firm. Prior to that, Adrian was a partner at Redbird Capital Partners LLC, a New York City based private equity firm. Adrian also formerly held the positions of Chief Financial Officer and Chief Compliance Officer of ESL Investments, Inc., a well-known value investment fund. Adrian was the CEO and founder of Rand Group, LLC which provided advisory services to investment firms and high net worth family offices. Adrian was Chief Financial Officer of Motherrock LP, an energy derivatives hedge fund. Adrian spent a decade with Deloitte & Touche LLP ("Deloitte") serving primarily the investment management and energy derivatives industries as a management consultant. Adrian holds an MBA from Harvard Business School (2003) and a Bachelor of Business Administration degree with distinction in Accounting from the University of Nebraska (1996). He is a Certified Public Accountant and a non-executive director of Conduit Capital and Taste Holdings Limited.

CORPORATE GOVERNANCE STATEMENT (continued)

William N Thorndike Jr. (54)

Independent non-executive director

MBA (Stanford)

Will founded Housatonic Partners in Boston, a leading middle market private equity firm with offices in Boston and San Francisco in 1994, 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.

Ntambose Rosetta Xaba (53)

Independent non-executive director

B Compt (Hons) (UNISA), CA (SA) (KZN)

Rosetta Xaba is a chartered accountant, having obtained her BCompt from UNISA and the 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 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.

EXECUTIVE TEAM (EXCO)

The Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer constitute the Executive Team of Conduit Capital. The Executive Team is collectively responsible for 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

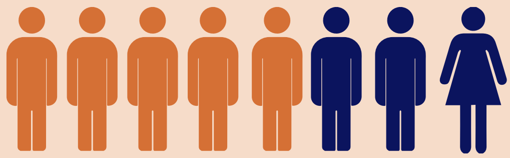
Gavin Toet
Chief operating officer

BOARD COMPOSITION IN TERMS OF GENDER AND RACE DIVERSITY

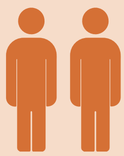
The King IV™ emphasises the need for the board to comprise the appropriate balance of knowledge, skill, experience, race, diversity and independence for it to discharge responsibilities objectively and effectively. A diverse board better understands its stakeholders and the environment that the business operates in. 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.

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

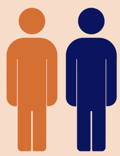
8
Members of the Board
(2 black males and 1 black female)



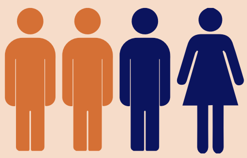
2
Executive directors



2
Non-executive directors (1 black male)



4
Independent non-executive directors
(1 black male and 1 black female)



CORPORATE GOVERNANCE STATEMENT (continued)

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 Structure

Board

Audit and Risk | Remuneration | Nominations | Umbrella Investment | Social and Ethics

Board Charter

The Board Charter has been adopted to assist the Board and its committees in exercising their responsibilities. The Board assumes 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 takes responsibility 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 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 combined context of the economy, society and environment in which the Company operates as well as the capitals which it uses and affects;
- 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(s), 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 and the Group are 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;
- Identify and monitor 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 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 chooses 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 the ultimate responsibility lies with the Board itself.

Delegations 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;
- Umbrella Investment Committee; and
- Social and Ethics Committee.

Audit and Risk Committee

The Audit and Risk Committee consists of three independent non-executive directors. The Committee met three times during the period under review, with executive management and the auditors so as to review accounting, auditing, risk management, internal audit and financial reporting matters in order to ensure that an effective control environment is maintained by the Company. The Committee members as at year-end were Jabulani Mahlangu (Chairman), Rosetta Xaba and Ronald Napier.

The Committee also 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 cooperation 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 46 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 ensuring 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 have been appointed as internal auditors for the period 1 July 2018 to 30 June 2020. The insurance operations have their own internal audit department and reports of the findings of the internal audit procedures in place are made to the Chairman of the Audit and Risk Committee.

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.

CORPORATE GOVERNANCE STATEMENT (continued)

The controls throughout the Company concentrate on critical risks, and these areas are closely monitored. Reviews and reporting structures enhance the control environment. No matters have come to the attention of the Board that indicate that there has been a material breakdown in the controls within the Company during the period under review.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive directors. The Committee met once during the period under review, with the executive management attending by invitation. The Committee members as at year-end were Jabulani Mahlangu (Chairman), Rosetta Xaba and Ronald Napier.

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 executive management have service contracts in place, the salient details of which are disclosed on page 49 of the integrated report.

Details regarding the directors' remuneration have been provided on pages 48 to 50 of the integrated report, which includes the remuneration policy and the remuneration implementation report.

Nomination Committee

The Nomination Committee consists of three independent non-executive directors. The Committee met once during the period under review, with the executive management attending by invitation. The Committee members as at year-end were Ronald Napier (Chairman), Jabulani Mahlangu and William N Thorndike (Jr). William N Thorndike (Jr) replaced David Harpur as member of the 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.

Umbrella Investment Committee

The Umbrella Investment Committee consists of executive and non-executive directors. The Committee met three times during the period under review, with the remainder of the board and executive management attending by invitation. The Committee members as at year-end were Adrian Maizey (Chairman), Sean Riskowitz, Leo Chou and William N Thorndike (Jr).

The Investment Committee's main responsibilities include to consider, review and make 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 oversee the implementation of the Group's approved capital allocation strategy and ensure that restrictions imposed by statutory bodies are conformed with.

Social and Ethics Committee

The Social and Ethics Committee consists of two independent non-executive directors and one member of the executive management team. The Committee met once during the period under review, with the board and executive management attending by invitation. The Committee members at year-end were Rosetta Xaba (Chairperson), Ronald Napier and Gavin Toet.

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 an action plan 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	Nomination	Investment	Social and Ethics
Number of meetings held	4	3	1	1	3	1
Attendance by:						
Independent non-executives						
Ronald Napier	4	2	1	1	–	1
Jabulani Mahlangu	4	3	1	1	–	–
William Thorndike Jr.	3	–	–	–	1	–
Rosetta Xaba	4	3	1	–	–	1
David Harpur[1]	1	1	–	1	–	–
Barry Scott[1]	1	–	–	–	1	–
Non-executives						
Leo Chou	3	–	–	–	2	–
Adrian Maizey	4	–	–	–	3	–
Executives						
Sean Riskowitz	4	–	–	–	3	–
Lourens Louw	4	–	–	–	–	–
Tyrone Moodley[1]	1	–	–	–	–	–
Gavin Toet[1]	1	–	–	–	–	1

[1] *David Harpur, Barry Scott, Tyrone Moodley and Gavin Toet resigned from the Board with effect from 9 October 2017.*

Appraisal process and annual training

The Board is committed to formally evaluating its performance, the performance of its Committees and individual directors, as well as the governance processes supporting the Board. The Board does this through an annual appraisal process. The assessments are conducted in June of each year. Individual discussions between the Chairman and each director were conducted, with individual directors raising areas for improvement or of concern, as part of Conduit Capital's ongoing corporate governance practices. The results of the appraisals indicated that, overall, the Board and its Committees are functioning effectively, but there were some areas in which improvement was required.

All Directors are offered ongoing professional development and training opportunities to enable them to develop and maintain 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 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 to the 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 Nominations 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 ensures that these targets are achieved.

CORPORATE GOVERNANCE STATEMENT (continued)

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™, other relevant legislation and regulation, and in accordance with the direction given 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 is appointed – and, if necessary, dismissed – by the Board, and 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 and act as a chief link between management and 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 maintained and protected, and not unnecessarily placed at risk and also ensuring that comprehensive and appropriate internal control mechanisms are recommended to, and adopted by, the Board in order to mitigate against key 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 commonly accepted good business practice, 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 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 the Company Secretary, which is outsourced to 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 competence and effectiveness of the Company Secretary, as required by the JSE Listings Requirements.

RISK MANAGEMENT

The Board directly is responsible for the governance of risk, and ensuring that the Company's strategy takes account of the risks and opportunities the Company may be exposed to. The Board must set and approve the risk profile, risk appetite and tolerance levels.

To support the Board in ensuring effective risk management oversight, the Board Committees are responsible for assisting with the effective monitoring of risks, in compliance with the Company's risk management framework, risk policy and risk profile, with the ambit of the Board Committee's scope.

Our approach to risk is mandated at the highest level through the Risk Management Policy and associated minimum requirements, with which our operating companies are required to comply. The Audit and Risk Committee assists the Board in fulfilling its governance and oversight responsibilities in relation to financial statements, financial controls and enterprise risk. Under its terms of reference, the Audit and Risk Committee is required to review the Risk Framework at least annually. A formal review was completed in 2018 and was considered by the Audit and Risk Committee. In addition, throughout 2018, the Audit and Risk Committee assessed risk management performance through the monitoring of key business risks and review of quarterly risk reports. Our key economic, environmental and social sustainability risks, together with our approach to managing those risks, is outlined on page 24 of the integrated report.

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.

A voluntary target has been set and has been achieved as follows:

	Targets	Actual
Race	20%	37.5%
Gender	10%	12.5%

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 regards 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 the 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 determined that all appointments made in respect of vacancies that arise will, insofar as a suitable candidate is identified and available, be filled by the calibre required by the Company, and serve to meet the gender and race diversity targets. The Board is committed to achieving transformation in a measured and effective manner.

Stakeholder relationships

Conduit Capital endeavours to communicate with shareholders and other stakeholders in an open, regular 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

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

Transformation (Broad-Based Black Economic Empowerment ("B-BBEE"))

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, especially relating to black people, women and disabled people, who have historically been the most disadvantaged groups.

CORPORATE GOVERNANCE STATEMENT (continued)

Conduit Capital's transformation strategy will be implemented in phases, starting with ownership as this is an area identified as requiring support in our subsidiaries (all of whom have their own ratings and transformation strategies). Being a holding company, we will continue to seek to transform, having regard to the limitations which may exist. Conduit Capital appointed Empowerdex Proprietary Limited as verification agency and the independent verification based only on our ownership level has been completed.

Conduit Capital has established a B-BBEE Transformation Committee to ensure transformation remains a priority for the Group and the transformation is successfully implemented. The Committee reports to the Social and Ethics Committee, to further develop the transformation strategy to build upon that which has been achieved in terms of our strategy. The Conduit Capital scorecard and certificate 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 of Conduit Capital Limited ("the Board") accepts responsibility for the integrity, objectivity and reliability of the Group and Company Financial Statements of Conduit Capital. The directors are required in terms of the Companies Act of South Africa to ensure that adequate accounting records are maintained.

The responsibility of the external auditors is to express an independent opinion on the fair presentation of the Financial Statements based on their audit of Conduit Capital and its subsidiaries.

The Board has confirmed that adequate internal financial control systems are being maintained. There were no material breakdowns in the function of the internal financial control systems during the period. The Board is satisfied that the Financial Statements fairly present the financial position, the financial performance and cash flows in accordance with relevant accounting policies consistently applied and supported by judgements and estimates that are reasonable in the circumstances, based on IFRS.

The directors' responsibilities also include maintaining an effective system of risk management.

The directors have made an assessment of the Group and Company's ability to continue as a going concern for the year ended 30 June 2018 and there is no reason to believe that the Group and Company will not be a going concern in the year ahead.

The external auditors are responsible for independently auditing and reporting on the Group and Company's Financial Statements. The Financial Statements have been examined by the Group's external auditors and their report is presented on page 51.

The Financial Statements set out on pages 56 to 112, which have been prepared on the going concern basis, and the directors' report as set out on pages 54 and 55, were approved by the Board on 16 October 2018 and were signed on its behalf by:

S Riskowitz
Chief Executive Officer

L E Louw
Chief Financial Officer

Johannesburg
16 October 2018

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 filed 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
16 October 2018

REPORT OF THE AUDIT AND RISK COMMITTEE

This report is issued to the shareholders of the Company pursuant to the Audit and Risk Committee's duty to report in terms of s94(7)(f) of the Companies Act.

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 also 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 2018, the Audit and Risk Committee comprised three independent non-executive directors, namely Mr Jabulani Mahlangu (Chairman), Mr Ronald Napier and Ms Rosetta Xaba. The qualifications and a brief CV of the members of the Committee appear on pages 33 to 35 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 enjoy unrestricted access to the Audit and Risk Committee and its Chairman and, during the year, time was allotted for the Committee and the external audit representatives to meet without the 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 40 of the integrated report.

STATUTORY RESPONSIBILITIES

In fulfilment of its statutory duties, the Audit and Risk Committee, during the period under review, amongst other matters:

1. assessed the performance of the external auditors, Grant Thornton, 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. 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 (no such matters were, however, referred to the Committee);
6. nominated Grant Thornton for re-appointment by the shareholders at the annual general meeting as the Company's external auditors for the 2019 financial year; and
7. 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.

OTHER RESPONSIBILITIES

In addition to its statutory responsibilities, the Audit and Risk Committee has executed its duties 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 approve the half-yearly financial results and the Financial Statements of the Company and the Group 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 adequately experienced and qualified; and
7. satisfying itself with the experience, qualifications and independence of the Company Secretary, and confirming that an arms-length relationship is maintained with the Board.

Jabulani Mahlangu
Audit and Risk Committee Chairman

Johannesburg
16 October 2018

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

This report is issued to the Shareholders of the Company pursuant to the Social and Ethics Committee's responsibilities as set out in section 72 of the Companies Act and in line with the recommendations included in King IV™.

ROLE AND MANDATE OF THE SOCIAL AND ETHICS COMMITTEE

The Committee's responsibilities cover the Company and its mandate, as set out in its terms of reference, which is aligned with the Committee's statutory responsibilities as set out in the Companies Act. The Committee's specific duties and main areas of focus are:

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.

FREQUENCY OF MEETINGS

The Social and Ethics Committee held one meeting during the year.

Members attended the meeting of the committee during the year, as set out on page 40 of the intgrated report.

STATUTORY RESPONSIBILITIES

In fulfilment of its statutory duties, the Social and Ethics Committee, during the period under review, amongst 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 open and honest communication with our stakeholders whilst maintaining confidentiality;
4. Fostered employee relationships based on respect;
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 with 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, all policies were reviewed and 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
Social and Ethics Committee Chairperson

Johannesburg
16 October 2018

REMUNERATION REPORT

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.

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 a achieving and long-term equity compensation. Conduit seeks owner managers with a vested interest in the success of the Group over the long-term.

Objectives

The Remuneration Policy has the following primary objectives:

1. To provide flexible and competitive remuneration structures that:
   a. are referenced to appropriate market benchmarks;
   b. conform to market best practices; and
   c. are tailored to specific circumstances within the Group in order to attract, motivate and retain highly skilled directors, executives and employees.
2. For remuneration to be fair and appropriate, having regard to 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 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:
   a. 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
   b. the payment of the major part of an incentive, irrespective of the form in which it is to be paid, contains a flexible deferred component that considers the nature and time horizon of the Group's 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 the Remuneration Committee ("Remco") in the determination of remuneration paid to Group 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:

i. Return on Capital Employed for the Group as well as for the Insurance and Risk division;
ii. Growth in Net Asset Value per share;
iii. Investment returns as it relates to investments in equities;
iv. The combined ratio ((claims + expenses) ÷ premium) as it relates to the Insurance and Risk division; and
v. 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 Group is 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. Please refer to the CEO Letter on page 10 for further detail.

REMUNERATION REPORT (continued)

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 recommendations 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 designs and measures, or at least has input in the remuneration structure of all Conduit employees and the heads of the wholly or majority owned subsidiaries. Compensation/remuneration at subsidiary level is delegated to the management and/or 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 pay-out in any one year, but no minimum. Remco retains the authority to pay discretionary bonuses to executives under appropriate circumstances.

3. Long-term incentive

A 50% cash and 50% equity bonus based on performance metrics that will ultimately be calculated on a three-year rolling basis (the incentives for 2017 and 2018 will be calculated based on an annual and two-year rolling basis, respectively). Shares will be purchased on market by the company to fulfil its obligation. There is a maximum pay-out 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.

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 to 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 annual general meeting.

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 38 on pages 92 and 93 of the integrated report.
2. Details of directors' shareholding in Conduit and their interest in share options are contained in note 46 on page 110 of the integrated report.

In terms of the 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 therefor and undertakes to take account of recommendations in terms of the feedback received.

INDEPENDENT AUDITOR'S REPORT

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 56 to 112, which comprise the consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the 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 the Group as at 30 June 2018, 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 the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B). 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.

The following key audit matters relate to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contracts	
We considered the valuation of insurance contract assets and liabilities to be of significance to the Group. Specifically, actuarial assumptions and methodologies entails judgements about future events. In addition, judgement is required in estimating the Incurred But Not Reported ("IBNR") reserves in respect of claims not yet reported to be settled. Management has engaged with external actuaries in calculating the policy holder liabilities and IBNR reserves. Refer to policyholder liabilities under the accounting policy note 4.2.7 and note 23 of the group financial statements. Due to the complexities over the calculation of the IBNR and policyholder liabilities, this has been considered a key audit matter.	Our audit procedures included amongst others: • With the assistance of our actuarial experts, assessed the valuation methodology and management's assumptions for compliance with SAP 104, prior year methodology, legislation and company accounting policy. • Assessed the competence, capabilities and objectivity of the external actuaries who perform the valuation of insurance contracts, and verified their qualifications, experience and professional reputation. • Assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large and unusual movements. • Reviewed the Analysis of Surplus to understand the components of movements between last year and this year. • On a sample basis, tested the data integrity in the policyholder database to source documents. • Performed test checks on the reconciliations of the bordereaux reports to the general ledger. • Performed procedures over Capital Adequacy Requirements (CAR) calculations to ensure compliance with the relevant legislation. • Assessed the adequacy of the disclosure of the IBNR and policy holder liabilities.

Key audit matter	How our audit addressed the key audit matter
Deferred tax asset	
Included in deferred tax assets are assets of R30.5 million recognised in Constantia Insurance Company Limited for the carry forward of unused tax losses. This asset was recognised in the previous financial year. The directors have prepared the company's financial forecasts and have recognised a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilised. Refer to Deferred Tax note 18 of the group financial statements. Due to the degree of management judgement over the value of the deferred tax asset raised, this has been considered a key audit matter.	Our audit procedures included amongst others: • Reviewed the budgeted forecast, cash flows and assumptions used to ensure there was adequate support for the assumptions underlying the forecast. • Compared the financial forecasts against historical performance to evaluate the reliability of the data used. • Assessed the adequacy of the disclosures in the annual financial statements.
Assessment of carrying value of goodwill	
Included in intangible assets is goodwill amounting to R39.5 million which relates predominantly to the insurance business. On an annual basis, the directors prepare a goodwill valuation to determine if any impairment is required. Refer to Intangible Assets note 16 of the group financial statements. 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.	Our audit procedures included amongst others: • With the assistance of our valuation expert reviewed the budgeted forecast, cash flows and assumptions used to ensure there was adequate support for the assumptions underlying the forecast. • Compared the financial forecasts against historical performance to evaluate the reliability of the data used. • Reperformed the calculations in the impairment models and performed sensitivity analysis to determine the impact thereon should the key assumptions materialise. • Assessed the adequacy of the disclosures in the annual financial statements.

Other Information

The directors are responsible for the other information. The other information included in the integrated report, 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. 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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, related safeguards.

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 Grant Thornton has been the auditor of Conduit Capital Limited and its subsidiaries for 18 years.

Grant Thornton

GRANT THORNTON
Registered Auditors
Practice Number: 903485E

S Ho
Registered Auditor
Chartered Accountant (SA)

16 October 2018

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 30 June 2018.

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 million ordinary shares with no par value (2017: 1 500 million ordinary shares with no par value).

On 8 December 2017, 175 000 000 (2017: Nil) ordinary shares with no par value were issued by way of a rights offer for a total consideration of R350.00 million.

During the year the Group also acquired 8 189 497 (2017: 50 811 110) of its own shares, which are currently being held as treasury shares by subsidiary companies, at an average consideration of 199.52 (2017: 251.74) cents per share.

There were no other changes to the issued share capital or treasury shares during the reporting period.

Please refer to notes 26 and 42.3 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 R12.76 million (2017: R66.32 million);
2. listed investments held at fair value through profit and loss, to the value of approximately R68.11 million (2017: R130.60 million);
3. unlisted investments to the value of approximately R18.13 million (2017: R30.92 million);
4. an investment in various associate companies to the value of approximately R8.44 million (2017: R2 500);
5. investments in subsidiaries to the value of approximately R15.43 million (2017: R0.43 million).

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 R51.77 million were disposed of (2017: R182.83 million);
2. trade debtors and loans of R6.64 million were impaired and written off through profit and loss (2017: R3.34 million). No previous period impairments were reversed through profit and loss (2017: Nil); and
3. associate companies were impaired by a net R8.28 million (2017: R18.16 million).

SUBSEQUENT EVENTS

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' REPORT (continued)

DIRECTORS AND OFFICERS

The following persons acted as directors during the financial year:

Name					Appointed	Resigned
Chou, Leo			**		9 October 2017	
Harpur, David		#	*	R	31 March 2015	9 October 2017
Louw, Lourens	*(Chief Financial Officer)*				25 August 2004	
Mahlangu, Jabulani		#	*	R	31 March 2015	
Maizey, Adrian			**		20 February 2017	
Moodley, Tyrone					19 May 2015	9 October 2017
Napier, Ronald	*(Chairman)*	#	*	R	31 March 2015	
Riskowitz, Sean	*(Chief Executive Officer)*				31 March 2015	
Scott, Barry			*		19 May 2015	9 October 2017
Thorndike, William			*		9 October 2017	
Toet, Gavin					8 September 2009	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 P O Box 61051, Marshalltown, 2107.

DIRECTORS' SHAREHOLDING

As at 30 June 2018, certain directors beneficially owned 190.11 million (2017: 23.08 million) ordinary shares in Conduit Capital. The directors held no rights to share options (2017: Nil). Full details of these holdings are disclosed in note 46 to the Financial Statements.

DIRECTORS' INTEREST IN CONTRACTS

Other than their letters of employment with the Company and the information disclosed in notes 46 and 47, 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 2018 and 30 June 2017, the Company's borrowings totalled as follows:

	2018 **R'000**	2017 R'000
Borrowings from other Group companies	**3 499**	3 375

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 (2017: Nil).

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee's report appears on page 46 of this integrated report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		GROUP			COMPANY		
	Notes	30 June 2018 R'000	Restated 30 June 2017 R'000	Restated 30 June 2016 R'000	30 June 2018 R'000	Restated 30 June 2017 R'000	Restated 30 June 2016 R'000
ASSETS							
Non-current assets		**1 512 591**	1 079 686	437 345	**1 153 139**	1 002 023	302 304
Property, plant and equipment	15	**16 746**	14 331	10 787	**–**	–	110
Intangible assets	16	**122 878**	93 701	37 226	**–**	–	–
Loans receivable	17	**–**	4 249	16 783	**–**	–	–
Deferred taxation	18	**34 413**	37 276	10 790	**–**	–	–
Investment properties	19	**3 360**	4 431	4 351	**–**	–	–
Investment in associates	20 & 35	**116 941**	92 527	110 133	**15 568**	24 371	11 571
Investment in subsidiaries	21	**–**	–	–	**1 137 571**	977 652	290 623
Investments held at fair value	22	**1 218 253**	833 171	247 275	**–**	–	–
Current assets		**892 726**	715 450	741 905	**20 561**	8 976	38 023
Insurance assets	23	**278 484**	265 001	267 108	**–**	–	–
Loans receivable	17	**6 330**	14 299	2 365	**–**	–	10
Investments held at fair value	22	**2**	–	–	**–**	–	–
Insurance, trade and other receivables	24	**263 079**	222 427	182 535	**1 401**	1 276	492
Taxation		**4 741**	5 622	17 424	**–**	–	–
Cash and cash equivalents	25	**340 090**	208 101	272 473	**19 160**	7 700	37 521
Total assets		**2 405 317**	1 795 136	1 179 250	**1 173 700**	1 010 999	340 327
EQUITY AND LIABILITIES							
Capital and reserves		**1 407 001**	945 543	562 146	**1 169 365**	1 006 321	336 274
Stated capital	26	**1 170 713**	846 603	3 314	**1 339 250**	998 800	3 314
Share premium		**–**	–	319 881	**–**	–	344 167
Retained income (accumulated losses)		**225 852**	98 630	238 605	**(169 885)**	7 521	(11 207)
Equity attributable to owners of the parent		**1 396 565**	945 233	561 800	**1 169 365**	1 006 321	336 274
Non-controlling interest		**10 436**	310	346	**–**	–	–
Non-current liabilities		**235 282**	155 147	52 883	**3 367**	3 228	3 065
Policyholder liabilities under insurance contracts	28	**37 200**	29 384	25 987	**–**	–	–
Interest-bearing borrowings	29	**304**	–	–	**3 367**	3 228	3 065
Deferred taxation	18	**197 778**	125 763	26 896	**–**	–	–
Current liabilities		**763 034**	694 446	564 221	**968**	1 450	988
Insurance liabilities	23	**440 135**	365 562	306 447	**–**	–	–
Interest-bearing borrowings	29	**307**	–	–	**–**	–	–
Loans payable	44.4	**–**	–	–	**132**	147	162
Insurance, trade and other payables	30	**317 909**	327 366	251 744	**836**	1 303	826
Taxation		**4 654**	1 518	6 030	**–**	–	–
Bank overdraft	25	**29**	–	–	**–**	–	–
Total equity and liabilities		**2 405 317**	1 795 136	1 179 250	**1 173 700**	1 010 999	340 327
Net asset value per share (cents)		**198.0**	175.5	169.5			
Tangible net asset value per share (cents)		**180.6**	158.1	158.3			

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	GROUP 30 June 2018 R'000	GROUP Restated 30 June 2017 R'000	COMPANY 30 June 2018 R'000	COMPANY 30 June 2017 R'000
Gross written premium	31.1	1 536 885	1 069 794	–	–
Reinsurance premium		(1 144 341)	(687 890)	–	–
Net written premium		392 544	381 904	–	–
Net change in provision for unearned premium		(716)	(13 862)	–	–
Net insurance income		391 828	368 042	–	–
Reinsurance commission received		532 035	353 965	–	–
Other income	31.2	53 440	28 826	–	–
Income from insurance operations		977 303	750 833	–	–
Total insurance expenses		(1 118 381)	(885 182)	–	–
Net claims and movement in claims reserves	32	(245 919)	(229 805)	–	–
Insurance contract acquisition costs		(257 035)	(179 807)	–	–
Administration and marketing expenses		(604 854)	(469 145)	–	–
Other expenses	34.1	(10 573)	(6 425)	–	–
Net underwriting loss		(141 078)	(134 349)	–	–
Net non-insurance income (expenses)		345 098	23 356	(3 339)	22 419
Investment income	33	368 843	40 550	2 273	26 872
Other income	31.2	7 359	310	651	310
Administration and marketing expenses		(30 912)	(17 492)	(6 263)	(4 755)
Other expenses	34.2	(192)	(12)	–	(8)
Operating profit (loss)		204 020	(110 993)	(3 339)	22 419
Finance charges	36	(1 143)	(577)	(171)	–
Equity accounted income	20	6 619	8 997	–	–
Other expenses and losses	34.3	(8 191)	(65 683)	(173 896)	(3 691)
Profit (loss) before taxation	37	201 305	(168 256)	(177 406)	18 728
Taxation	40	(73 831)	28 245	–	–
Profit (loss) for the year		127 474	(140 011)	(177 406)	18 728
Other comprehensive income		–	–	–	–
Total comprehensive profit (loss)		127 474	(140 011)	(177 406)	18 728
Attributable to:					
Equity holders of the parent		127 222	(139 975)		
Non-controlling interest		252	(36)		
Total comprehensive profit (loss)		127 474	(140 011)		
PROFIT (LOSS) PER SHARE (CENTS)					
– Basic and Diluted	42.4.1	20.0	(35.2)		

STATEMENTS OF CHANGES IN EQUITY

GROUP	Notes	Stated capital R'000	Share premium R'000	Treasury shares R'000	Retained income R'000	Non-controlling interest R'000	Total R'000
Balance as at 1 July 2016		3 314	319 881	–	238 605	346	562 146
Total comprehensive loss for the year		–	–	–	(139 975)	(36)	(140 011)
As previously reported		–	–	–	(136 695)	(36)	(136 731)
Re-presentation of Assets Held for Sale to Investment in Associates	11	–	–	–	(3 280)	–	(3 280)
Issue of share capital		651 319	–	–	–	–	651 319
Treasury stock acquired through subsidiaries		–	–	(127 911)	–	–	(127 911)
Reallocation of share premium due to conversion from share capital to stated capital		319 881	(319 881)	–	–	–	–
Balance at 30 June 2017		974 514	–	(127 911)	98 630	310	945 543
Acquisition of interest in subsidiary		**–**	**–**	**–**	**–**	**9 874**	**9 874**
Total comprehensive profit for the year		**–**	**–**	**–**	**127 222**	**252**	**127 474**
Issue of share capital		**350 000**	**–**	**–**	**–**	**–**	**350 000**
Share issue costs		**(9 550)**	**–**	**–**	**–**	**–**	**(9 550)**
Treasury stock acquired through subsidiaries		**–**	**–**	**(16 340)**	**–**	**–**	**(16 340)**
Balance at 30 June 2018		**1 314 964**	**–**	**(144 251)**	**225 852**	**10 436**	**1 407 001**
		(Refer note 26)		(Refer note 26)			

COMPANY	Stated capital R'000	Share premium R'000	(Accumulated losses) Retained income R'000	Total R'000
Balance as at 1 July 2016	3 314	344 167	(11 207)	336 274
Total comprehensive income for the year	–	–	18 728	18 728
Issue of share capital	651 319	–	–	651 319
Reallocation of share premium due to conversion from share capital to stated capital	344 167	(344 167)	–	–
Balance at 30 June 2017	998 800	–	7 521	1 006 321
Total comprehensive loss for the year	**–**	**–**	**(177 406)**	**(177 406)**
Issue of share capital	**350 000**	**–**	**–**	**350 000**
Share issue costs	**(9 550)**	**–**	**–**	**(9 550)**
Balance at 30 June 2018	**1 339 250**	**–**	**(169 885)**	**1 169 365**

STATEMENTS OF CASH FLOWS

		GROUP		COMPANY	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
	Notes	R'000	R'000	R'000	R'000
Cash flows from operating activities		**(112 732)**	(29 299)	**(3 931)**	22 112
Cash utilised in operations	43.2	**(127 785)**	(51 661)	**(6 204)**	(4 760)
Interest received	33	**15 926**	13 766	**2 156**	2 872
Finance charges	36	**(1 097)**	(577)	**–**	–
Dividends received from investments	33	**1 845**	2 621	**117**	24 000
Taxation (paid) received	43.3	**(1 621)**	6 552	**–**	–
Cash flows from investing activities		**(70 812)**	(21 320)	**49**	158
(Acquisition) disposal of associates	20	**(8 395)**	(3)	**49**	–
Dividends received from associates	20	**–**	24 000	**–**	–
(Acquisition) disposal of subsidiaries	43.4	**(15 257)**	(433)	**–**	1
Acquisition of property, plant and equipment	15	**(2 770)**	(5 393)	**–**	–
Disposal of property, plant and equipment	15	**9**	141	**–**	157
Acquisition of investment properties	19	**–**	(80)	**–**	–
Acquisition of intangible assets	16	**(9 986)**	(60 854)	**–**	–
Acquisition of financial investments	22	**(86 242)**	(161 523)	**–**	–
Disposal of financial investments	22	**51 829**	182 825	**–**	–
Cash flows from financing activities		**315 494**	(29 731)	**15 342**	(52 091)
Proceeds from new share issue	26	**324 110**	–	**340 450**	–
Interest bearing borrowings received	44.4	**–**	–	**(32)**	163
Interest bearing borrowings repaid	29	**(77)**	(13 179)	**–**	–
Loans granted to third parties	17	**(4 566)**	(960)	**–**	–
Loans repaid by third parties	17	**13 708**	1 560	**–**	–
Loans granted to associates	20	**(17 681)**	(15 553)	**8 800**	(12 800)
Loans granted to subsidiaries	44.4	**–**	–	**(333 876)**	(39 454)
Loans granted to unlisted investments	22.1.2	**–**	(1 599)	**–**	–
Net increase (decrease) in cash and cash equivalents		**131 950**	(80 350)	**11 460**	(29 821)
Cash and cash equivalents at the beginning of the year		**208 101**	272 473	**7 700**	37 521
Cash acquired	43.4	**10**	15 978	**–**	–
Cash and cash equivalents at the end of the year	25	**340 061**	208 101	**19 160**	7 700

SEGMENTAL ANALYSIS OF EARNINGS

SEGMENT REPORTING

The Group operates two main business segments: **Insurance and Risk** and **Investments**. In identifying its operating segments, management 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 2018			
Income from operations	977 303	–	977 303
Expenses	(1 118 381)	(2 991)	(1 121 372)
Operating result	(141 078)	(2 991)	(144 069)
Equity accounted income (loss)	(2 119)	8 738	6 619
Investment income	8 463	358 144	366 607
Other	(1 004)	38	(966)
Profit (loss) before head office expenses and taxation	(135 738)	363 929	228 191
Unallocated net head office expenses			(26 886)
Taxation			(73 831)
Profit for the year			127 474
Capital utilised			
Capital employed at end of year	1 103 285	321 162	1 407 001
Reallocation	(747 176)	747 176	–
Capital utilised at end of year	356 109	1 068 338	1 407 001
Average capital utilised during the year	217 122	889 864	1 066 025
YEAR ENDED 30 JUNE 2017 (Restated)			
Income from operations	750 833	–	750 833
Expenses	(885 182)	(2 115)	(887 297)
Operating result	(134 349)	(2 115)	(136 464)
Equity accounted income	–	8 997	8 997
Investment income	11 900	26 787	38 687
Other	(815)	(41 408)	(42 223)
Loss before head office expenses and taxation	(123 264)	(7 739)	(131 003)
Unallocated net head office expenses			(37 253)
Taxation			28 245
Loss for the year			(140 011)
Capital utilised			
Capital employed at end of year	308 595	660 523	945 543
Reallocation	(129 128)	129 128	–
Capital utilised at end of year	179 467	789 651	945 543
Average capital utilised during the year	189 981	398 296	618 447

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, which are consistently applied to all the years presented, unless otherwise stated.

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. 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.

3. FINANCIAL INSTRUMENTS

3.1 Initial recognition

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 and liabilities are initially recognised at fair value. Where financial assets or liabilities are not subsequently recognised at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

3.2 Subsequent measurement

After initial recognition, these instruments are measured as follows:

Loans, trade and other receivables

Loans, trade and other receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method, provided that the Group'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.

Financial liabilities

Financial liabilities, including 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.

3. FINANCIAL INSTRUMENTS (continued)

3.3 Gains and 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.

3.4 Loans to/from group companies

These include loans to/from subsidiaries, associates and fellow subsidiaries and are carried at amortised cost, as is the case for other loans and receivables.

4. INSURANCE CONTRACTS

4.1 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.

4.2 Recognition and measurement of insurance contracts

4.2.1 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.

4.2.2 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.

4.2.3 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.

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.

4.2.4 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.

4.2.5 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 impairment at the reporting date. Such assets are considered impaired 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.

4.2.6 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.

4.2.7 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. The reports of the Statutory Actuary are included in the Financial Statements of the relevant subsidiary companies and are available to shareholders on request.

5. 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

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.

6. 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.

Defined contribution plans

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

7. 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.

8. 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.

9. STANDARDS AND INTERPRETATIONS

9.1 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:

Amendments to IAS 7: *Cashflow disclosure initiative*

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The Company and the Group adopted the amendment for the first time in the 2018 annual financial statements.

The amendment did not have a material impact on the results of the Company or the Group, but has resulted in additional disclosure.

9.2 Standards and interpretations not yet effective, but early adopted

No standards and interpretations not yet effective but early adopted had any material impact on the Group.

10. 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 2018 or later periods:

Amendments to IFRS 4: Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*
The amendment to IFRS 4 provides a temporary exemption, allowing insurers to apply IAS 39 rather than IFRS 9. The exemption only applies in certain circumstances and only for annual periods beginning before 1 January 2021.

The exemption also introduces an "overlay approach" in specific circumstances. This approach requires the insurer to reclassify an amount between other comprehensive income and profit or loss. This results in the profit or loss for designated financial assets being the same as if the insurer had applied IAS 39 rather than IFRS 9.

The effective date of the amendment is for years beginning on or after 1 January 2018. The Group will adopt the amendment for the first time in the 2019 annual financial statements and it is unlikely that the amendment will have a material impact on the Group's annual financial statements.

IFRS 9: *Financial instruments*
A final version of IFRS 9 has been issued, which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:

- IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced, which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. Some changes were however made to the fair value option for financial liabilities to address the issue of own credit risk.
- The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.
- IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

The effective date of the standard is for years beginning on or after 1 January 2018. The Group expects to adopt the standard for the first time in the 2019 annual financial statements.

IFRS 15: *Revenue from Contracts with Customers*
This standard requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.

The new standard will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The effective date of the standard is for years beginning on or after 1 January 2018 and the Group will adopt the standard for the first time in the 2019 annual financial statements. The adoption of this standard is not expected to have a material impact on the results of the Group.

IFRS 16: *Leases*
This standard replaces IAS 17: *Leases*, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Group, are as follows:

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

The effective date of the standard is for years beginning on or after 1 January 2019.

The Group expects to adopt the standard for the first time in the 2020 annual financial statements. The adoption of this standard is not expected to impact on the results of the Group, but may result in more disclosure than is currently provided in the annual financial statements.

10. 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, presenatation 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 process.

The effective date of the standard is for years beginning on or after 1 January 2021 and the Group expects to adopt the standard for the first time in the 2022 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 the second half of 2018.

IAS 28: *Investments in Associates and Joint Ventures*

Annual Improvements 2014 – 2016 Cycle: Clarification that a venture capital organisation, or mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture.

The effective date of the amendment is for years beginning on or after 1 January 2018. The Group will adopt the amendment for the first time in the 2019 annual financial statements and it is unlikely that the amendment will have a material impact on the Group's annual financial statements.

IAS 40: *Investment Property*

The standard provides clarification regarding the requirements on transfers to, or from, investment property.

The effective date of the amendment is for years beginning on or after 1 January 2018. The Group will adopt the amendment for the first time in the 2019 annual financial statements and it is unlikely that the amendment will have a material impact on the Group's annual financial statements.

11. RE-PRESENTATION OF COMPARATIVE NUMBERS

In the current year, the investment in ARA was reclassified from "Assets held for sale" back to "Investment in associates" due to a decision to take the company off the market. In terms of IFRS 5.28 and IAS28.21 the investment has to be recognised using the equity method retrospectively, as if it was never classified as held for sale, and tested for impairment as at each year-end, and the comparative financial statements have to be restated.

This restatement has affected each of the following financial statement line items for the prior periods as follows:

GROUP	Previously reported R'000	Adjustment R'000	Restated R'000
2017			
Statement of Financial Position			
– Investment in associates	2 527	90 000	92 527
– Assets held for sale	90 000	(90 000)	–
– Deferred tax liability	(122 483)	(3 280)	(125 763)
		(3 280)	
Statement of Profit or Loss and Other Comprehensive Income			
– Investment income	64 550	(24 000)	40 550
– Equity accounted income (loss)	(362)	9 359	8 997
– Other expenses and losses	(80 324)	14 641	(65 683)
– Taxation	31 525	(3 280)	28 245
		(3 280)	

GROUP	Previously reported R'000	Adjustment R'000	Restated R'000
2016			
Statement of Financial Position			
– Investment in associates	133	110 000	110 133
– Assets held for sale	110 000	(110 000)	–
– Deferred tax liability	(26 896)	–	(26 896)
		–	
Statement of Profit or Loss and Other Comprehensive Income			
– Investment income	4 470	–	4 470
– Equity accounted income	13 153	–	13 153
– Other expenses and losses	(11 858)	–	(11 858)
– Taxation	918	–	918
		– [A]	

[A] *There was no impact on the Statement of Profit or Loss and Other Comprehensive Income during 2016 due to the initial classification to Assets Held for Sale only having taking place on 30 June 2016. The Statement of Profit or Loss and Other Comprehensive Income therefore already reflected the correct position.*

COMPANY	Previously reported R'000	Adjustment R'000	Restated R'000
2017			
Statement of Financial Position			
– Investment in associates	3	24 368	24 371
– Assets held for sale	24 368	(24 368)	–
		–	
2016			
Statement of Financial Position			
– Investment in associates	3	11 568	11 571
– Assets held for sale	11 568	(11 568)	–
		–	

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

	2018		2017	
	Financial assets at amortised cost R'000	Fair value through profit and loss R'000	Financial assets at amortised cost R'000	Fair value through profit and loss R'000
Non-current				
Loans receivable	–	–	4 249	–
Investments	–	1 218 253	–	833 171
Listed investments	–	1 173 391	–	800 901
Unlisted investments	–	44 862	–	32 270
Current				
Loans receivable	6 330	–	14 299	–
Unlisted investments	–	2	–	–
Trade and other receivables	30 570	–	23 810	–
Cash and cash equivalents	340 090	–	208 101	–
	376 990	1 218 255	250 459	833 171

12.2 Liabilities

	2018		2017	
	Financial liabilities at amortised cost R'000	Fair value through profit and loss R'000	Financial liabilities at amortised cost R'000	Fair value through profit and loss R'000
Non-current				
Interest bearing borrowings	304	–	–	–
Current				
Interest bearing borrowings	307	–	–	–
Trade and other payables	37 986	–	53 656	–
Bank overdraft	29	–	–	–
	38 626	–	53 656	–

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

12.3 Fair value hierarchy

The assets valued at fair value through profit and 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
2018				
Assets				
– Listed investments	1 173 391	–	–	1 173 391
– Investment properties	–	–	3 360	3 360
– Unlisted investments	–	40 862	4 002	44 864
	1 173 391	40 862	7 362	1 221 615
2017				
Assets				
– Listed investments	800 901	–	–	800 901
– Investment properties	–	–	4 431	4 431
– Unlisted investments	–	22 631	9 639	32 270
	800 901	22 631	14 070	837 602

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 by an independent third party (using the net asset value of the underlying assets in the investment as a basis) to determine at which value the investment could have been liquidated as at the reporting date; 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 entity have been discounted at market related rates. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	2018 R'000	2017 R'000
Current		
Financial assets at fair value through profit and loss		
Opening balance	14 070	–
Increase in unlisted investments arising from acquisition of subsidiary	58	–
Reclassification to owner occupied properties	(1 530)	–
Transfer from Level 2	–	4 431
(Disposal) acquisition of unlisted investments	(56)	9 639
Losses recognised in profit and loss	(5 180)	–
Closing balance	7 362	14 070

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

The inputs, assumptions and judgements used in the valuation of investment properties are detailed in note 19.2, whereas those used in the valuation of the unlisted investments in Level 3 are based on the same "value in use" calculation that is described in note 16.5.1.

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

	2018 Financial assets at amortised cost R'000	2017 Financial assets at amortised cost R'000
Current		
Trade and other receivables	**1 033**	976
Cash and cash equivalents	**19 160**	7 700
	20 193	8 676

13.2 Liabilities

	2018 Financial liabilities at amortised cost R'000	2017 Financial liabilities at amortised cost R'000
Non-current		
Interest bearing borrowings	**3 367**	3 228
Current		
Loans payable	**132**	147
Trade and other payables	**836**	1 303
	4 335	4 678

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

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

14.1 Group

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

		Financial assets at amortised cost R'000	Fair value through profit and loss R'000	Financial liabilities at amortised cost R'000	Total R'000
14.1.1	**2018**				
	Interest received	**15 926**	**–**	**–**	**15 926**
	Finance charges	**–**	**–**	**(1 143)**	**(1 143)**
	Dividend income	**–**	**1 845**	**–**	**1 845**
	Realised fair value adjustment of financial assets	**–**	**(318)**	**–**	**(318)**
	Unrealised fair value adjustment of financial assets	**–**	**350 931**	**–**	**350 931**
	Amounts written off (notes 34.1 and 34.2)	**(6 641)**	**–**	**–**	**(6 641)**
		9 285	**352 458**	**(1 143)**	**360 600**
14.1.2	**2017 (Restated)**				
	Interest received	13 766	–	–	13 766
	Finance charges	–	–	(577)	(577)
	Dividend income	–	2 621	–	2 621
	Realised fair value adjustment of financial assets	–	17 030	–	17 030
	Unrealised fair value adjustment of financial assets	–	7 133	–	7 133
	Amounts written off (notes 34.1 and 34.2)	(3 343)	–	–	(3 343)
		10 423	26 784	(577)	36 630

	Financial assets at amortised cost R'000	Total R'000
14.2 Company		
14.2.1 2018		
Interest received	**2 156**	**2 156**
Dividend income	**117**	**117**
	2 273	**2 273**
14.2.2 2017		
Interest received	2 872	2 872
Dividend income	24 000	24 000
Impairment losses	(8)	(8)
	26 864	26 864

15. 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
Owner occupied property	20 years

15.1 Group

	2018			2017		
	Cost R'000	**Accumulated depreciation R'000**	**Net carrying value R'000**	Cost R'000	Accumulated depreciation R'000	Net carrying value R'000
Owner occupied properties (Land)	**2 607**	**–**	**2 607**	2 217	–	2 217
Owner occupied properties (Buildings)	**6 222**	**–**	**6 222**	5 082	–	5 082
Leasehold improvements	**609**	**(586)**	**23**	609	(313)	296
Computer hardware	**6 983**	**(3 111)**	**3 872**	4 371	(1 695)	2 676
Office equipment	**2 471**	**(1 686)**	**785**	2 140	(1 224)	916
Furniture and fittings	**5 957**	**(3 129)**	**2 828**	5 589	(2 592)	2 997
Motor vehicles	**1 480**	**(1 071)**	**409**	592	(445)	147
	26 329	**(9 583)**	**16 746**	20 600	(6 269)	14 331

15. PROPERTY, PLANT AND EQUIPMENT (continued)

15.1 Group (continued)

	Owner occupied properties (Land) R'000	Owner occupied properties (Buildings) R'000	Leasehold improve-ments R'000	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
2018								
Movement for the year								
Opening carrying value	2 217	5 082	296	2 676	916	2 997	147	14 331
Reclassification from investment properties	390	1 140	–	–	–	–	–	1 530
Additions	–	–	–	2 398	155	217	–	2 770
Disposals	–	–	–	–	(12)	(1)	–	(13)
Depreciation	–	–	(273)	(1 202)	(274)	(397)	(211)	(2 357)
Acquired as part of business combination	–	–	–	–	–	12	473	485
	2 607	6 222	23	3 872	785	2 828	409	16 746

No depreciation is raised on owner occupied buildings as the residual value of the buildings (R15.15 million) is in excess of the carrying value.

Motor vehicles with a net book value of R0.35 million are encumbered as security for interest-bearing borrowings.

2017								
Movement for the year								
Opening carrying value	2 217	5 082	–	454	707	2 064	263	10 787
Additions	–	–	546	2 865	666	1 316	–	5 393
Disposals	–	–	–	(15)	(118)	(23)	–	(156)
Depreciation	–	–	(250)	(628)	(339)	(360)	(116)	(1 693)
	2 217	5 082	296	2 676	916	2 997	147	14 331

16. 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 or joint ventures is included in investments in associates or joint ventures. 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
Broker relationships	2 – 5 years
Goodwill	Indefinite
Licences	13 years

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Goodwill (note 16.1)	**39 526**	34 371	**–**	–
Computer software (note 16.2)	**54 887**	58 756	**–**	–
Licences (note 16.3)	**28 400**	–	**–**	–
Broker relationships and other (note 16.4)	**65**	574	**–**	–
	122 878	93 701	**–**	–

16.1 Goodwill

16.1.1 Net carrying value

	GROUP 30 June 2018 R'000	GROUP 30 June 2017 R'000	COMPANY 30 June 2018 R'000	COMPANY 30 June 2017 R'000
Cost	**39 526**	75 779	**–**	–
Impairment	**–**	(41 408)	**–**	–
Net carrying value	**39 526**	34 371	**–**	–

16.1.2 Goodwill per cash generating unit

	GROUP 30 June 2018 R'000	GROUP 30 June 2017 R'000	COMPANY 30 June 2018 R'000	COMPANY 30 June 2017 R'000
Black Ginger 92 Proprietary Limited				
– Cost	**1 992**	1 992	**–**	–
Deal Design Commercial Property and Business Broking Proprietary Limited t/a Century 21				
– Cost	**5 155**	–	**–**	–
Constantia Risk and Insurance Holdings Proprietary Limited				
– Cost	**32 379**	32 379	**–**	–
Midbrook Lane Proprietary Limited				
– Cost	**–**	19 763	**–**	–
– Impairment	**–**	(19 763)	**–**	–
Snowball Wealth Proprietary Limited				
– Cost	**–**	21 645	**–**	–
– Impairment	**–**	(21 645)	**–**	–
	39 526	34 371	**–**	–

16.1.3 Movement for the year

	GROUP 30 June 2018 R'000	GROUP 30 June 2017 R'000	COMPANY 30 June 2018 R'000	COMPANY 30 June 2017 R'000
At beginning of the year	**34 371**	34 371	**–**	–
Acquisition as part of subsidiaries' purchase (note 43.4)	**5 155**	41 408	**–**	–
Impairment	**–**	(41 408)	**–**	–
	39 526	34 371	**–**	–

16. INTANGIBLE ASSETS (continued)

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
16.2 Computer software				
16.2.1 Net carrying value				
Cost	**73 165**	63 180	**–**	–
Amortisation	**(18 278)**	(4 424)	**–**	–
Net carrying value	**54 887**	58 756	**–**	–
16.2.2 Movement for the year				
At beginning of the year	**58 756**	1 754	**–**	–
Additions	**9 985**	60 841	**–**	–
Impairment[1]	**–**	(1 798)	**–**	–
Amortisation	**(13 854)**	(2 041)	**–**	–
	54 887	58 756	**–**	–

[1] *The costs incurred in developing custom made computer software that was to be used to administer a new life insurance product was capitalised during the development phase. During the 2017 financial year it was decided not to go ahead with the implementation of the new life product, rendering the software obsolete. The capitalised development cost was impaired in full.*

The remaining expected useful life of computer software is 2 – 6 years. Also refer to note 41.2.2.

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
16.3 Licences				
16.3.1 Net carrying value				
Cost	**28 400**	–	**–**	–
16.3.2 Movement for the year				
Acquisition as part of subsidiaries' purchase	**28 400**	–	**–**	–
The average remaining expected useful life of Licences is 13 years.				
16.4 Broker relationships and other				
16.4.1 Net carrying value				
Cost	**1 565**	1 564	**–**	–
Amortisation	**(1 500)**	(990)	**–**	–
Net carrying value	**65**	574	**–**	–
16.4.2 Movement for the year				
Cost	**574**	1 101	**–**	–
Additions	**1**	13	**–**	–
Amortisation	**(510)**	(540)	**–**	–
Net carrying value	**65**	574	**–**	–

The remaining expected useful life of Broker relationships is 2 - 5 years. Also refer to note 41.2.2.

16.5 Impairment testing of intangible assets

16.5.1 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 reportable segments for impairment testing:

- Black Ginger 92 Proprietary Limited ("Black Ginger");
- Constantia Risk and Insurance Holdings Proprietary Limited ("CRIH"); and
- Deal Design Commercial Property and Business Broking Proprietary Limited trading as Century 21 ("Deal Design").

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 5% (2017: 3%); 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 reduce from 20% in year 1 to 7.5% in year 5 and remaining stable at 3% thereafter (the same as in 2017).

Cash flows and returns have been discounted using a risk adjusted pre-tax cost of equity rate of 41.7% (2017: Range between 29.9% and 55.6%).

These calculations indicate that there is no need for further 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.

Deal Design (also refer to note 21)

The recoverable amount for Deal Design 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 Deal Design during the past three years.

Based on the above it has been determined that the recoverable amount currently exceeds the carrying amount by R0.97 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 a 6.8% reduction in Deal Design's average annual income will result in the recoverable amount being equal to the carrying value of goodwill for this entity, while a 40.7% reduction will result in goodwill being impaired in full.

16.5.2 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 impairment or amortisation charge against the profit or loss.

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

17. LOANS RECEIVABLE

Accounting policy

Loans receivable are financial assets measured at amortised cost. Refer to the financial instruments accounting policy, note 3.

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Non-current: Unsecured	**–**	4 249	**–**	–
Current: Unsecured	**6 330**	14 299	**–**	–
	6 330	18 548	**–**	–
NON-CURRENT				
Unsecured loans	**8 076**	9 249	**–**	–
Less: Allowance for impairment	**(8 076)**	(5 000)	**–**	–
	–	4 249	**–**	–
Allowance for impairment				
At beginning of the year	**(5 000)**	(5 000)	**–**	–
Impairment	**(3 076)**	–	**–**	–
	(8 076)	(5 000)	**–**	–
CURRENT				
Unsecured loans	**6 330**	14 299	**–**	–

Unsecured loans' repayment and interest terms are as follows:

R1.40 million carries no interest and is repayable by 31 October 2018;

R0.08 million carries interest at the bank overdraft rate plus 4% and is repayable by 31 August 2018;

R0.86 million carries interest at the prime bank overdraft rate plus 1% and is repayable by 1 November 2018; and

R3.99 million carries interest at call rates and is repaid through management fees earned by the borrower from business that it generates for the Group.

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

18. 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, 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 property.

	GROUP		COMPANY	
	30 June 2018 R'000	Restated 30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Balance at beginning of year	**(88 487)**	(16 106)	**–**	–
Increase in liability due to acquisition of subsidiary, relating to fair value adjustment of licence (refer note 43.4)	**(6 570)**	(101 497)	**–**	–
Charge against the statement of profit or loss and other comprehensive income	**(68 308)**	29 116	**–**	–
Balance at end of year	**(163 365)**	(88 487)	**–**	–
Relating to:	**(163 365)**	(88 487)	**–**	–
Provisions and accruals	**7 271**	4 766	**–**	–
Accelerated capital allowances	**(5 159)**	(13)	**–**	–
Unrealised gains on investment properties	**(520)**	(938)	**–**	–
Unrealised gains on investments	**(202 966)**	(122 807)	**–**	–
Fair value of licence	**(6 692)**	–	**–**	–
Estimated tax losses	**44 701**	30 505	**–**	–
Comprising:	**(163 365)**	(88 487)	**–**	–
Deferred tax assets	**34 413**	37 276	**–**	–
Deferred tax liabilities	**(197 778)**	(125 763)	**–**	–

Deferred tax assets based on estimated tax losses increased by R14.20 million to R44.70 million during the year. This increase is raised against unrealised gains on investments. The deferred tax asset of R44.70 million also includes an amount of R30.50 million (2017: R30.50 million) in respect of estimated tax losses incurred during 2016 and 2017 in Conduit Capital's insurance subsidiaries in the Constantia Group. Current forecasts reflect that these losses will be recouped within three years, i.e. by the 2021 financial year. A further stress test scenario, in terms whereof only 80% of the gross premium income base budget is attained and expenses are increased by R30.00 million per year for three years, reflects that the recoupment period will be extended to no later than the 2023 financial year.

The directors believe that, despite recent losses 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 the deferred tax asset within a reasonable period. On that basis, the directors believe that the deferred tax asset, as reflected in the results, gives a fair reflection of Conduit Capital's financial position as at the year-end.

19. INVESTMENT PROPERTIES

Accounting policy

Investment properties are initially recognised at cost. As at the reporting date, investment properties are measured at fair value as determined by external valuers, using market observable data. External valuations are carried out every two years by external property valuators, with directors performing a valuation in the interim years. 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.

19. INVESTMENT PROPERTIES (continued)

Significant judgement

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

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
19.1 Net carrying value				
Cost	**1 041**	1 326	**–**	–
Fair value adjustment	**2 319**	3 105	**–**	–
Net carrying value	**3 360**	4 431	**–**	–
19.2 Movement for the year				
At beginning of year	**4 431**	4 351	**–**	–
Additions	**–**	80	**–**	–
Reclassification to owner occupied properties	**(1 530)**	–	**–**	–
Fair value adjustment (refer note 33)	**459**	–	**–**	–
	3 360	4 431	**–**	–

In carrying out the valuation on 30 June 2018, the fair value of each investment property was determined on the income/ investment approach (using the capitalisation of net income) by R.A. Gibbons (AEI (ZIM), FIV (SA)) from Mills Fitchet Magnus Penny Proprietary Limited, an independent valuer, after taking the following factors into consideration:

- Location, size and nature of the building;
- Supply, demand and lettability of similar properties in the area;
- Market rentals ranging between R60 and R100 (2017: between R60 and R90) per m^2 in the general vicinity of the properties; and
- A capitalisation rate ranging between 9.5% and 10.5% (2017: between 10.25% and 10.5%), as used in the market for similar type properties.

20. 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.

Company

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

	GROUP			COMPANY		
	30 June 2018 R'000	Restated 30 June 2017 R'000	Restated 30 June 2016 R'000	**30 June 2018 R'000**	Restated 30 June 2017 R'000	Restated 30 June 2016 R'000
At beginning of year	**92 527**	110 133	124 411	**24 371**	11 571	11 568
Loans to (loan repayment)	**17 681**	15 553	3	**(8 800)**	12 800	3
Acquisitions (disposals)	**8 395**	3	(325)	**(3)**	–	–
Attributable portion of earnings	**6 619**	8 997	12 719	**–**	–	–
Dividend received	**–**	(24 000)	(13 600)	**–**	–	–
Profit on disposal	**46**	–	–	**–**	–	–
Impairment (refer note 35)	**(8 327)**	(18 159)	(13 075)	**–**	–	–
Balance at end of year	**116 941**	92 527	110 133	**15 568**	24 371	11 571

Details of the impairment calculation are set out in note 35 and further details of the investments are set out in notes 44.1 and 44.2

Associates' summary information

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

	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 44.1 (various) R'000**	**Total R'000**
30 June 2018					
Non-current assets	**8 825**	**7 206**	**1 293**	**1 305**	**18 629**
Current assets	**49 718**	**6 409**	**15 788**	**2 135**	**74 050**
Non-current liabilities	**–**	**(4 518)**	**(19 128)**	**(5 140)**	**(28 786)**
Current liabilities	**(26 232)**	**(2 708)**	**(489)**	**(1 979)**	**(31 408)**
Revenue	**78 699**	**16 115**	**–**	**11 422**	**106 236**
After-tax profit (loss) for the year	**20 818**	**1 642**	**(6 782)**	**(2 296)**	**13 382**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Total comprehensive income (loss)	**20 818**	**1 642**	**(6 782)**	**(2 296)**	**13 382**
Reconciliation from share of net asset (liability) to carrying value					
Net asset (liability)	**32 311**	**6 389**	**(2 536)**	**(3 679)**	**32 485**
Share of net asset (liability)	**12 924**	**1 597**	**(721)**	**(1 375)**	**12 425**
Loan balances (refer note 44.1)	**4 000**	**4 628**	**19 773**	**4 778**	**33 179**
Goodwill (Write-down to carrying value)	**64 276**	**(1 496)**	**4 287**	**4 270**	**71 337**
Carrying value	**81 200**	**4 729**	**23 339**	**7 673**	**116 941**

20. 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 44.1 (various) R'000	Total R'000
30 June 2017					
Non-current assets	7 592	87	–	1 026	8 705
Current assets	47 789	1 991	–	1 528	51 308
Non-current liabilities	–	(3 321)	–	–	(3 321)
Current liabilities	(47 714)	(195)	–	(1 633)	(49 542)
Revenue	93 776	950	–	5 326	100 052
After-tax profit (loss) for the year	24 460	(1 447)	–	908	23 921
Other comprehensive income	–	–	–	–	–
Total comprehensive income (loss)	24 460	(1 447)	–	908	23 921
Reconciliation from share of net asset (liability) to carrying value					
Net asset (liability)	7 667	(1 438)	–	921	7 150
Share of net asset (liability)	3 067	(359)	–	368	3 076
Loan balances (refer note 44.1)	12 800	2 753	–	3	15 556
Goodwill (Write-down to carrying value)	74 133	–	–	(238)	73 895
Carrying value	90 000	2 394	–	133	92 527
30 June 2016					
Non-current assets	8 507	–	–	704	9 211
Current assets	57 024	–	–	1 545	58 569
Non-current liabilities	–	–	–	(525)	(525)
Current liabilities	(18 400)	–	–	(1 398)	(19 798)
Revenue	116 160	–	–	926	117 086
After-tax profit (loss) for the year	34 572	–	–	(2 774)	31 798
Other comprehensive income	–	–	–	–	–
Total comprehensive income (loss)	34 572	–	–	(2 774)	31 798
Reconciliation from share of net asset value to carrying value					
Net asset value	47 131	–	–	326	47 457
Share of net asset value	18 852	–	–	131	18 983
Loan balances	–	–	–	3	3
Goodwill (Write-down to carrying value)	91 148	–	–	(1)	91 147
Carrying value	110 000	–	–	133	110 133

21. INVESTMENT IN SUBSIDIARIES

Accounting policy

Company

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

Acquisition of Deal Design

The Group acquired 51% of the share capital of and shareholders' loans in Deal Design, which owns the South African licence for Century 21, the world's largest real estate brand, on 3 November 2017. The purchase consideration of R15.43 million was settled in cash and resulted in goodwill of R5.16 million (refer note 16.5.1).

In addition to some synergies that can be obtained from pairing Deal Design with some of the Group's other investments, the transaction gives Conduit access to an international realty brand with strong long-term growth prospects in the South African market, which further offers representation in 80 countries and territories with more than 8 000 offices and 117 000 property professionals globally.

Breakdown of Investment in Subsidiaries

	COMPANY	
	30 June 2018 R'000	30 June 2017 R'000
Unlisted shares at cost, less amounts written off	**958**	958
Equity loans (terms detailed in note 44.3)	**1 136 613**	976 694
Net carrying value (refer notes 44.3 and 44.4)	**1 137 571**	977 652
Directors' valuation	**1 784 071**	1 038 939

The directors' valuation of the underlying shares for trading entities is based on cash flow projections using the same principles as described in section 16.5.1, while the valuation of non-trading entities is based on the entities' Net Asset Value, adjusted for the recoverability or forgiveness of inter-group loans receivable or payable. These assets would fit into Level 3 of the fair value hierarchy.

22. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

Accounting policy

Investments in equity 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 are valued at fair value, with changes in fair value being recognised in profit or loss.

Refer to the financial instruments accounting policy, note 3 for further details.

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
22.1 Long-term investments				
Listed investments (note 22.1.1)	**1 173 391**	800 901	**–**	–
Unlisted investments (note 22.1.2)	**44 862**	32 270	**–**	–
	1 218 253	833 171	**–**	–
22.1.1 Listed equities at valuation*				
Opening net book value	**800 901**	247 275	**–**	–
Additions	**68 109**	130 603	**–**	–
Increase due to acquisition of subsidiary	**–**	581 436	**–**	–
Disposals	**(51 773)**	(182 825)	**–**	–
Fair value adjustment (refer note 33)	**356 154**	24 412	**–**	–
Closing net book value	**1 173 391**	800 901	**–**	–

** The Group's listed equity portfolio is reflected under long-term investments due to its strategy of buying and holding high-quality companies that can compound underlying intrinsic value over the long-term.*

22. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

22.1 Long-term investments (continued)

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
22.1.2 Unlisted investments at valuation				
Opening net book value	**32 270**	–	**–**	–
Additions	**18 133**	30 920	**–**	–
Equity loans	**–**	1 599	**–**	–
Fair value adjustment (refer note 33)	**(5 541)**	(249)	**–**	–
Closing net book value	**44 862**	32 270	**–**	–
Directors' valuation	**44 862**	32 270	**–**	–

The equity loan, issued to AA Broking Services Proprietary Limited during the prior financial year, has been fully impaired. Also refer to note 41.2.3.

Unlisted investments classified in:

- Level 2 of the fair value hierarchy and valued at R40.86 million, have been valued by an independent third party using the net asset value of the underlying assets in the investment as a basis; and
- Level 3 of the fair value hierachy and valued at R4.0 million, have been determined based on the willing buyer/willing seller methodology.

22.2 Short-term investments

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Unlisted investments (note 22.2.1)	**2**	–	**–**	–
22.2.1 Unlisted investments at valuation				
Increase due to acquisition of subsidiary (note 43.4)	**58**	–	**–**	–
Disposals	**(56)**	–	**–**	–
Closing net book value	**2**	–	**–**	–
Directors' valuation	**2**	–	**–**	–

23. INSURANCE ASSETS AND LIABILITIES

Accounting policy

Refer to the insurance contracts accounting policy, note 4 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.

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
23.1 Gross insurance liabilities				
Claims reported but not paid	**(195 444)**	(125 468)	**–**	–
Claims incurred but not reported (refer note 23.4 below)	**(150 858)**	(98 046)	**–**	–
Unearned premiums, net of deferred acquisition costs	**(93 833)**	(142 048)	**–**	–
Unearned premiums	**(118 344)**	(201 376)	**–**	–
Deferred acquisition costs	**24 511**	59 328	**–**	–
Total insurance liabilities	**(440 135)**	(365 562)	**–**	–
23.2 Recoverable from reinsurers				
Claims reported but not paid	**130 710**	100 641	**–**	–
Claims incurred but not reported (refer note 23.4 below)	**83 818**	51 499	**–**	–
Unearned premiums, net of deferred reinsurance commission revenue	**63 956**	112 861	**–**	–
Unearned premiums	**93 096**	171 798	**–**	–
Deferred reinsurance commission revenue	**(29 140)**	(58 937)	**–**	–
Reinsurers' share of insurance liabilities	**278 484**	265 001	**–**	–
23.3 Net insurance liabilities				
Claims reported but not paid	**(64 734)**	(24 827)	**–**	–
Claims incurred but not reported (refer note 23.4 below)	**(67 040)**	(46 547)	**–**	–
Unearned premiums	**(29 877)**	(29 187)	**–**	–
Total net insurance liabilities	**(161 651)**	(100 561)	**–**	–

23.4 Incurred But Not Reported ("IBNR") provision

The directors have estimated that the statutory IBNR provision calculated in terms of the provisions of the Short Term Insurance Act is too low in terms of the portfolio of business underwritten by the Group. In light of this, the net provision has been revised and calculated at an average rate of 22.8% of net insurance premium for the 2018 financial period (2017: 13.2%).

Had the IBNR provision been calculated at statutory rates, the net provision would have been R42.29 million less (2017: R23.43 million less) than the net R67.04 million currently provided for (2017: R46.55 million).

At the reporting date the Group performed a detailed exercise (that included the use of cumulative chain ladder calculations in the largest underwriting managers) 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. IBNR on the remaining schemes continue to be raised at rates ranging between the statutory rate and 4% as it has been found that sensitivity to IBNR is very low in many of these schemes - a move in provisioning merely translates into a corresponding move in the commission payable. The average value across the division, determined as a result of this exercise, approximates 6.7% (2017: 4.3%) of the net insurance premium for the year.

It is important to note that for the purpose of calculating the solvency margin in terms of the Prudential Authority (previously Financial Services Board) requirements the IBNR provision has been calculated at statutory rates.

24. 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 3.

Significant judgement

The Group assesses its insurance, trade and other receivables for impairment at each reporting date. 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.

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Deposits and prepaid expenses	**1 987**	2 047	**368**	300
Insurance receivables	**230 640**	196 570	**–**	–
Trade receivables	**8 954**	12 276	**1 033**	289
Other receivables – Unsecured	**21 616**	11 534	**–**	687
Less: Allowance for impairment	**(118)**	–	**–**	–
	263 079	222 427	**1 401**	1 276

The directors are of the opinion that the value of the above receivables approximates their fair value (refer note 45.4).

25. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Comprising:				
Cash	**40**	16	**–**	–
Call accounts	**264 929**	172 681	**19 141**	7 566
Current accounts – Local	**67 349**	22 896	**19**	134
Current accounts – Foreign	**7 772**	12 508	**–**	–
	340 090	208 101	**19 160**	7 700
Bank overdraft	**(29)**	–	**–**	–
Net cash and cash equivalents	**340 061**	208 101	**19 160**	7 700

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.

26. STATED CAPITAL

	GROUP 30 June 2017 R'000	GROUP 30 June 2016 R'000	COMPANY 30 June 2017 R'000	COMPANY 30 June 2016 R'000
Authorised				
1 500 000 000 ordinary shares of no par value (2017:1 500 000 000 ordinary shares of no par value)				
Issued				
Opening: 589 443 900 ordinary shares of no par value (2017: 331 379 818 ordinary shares of no par value)	**846 603**	3 314	**998 800**	3 314
Rights offer	**340 450**	–	**340 450**	–
New issue	**–**	651 319	**–**	651 319
Reallocation of share premium	**–**	319 881	**–**	344 167
	1 187 053	974 514	**1 339 250**	998 800
Treasury shares:				
– 3 221 ordinary shares of no par value held by Conduit Management Services Proprietary Limited (2017: 3 221)	**–***	–*	**–**	–
– 9 575 ordinary shares of no par value held by Constantia Insurance Company Limited (2017: nil)	**(22)**	–	**–**	–
– 17 991 032 ordinary shares of no par value held by Midbrook Lane Proprietary Limited (2017: 9 811 110)	**(16 318)**	(25 411)	**–**	–
– 41 000 000 ordinary shares of no par value held by Snowball Wealth Proprietary Limited (2017: 41 000 000)	**–**	(102 500)	**–**	–
Closing: 764 443 900 ordinary shares of no par value (2017: 589 443 900)	**1 170 713**	846 603	**1 339 250**	998 800

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.

* *Amounts less than R1 000*

Number of shares (net of treasury shares held)				
Opening balance	**538 629 569**	331 376 597	**589 443 900**	331 379 818
Issued	**175 000 000**	258 064 082	**175 000 000**	258 064 082
Treasury shares	**(8 189 497)**	(50 811 110)	**–**	–
	705 440 072	538 629 569	**764 443 900**	589 443 900

Shares under option

As at the reporting date, no shares in the Company were under option in terms of the Group Senior Executive Option Scheme (2017: Nil). There were no contracts in place for the sale of shares (2017: Nil).

27. SHARE-BASED PAYMENTS

No share options were awarded to executive directors and staff during 2017/18. No share options remained outstanding as at the reporting date (2017: Nil).

28. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS

Accounting policy

Refer to the insurance contracts accounting policy, note 4 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.

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Opening balance	**29 384**	25 987	**–**	–
Transfer from profit or loss (note 32)	**7 816**	3 397	**–**	–
	37 200	29 384	**–**	–

Policyholder liabilities are determined by the statutory actuaries of the underlying long-term insurance companies. The reports of the statutory actuaries are set out in the Financial Statements of these subsidiary companies and are available to shareholders on request.

28.1 Analysis of policyholder liabilities

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Individual funeral cover	**26 190**	24 542	**–**	–
Group funeral cover	**11 010**	4 842	**–**	–
	37 200	29 384	**–**	–

28.2 Maturity analysis of policyholder liabilities

Policyholder liabilities are expected to become payable as follows:

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Up to one year	**14 178**	7 829	**–**	–
One year to five years	**5 135**	4 874	**–**	–
More than five years	**17 887**	16 681	**–**	–
	37 200	29 384	**–**	–

28.3 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 6.50% (2017: 6.20%)
- Interest rate 8.00% (2017: 7.70%)
- Withdrawal assumptions were based on experience in the portfolio and in the market
- Mortality rates were based on SA85/90 Heavy (2017: 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.

28.4 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.

28.5 Sensitivities

Policyholder liabilities have been calculated at R37.20 million by the statutory actuary as at 30 June 2018 (2017: R29.38 million). The following scenarios indicate the value of the liabilities if the factors influencing the valuation had to change by the percentages given:

Factor	Level of change	Resulting liability R'000	Change %
Main basis	None	37 200	0.00
Mortality (and other claims)	10% increase	40 667	9.32
Expenses	10% increase	39 514	6.22
Investment returns	1% reduction	39 644	6.57
Withdrawals	10% increase	36 581	(1.66)
Inflation	1% increase	39 143	5.22

29. INTEREST-BEARING BORROWINGS

Accounting policy

Interest-bearing borrowings are classified as financial liabilities at amortised cost. Refer to the financial instruments accounting policy, note 3.

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
29.1 Non-current borrowings				
Secured	**304**	–	**–**	–
Unsecured	**–**	–	**3 367**	3 228
	304	–	**3 367**	3 228
Secured				
Finance lease obligations assumed on acquisition of subsidiary	**642**	–	**–**	–
Interest	**46**	–	**–**	–
Repayment	**(77)**	–	**–**	–
Less: Current portion of obligation	**(307)**	–	**–**	–
	304	–	**–**	–
Unsecured				
Opening balance	**–**	–	**3 228**	3 065
Interest	**–**	–	**171**	172
Repayment	**–**	–	**(32)**	(9)
	–	–	**3 367**	3 228

29. INTEREST-BEARING BORROWINGS (continued)

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
29.2 Current borrowings				
Secured				
Finance lease obligations	**307**	–	**–**	–
29.3 Minimum lease payments				
Within one year	**331**	–	**–**	–
In second to fifth years	**407**	–	**–**	–
	738	–	**–**	–
Less: Future finance charges	**(127)**	–	**–**	–
Present value of minimum payments	**611**	–	**–**	–

It is Group policy to lease motor vehicles under finance leases. The average lease term is 4 to 5 years and the average effective borrowing rate was 11.25% (2017: 11.55%). The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (refer note 15).

30. 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 3.

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Accruals	**19 251**	23 607	**459**	622
Insurance payables	**279 923**	273 710	**–**	–
Trade payables	**18 704**	30 018	**346**	650
Dividends payable	**31**	31	**31**	31
	317 909	327 366	**836**	1 303

31. REVENUE

Accounting policy

Service fees are recognised as revenue over the period during which the service is performed.

Rental income is recognised on a straight line basis over the lease term.

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.

For insurance contract accounting, refer to note 4 for further details.

	GROUP		COMPANY	
	30 June 2018 R'000	Restated 30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
31.1 Insurance revenue				
Gross insurance premiums	**1 536 885**	1 069 794	**–**	–
Local	**1 459 581**	954 563	**–**	–
Foreign	**77 304**	115 231	**–**	–
31.2 Non-insurance revenue (local)	**60 799**	29 136	**651**	310
Included in Income from Insurance Operations	**53 440**	28 826	**–**	–
Advisory, consulting, management and other fees, fees received from third parties	**52 856**	28 313	**–**	–
Rental income	**584**	513	**–**	–
Included in Net non-insurance income	**7 359**	310	**651**	310
Advisory, consulting and management fees received from group companies	**3 390**	310	**651**	310
Commissions and royalties	**3 969**	–	**–**	–
	1 597 684	1 098 930	**651**	310

32. NET CLAIMS AND MOVEMENT IN CLAIMS RESERVES

	GROUP 30 June 2018 R'000	GROUP Restated 30 June 2017 R'000	COMPANY 30 June 2018 R'000	COMPANY 30 June 2017 R'000
Gross claims paid	**(759 111)**	(553 758)	**–**	–
Change in provision for outstanding claims and IBNR	**(114 846)**	(96 273)	**–**	–
Transfer to policyholder liabilities (note 28)	**(7 816)**	(3 397)	**–**	–
Gross claims and movement in claims reserves	**(881 773)**	(653 428)	**–**	–
Reinsurers' share of claims paid	**572 922**	368 200	**–**	–
Reinsurers' share of provisions	**62 932**	55 423	**–**	–
Net claims and movement in claims reserves	**(245 919)**	(229 805)	**–**	–

33. 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 2018 R'000	Restated 30 June 2017 R'000	30 June 2018 R'000	30 June 2017 R'000
Interest income	15 926	13 766	2 156	2 872
Investment income and fair value adjustments (listed shares)	357 999	27 033	–	24 000
Dividend income	1 845	2 621	–	24 000
Fair value adjustment (unrealised)	356 472	7 382	–	–
Fair value adjustment (realised)	(318)	17 030	–	–
Investment income (unlisted shares)	(5 541)	(249)	117	–
Dividend income (subsidiaries and associates)	–	–	117	–
Fair value adjustment (unrealised)	(5 541)	(249)	–	–
Fair value adjustment (investment properties)	459	–	–	–
	368 843	40 550	2 273	26 872

34. OTHER (LOSSES) (EXPENSES) INCOME

34.1 Insurance

	GROUP 30 June 2018 R'000	Restated 30 June 2017 R'000	COMPANY 30 June 2018 R'000	30 June 2017 R'000
Foreign exchange losses	(4 123)	(1 296)	–	–
Impairment of financial assets (note 14.1.1)	(6 450)	(3 331)	–	–
Impairment of computer software	–	(1 798)	–	–
	(10 573)	(6 425)	–	–

34.2 Non-insurance

	GROUP 30 June 2018 R'000	Restated 30 June 2017 R'000	COMPANY 30 June 2018 R'000	30 June 2017 R'000
Impairment of financial assets (note 14.1.1)	(191)	(12)	–	(8)
Foreign exchange losses	(1)	–	–	–
	(192)	(12)	–	(8)

34.3 Non-operational

	GROUP 30 June 2018 R'000	Restated 30 June 2017 R'000	COMPANY 30 June 2018 R'000	30 June 2017 R'000
Business combination expenses	–	(6 101)	–	–
Associates: Impairment of investment (net)	(8 281)	(18 159)	–	–
Goodwill: Impairment	–	(41 408)	–	–
Subsidiaries: Profit on sale (Impairment of investment)	94	–	–	(1 258)
Subsidiaries: Impairment of loans (note 44.4)	–	–	(173 942)	(2 480)
Property, plant and equipment: (Loss) profit on disposal	(4)	(15)	–	47
Profit on disposal of associates	–	–	46	–
	(8 191)	(65 683)	(173 896)	(3 691)

35. IMPAIRMENT OF ASSOCIATES

Impairments

ARA's fair value 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 (2017: 3% per year) thereafter;
- discounted expected cash flows at a pre-tax rate of 22.9% (2017: 21.9%); and
- further reduced the valuation result by the value of any shareholders' loans outstanding.

The result of the exercise is detailed below:

		2018 ARA R'000	2017 ARA R'000
Fair value determined in terms of calculation detailed above		**77 200**	77 200
Book value prior to valuation		**(85 527)**	(95 359)
Impairment	(refer notes 20 & 34)	**(8 327)**	(18 159)
Capital gains tax (deferred)		**(13 976)**	(13 976)
– Fair value of investment		**77 200**	77 200
– Original cost price of investment		**(14 805)**	(14 805)
– Capital gain		**62 395**	62 395
x Capital gains tax rate		**22.40%**	22.40%
Capital gains tax previously calculated and reported		**13 976**	21 324
Reported reduction in net assets due to impairment		**(8 327)**	(10 811)

36. FINANCE CHARGES

	GROUP		COMPANY	
	30 June 2018 R'000	Restated 30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
Interest paid	**(1 097)**	(577)	**–**	–
Interest-bearing borrowings funding cost	**(46)**	–	**(171)**	–
	(1 143)	(577)	**(171)**	–

37. PROFIT (LOSS) BEFORE TAXATION

	GROUP		COMPANY	
	30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
The profit (loss) before taxation includes:				
Auditors' remuneration (external)	**(2 592)**	(3 563)	**(477)**	(588)
Current year	**(2 906)**	(2 757)	**(459)**	(622)
Prior year over (under) provision	**314**	(628)	**(18)**	34
Other services	**–**	(178)	**–**	–
Consulting fees paid	**(21 602)**	(8 618)	**(1 045)**	(380)
Depreciation and amortisation	**(16 721)**	(4 274)	**–**	–
Direct operating expenses in respect of investment properties	**(57)**	(42)	**–**	–
Impairment of computer software	**–**	(1 798)	**–**	–
Impairment of goodwill	**–**	(41 408)	**–**	–
Legal fees	**(1 797)**	(5 677)	**(623)**	(159)
Management fees paid to third parties	**(30)**	(2 456)	**–**	–
Operating lease charges	**(6 389)**	(6 432)	**–**	–
Equipment	**(192)**	(388)	**–**	–
Motor vehicles	**(3)**	(8)	**–**	–
Premises	**(6 194)**	(6 036)	**–**	–
Secretarial fees	**(295)**	(379)	**(166)**	(168)
Staff costs	**(113 862)**	(79 706)	**(5 065)**	(2 027)
Salaries and wages (excluding directors' remuneration)	**(107 104)**	(77 264)	**(5 065)**	(2 027)
Provident fund (defined contribution plan)	**(6 758)**	(2 442)	**–**	–

38. DIRECTORS' REMUNERATION

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Other benefits R'000	Total R'000
38.1 2018					
Paid for by Company:					
NON-EXECUTIVE					
Napier, R	561	–	–	–	561
Chou, L	224	–	–	–	224
Harpur, D	102	–	–	–	102
Mahlangu, J	387	–	–	–	387
Maizey, A	–	–	–	1 000	1 000
Scott, B	84	–	–	–	84
Thorndike, W	205	–	–	–	205
Xaba, R	387	–	–	–	387
	1 950	–	–	1 000	2 950

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Other benefits R'000	Total R'000
38.1 2018 (continued)					
Paid for by subsidiaries:					
NON-EXECUTIVE					
Mahlangu, J	324	–	–	–	324
Xaba, R	324	–	–	–	324
EXECUTIVE					
Louw, L E	–	2 346	436	337	3 119
Moodley, T	–	194	–	5	199
Riskowitz, S	–	2 151	1 548	1	3 700
Toet, G	–	655	–	67	722
	648	5 346	1 984	410	8 388
	2 598	5 346	1 984	1 410	11 338
38.2 2017					
Paid for by Company:					
NON-EXECUTIVE					
Napier, R	524	–	–	–	524
Harpur, D	287	–	–	–	287
Mahlangu, J	362	–	–	–	362
Maizey, A	–	–	–	375	375
Moodley, T	173	–	–	–	173
Scott, B	287	–	–	–	287
Xaba, R	362	–	–	–	362
	1 995	–	–	375	2 370
Paid for by subsidiaries:					
NON-EXECUTIVE					
Mahlangu, J	275	–	–	–	275
Moodley, T	45	–	–	–	45
Xaba, R	275	–	–	–	275
EXECUTIVE					
Louw, L E	–	2 233	304	277	2 814
Moodley, T	–	276	–	6	282
Riskowitz, S	–	1 761	–	–	1 761
Toet, G	–	2 273	304	237	2 814
	595	6 543	608	520	8 266
	2 590	6 543	608	895	10 636

39. RETIREMENT BENEFITS

62.7% 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 R6.76 million (2017: R2.44 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.

40. 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 2018 R'000	Restated 30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
40.1 Taxation				
South African normal taxation	**(5 523)**	(871)	**–**	–
Current period	**(4 849)**	(811)	**–**	–
Prior period underprovision	**(674)**	(60)	**–**	–
Deferred taxation	**(68 308)**	29 116	**–**	–
Taxation per statement of profit or loss and other comprehensive income	**(73 831)**	28 245	**–**	–
40.2 Taxation reconciliation				
Profit (loss) before tax	**201 305**	(168 256)	**(177 406)**	18 728
Standard South African normal taxation	**(56 365)**	47 112	**49 674**	(5 244)
Non-taxable income	**1 348**	5 218	**724**	6 720
Non-deductible expenses	**(2 672)**	(13 192)	**(49 573)**	(57)
Prior period underprovision - Normal taxation	**(674)**	(60)	**–**	–
Prior period underprovision - Deferred taxation	**(627)**	–	**–**	–
Deferred tax asset not raised in companies with losses	**(33 976)**	(10 017)	**(828)**	(1 349)
Utilisation of previously unrecognised tax losses	**32**	316	**–**	–
Rate change	**(27)**	172	**–**	–
Capital gains tax rate differential	**19 130**	(1 304)	**3**	(70)
Taxation per statement of profit or loss and other comprehensive income	**(73 831)**	28 245	**–**	–

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 R251.85 million (2017: R143.63 million). The estimated tax loss available for set off against future taxable income at Group level is R351.5 million (2017: R276.8 million) and at Company level is R15.1 million (2017: R12.1 million).

41. COMMITMENTS AND CONTINGENT LIABILITIES

	GROUP 30 June 2018 R'000	GROUP 30 June 2017 R'000	COMPANY 30 June 2018 R'000	COMPANY 30 June 2017 R'000
41.1 Commitments: Operating leases				
At the reporting date the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:				
Property leases	**10 412**	4 827	**–**	–
Within one year	**3 281**	2 333	**–**	–
In second to fifth years	**7 131**	2 494	**–**	–

Operating lease payments largely represent rentals payable for office properties.

41.2 Contingent liabilities

41.2.1 A portfolio acquisition agreement, effective 1 September 2015, exists between Constantia Insurance Company Limited 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 500 000 ("the Minimum Payment").

The present value of the annuity payments as at 30 June 2018 amounted to R2 910 022 (2017: R3 001 012) per an actuarial calculation based on published mortality tables. The Group has initially raised a liability to the value of the Minimum Payment. This amount has now been paid in full. The Group therefore confirms that it has a contingent liability of R2 910 022 as at the reporting date.

41.2.2 During the prior year the Group acquired the Natmed computer software that will be used to manage its medical malpractice business. When it purchases the next version of the software in 2020, the Group will pay to the seller of the software ("the Seller") an additional consideration of 1.65x the annualised gross written premium invoiced on 1 March 2020 to medical malpractice policyholder clients that were introduced by the Seller, excluding those policyholder clients who already agreed to insure with the Group from 1 March 2017.

In addition, the Group will pay to 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%.

41.2.3 A subordination agreement has been entered into between a Group company and AA Broking Services Proprietary Limited ("AABS") whereby the Group company has agreed to pay and subordinate an amount up to a maximum of R3 500 000 for the benefit of other creditors of AABS, which would enable the claims of such other creditors to be paid in full.

Of this, R1 599 319 (2017: R1 599 319) has already been paid to AABS by the reporting date (refer note 22.1.2).

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

42. PROFIT (LOSS) PER SHARE

42.1 Calculation of basic profit (loss)

	GROUP	
	30 June 2018 R'000	Restated 30 June 2017 R'000
The profit (loss) amounts used in the calculation of basic profit (loss) per share are as follows:		
Profit (loss) for the year	127 474	(140 011)
Non-controlling interest	(252)	36
Profit (loss) attributable to ordinary shareholders	127 222	(139 975)

42.2 Reconciliation between basic profit (loss) and headline profit (loss)

	2018		2017	
	Gross R'000	Net R'000	Restated Gross R'000	Restated Net R'000
Headline profit (loss) is determined as follows:				
Profit (loss) attributable to ordinary equity holders of the parent		127 222		(139 975)
Loss on disposal of property, plant and equipment	4	4	15	10
Impairment of associates and assets held for sale	8 281	6 416	18 159	14 091
Impairment of goodwill	–	–	41 408	41 408
Impairment of computer software	–	–	1 798	1 798
Profit on disposal of subsidiary	(94)	(94)	–	–
Headline profit (loss)		133 548		(82 668)

42.3 Shares in issue

	GROUP	
	30 June 2018 R'000	Restated 30 June 2017 R'000
42.3.1 Number of shares ('000)		
– Shares in issue	764 444	589 444
– Shares held as treasury shares	(59 004)	(50 814)
	705 440	538 630
42.3.2 Weighted average number of shares ('000)		
– Shares in issue	686 293	407 632
– Bonus issue for rights offer[1]	2 075	4 646
– Shares held as treasury shares	(52 694)	(14 455)
	635 674	397 823
42.3.3 Diluted weighted average number of shares ('000)		
– Shares in issue	686 293	407 632
– Bonus issue for rights offer	2 075	4 646
– Shares held as treasury shares	(52 694)	(14 455)
	635 674	397 823

[1] *As required by IAS 33: Earnings per share, the weighted average number of shares in the comparative numbers has been restated by the Bonus issue amount due to the rights offer that closed on 8 December 2017.*

42.4 Profit (loss) per share (cents)

		GROUP	
		30 June 2018 R'000	Restated 30 June 2017 R'000
42.4.1	Basic and Diluted profit (loss) per share	**20.0**	(35.2)
42.4.2	Headline and Diluted Headline profit (loss) per share	**21.0**	(20.8)

43. NOTES TO THE CASH FLOW STATEMENTS

43.1 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.

43.2 Reconciliation of profit (loss) before taxation to cash utilised in operations

	GROUP		COMPANY	
	30 June 2018 R'000	Restated 30 June 2017 R'000	30 June 2018 R'000	30 June 2017 R'000
Profit (loss) before taxation	**201 305**	(168 256)	**(177 406)**	18 728
Adjustments for:				
Depreciation and amortisation	**16 721**	4 274	**–**	–
Dividend income	**(1 845)**	(2 621)	**(117)**	(24 000)
Finance charges	**1 143**	577	**171**	–
Interest income	**(15 926)**	(13 766)	**(2 156)**	(2 872)
Impairment (profit on sale) of associates	**8 281**	18 159	**(46)**	–
Impairment of computer software	**–**	1 798	**–**	–
Impairment of goodwill	**–**	41 408	**–**	–
Impairment of financial assets	**6 641**	3 343	**–**	8
Investment profits	**(350 613)**	(24 163)	**–**	–
Loss (profit) on disposal of property, plant and equipment	**4**	15	**–**	(47)
Revaluation of investment property	**(459)**	–	**–**	–
(Profit) loss on disposal of subsidiaries	**(94)**	–	**–**	1 258
Write-off of subsidiaries' loans	**–**	–	**173 942**	2 480
Equity accounted income	**(6 619)**	(8 997)	**–**	–
Operating cash flows before working capital changes	**(141 461)**	(148 229)	**(5 612)**	(4 445)
Working capital changes	**13 676**	96 568	**(592)**	(315)
– Increase in trade and other receivables	**(44 170)**	(43 216)	**(125)**	(792)
– (Decrease) increase in trade and other payables	**(11 060)**	75 165	**(467)**	477
– Increase in policyholder liabilities	**7 816**	3 397	**–**	–
– (Increase) decrease in insurance assets	**(13 483)**	2 107	**–**	–
– Increase in insurance liabilities	**74 573**	59 115	**–**	–
Cash utilised in operations	**(127 785)**	(51 661)	**(6 204)**	(4 760)

43.3 Taxation (paid) received

Opening balance	**4 104**	11 394	**–**	–
Acquisition of subsidiaries	**(115)**	133	**–**	–
Statement of comprehensive income movement	**(5 523)**	(871)	**–**	–
Closing balance	**(87)**	(4 104)	**–**	–
	(1 621)	6 552	**–**	–

43. NOTES TO THE CASH FLOW STATEMENTS (continued)

43.4 Reconciliation of assets acquired and sold in subsidiaries to cash paid

During the year the Group sold its 100% interest in The Sportpersons Insurance Broker Proprietary Limited and acquired 51% of the shares in Deal Design. The details of the disposal and acquisition are as follows:

Group	The Sportpersons Insurance Broker (100%) R'000	Deal Design (51%) R'000	**Total 2018 R'000**
Effective date of change of control	1 Jul '17	3 Nov '17	
Fair value of assets acquired:			
– Property, plant and equipment	–	485	**485**
– Other intangible assets	–	28 400	**28 400**
– Investments held at fair value	–	58	**58**
– Trade and other receivables	(2)	49	**47**
– Bank balances (overdraft)	(76)	86	**10**
– Deferred taxation	–	(6 570)	**(6 570)**
– Interest bearing borrowings	–	(642)	**(642)**
– Trade and other payables	3	(1 606)	**(1 603)**
– Tax payable	(6)	(109)	**(115)**
– Minority interest	–	(9 874)	**(9 874)**
– Net asset value acquired (disposal of)	(81)	10 277	**10 196**
– Goodwill acquired *	–	5 155	**5 155**
– Purchase (sale) price	(81)	15 432	**15 351**
– Profit on sale	(94)	–	**(94)**
– Net cash outflow (inflow) on acquisition (disposal)	(175)	15 432	**15 257**
Profit after tax since acquisition date, included in the consolidated results for the year			**74**
Turnover since acquisition date, included in the consolidated results for the year			**6 666**
Group profit after tax had the business combination been included for the entire year			**127 624**
Group revenue had the business combination been included for the entire year			**1 600 890**

* *Goodwill was paid in order to obtain the majority shareholding in an entity with excellent medium to long-term growth prospects.*

44. INVESTMENT IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

44.1 The following information relates to the Group's investment in associate companies:

	Nature of business	Country of incorporation	Number of shares held 2018	Number of shares held 2017	Interest 2018 %	Interest 2017 %	Book value of investment 2018 R'000	Book value of investment 2017 R'000	Indebtedness to Group 2018 R'000	Indebtedness to Group 2017 R'000
Directly owned										
Anthony Richards & Associates Proprietary Limited	Credit recovery and call centre services	RSA	**100**	100	**40**	40	**77 200**	77 200	**4 000**	12 800
Liciaflash Proprietary Limited	Procurement	RSA	**–**	60	**–**	40	**–**	–	**–**	3
Held through a subsidiary										
Administration Plus Proprietary Limited	Underwriting manager	RSA	**4 000**	4 000	**40**	40	**–**	130	**–**	–
ASOC Management Company Proprietary Limited	Fund manager	RSA	**2 500**	2 500	**25**	25	**51**	(359)	**4 628**	2 753
Jasure Financial Services Proprietary Limited	Underwriting manager	RSA	**1 040**	–	**51**	–	**–**	–	**2 550**	–
Mobility Insurance Underwriting Managers Proprietary Limited	Underwriting manager	RSA	**52**	–	**26**	–	**2 945**	–	**2 228**	–
Rikatec Proprietary Limited	Information management and data analytics	RSA	**404**	–	**28**	–	**3 566**	–	**19 773**	–
Wheels Underwriting Managers Proprietary Limited	In liquidation	RSA	**20**	20	**20**	20	**–**	–	**–**	–
							83 762	76 971	**33 179**	15 556

Note:

All associates of the Group are unlisted companies.

Although the Group currently owns 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 is therefore treated as an associate and not a subsidiary.

44.2 Allocated as follows:

	GROUP 30 June 2018 R'000	GROUP Restated 30 June 2017 R'000	GROUP Restated 30 June 2016 R'000	COMPANY 30 June 2018 R'000	COMPANY Restated 30 June 2017 R'000	COMPANY Restated 30 June 2016 R'000
Book value of investment reflected as associates (note 20)	**116 941**	92 527	110 133	**15 568**	24 371	11 571

44. INVESTMENT IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

44.3 The following information relates to the Company's investment in subsidiary companies:

	Nature of business	Country of incorporation	Issued ordinary share capital		Interest		Shares at cost less amounts written off		Indebtedness to (by) Conduit Capital	
			2018	2017	2018 %	2017 %	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Directly owned										
Conduit Management Services Proprietary Limited	Management services; equities investment	RSA	**140 000**	140 000	**100**	100	**140**	140	**181 507**	707 101
Copper Sunset Trading 186 Proprietary Limited	Holding company	RSA	**100**	100	**100**	100	**2**	2	**895 666**	232 727
Marble Gold 213 Proprietary Limited	Holding company	RSA	**100**	100	**100**	100	**231**	231	**(132)**	(147)
On Line Lottery Services Proprietary Limited	Dormant	RSA	**150**	150	**80**	80	**585**	585	**–**	–
Held through a subsidiary										
Black Ginger 92 Proprietary Limited	Investment company	RSA	**100**	100	**100**	100	**–**	–	**14 902**	14 871
Conduit Fund Managers Proprietary Limited	Asset manager	RSA	**1**	1	**100**	100	**–**	–	**44 538**	21 995
Constantia Insurance Holdings Proprietary Limited	Investment company	RSA	**120**	120	**100**	100	**–**	–	**–**	–
Constantia Risk and Insurance Holdings Proprietary Limited	Holding company	RSA	**200**	200	**100**	100	**–**	–	**–**	–
Constantia Insurance Company Limited	Short-term insurer	RSA	**2 246 500**	2 245 500	**100**	100	**–**	–	**–**	–
Constantia Life and Health Assurance Company Limited	Long-term insurer	RSA	**13 772 380**	13 772 380	**100**	100	**–**	–	**–**	–
Constantia Life Limited	Long-term insurer	RSA	**696 000**	696 000	**100**	100	**–**	–	**–**	–
Deal Design Commercial Property and Business Broking Proprietary Limited trading as Century 21	Commercial property and business broking	RSA	**51**	–	**51**	–	**–**	–	**–**	–
General Legal and Administration Services Limited	Administration services provider	RSA	**1 002**	1 002	**100**	100	**–**	–	**–**	–
Goodall and Bourne Properties Proprietary Limited	Property company	RSA	**2 000**	2 000	**100**	100	**–**	–	**–**	–
Goodall and Bourne Trust Company Proprietary Limited	Holding company	RSA	**200**	200	**100**	100	**–**	–	**–**	–
Hurriclaim Proprietary Limited	Claims administrator	RSA	**352 000**	352 000	**100**	100	**–**	–	**–**	–
IMR Share Trust	Share trust	RSA	**–**	–	**–**	–	**–**	–	**(3 367)**	(3 228)

	Nature of business	Country of incorporation	Issued ordinary share capital 2018	2017	Interest 2018 %	2017 %	Shares at cost less amounts written off 2018 R'000	2017 R'000	Indebtedness to (by) Conduit Capital 2018 R'000	2017 R'000
Internetwork Property Services Proprietary Limited	Administrative company	RSA	**100**	100	**100**	100	**–**	–	**–**	–
Inventory and Risk Surveys Proprietary Limited	Risk surveyor	RSA	**100**	100	**61**	61	**–**	–	**–**	–
Midbrook Lane Proprietary Limited	Equities investment	RSA	**4 093 942**	4 093 942	**100**	100	**–**	–	**–**	–
Midbrook Lane Ventures Proprietary Limited	Investment company	RSA	**100**	100	**100**	100	**–**	–	**–**	–
Snowball Wealth Proprietary Limited	Equities investment	RSA	**24 960**	24 960	**100**	100	**–**	–	**–**	–
TGI Investment Holding Proprietary Limited	Investment company	RSA	**9 680 036**	9 680 036	**100**	100	**–**	–	**–**	–
The Sportpersons Insurance Broker Proprietary Limited (previously Transqua Administrative Services Proprietary Limited)	Underwriting manager	RSA	**–**	500 000	**–**	100	**–**	–	**–**	–
							958	958	**1 133 114**	973 319

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 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.*

44.4 Allocated as follows:

	COMPANY 30 June 2018 R'000	30 June 2017 R'000
Shares at cost, less impairment	**958**	958
Equity loans	**1 136 613**	976 694
– Gross	**1 310 555**	979 174
– Impairment	**(173 942)**	(2 480)
Investment in subsidiaries (note 21)	**1 137 571**	977 652
Interest bearing borrowings	**(3 367)**	(3 228)
Loans payable	**(132)**	(147)
	1 134 072	974 277

45. RISK MANAGEMENT

45.1 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 5.0% to the Group's gross premium income for the 2018 financial period, 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 2018				
Assets	**9 871**	**135 470**	**149 017**	**123 155**
Liabilities	**(9 122)**	**(125 184)**	**(137 702)**	**(113 803)**
Net assets	**749**	**10 286**	**11 315**	**9 352**
30 June 2017				
Assets	11 038	144 552	159 008	131 411
Liabilities	(11 086)	(145 187)	(159 706)	(131 988)
Net liabilities	(48)	(635)	(698)	(577)

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.

45.2 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 22 . Additional exposure to interest rate risk is in the form of cash balances held at call with banks (see note 25), which earn interest at rates that vary on a daily basis, and loans receivable that earn interest at rates that are linked to the prime lending rate (see note 17).

45.2.1 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:

	2018 2% increase R'000	2017 2% increase R'000	2018 2% decrease R'000	2017 2% decrease R'000
Financial assets				
Cash and interest bearing loans	**4 183**	3 971	**(4 183)**	(3 971)
Financial liabilities				
Interest bearing borrowings	**(322)**	(167)	**322**	167

45.2.2 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:

	2018 2% increase R'000	2017 2% increase R'000	2018 2% decrease R'000	2017 2% decrease R'000
Financial assets				
Cash and cash equivalents	644	832	(644)	(832)

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

45.3 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 intrinsic 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.

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:

		2018		2017	
		Portfolio	JSE All Share index	Portfolio	JSE All Share index
Market value as at reporting date (R'000)	A	1 173 391	57 611	800 901	51 611
Market value based on highest closing price achieved by individual portfolio components during the reporting year (R'000)	B	1 330 846	61 696	904 109	54 427
Market value based on lowest closing price achieved by individual portfolio components during the reporting year (R'000)	C	591 991	51 611	622 743	49 256
Premium: B vs A		13.4%	7,1%	12,9%	5,5%
Discount: C vs A		(49,5%)	(10,4%)	(22,2%)	(4,6%)
Premium: B vs C		124,8%	19,5%	45,2%	10,5%

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.

45. RISK MANAGEMENT (continued)

45.4 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;
- unlisted investments (where applicable);
- 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.

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

		Credit rating			
		A R'000	BBB R'000	Not rated R'000	Carrying value R'000
45.4.1	**GROUP**				
	30 June 2018				
	Unlisted investments held at fair value	**–**	**–**	**44 864**	**44 864**
	Loans receivable	**–**	**–**	**6 330**	**6 330**
	Trade and other receivables	**–**	**–**	**30 570**	**30 570**
	Cash and cash equivalents	**40**	**330 122**	**9 928**	**340 090**
		40	**330 122**	**91 692**	**421 854**
	30 June 2017				
	Unlisted investments held at fair value	–	–	32 270	32 270
	Loans receivable	–	–	18 548	18 548
	Trade and other receivables	–	–	23 810	23 810
	Cash and cash equivalents	16	203 597	4 488	208 101
		16	203 597	79 116	282 729
45.4.2	**COMPANY**				
	30 June 2018				
	Trade and other receivables	**–**	**–**	**1 033**	**1 033**
	Cash and cash equivalents	**–**	**19 160**	**–**	**19 160**
		–	**19 160**	**1 033**	**20 193**
	30 June 2017				
	Trade and other receivables	–	–	976	976
	Cash and cash equivalents	–	7 700	–	7 700
		–	7 700	976	8 676

Loans and other receivables consist mainly of accounts receivable from the Group's customer base. 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 provisions are made for both specific and general bad debts.

Investments held in listed shares (note 22) have not been rated as these represent investments in equities of 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 doubtful debt 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:

		Neither past due nor impaired R'000	Financial assets that are past due but not impaired 2 – 3 months R'000	Financial assets that are past due but not impaired 3 – 6 months R'000	Financial assets that have been impaired R'000	Allowance for impairment R'000	Carrying value R'000
45.4.3	**GROUP**						
	30 June 2018						
	Unlisted investments held at fair value	**44 864**	**–**	**–**	**1 599**	**(1 599)**	**44 864**
	Loans receivable	**6 330**	**–**	**–**	**8 076**	**(8 076)**	**6 330**
	Trade and other receivables	**30 204**	**207**	**159**	**–**	**–**	**30 570**
	Cash and cash equivalents	**340 090**	**–**	**–**	**–**	**–**	**340 090**
		421 488	**207**	**159**	**9 675**	**(9 675)**	**421 854**
	30 June 2017						
	Unlisted investments held at fair value	32 270	–	–	–	–	32 270
	Loans receivable	18 548	–	–	5 000	(5 000)	18 548
	Trade and other receivables	23 525	161	124	–	–	23 810
	Cash and cash equivalents	208 101	–	–	–	–	208 101
		282 444	161	124	5 000	(5 000)	282 729
45.4.4	**COMPANY**						
	30 June 2018						
	Trade and other receivables	**1 033**	**–**	**–**	**–**	**–**	**1 033**
	Cash and cash equivalents	**19 160**	**–**	**–**	**–**	**–**	**19 160**
		20 193	**–**	**–**	**–**	**–**	**20 193**
	30 June 2017						
	Trade and other receivables	976	–	–	–	–	976
	Cash and cash equivalents	7 700	–	–	–	–	7 700
		8 676	–	–	–	–	8 676

45. RISK MANAGEMENT (continued)

45.5 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	Total R'000
45.5.1 GROUP			
2018			
Interest-bearing borrowings	**307**	**304**	**611**
Trade and other payables	**37 986**	**–**	**37 986**
Bank overdraft	**29**	**–**	**29**
	38 322	**304**	**38 626**
2017			
Trade and other payables	53 656	–	53 656
	53 656	–	53 656
45.5.2 COMPANY			
2018			
Interest-bearing borrowings	**–**	**3 367**	**3 367**
Loans payable	**132**	**–**	**132**
Trade and other payables	**836**	**–**	**836**
	968	**3 367**	**4 335**
2017			
Interest-bearing borrowings	–	3 228	3 228
Loans payable	147	–	147
Trade and other payables	1 303	–	1 303
	1 450	3 228	4 678

45.6 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.

45.6.1 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.

45.6.1 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.

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.

45.6.2 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	2018 R'000	2017 R'000
Short term		
Property	131 981	77 602
Motor	298 359	160 975
Accident and Health	836 161	718 394
Guarantee	26 236	28 094
Liability	92 290	17 959
Miscellaneous (including legal expenses, retrenchment cover)	52 865	36 673
Long term	98 993	30 097
	1 536 885	1 069 794

45.6.3 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.

45. RISK MANAGEMENT (continued)

45.6 Insurance risk (continued)

45.6.3 Management of insurance risk (continued)

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.

45.6.4 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 Re Corporation;
– Guardrisk Insurance Company Limited;
– Hannover Reinsurance Africa Limited;
– Munich Reinsurance Company of Africa Limited;
– Nationale Borg-Maatschappij N.V.;
– SCOR Africa Limited; and
– Swiss Reinsurance Company 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.

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.

45.7 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.

Consistent with others in the industry, the Group monitors capital in its insurance businesses on the basis of solvency and the capital adequacy ratio ("CAR"). Over the medium to long term the Group targets:

- an international solvency ratio of in excess of 45% and a CAR in excess of 1.25 for its short-term insurance business; and
- a CAR of 1.5 for its long-term insurance businesses.

The solvency ratio is calculated as the short-term insurer's net assets divided by net written premium, while the CAR is calculated as the insurer's statutory net assets divided by its capital adequacy requirement as calculated:

- on the Financial Soundness Valuation basis disclosed in the Actuary's Report for the long-term insurance business; and
- in terms of the SAM Interim Requirements for the short-term insurance business.

Constantia Insurance Company Limited's ("CICL") solvency on the international basis at the reporting date was 267.6% (2017: 46.9%), while its CAR at the reporting date was 6.02 overall (2017: 1.13) and 5.34 on its domestic business (2017: 1.28). Constantia Life and Health Assurance Company Limited ("CLAH") and Constantia Life Limited's ("CLL") CARs were 5.15 and 2.26 respectively (2017: 3.71 and 1.98).

The Group's insurance businesses are required by law to maintain a minimum level of solvency and a prescribed spread of assets in terms of the Long- and Short term Insurance Acts, respectively, and submits returns on a quarterly and annual basis to the Prudential Authority (previously Financial Services Board). Solvency for this purpose is calculated in terms of the Act.

As of 1 July 2018, the Solvency Assessment and Management ("SAM") regime has gone live as the industry standard for measuring an insurance company's solvency capital requirements. The key measures of capital adequacy under SAM are the Solvency Capital Requirement ("SCR") ratio and the Minimum Capital Requirement ("MCR") ratio.

The SCR and MCR components are calculated using the regulator defined standard formula. These are then divided by the insurer's eligible own funds to result in the aforementioned ratios.

Over the medium to long term the Group targets:

- an MCR and SCR ratio in excess of 1.25 for its short-term insurance business; and
- an MCR and SCR ratio of 1.5 for its long-term insurance businesses.

46. DIRECTORS' INTEREST IN SHARES AND SHARE OPTIONS

46.1 Beneficial interest in shares

	Direct	Indirect	Total
30 June 2018			
Chou, Leo	73 157 606	45 619 342	118 776 948
Louw, Lourens	4 145 000	–	4 145 000
Mahlangu, Jabulani	–	–	–
Maizey, Adrian *	574 795	6 189 910	6 764 705
Napier, Ronald	–	–	–
Riskowitz, Sean *	7 323 722	9 712 695	17 036 417
Thorndike, William	36 293 318	7 076 644	43 369 962
Xaba, Rosetta	14 914	–	14 914
	121 509 355	68 598 591	190 107 946

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 2017			
Harpur, David	–	–	–
Louw, Lourens	4 125 000	–	4 125 000
Mahlangu, Jabulani	–	–	–
Maizey, Adrian *	102 352	4 995 419	5 097 771
Moodley, Tyrone	6 112 067	–	6 112 067
Napier, Ronald	–	–	–
Riskowitz, Sean *	5 577 745	–	5 577 745
Scott, Barry	100 000	–	100 000
Toet, Gavin	2 051 236	–	2 051 236
Xaba, Rosetta	11 500	–	11 500
	18 079 900	4 995 419	23 075 319

** 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 215 004 631 Conduit Capital shares.*

46.2 Interest in share options

No director had an interest in any share options at any stage during the year under review (2017: Nil).

47. RELATED PARTY TRANSACTIONS

The Company and its subsidiaries, in the ordinary course of business, entered into various transactions with related parties, as detailed below:

47.1 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 47.3.

47.2 Companies within the group

47.2.1 Subsidiaries

Details of investments in and loans to/from subsidiary companies are disclosed in notes 44.3 and 44.4. Additional information about the impact that these balances have on the Group and the Company's Financial Statements are disclosed in note 21. Details of trading transactions with subsidiary companies and outstanding balances are reflected in note 47.4.1.

47.2.2 Associates

Details of investments in associate companies are disclosed in notes 44.1 and 44.2.

Details of trading transactions with associate companies are reflected in notes 20 and 47.4.2.

47.3 Directors and key management

47.3.1 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 38), shareholdings (note 46) and share options in the Company (notes 27 and 46).

47.3.2 Companies transacted with and controlled by a director or a director of a major subsidiary

Mr Peter Todd, a director of Constantia, is a director of Risk Solutions Proprietary Limited.

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.

47.3.3 Dealings in capacities other than as a director of the company

During the year ended 30 June 2018 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 47.4.3.

47. RELATED PARTY TRANSACTIONS (continued)

47.4 Trading transactions and outstanding balances other than loan balances

		GROUP		COMPANY	
		30 June 2018 R'000	30 June 2017 R'000	**30 June 2018 R'000**	30 June 2017 R'000
47.4.1	**Subsidiaries**				
	Black Ginger 92 Proprietary Limited				
	– Interest received	**–**	–	**–**	1 463
	Conduit Fund Managers Proprietary Limited				
	– Reversal (part-impairment) of loan	**–**	–	**2 470**	(2 480)
	Conduit Management Services Proprietary Limited				
	– Loan balance impaired	**–**	–	**(111 636)**	–
	– Loan balance written off	**–**	–	**(64 776)**	–
	Constantia Insurance Group				
	– Balance due by	**–**	–	**2**	248
	IMR Share Trust				
	– Interest paid	**–**	–	**(171)**	(172)
47.4.2	**Associates**				
	Anthony Richards and Associates Proprietary Limited				
	– Dividend received	**–**	24 000	**–**	24 000
	– Directors fees received	**75**	75	**75**	75
	Administration Plus Proprietary Limited				
	– Management fees paid	**(2 904)**	(3 676)	**–**	–
	– Profit commission paid	**–**	(1 156)	**–**	–
	– Balance due to	**(286)**	(857)	**–**	–
	ASOC Management Company Proprietary Limited				
	– Interest received	**–**	253	**–**	–
	Liciaflash Proprietary Limited				
	– Dividend received	**117**	–	**117**	–
	Rikatec Proprietary Limited				
	– Interest received	**1 773**	–	**–**	–
47.4.3	**Directors, directors' companies and key management**				
	Risk Solutions Proprietary Limited				
	– Consulting fees paid	**(600)**	–	**–**	–
	Riskowitz Value Fund LP, a USA based investment partnership to which Protea Asset Management LLC is the investment adviser and to which Riskowitz Capital Management LLC is the General Partner:				
	– acquired some shares from the Conduit Group in what was classified as a "small related party transaction".	**–**	62 697	**–**	–
	– was the underwriter for Conduit Capital's rights offer:				
	• *Underwriting fee*	**(5 250)**	–	**(5 250)**	–
	• *Rights offer shares taken up in terms of underwriting agreement*	**257 022**	–	**257 022**	–

SHAREHOLDER INFORMATION
as at 30 June 2018

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	528	45.83	154 277	0.02
1 001 – 10 000 shares	319	27.69	1 374 085	0.18
10 001 – 100 000 shares	184	15.97	6 157 424	0.81
100 001 – 1 000 000 shares	75	6.51	26 679 332	3.49
1 000 001 shares and over	46	4.00	730 078 782	95.50
	1 152	100.00	764 443 900	100.00

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Close corporations	8	0.69	6 295 101	0.82
Individuals	926	80.38	187 485 376	24.53
Nominees and trusts	49	4.25	51 822 696	6.78
Other persons and corporations	126	10.94	349 197 589	45.68
Private companies	39	3.39	166 798 283	21.82
Public companies	3	0.26	2 824 853	0.37
Share trusts	1	0.09	20 002	–
	1 152	100.00	764 443 900	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Non-public shareholders	29	2.52	496 553 748	64.96
Directors' holdings	14	1.22	190 107 946	24.87
Associates' holdings	11	0.95	248 620 439	32.52
Own holdings	3	0.26	57 805 361	7.56
Share trust	1	0.09	20 002	0.01
Public shareholders	1 123	97.48	267 890 152	35.04
	1 152	100.00	764 443 900	100.00

BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE, OTHER THAN DIRECTORS AND THEIR ASSOCIATES

	Number of shares	%
Morgan Stanley Smith Barney LLC	38 293 318	5.01
Citiclient Nominees No 8 NY GW	33 462 583	4.38
	71 755 901	**9.39**

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 ("annual general meeting"), as at Friday 9 November 2018, being the record date to receive the Annual General Meeting ("AGM") notice in terms of section 59(1)(a) of the Companies Act of South Africa ("Companies Act"), that the annual general meeting of the Company will be held at 09:00 on Friday, 16 November 2018 at The Fairway Hotel & Spa, Setperk Street, Randpark, Randburg, 2125, for the purpose of considering, and, if deemed fit, to 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, 9 November 2018, being the record date to participate in and vote at the annual general meeting in terms of section 62(3)(a), read with section 59(1)(b), of the Companies Act. The last day to trade, participate in and vote at the annual general meeting is therefore Tuesday 6 November 2018 the resolutions set out hereafter.

NB: Section 63(1) of the Companies Act – Identification of meeting participants

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Acceptable forms of identification include valid identity documents, drivers' licences and passports.

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 and the Social and Ethics Committee for the year ended 30 June 2018, be and are hereby received and adopted."

Ordinary resolutions adopted at this annual general meeting 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

Re-election of director

Mr Ronald Napier retires by rotation in terms of clause 26 of the Memorandum of Incorporation and, being eligible, offers himself for re-election as an independent non-executive director and the chairman of the Company.

"**Resolved that** the re-election of Mr Ronald Napier as independent non-executive director and chairman to the Company be confirmed."

An abridged *curriculum vitae* of Mr Ronald Napier is included in the integrated report of which this notice forms part.

The board of directors has considered Mr Ronald Napier'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 annual general meeting 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 Jabulani Mahlangu retires by rotation in terms of clause 26 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 Jabulani Mahlangu as independent non-executive director to the Company be confirmed."

An abridged *curriculum vitae* of Mr Jabulani Mahlange is included in the integrated report of which this notice forms part.

The board of directors has considered Mr Jabulani Mahlangu'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 annual general meeting 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 4

Ordinary resolution numbers 4.1 to 4.3: Re-appointment of members of the Audit and Risk Committee

Ordinary resolution number 4.1: Re-appointment of Mr Jabulani Mahlangu as a member and the chairman of the Audit and Risk Committee

"**Resolved that** in terms of section 94(2) of the Companies No. Act 71 of 2008 and subject to the passing of ordinary resolution number 3, Mr Jabulani Mahlanga, an independent non-executive director, be re-appointed as a member and the chairman of the Audit and Risk Committee."

Ordinary resolution number 4.2: 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 No. Act 71 of 2008 and subject to the passing of ordinary resolution number 2, Mr Ronald Napier, an independent non-executive director, be re-appointed as a member of the Audit and Risk Committee."

Ordinary resolution number 4.3: 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 No. Act 71 of 2008 Ms Roseatta Xaba, an independent non-executive director, be re-appointed as a member and the chairman of the Audit and Risk Committee."

An abridged *curriculum vitae* of Ms Rosetta Xaba is included in the integrated report of which this notice forms part.

Ordinary resolutions adopted at this annual general meeting 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

Re-appointment of auditors

"**Resolved that** Grant Thornton, together with Ms Serena Ho, being the designated audit partner, be appointed as the auditors of the Company."

The Audit and Risk Committee has nominated for appointment as auditors of the company under section 90 of the Companies Act No. 71 of 2008, Grant Thornton.

The Audit and Risk Committee has evaluated the performance of Grant Thornton and recommends their re-appointment as the external auditors of the Group in accordance with paragraph 3.84(g) (iii) of the JSE Listings Requirements.

Ordinary resolutions adopted at this annual general meeting 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

Ordinary resolution number 6.1: 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 50 of the integrated report, be and is hereby approved."

Ordinary resolution number 6.2: 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 is 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 6.1 and 6.2

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 annual general meeting. 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 resolution number 7

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 annual general meeting 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

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 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 105 461 929 securities. Any securities issued under this authorisation will be deducted from the aforementioned 105 461 929. 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 annual general meeting 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 annual general meeting 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 8 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 annual general meeting.

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 annual general meeting 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 annual general meeting 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 113; and
- directors' interests in securities – page 110.

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 pages 33 to 35 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 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 annual general meeting 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 annual general meeting 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 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 ending 30 June 2018 were authorised in terms of a special resolution approved by shareholders at the annual general meeting held on 17 November 2017. The same resolution authorised the Board to approve an annual increase of NED fees for the 2019 financial year by an amount not exceeding 10% (ten percent).

The Board authorised NED fees to increase by 7% (seven percent) for the year ending 30 June 2019, resulting in the following NED fees:

Position	Approved fee in ZAR for the year ending 30 June 2019	Approved fee in USD for the year ending 30 June 2019
Chairman of the Board	R600 300	
Chairman of the Audit and Risk Committees	R414 480	
Chairperson of the Social and Ethics Committee	R414 480	
Other non-executive directors	R328 950	
Foreign non-executive directors		$24 000

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 2019 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 annual general meeting 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 9

Signature of documents

"Resolved that any director and/or the Company Secretary be authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and where required registered by the Companies and Intellectual Property Commission, in the case of special resolutions."

Ordinary resolutions adopted at this annual general meeting 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 annual general meeting of the Company.

QUORUM

A quorum for the purpose of considering the resolutions above consists of three shareholders of the Company, personally present or represented by proxy (and if the shareholder is a body corporate, the representative of the body corporate) and entitled to vote at the annual general meeting. 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 annual general meeting 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 annual general 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 annual general meeting is entitled to appoint a proxy or proxies to 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.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without "own name" registration and who wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, 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.

Proxy forms should, for ease of administration, be lodged with the Transfer Secretaries of the Company, Computershare Investor Services Proprietary Limited, or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them not later than 14 November 2018 at 09:00, provided that any form of proxy not delivered to the Transfer Secretary by this time may be handed to the chairman of the annual general meeting prior to the commencement of the annual general meeting, at any time before the appointed proxy exercises any shareholder rights at the annual general meeting.

Kindly note that meeting participants, which includes proxies, are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licenses and passports.

ELECTRONIC PARTICIPATION

Shareholders or their proxies may participate in the meeting by way of telephone conference call, and are required to advise the company by 10:00 on Friday, 9 November 2018 by submitting, via email to the company secretary at nazli.reid@computershare.co.za, or by fax to +27 11 688 5279 for the attention of Nazli Reid, relevant contact details including email address, cellular number and landline, as well as full details of the shareholder's title to the shares issued by the company and proof of identity, in the form of copies of identity documents and share certificates (in the case of certificated shareholders), and (in the case of dematerialised shareholders) written confirmation from the shareholder's CSDP confirming the shareholder's title to the dematerialised shares. On receipt of the required information, the shareholder will be given a secure code and instructions to access electronic communication during the AGM.

Shareholders who wish to participate in the AGM by way of telephone conference call must note that they will not be able to vote during the AGM. Such shareholders, should they wish to have their vote counted at the AGM, must, to the extent applicable: i) complete the form of proxy; or ii) contact their CSDP or broker, in both instances, as set out above.

By order of the Board

CIS Company Secretaries Proprietary Limited
Company Secretary

16 October 2018
Johannesburg

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
Sean Riskowitz* – B Com
Chief executive officer
William Thorndike Jr** – MBA (Stanford)
Independent non-executive director
Lourens Louw – B Com
Financial Director
Jabulani Mahlangu – B.Compt (Hons), CTA, CA (SA)
Independent non-executive director
Adrian Maizey** – BBA (Accounting), MBA (Harvard), CPA (USA)
Non-executive director
Leo Chou – B Com
Non-executive director
Rosetta Xaba – B.Compt (Hons), CA (SA)
Independent non-executive director
** Dual RSA and USA*
*** USA citizen*

ADMINISTRATION
Registered address
Unit 9
4 Homestead Avenue
Bryanston, 2191

Postal address
PO Box 97, Melrose Arch, 2076
Tel: +27 10 020 3460
Fax: +27 86 522 8742

Registration number
1998/017351/06

Level of assurance
These Annual Financial Statements have been audited

Preparer
The Financial Statements were internally compiled by:
Lourens Louw
Financial director

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
PO Box 61051, Marshalltown, 2107

Transfer Secretaries
Computershare Investor Services
Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
PO Box 61051, Marshalltown, 2107

Sponsors
Merchantec Proprietary Limited t/a Merchantec Capital
(Registration number: 2008/027362/07)

2nd Floor, North Block, Hyde Park Office Tower
Cnr 6th Road & Jan Smuts Avenue, Hyde Park, 2196

PO Box 41480, Craighall, 2024

Independent auditors
Grant Thornton Johannesburg Partnership
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

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 at The Fairway Hotel & Spa, Setperk Street, Randpark, Randburg, 2125, at 09:00 on Friday, 16 November 2018 and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the AGM must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the AGM in person or by proxy and vote. If they do not wish to attend the AGM in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. **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 resolutions 1** Adoption of annual financial statements			
2.	**Ordinary resolution 2** Re-election as director of Mr Ronald Napier who retires by rotation			
3.	**Ordinary resolution 3** Re-election as director of Mr Jabulani Mahlangu who retires by rotation			
4.	**Ordinary resolutions 4.1** Re-appointment of Mr Jabulani Mahlangu as member and Chairman of the Audit and Risk Committee			
5.	**Ordinary resolutions 4.2** Re-appointment of Mr Ronald Napier as member of the Audit and Risk Committee			
6.	**Ordinary resolutions 4.3** Re-appointment of Ms Rosetta Xaba as member of the Audit and Risk Committee			
7.	**Ordinary resolutions 5** Re-appointment of Grant Thornton as auditors and Ms Serena Ho as the designated audit partner			
8.	**Ordinary resolutions 6.1** Approval of the remuneration policy			
9.	**Ordinary resolution 6.2** Approval of the remuneration implementation reportt			
10.	**Ordinary resolution 7** Control of authorised but unissued ordinary shares			
11.	**Ordinary resolution 8** General issue of shares for cash			
12.	**Special resolution number 1** General approval to acquire shares			
13.	**Special resolution number 2** Loans or other financial assistance to subsidiaries and other related or inter-related companies			
14.	**Special resolution number 3** Approval of non-executive directors' remuneration			
15.	**Ordinary resolution number 9** 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 ______________________________ 2018

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).
13. **Forms of proxy should be lodged with or mailed or emailed to Computershare Investor Services Proprietary Limited:**

    Hand deliveries to:
    Computershare Investor Services Proprietary Limited
    Rosebank Towers, 15 Bierman Avenue
    Rosebank, Johannesburg
    2196

    Postal deliveries to:
    Computershare Investor Services Proprietary Limited
    PO Box 61051
    Marshalltown,
    2107

    By email to:
    nazli.reid@computershare.co.za

    at any time prior to the start of the AGM, or prior to voting on any resolution proposed at the AGM.
14. 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.

CONDUIT CAPITAL

www.conduitcapital.co.za