CONDUIT CAPITAL

Conduit Capital Limited

Integrated Annual Report 2017

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LETTER FROM THE CEO TO THE SHAREHOLDERS OF CONDUIT CAPITAL

Dear Shareholder

I am pleased to present the integrated annual report of Conduit Capital Limited ("Conduit Capital", "Conduit", "the Company", or "the Group") for the year ended 30 June 2017.

OUR VISION

Conduit Capital is a JSE listed South African holding company that owns subsidiaries involved primarily in the insurance industry. Conduit's vision is to develop a high quality, diversified insurance group supported by a value-oriented, non-insurance investment portfolio over the long-term. Our primary objective is to increase the per share intrinsic value[1] of the Company over the long-term at an absolute rate in excess of the market in general. We intend to achieve this goal by investing in and supporting insurance opportunities that deliver sustainable underwriting profits and generate capital to invest into non-insurance opportunities. The increase in the value of this capital delivers a significant earnings stream for the Group, which in turn develops a larger capital base that supports further premium growth. Our goal is to accelerate this cycle, the ultimate effect of which should be a long-term sustainable increase in the value of the Company.

MEASURING PERFORMANCE

We measure Conduit's performance by the growth in our intrinsic value per share. We use the *percentage change* (not the absolute level, which in our view understates the value of the company) in net asset value ("NAV") per share to estimate the Group's performance. We believe this measure is more appropriate than a standard price to earnings ratio because of the nature of the Group's assets: insurance companies are generally valued in terms of a multiple of NAV, due to normal volatility in insurance profits or losses. Similarly, we measure the investment portfolio in terms of its fair market value, rather than by gains or losses that flow through the income statement.

For the year ended 30 June 2017, NAV per share increased 3.9% to 176.1 cents per share. On a headline basis, the Group showed a loss attributable to equity holders of R68.0 million, compared to the headline loss of R17.7 million for the year ended 30 June 2016. On a normalised basis (excluding various non-cash impairments and growth expenses), the loss was R36.4 million. We continue to make investments and build capacity to support the growth of the business in a sustainable manner over the long term.

The table below shows the progress we have made since April 2015, when present management took over:

Table 1

Date	NAV per share (cents)	% change	Share price (cents)	% change
28 Feb '15 (unaudited)	172.8		165	
30 Jun '15 (audited, restated)	174.8	+1.2%	220	+33.3%
30 Jun '16 (audited, restated)	169.5	-3.0%	275	+25.0%
30 Jun '17 (audited)	176.1	+3.9%	240	-12.7%
Overall		+1.9%		+45.5%

It is important to remember that although *growth in NAV* per share is not a perfect proxy for *growth in intrinsic value*, it should offer a suitable correlation over time.

To accomplish our goal, we will:

- invest in and sustainably develop our insurance businesses;
- grow our investable assets at no cost by achieving combined ratios[2] in our insurance operations well below 100%; and
- pursue value-oriented non-insurance investment opportunities.

INSURANCE OPERATIONS

Our insurance operations comprise Constantia Insurance Company Limited, Constantia Life Limited and Constantia Life & Health Assurance Company Limited, collectively referred to as Constantia. Constantia operates in a decentralised fashion under the guidance of its board of directors and the leadership of its Chief Executive Officer. Constantia operates within broad niche segments of the insurance market, ranging from accident and health, medical malpractice, niche motor, funeral, guarantee and other lines. Product distribution occurs through internal divisions and through independent Underwriting Management Agencies ("UMAs"). UMAs are generally incentivised on a cost recovery basis (calculated as a percentage of premium) and profit share arrangements (to ensure sufficient and sustainable underwriting quality).

[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.*

Constantia's mission is to be a trusted brand whose responsive teams provide innovative risk and insurance solutions in niche markets. In November 2016, the company appointed Volker von Widdern as Chief Executive Officer. Volker joined Constantia from Marsh in July 2016 as the Deputy CEO. Volker possesses the qualities required to deliver on our ambitious growth objectives. His integrity, energy and intelligence have exceeded even our most optimistic expectations. We have full confidence in him and his team's ability to achieve great things with Constantia.

Under Volker's leadership, Constantia is undergoing a revolution. Constantia has made significant investments in information technology, business infrastructure, growth capacity and the addition of high quality people to ensure it has the right ingredients to meet our demanding expectations over the long term. This is one of the major reasons why Constantia's operating expenses increased from 33.1% of gross written premium in the prior year to 43.9% in the current year – they are building capacity for future earnings. These investments have *materially* increased Constantia's earnings power. This trade-off of upfront costs generating short term accounting losses in exchange for materially higher earnings power into the future is a trade-off that we are happy to make.

Constantia's Performance

Constantia increased gross written premium by 6.4% to R1.07 billion (2016: R1.01 billion). Net written premium increased from R376.1 million to R381.9 million. Constantia makes use of solvency relief reinsurance contracts, which decrease net written premium, but increase the insurer's return on invested capital. These 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. Had we not entered into these agreements, net written premium would have been 17.4% higher at R900.7 million (2016: R767.4 million, which was up from R498.8 million in 2015). Constantia's intention is to retain more business on a net basis over time, but only when they are sufficiently compensated for the risk.

Constantia's gross and net premiums by line, together with the underwriting margin for the period under review and the comparative period, were as follows:

Table 2

	Twelve months to 30 June 2017				Twelve months to 30 June 2016			
	Gross R'000	Net R'000	Net excl. solvency reinsurance R'000	Under-writing result R'000	Gross R'000	Net R'000	Net excl. solvency reinsurance R'000	Under-writing result R'000
Assistance	30 097	29 700	29 700	(5 608)	170 197	169 823	169 823	799
Accident and Health	718 394	171 961	680 751	(48 898)	601 574	125 754	516 890	(29 056)
Guarantee	28 094	15 401	15 401	(395)	24 902	13 492	13 492	11 087
Liability	17 959	9 056	9 056	(15 593)	–	–	–	–
Miscellaneous	36 673	18 245	18 245	(4 951)	60 497	16 075	16 327	(2 042)
Motor	160 975	106 314	116 357	(38 849)	42 751	23 161	23 161	(3 268)
Property	77 602	31 227	31 227	(7 934)	105 665	27 751	27 751	1 899
Unallocated	–	–	–	(12 121)	–	–	–	191
Total	1 069 794	381 904	900 737	(134 349)	1 005 586	376 056	767 444	(20 390)

The underwriting losses Constantia experienced across certain underwriting portfolios were primarily caused by a lack of prior management's appropriate underwriting risk control and a difficult economic environment, both of which also created secondary risk factors. The loss was increased by the impact of higher operating costs to support the growth strategy as detailed above. Material abnormal costs include a R12.1 million write-off of a salvages and recoveries accrual, additional legal provisions, R12.1 million in additional claims incurred but not reported ("IBNR") provisions required in the accident and health book mostly due to growth of these books, and costs and provisions related to various new business initiatives. In the second half of the financial year, the accident and health books stabilised and produced a net underwriting profit.

Last November, Constantia launched South Africa's only local medical malpractice insurance offering: EthiQal Medical Risk Protection. The business covers South African doctors from a complete risk management perspective. The market has been yearning for a trusted local solution and Constantia has capitalised on the opportunity with this multi-decade investment. Medical malpractice insurance requires best in class risk management, underwriting and technical skills and the capital to withstand claims for many years into the future. We will need to build sufficient reserves for several years before realising any accounting profits on this investment – when the profits do however come, they should be worth the wait.

Measuring Constantia's Performance

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

Combined Ratio[3]

The combined ratio measures the sum of the net loss ratio and the expense ratio relative to net earned premium. It is critical because it determines whether the company is writing profitable insurance. The ratio is also a measure of the "cost" of the investable assets that our insurance business produces 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 is 95% or better. For 2017, Constantia's combined ratio was 109.7%. Last year this ratio was 100.9%. We have no reason to believe Constantia cannot eventually achieve at least a 95% ratio on a sustainable basis well into the future.

Growth in Investable Assets

Insurance companies collect premiums now and pay claims later. They sit on large amounts of money that they are able to invest until claims are paid. This capital is known as "float". Float is calculated as the sum of insurance liabilities and policyholder liabilities, less reinsurance assets.

The simple float calculation does not accurately measure how much capital is available to invest from our insurance operations. We therefore developed our own measure called "investable assets". These are assets generated by the insurance companies that can be freely invested and have "float like" characteristics. Further, we exclude any amounts not meeting these criteria (such as restricted bank balances held in terms of our investment policy). It is therefore more accurate to measure our investable assets rather than our levels of float. Our version[4] 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

Our float increased from R65.3 million in 2016 to R130.0 million as at the reporting date, but because this capital was invested in the growth of the insurance operations, it was excluded from the calculation of investable assets. Investable assets decreased materially from last year mainly due to:

1. R66.2 million invested into additional property, plant and equipment, with the bulk of this going into computer software that will form the backbone of our medical malpractice offering;
2. a 61.3% increase in the minimum cash buffer that we keep aside for operating expenses, statutory capital and insurance liabilities; and
3. R42.2 million in additional expenses that are specifically related to our growth and new business initiatives.

Although we did not achieve our target of a minimum annual absolute growth in investable assets, we are satisfied with what is happening at Constantia. Our priority, after all, is to first invest in and sustainably develop our insurance businesses.

Return on Insurance Capital Employed

Return on insurance capital employed is the company's return on capital excluding returns generated from non-insurance related activities (such as Constantia's equity portfolio returns). The metric is designed to ensure that capital used by the insurer at least meets our minimum hurdle rate, which is 15%. Constantia did not achieve a 15% return on capital for the year for the reasons described above.

While the underwriting result was disappointing, the investment we are making into Constantia ensures the company has the right people and capacity to reach its ambitious growth targets and realise its tremendous earnings power potential through organic and inorganic growth over the next few years.

EQUITY INVESTMENTS

Conduit is a long-term anchor 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 estimation 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.

[3] We adjust the combined ratio to exclude up-front costs associated with new business initiatives. We believe the adjusted ratio is more reflective of the underlying performance and 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 114.7%.

[4] This formula may change, depending on the types of insurance we write and the types of investments that we make to most accurately measure the change in investable assets.

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 that can win the race. The horse is the business. We do not invest in horses that cannot win races. The business must have some durable competitive advantage that will allow it to maintain and grow its economic position over time;
3. **Runway:** Our broad criteria, outlined above, is dependent on the ability of the companies in which we invest to produce long-term growth in intrinsic value. The company must therefore have a clear path over the next ten or more years to compound its value; and
4. **Price:** Several companies meet points 1 through 3, but even a great company can be a bad investment at the wrong price. We therefore have the patience and discipline to wait for the "fat pitch".

The listed equities investment portfolio was valued at R800.9 million at 30 June 2017. At year-end, the equity portfolio reflected seven investments, each of which met our strict investment criteria.

The portfolio returned 6.5% for the year (pre-tax). In our opinion, the mark-to-market valuation increase does not accurately reflect the growth of the underlying intrinsic value of the companies. Business value and market price can diverge for long periods of time. Fortunately, we have the patience to wait for the market to realise the inherent values of the companies in which we have invested.

It is worth mentioning that Conduit's net income after tax will be lumpy because stock prices are inherently volatile. As a reminder, growth in net asset value per share is a better proxy for the performance of Conduit's underlying business value.

Look-through Earnings

A measure of the performance of the investment portfolio is "Look-through Earnings". This is Conduit's *pro rata* share of income[5] 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 accounting standards but there is real value to shareholders of retained earnings. In 2017 Conduit's "Look-through Earnings" increased 229.5%.

The following table compares the Group's look through earnings calculation as at 30 June 2017 with the position as at 30 June 2016:

Table 3

	2017			2016		
Stock	Share-holding in entity %	Share of headline earnings (loss) R'000	Share of dividend R'000	Share-holding in entity %	Share of headline earnings (loss) R'000	Share of dividend R'000
S1	6.94	37 639	2 296	1.99	8 337	982
S2	13.92	23 552	–	2.15	3 801	–
S3	6.73	(3 711)	–	2.09	99	401
S4	6.31	8 791	–	2.42	1 512	486
S5	0.00	–	–	0.01	255	88
S6	1.68	3 571	1 759	1.55	3 136	1 508
S7	1.02	1 650	–	0.00	–	–
S8	1.11	(1 539)	–	2.46	3 870	–
		69 953	4 055		21 010	3 465

Our investments are valuable intellectual property, in the same way knowledge and data we have built over the years in the insurance business is intellectual property with real value. We therefore do not openly disclose our public equity investments.

[5] *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.*

OTHER INVESTMENTS

Conduit owns 40% of Anthony Richards & Associates ("ARA"), a leading credit recovery specialist. Historically ARA generated an approximate 50% return on capital employed. We received R24.0 million in dividends from the company (R13.6 million in 2016) at a dividend yield of 21.8%. Accounting standards, however, require us to impair the value of this investment to reflect the difficult trading conditions that consumer credit markets currently experience. The subsequent impairment of R32.8 million, together with a dividend receivable of R12.8 million, resulted in ARA being reflected at R90.0 million as at the year-end, i.e. a net reduction of R20.0 million when compared to the R110.0 million as at 30 June 2016. The impairment negatively affected Conduit's earnings and net asset value, but is excluded from the calculation of headline earnings.

Conduit is an investor in Africa Special Opportunities Capital Proprietary Limited ("ASOC") and the ASOC Fund 1 Limited Partnership. ASOC is building the pre-eminent special situations investment management company in South Africa, which is the "first-to-market" of its kind. Recently enacted Business Rescue legislation has created uncertainty, creating an opportunity for an opportunistic distressed investment firm. During the year, ASOC closed its first two transactions, one in the early education sector and the other in the media industry. Both acquisitions were well considered and acquired on terms we consider extremely favourable to ASOC (they looked at 75 deals and picked 2). If your business is in distress and you are looking for fast, efficient assistance, visit them at www.asocapital.com.

Conduit completed the acquisitions of Midbrook Lane Proprietary Limited ("Midbrook") and Snowball Wealth Proprietary Limited ("Snowball"). These transactions saw Conduit acquire valuable equities portfolios at net asset value (that is, after all liabilities, including the material deferred tax liabilities of each company, meaning we paid less than market value for these positions), in exchange for new shares in Conduit issued at R2.45 per share. A 10% increase in the value of these portfolios by the next financial year-end would generate a R60.9 million increase in pre-tax earnings, or approximately 8.7 cents per share in net asset value.

We are always looking for great investment opportunities that meet our strict criteria and hurdle rates. Feel free to contact us with any opportunities you may have – we promise a quick answer.

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 on areas over which he or she has influence, as well as overall group performance. In our view incentive systems should be clear 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 (25%), Insurance Return on Capital Employed (25%)	Combined Ratio (40%), Investable Asset Growth (20%), Insurance Return on Capital Employed (20%), Growth in NAV per share (20%)

The base levels at which performance bonuses begin are:

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

Further detail on the Group's remuneration policy is contained in the Remuneration Report contained in our 2017 Integrated Annual report. Shareholders will be asked to approve by way of separate non-binding votes the Group's remuneration policy and implementation report at the forthcoming Annual General Meeting.

DIVIDEND

Conduit has a wide range of opportunities in which to deploy capital at attractive rates and therefore no dividend has been declared. It is unlikely Conduit will pay dividends in the future.

SUBSEQUENT EVENTS

On 11 September 2017, Conduit signed an agreement subject to certain conditions to acquire a 51% stake in the master franchisor of the Century21 real estate brand in South Africa. Century21 is the world's largest real estate brokerage and operates approximately 43 high quality franchises around South Africa. The business we acquired is the master franchisor, which provides support, training, national advertising and brand awareness. The business will continue to be run by the capable Harry Nicolaides and his team, under whose leadership we expect solid and sustainable growth in the consolidating real estate brokerage market. We welcome the Century21 team to the Conduit family.

PROSPECTS

The completion of the Snowball and Midbrook transactions has significantly increased the capital base and the earnings potential of the Company. The investment made in ASOC has already shown promise. The accounting results of Constantia were disappointing in the first half of the financial year, but much improved in the second half. Conduit is a vastly changed company from this time last year and is a few steps further into the journey of real value creation over time. We are not afraid of big investments for big returns. The only requirement is patience.

People are our greatest asset. We trust and empower our leaders to get the best out of them and all those who work with them. I would like to thank every person who is part of the Conduit ecosystem for his or her effort, energy and enthusiasm. Our business will grow to great heights and it is through your hard work that we will get there. I would also like to thank our board of directors and shareholders for sharing in our long-term vision for Conduit Capital.

Sean Riskowitz
Chief Executive Officer

Johannesburg
27 September 2017

CONDUIT SHAREHOLDER MANIFESTO

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

1. **We are business owners with a long-term focus.** Conduit is not a company we trade or with which we try to make short-term trading profits. We are long-term owners of a business enterprise.
2. **We measure performance by calculating the increase in intrinsic value per share.** While not a perfect proxy, we most closely measure growth in intrinsic value by measuring growth in net asset value per share. We do not measure performance of Conduit by its size or financial ratios that are not relevant.
3. **We are partners with management and expect management to have significant skin in the game.** Management should eat their own cooking by owning shares in the Company.
4. **We recognise the IFRS reported numbers of the business do not always tell the whole story.** We therefore put in the effort to understand how the business is really performing.
5. **We understand Conduit has a primary focus on insurance but expect the Company to make investment in non-insurance businesses.** We know that Conduit will eventually own a diversified set of high quality businesses, both in the insurance and non-insurance industries, and through the public or private markets. We expect management to make investments that meet our key criteria, irrespective of form.
6. **We encourage management to make long-term investments even if they produce short term losses.** We are not afraid of short-term earning pressure in exchange for sustainable long-term earnings power.
7. **We expect management to retain earnings so long as the value of every rand retained exceeds one rand, and so long as good investment opportunities can be found.** We do not expect dividends in the ordinary course, but do expect share repurchases when the circumstances warrant.
8. **We expect the Company to be transparent and report the good news and the bad.** Business has its ups and downs. We prefer management to be honest, rather than opaque.
9. **We will issue shares only when the value we obtain is greater than the value we give up.** Management should think carefully about when to issue shares. When as much or more value can be obtained by issuing shares, we expect management to capitalise.

CONDUIT SUBSIDIARY CEO MANIFESTO

Conduit Capital subsidiary CEOs are empowered to run their organisations in pursuit of their goals. The following principles govern our subsidiary CEO relationships. Conduit aims to be the home of choice for intelligent, fanatic and exceptional business managers.

1. **We will support you in the running of your business.** You will be empowered to run the Company as if it were your own, in line with Conduit's best-in-class governance.
2. **You will have authority to run the Company.** Or you will have a deep bench of talent that can run it.
3. **We believe in delegation.** You choose who you hire, how to execute and how to achieve your objectives.
4. **You will be involved in developing and recommending a succession plan.** Which is a function of a high quality deep bench of talent for continuity and ultimate sustainability long-term.
5. **Your compensation and performance metrics will be guided by Conduit.** All other compensation metrics, amounts, systems and incentives in your organisation are up to you.
6. **We will jointly set performance targets and key metrics for your business annually.** Your compensation will be directly tied to these metrics.
7. **Your long-term goal is and always will be to increase the intrinsic value of the Company.** How you get there is up to you and you will enjoy support from us.

LETTER FROM THE CFO TO THE SHAREHOLDERS OF CONDUIT CAPITAL

Dear Shareholder

The CEO's letter touches on a number of intricacies in our business where reported numbers in terms of International Financial Reporting Standards ("IFRS") do not tell the whole story. The aim of this letter and its Annexures is to:

1. give a high level overview of our Group, its activities and its stakeholders;
2. expand on some of the themes in the CEO's letter in order to communicate a better understanding of our business and how we, as management, look at our Group; and in that way
3. give the reader greater insight in our Group's sustainability going forward.

We recognise that the Annual Report is the most suitable vehicle to describe our business. The themes have been compiled in no specific order and are not exhaustive and, while reading this letter, please remember our disclaimer regarding forward looking statements in Annexure 1:

1. UNPACKING THE RESULT

Shareholders' equity increased from R561.8 million on 30 June 2016 to R948.5 million on 30 June 2017, as reflected in the Consolidated Statements of Financial Position. This represents a 68.8% increase. NAV per share increased 3.9% from 169.5 cents to 176.1 cents. The Consolidated Statements of Profit or Loss and Other Comprehensive Income reflect a net attributable loss amounting to R136.7 million (or 34.8 cents per share) for the year and the headline loss for the same period was R68.0 million, or 17.3 cents per share (refer to note 44.2 to the Annual Financial Statements ("AFS")). Cash and cash equivalents reduced from R272.5 million in 2016 to R208.1 million in 2017. We have one set of financials and seemingly four or five different results. How do we make sense of it all?

Accounting in terms of IFRS does not always reflect the real goings on in our Group. We look at things a bit differently. We have a much longer-term focus and we definitely do not live in six month cycles from reporting period to reporting period.

With that in mind, herewith a breakdown of the results as we see it:

a. Net asset value/shareholders' equity

The reconciliation in Table 1 reflects details of the movement in our Group's NAV between 30 June 2016 and 30 June 2017. We provide the summary with the corresponding IFRS comparatives, where applicable:

Table 1

	Our representation R'000	IFRS reporting R'000
Opening balance as reported in 2016 Financial Results	577 922	577 922
Prior period adjustments (refer note 11.1 to the AFS)	(16 122)	(16 122)
Revised opening balance	561 800	561 800
Issue shares to Midbrook and Snowball shareholders [1)]	632 257	651 319
Offset treasury shares included in Midbrook and Snowball portfolio [1)]	(124 487)	(127 911)
Change in Midbrook and Snowball fair value since acquisition [1)]	(3 538)	22 232
Expenses incurred in acquiring Midbrook and Snowball [1)]	(6 101)	(6 101)
Impairment of goodwill paid on Midbrook and Snowball acquisition [1)]	–	(41 408)
ARA excess dividend receivable [2)]	–	12 800
ARA impairment [2)]	(20 000)	(32 800)
Expenses incurred to grow Constantia [3)]	(42 154)	(42 154)
Other losses incurred during the year (net) [3)]	(84 472)	(84 472)
Taxes, excl. taxes i.r.o. Midbrook and Snowball	35 208	35 208
Closing balance as reported in the Consolidated Statements of Financial Position	948 513	948 513

	2017	2016
Net shares in issue as at year-end ('000)	**538 630**	331 377
Group NAV (R'000)	**948 513**	561 800
NAV per share (cents) [4)]	**176.1**	169.5

1) In August 2016 we announced the acquisition of Midbrook and Snowball for R167.7 million and R464.6 million, respectively. For each company the purchase consideration equalled the net asset value (which was also the fair value) as at 19 July 2016 ("the Determination Date"). The respective purchase considerations were to be settled in Conduit shares, valued at 245 cents per share, which was Conduit's closing price on the JSE on the Determination Date. Both entities owned Conduit Capital shares as at the Determination Date, which shares were to become treasury shares, also priced at 245 cents per share, on conclusion of the transactions.

   The Midbrook and Snowball transactions only became effective on 2 February 2017 and 30 March 2017 ("the Effective Dates") when the Conduit share price was 259 cents and 250 cents per share, respectively. The fair value of both entities also changed between the Determination Date and the Effective Dates. In terms of IFRS we have to use Effective Date numbers in accounting for the fair value of the target companies on initial consolidation, as well as the share prices used for the consideration and treasury shares. This accounting treatment unfortunately has no connection to the numbers announced to shareholders in August 2016 and gives rise to a R41.4 million goodwill number that had to be impaired.

   From our viewpoint, we bought Midbrook and Snowball at fair value on 19 July 2016 for R632.3 million and paid for in Conduit shares at 245 cents each, as per the August 2016 announcement. Included in the assets were treasury shares, which were accounted for at 245 cents each, again as per the announcement. No goodwill was paid, as both Conduit and the target companies were fairly priced. Transaction costs amounted to R6.1 million and the companies lost R3.5 million (or 0.7% of the net purchase price) since we acquired them almost a year ago.

2) In June 2016 we reflected ARA in our accounts as an asset held for sale at R110.0 million. In June 2017, as detailed in the CEO's letter, we had to revalue the entity to R90.0 million. In terms of IFRS we have to present the R20.0 million difference as the net of a R32.8 million impairment and a R12.8 million special dividend receivable. We believe it is simpler to just show a R20.0 million impairment from R110.0 million to R90.0 million.

3) To be dealt with under the Earnings section below.

4) Although our Group's NAV increased by 68.8% to R948.5 million, the net number of shares in issue also increased by 62.5% to 538.6 million due to the acquisitions of Midbrook and Snowball. This resulted in the NAV per share increasing by only 3.9%. The percentage net increase in the NAV per share can be broken down as follows:

Increase due to the acquisition of Midbrook and Snowball	16.5%
Reduction due to the ARA revaluation	(1.4%)
Reduction due to expenses incurred to grow Constantia	(3.3%)
Reduction due to other losses incurred during the year	(7.9%)
Net increase in NAV per share	3.9%

b. Earnings

Table 2 highlights components of the attributable loss generated during the year ended 30 June 2017, in no specific order:

Table 2

	Amount R'000
Goodwill [5)]	(41 408)
ARA net impairment [6)]	(20 000)
ARA dividend (normal) [7)]	11 200
Expenses incurred to grow Constantia [8)]	(42 154)
Expenses incurred to acquire Midbrook and Snowball	(6 101)
Increase in the IBNR reserve associated with the medical gap cover business [9)]	(12 142)
Cash losses generated on the medical gap cover books before corrective action in Jan '17 [10)]	(19 272)
Medical Malpractice underwriting result before operating expenses [11)]	(5 415)
Write-off of salvages and recoveries accrual [12)]	(12 130)
Accrual for expenses where no future economic benefit will be obtained [13)]	(6 484)
Cost of solvency reinsurance [14)]	(6 701)
Investment income (equities only) [15)]	26 784
Other expenses and losses (net) [16)]	(34 397)
Taxation [17)]	31 525
Attributable loss	(136 695)

5) Please refer to item a[1)] above. The goodwill impairment had no impact on cash flows and was added back for the headline earnings calculation.
6) Please refer to item a[2)] above. The R12.8 million special dividend receivable had no impact on cash flows. The R32.8 million impairment also had no impact on cash flows and was added back for the headline earnings calculation.
7) In addition to the R12.8 million special dividend, ARA also paid R11.2 million in normal dividends. In prior years, due to ARA being equity accounted as an associate, these dividends would have been credited against the investment account rather than the income statement. In the 2017 financial year ARA was however reflected as an asset held for sale and any dividends received was reflected as dividend income. The ARA normal dividends had a positive impact on cash flows.
8) The CEO states in his letter that Constantia "has made significant investments in information technology, business infrastructure, growth capacity and the addition of high quality people to ensure it has the right ingredients to meet our demanding expectations over the long term". Although we shall only see the benefits of these investments over the next couple of years, accounting rules do not allow us to capitalise a major part of this (e.g. salaries being paid to sales, underwriting and claims staff in new divisions that have not yet or are only now starting to generate premium income, new business set-up costs, including IT, consulting and legal fees, marketing costs, travel, etc.). These expenses generally had cash flow implications (outflow) and are fully deductible for income tax purposes.
9) While increases in the IBNR provisions on the medical gap cover books had a large impact on the 2016 financial results, it stabilised during 2017 and improved from 11.5% to 10.8% when stated as a percentage of gross premium income. The improvement can be directly attributed to the corrective action that was taken on the books in January 2017.

   The R12.1 million increase in the nominal value of the IBNR provision is due to an increase in gross premium income ("GPI") to R540.1 million (2016: R400.5 million). This increase had no impact on cash flows.
10) The medical gap cover books charged insufficient premium to offset an increased claims experience in this market during the 2016 calendar year. Corrective action could only be taken from 1 January 2017 due to the way that policies (and their renewal terms) were structured. The matter has however now been resolved and the books returned to profitability. Losses to December 2016 amounted to R19.3 million (excluding IBNR provisions and solvency reinsurance expenses), which affected cash flows negatively.
11) Despite no claims having been received in the medical malpractice book that started writing business on 1 January 2017, Constantia's management opted to raise IBNR provisions at 80% of GPI until sufficient reserves have been created to cover any potential shock losses that could be experienced in the book. In addition, they purchased excess of loss ("XOL") reinsurance that would cover individual claims in excess of R10.0 million each. Although the XOL reinsurance only incepted on 1 July 2017, it was agreed that a pro-rata share of the reinsurance premium should be accounted for in the 2017 financial year, given that Constantia would effectively receive cover backdated to 1 January 2017.

    Given the nature of claims on this book, which can take up to ten years to be finalised, it is anticipated that the high IBNR provisions that are currently being raised will continue for the foreseeable future, resulting in income statement losses during this period. These provisions however have no impact on cash flows and it is anticipated that the book will be cash flow positive in the 2018 fiscal year. The book is monitored constantly and IBNR provisions will be released back to the income statement once sufficient claims provisions have been raised.
12) An accrual for income receivable in terms of insurance salvages and recoveries was raised around 2009/2010. The accrual was updated annually until it was agreed by Constantia's board in 2015 that, to be prudent, the existing accrual will be run off and no new accruals will be raised. On this basis, it was expected that the accrual would be reduced by a net R4.9 million in the current year, resulting in a balance of R7.2 million that would have been expected to be written off over the next 2 – 3 years. Constantia management however determined that the prospect of realising the R7.2 million was remote and chose to write off the full balance in the current year. This write-off had no impact on cash flows.
13) Constantia is still contractually obligated to make certain payments during the 2018 financial year, even though no future financial benefit will be received from these payments. These include compensation contractually payable to its former Chief Executive Officer, who went on early retirement in November 2016, as well as management fees and expected legal fees involving an unprofitable UMA that was terminated before the financial year-end. These expenses had no impact on cash flows in the 2017 financial year, but will impact 2018 cash flows.

14) The net impact of the solvency reinsurance arrangements entered into by Constantia during the 2017 financial year (see the CEO's letter) was that it reduced Constantia's statutory capital requirements by approximately R201.0 million at a pre-tax cost of 3.3%. This is much better than what any other external funder can offer. Efforts are underway to establish what impact the Financial Services Board's new Solvency Assessment and Management, as well as other new regulations, will have on this source of funding. The expense has an impact on cash flows and is fully deductible for income tax purposes.
15) Profits on the investment portfolio included dividends of R2.6 million and realised profits of R17.0 million. Both of these had a positive effect on cash flows, whereas the unrealised losses of R7.2 million had no impact.
16) The following is a breakdown of other losses:

	R'000
Group: Head office expenses	(14 693)
Constantia: Head office expenses not covered by underwriting results	(13 507)
Constantia: Currency translation losses	(1 296)
Constantia: Impairment of computer software	(1 798)
Constantia: Other losses	(263)
Equity portfolios: Directly associated expenses	(2 840)
	(34 397)

Management is working to ensure that underwriting profits will not only cover, but also exceed these types of losses and expenses in the medium term. These expenses and losses generally had a negative impact on cash flows.

17) The tax reconciliation in note 42.2 to the AFS provides clarity as to why the effective tax rate is only 18.7%, rather than the expected 28.0%. The income tax losses incurred in Constantia during the year under review, together with mostly unrealised investment profits in investment companies, resulted in the full tax amount reflected here being deferred in nature and having no impact on cash flows.

An income tax related cash inflow of R6.6 million during the year relates to a refund of prior year overpayments.

c. Cash flows

Cash and cash equivalents reduced during the 2017 financial year by R64.4 million to R208.1 million. As detailed above, most of the items resulting in the income statement loss however had little or no cash flow impact. From our viewpoint the cash flow statement for the 2017 financial year can actually be summarised in only a few lines, as reflected in Table 3:

Table 3

	Amount R'000
Cash and cash equivalents at the beginning of the year	272 473
Growth related acquisition of fixed assets and computer software [18)]	(66 247)
Growth related expenses (refer item b[8)] above) [18)]	(42 154)
Equities sold to fund the acquisition of fixed assets and computer software above [18)]	62 697
Further investment to enhance the equity portfolio [19)]	(10 475)
First time investment in unlisted fund [19)]	(22 880)
Net cash acquired with Midbrook and Snowball	2 799
Other cash flows (including funding via insurance float) [20)]	11 888
Cash and cash equivalents at the end of the year	208 101

18) During the year we invested R108.4 million in the future growth of Constantia. We funded R62.7 million of this investment via the sale of a portion of our equities portfolio and R45.7 million from cash resources.
19) We spent a further R33.4 million of our cash resources to enhance the value of our investment portfolio.
20) Again, regardless of how IFRS requires cash flow items to be classified, we believe that our Group operations have generated R11.9 million in positive cash flows during the year. This excludes any growth related items and conservatively assumes an investment of R9.6 million in AA Broking Services Proprietary Limited to be an operating expense, given that the cash has already been expensed in that entity.

2. CAPITAL ALLOCATION BETWEEN SEGMENTS

One of the challenges that we face when having to determine the amount of capital to be allocated to each segment, when calculating a return on capital per segment, is that the capital in a number of the Constantia companies is actually used by both segments.

Let us look at the following example:

a. at year-end, the balance sheet of a Group Insurance Company ("GIC") reflected R232.8 million in equity;
b. included in assets were R173.7 million in listed equities investments, R59.3 million in intangible assets, R31.5 million in deferred tax assets and R119.1 million in bank balances and cash;
c. GIC practically required no working capital to fund its insurance operations, as funding provided by insurance related liabilities far exceeded the funding requirements of operating assets;
d. GIC however did require R122.7 million in statutory capital (adjusted) and intangible and deferred tax assets are not admissible from a statutory viewpoint.

It is clear from the above that:

a. a portion of the capital in GIC should be allocated to each of the Investments segment (it holds listed equities investments) and the Insurance and Risk segment (it has insurance operations);
b. if we exclude the intangible and the deferred tax assets from GIC's capital, it would have R142.0 million in capital, i.e. enough to satisfy the statutory capital requirement, but it would require the use of the listed equities investments to achieve this;
c. we needed to look at something else to find a solution on how to fairly allocate capital between the segments.

In order to solve this challenge, we have therefore decided on the following:

a. initially, ignore any statutory capital requirements and look at it from an operational viewpoint only, which means that:
i. R173.7 million in capital should be allocated to the Investments segment (because it will get the full benefit of the returns generated by this capital); and
ii. no capital should be allocated to the Insurance and Risk segment, as they do not need any working capital to operate;
b. then, because the insurer *does* require a minimum amount in statutory capital, allocate to the Insurance and Risk segment the smaller of:
i. the statutory capital requirement, which is R122.7 million; and
ii. any capital remaining in the insurer after having deducted the Investment segment's allocation, which is R59.1 million (R232.8 million – R173.7 million).

On that basis, R173.7 million of the R232.8 million in GIC equity will be allocated to the Investments segment, while R59.1 million will be allocated to the Insurance and Risk segment. We believe this method of allocating capital to be the most fair in that it allocates capital to where it is used operationally, but still recognises the statutory requirement aspect as it relates to the insurer.

3. WHAT WE HAVE ACHIEVED SO FAR

Table 1 in the CEO's letter reflects the progress that we have made since present management took over in terms of the Group's NAV per share, our most important yardstick. Table 4 below, which is unaudited, reflects also a number of other key drivers, which we believe will give a view on our overall progress and that we will be keeping tabs on in the future (numbers for Feb '15 and Jun '15 have been annualised, where applicable):

Table 4

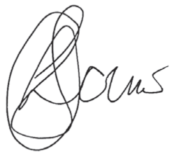
	Jun '17	Jun '16	Jun '15	Feb '15
NAV per share (cents)	176.1	169.5	174.8	172.8
Total NAV (R'000)	948 513	561 800	448 163	443 065
Gross written premium (R'000)	1 069 794	1 005 586	942 982	857 586
Net premium on which we receive the economic benefit, i.e. with solvency reinsurance written back (R'000)	900 737	767 444	498 797	420 265
Look-through earnings potential of equity investment portfolio (R'000)	69 953	21 010	6 193	n/a

This tells us that, although the NAV per share only increased by 1.9% (i.e. from 172.8 cents to 176.1 cents) over the past two years and four months, we have increased the total capital available for investment in our Group by 114.1% to R948.5 million. Similarly, although gross written premium increased during this period by only 24.7% to R1.07 billion, the earnings capacity of that premium has increased by 114.3% to R900.7 million. Where we retained only 49.1% of premium for our own benefit in February 2015, that percentage has now increased to 84.2%. Finally, the earnings potential of our equities investment portfolio has increased more than tenfold over the past two years.

Using the analogy in the CEO's letter, the past two and a third years have been spent on getting the jockeys in place, training the horses and preparing the runway. We need to tweak one or two more things, but we believe we are now ready to race.

4. CONCLUSION

Much has been achieved during the 2017 financial year. There are still challenges like the claims ratios in certain lines of business being higher than what we want it to be and the equities market not yet reflecting the underlying performance of our investments. We however believe that we are on the right track and it is now only a matter of time for results to come to fruition.



Lourens Louw
Chief Financial Officer

Johannesburg
27 September 2017

ANNEXURE 1: SUSTAINABILITY

REPORTING FRAMEWORK FOR 2017

Conduit's Board of Directors ("Board") recognises that the Annual Report is the most suitable vehicle to describe our evolving business and the quality of decisions. 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. We will therefore use this opportunity to elaborate on some of the non-financial aspects within the Group. For the sake of consistency, we have elected to follow a similar reporting framework as in previous reports, with the intention of describing the essence of our business and how we see our operations in a practical and understandable way.

FORWARD-LOOKING STATEMENTS

The Report may contain forward-looking statements that, unless otherwise indicated, reflect Conduit's expectations as at 30 June 2017. 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 cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. Conduit 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.

OUR GROUP AT A GLANCE AND ORGANISATIONAL PROFILE

The executive team ("Exco") at Conduit fulfils both strategic and operational roles in the Group and comprise:

- Sean Riskowitz, the Group CEO whose additional responsibilities include Investments;
- Lourens Louw and Gavin Toet who are jointly responsible for Corporate Services, comprising the Group's finance and treasury function, as well as corporate support services; and
- Tyrone Moodley whose focus is mainly Investments.

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 (Conduit: 9 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.

Operationally, with a view to the depth of skills being maintained in Constantia (together with other operating businesses within the Group) and in order to avoid duplication and unnecessary allocation of Group infrastructure and resources, both Conduit and Constantia leverage off one another's infrastructure and shared resource capabilities. Where expertise does not exist to fulfil a particular specialised function (e.g. actuarial resources or the management and maintenance of information systems and related electronic assets), it is outsourced.

Being financial services organisations, the direct activities of Conduit and Constantia do not pose any significant threat to **the environment**. The Group is however mindful of the environment and will endeavour to implement, where appropriate, measures to mitigate any direct and indirect impact on the environment. **Health and safety** issues are of low risk to our operations and none of these issues have been raised as material by any of our stakeholders.

Our **people** are our greatest asset. The Group aims to create a stimulating environment where exceptional people can make a meaningful contribution to building the Group over many decades. Our culture and a committed group of people who each day live our values, combined with a desire to deliver a personal service and be simply brilliant sets us apart from others. The experience and skill of each person is critical to the long-term success and overall sustainability of the Group.

Our group policies (which are constantly updated and refined) ensure consistency in the standards of internal governance and management across the companies within the Group. Policies deal with (but are not limited to) matters relating to our:

- code of ethics;
- conditions of employment;
- remuneration and retention;
- health and safety;
- training and development;
- recruitment;
- labour relations;
- levels of authority;
- governance of information technology; and
- general internal operating procedures and internal controls.

After a comprehensive induction, all staff are required to become familiar with and abide by the contents of our group policies.

The Group's long-term sustainability relies on our ability to manage **risk**, supplemented by a system of effective **internal controls**. A comprehensive risk strategy, appropriately managed, ensures that the process of identification, assessment, mitigation and monitoring of risks within approved risk appetite and tolerance levels, will contribute to the achievement of the Group's business objectives.

The Group operates in a highly regulated, competitive financial services industry. With an external environment that demands ethical leadership, fairness and transparency for the consumer, businesses have had to adapt to offer new alternatives in order to ensure they remain relevant. In our view, the continued pursuit – or refinement, when the need arises – of the Group's strategy to achieve its objective will ensure Conduit remains relevant as an investment case.

CREATING VALUE

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.

Exco has applied its mind in considering all material aspects of value creation while developing the Group's core business during the review period. 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 ((claims + expenses) ÷ premium) achieved by the Insurance and Risk segment; and
- Growth in investable assets (cash + investments) in the Insurance and Risk segment.

MAIN 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. In Table 1 below we detail the main activities of our business and how our sustainability and financial objectives inter-relate:

Table 1

Business activity within the Group	Management approach	Sustainability and financial objectives	Reporting scope and boundary
Insurance: Holding 100% of the issued share capital in Constantia, which operates as an insurer in both the long-term and short-term insurance industry in South Africa, dealing mainly through underwriting managers and administrators ("UMAs"), and in turn brokers	• Full ownership • Responsibility for overall strategic direction and support of the insurer • Make capital allocation decisions	• Ensuring profitability of operating companies, along with sustainable cover for our policyholders • Sales-centred approach, personal service, strict underwriting and claims criteria in an effort to pursue quality business • Attract and retain quality people • Underwriting profit as well as appropriate investment returns governed by the Group investment policy • Maintain credit rating • Continual monitoring of capital adequacy requirement and the Solvency Assessment and Management regime • Excellent governance and compliance procedures provide risk mitigation and an opportunity for differentiation in the market • Development of new structured opportunities and products • Enhance return on Regulatory Capital • Growth in intrinsic value • Growth in the insurance book at below the combined ratio target to generate investable assets at no cost • Growth in net asset value per share	Return on Capital Employed, underwriting, combined ratio and growth in investable assets, further elaborated on in the CEO's letter to Shareholders, as well as in this letter

Business activity within the Group	Management approach	Sustainability and financial objectives	Reporting scope and boundary
Investments: Capital allocation and investment strategy; strategic investments in businesses	• 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 • Diversification into non-insurance assets • Monitor performance relative to objectives • Diversification of earnings • Investment returns are an important component in growing intrinsic value and providing capital support to the insurer • Sustainable earnings • Return on capital employed • Growth in net asset value per share	Capital allocation and investment strategy, public equity investments and dividend themes are further elaborated on in the CEO's letter to Shareholders

The scope and boundaries for this Integrated Annual Report were determined by considering:

a. the influence and control available to us in our business activities, having regard to the operational autonomy entrusted to the operating subsidiaries; and

b. the material issues as raised by each stakeholder relevant to the operation (per *Table 2* below).

STAKEHOLDERS: ANALYSIS AND ENGAGEMENT

We recognise the importance of balancing our main objective 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.

We are accountable to our staff, investors, shareholders, policyholders, business partners (reinsurers, UMAs and brokers), regulators, service providers and the community. Table 2 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.

Table 2

Stakeholder	Relationship	Material issues	Communication forum or method of engagement
Institutional and public investors	Shareholders	• 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	• SENS • Integrated Annual Report • Print media • One-on-one meetings and/or conference calls • Information available on our website • General meetings of shareholders, including AGM, where shareholders may pose questions to management

Stakeholder	Relationship	Material issues	Communication forum or method of engagement
Staff	Employees	• 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	• Head of Division/Department forum • Internal newsletters • Staff meetings • Workshops and training • Communication through themed events which serves multiple purposes of building culture and teamwork • Intranet (Website) • Living morals and values which drives behaviours and equates to culture • 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 various notice boards
Policyholders (relevant to Constantia only)	Customers	• Reputation • Service and quick turnaround • Price • Payment of claims • Treating Customers Fairly ("TCF") and formalised complaints handling process	• New and existing customers receive formal correspondence in writing • When required, and only in certain circumstances, do we engage with the customer directly • We respect the insurer's model of dealing through UMAs, who in turn deal with brokers, who represent the customer • Monthly reports and statistics • Dedicated TCF officer appointed to deal with complaints
UMAs (relevant to Constantia only)	Partners	• 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	• Monthly financial reporting received from UMAs • Dedicated relationship management directly from the Constantia Group CEO's office • Various departments will meet with UMAs on a regular basis • Formal written communication between the parties • Distribution of Constantia's credit rating report to partners • Personal Service Manager to drive service objectives • UMA workshops for strategic alignment and knowledge sharing, risk management expectations • Compliance and legislation updates • Internal audits conducted by Constantia
Brokers	Partners	• 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	• Managed through the UMAs, or in some instances directly by the insurer on the same basis as that of the UMAs • Where a broker has a direct facility with Constantia, Broker visits on a regular basis • Personal Service Manager to drive service objectives • Dedicated TCF officer appointed to deal with complaints • Internal audits conducted by Constantia

ANNEXURE 1: SUSTAINABILITY (continued)

Stakeholder	Relationship	Material issues	Communication forum or method of engagement
Regulators and Industry Bodies applicable to our subsidiaries	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	• Representation on various committees of insurance institutes and associations within South Africa • Compliance reports to regulators • Regulators engage via correspondence or physical inspections
Reinsurers	Reinsurers	• Management of risks • Cash flow control • Policy wording and exclusions • Loss ratios • Profitability	• Annual treaty renewal • Ongoing relationship through reinsurance broker • Reporting of large losses
Global Credit Rating Co. ("GCR")	Credit rating agency	• International and statutory solvency • Liquidity and claims paying ability (for Constantia) • Credit rating • Potential funding	• Annual meetings (audit and inspection) • Information requests by GCR
Community	Stakeholder and/or beneficiary	• Effectiveness of corporate social investment spend	• Ad-hoc meetings and presentations • CSI Committee determines which initiatives receive support • Staff support and teambuilding outings • Quarterly and/or annual review meetings
• **Lawyers** • **Recovery agents** • **Assessors, surveyors and investigators** • **Telephony and IT service providers** • **External Auditors** • **Internal Audit** • **Ancillary operational service providers**	Service providers	• 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	• Mainly outsourced independently, contracting individually with each service provider • Quarterly status meetings • Building partnerships

CORPORATE SOCIAL RESPONSIBILITY (CSR INVESTMENT)

Conduit, in association with Constantia, supported the following organisations in 2017:

1.1 Afrika Tikkun: we adopted and continue to support a classroom at the Uthando Centre in Braamfontein;

1.2 South African Insurance Association: financial contribution to their consumer education fund;

1.3 Chayil Foundation: we contributed to the building of a new classroom in the day care centre; and

1.4 Institute for Sustainable Risk Management: we pay the monthly scholarship fees for 600 students to study at the Institute's learning centre.

ANNEXURE 2: DIRECTORS' REMUNERATION

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 should be given the opportunity to perform and should be rewarded for the success they create for Conduit's benefit. The general philosophy is one of fixed remuneration, short-term cash compensation linked to performance metrics over which the employee is directly responsible, 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. 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. Ensure 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. Is consistent with the Group's business and Risk Management strategy (including Risk Management practices) and performance.
6. Takes into account the respective roles of each person within the Group.
7. Provides 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.
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 Constantia;
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 (cash + investments) as it relates to the Insurance and Risk division.

The Policy sets out 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 done 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 see the CEO letter for further detail.

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 shall be signed off by no less than two executive directors.

Remuneration Committee

Remco has been established in accordance with the provisions of this guideline and King IV Code principles of Corporate Governance. 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 this guideline and 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 the service contract 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 wholly or majority owned subsidiaries. Compensation 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 a matrix of performance outcomes, and a long-term cash and equity incentive also based on a matrix of performance outcomes. Compensation should be as simple as possible and is unique to each Executive.

1. Basic salary and benefits

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

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

2. Short-term incentive

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

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 2016 and 2017 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 payout in any one year, but no minimum. Remco retains the authority to pay discretionary bonuses to Executives under special circumstances.

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

ANNEXURE 2: DIRECTORS' REMUNERATION (continued)

Non-executive directors' remuneration

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

1. 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;
2. not be linked to Conduit's share price or performance;
3. 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
4. be reviewed and recommended by Remco 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 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 shall furthermore pay for all travel and accommodation expenses incurred by non-executive directors to attend Board and committee meetings, as well as ad hoc visits to and on behalf of the Group. These related expenses payable on behalf of the non-executive directors are governed by a formal travel and expenses policy approved by the Board.

REMUNERATION SUMMARY

1. Details of the remuneration paid to executive directors and non-executive directors are contained in note 40 on pages 72 and 73 of the Annual Report.
2. Details of directors' shareholding in Conduit and their interest in share options are contained in note 48 on page 89 of the Annual Report.

In terms of the King IV Code, 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 make recommendations based on the feedback received.

CORPORATE GOVERNANCE STATEMENT

The directors fully support the principles of good corporate governance established by the King IV Code and Report on Corporate Governance for South Africa, 2016 ("King IV") and are committed to the implementation thereof.

During the 2017 financial year, Conduit complied with the recommendations of the Code of Corporate Practices and Conduct of the King III Report on Corporate Governance for South Africa, 2009 ("King III") in all material respects (shareholders are referred to the analysis report on the company's website).

The recently published King IV Code containing 17 aspirational principles supporting and culminating in an effective governance outcomes environment (as opposed to the compliance based focus of King III) has been reviewed by Conduit.

Within the governance environment at Conduit there is already compliance with the fundamental and material requirements of King IV, and in instances where there is not full compliance with the principles, action plans have been formulated and will be implemented so as to ensure full compliance with all principles during the 2018 financial year. Shareholders are referred to the company's website for an analysis of Conduit's application of the principles of King IV.

FINANCIAL STATEMENTS

The Financial Statements set out in this report have been prepared by the directors in accordance with International Financial Reporting Standards, the Companies Act, 2008 (Act 71 of 2008), as amended ("the Companies Act") and the Listings Requirements of JSE Limited ("the JSE Listings Requirements"). They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgement and estimates.

The directors of the Company are responsible for the preparation of the Financial Statements and related financial information that fairly present the state of affairs and the results of the Company and of the Group. The external auditors are responsible for independently auditing and reporting on these Financial Statements in conformity with International Standards on Auditing.

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.

STRUCTURE OF THE BOARD

As at the signature date the Board consisted of ten members. The directors have a wide range of skills and the majority have financial services experience. Any changes to the composition of the Board are approved by the Board as a whole. All non-executive directors are subject to re-election in accordance with the provisions of the Memorandum of Incorporation ("MoI").

Changes were made to the Board between the signature date and the publication date of this report, on 9 October 2017. These changes are reflected in the table below, and resulted in the Board consisting of eight members, only two of which are executive directors as at the publication date.

New directors are nominated by the Nominations Committee and appointed by the Board, as and when required. All directors so appointed are required to step down at the next General or Annual General Meeting of shareholders ("AGM") in order for them to be re-elected by the shareholders. An abridged CV of the nominated director is included in the integrated annual report to shareholders with the notice of the AGM. At the AGM, shareholders vote by separate resolution in order to approve the election or re-election of the director.

The capacity of the directors can be categorised as follows:

• Ronald Napier	Independent non-executive director and Chairman	
• Sean Riskowitz	Chief Executive Officer	
• Leo Chou	Non-executive director	Appointed on 9 October 2017
• David Harpur	Independent non-executive director	Resigned on 9 October 2017
• Lourens Louw	Financial director	
• Jabulani Mahlangu	Independent non-executive director	
• Adrian Maizey	Non-executive director	
• Tyrone Moodley	Executive director	Resigned on 9 October 2017
• Barry Scott	Independent non-executive director	Resigned on 9 October 2017
• William Thorndike Jr.	Independent non-executive director	Appointed on 9 October 2017
• Gavin Toet	Chief Operating Officer	Resigned on 9 October 2017
• Rosetta Xaba	Independent non-executive director	

Tyrone Moodley's status changed from non-executive director to executive director on 20 February 2017.

The Board is aware that, from 20 February 2017, independent non-executive directors did not represent a majority on the Board. The Board's independence was and will in future continue to be maintained by:

- ensuring a clear balance of power and authority at Board level, to ensure that no one director has unfettered powers of decision-making;
- separation of the roles of the Chairman and the Chief Executive Officer;
- ensuring that Board committees comprise mainly of independent non-executive directors;
- all directors, with permission of the Board, being entitled to seek independent professional advice regarding the Group's affairs at the Group's expense;
- all directors having access to the advice and the services of the Company Secretary; and
- the appointment or dismissal of the Company Secretary being decided by the Board as a whole and not by one individual director.

At the financial year-end, the majority of directors on the Board were non-executive and five of the six were categorized as independent. Subsequent to the Board re-structure post year-end, six of the directors were non-executive and four of the six are categorized as independent.

The Board appraises its members and committees internally under the direction of the Chairman. The results of the 2017 appraisal was represented at the Board meeting held on 14 September 2017. No significant matters were raised.

Not all directors are shareholders of the Company. Details of directors' shareholdings are reflected on page 89 of the Integrated Annual Report.

The Board has appointed the following committees to assist in the performance of its duties:

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

Attendance at Board meetings

Six formal Board meetings were held during the period under review. The Chairman and other non-executive directors also meet regularly with executive management on an informal basis in order to keep abreast of developments within the Group. The attendance of formal Board meetings is set out below:

Name	14 Sep '16	29 Sep '16	17 Nov '16	20 Feb '17	17 May '17	14 Sep '17
Harpur, David	P	P	P	P	P	P
Louw, Lourens	P	P	P	P	P	P
Mahlangu, Jabulani	P	P	P	P	P	P
Maizey, Adrian	–	–	–	P	P	P
Moodley, Tyrone	P	P	A	P	P	P
Napier, Ronald *(Chair)*	P	P	P	P	P	P
Riskowitz, Sean	P	P	P	P	P	P
Scott, Barry	P	P	P	P	P	P
Toet, Gavin	P	P	P	P	P	P
Xaba, Rosetta	P	P	P	P	P	P
Number of Board members	9	9	9	10	10	10
Number present	9	9	8	10	10	10

Key: P Present/Participated
A Apology/Absent
– Not a director at the time

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee consists of three independent non-executive directors. Since publication of the previous Integrated Annual Report, the committee has met four times 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 Group. 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 co-operation from directors, management and staff and is satisfied that controls and systems within the Group have been adhered to and, where necessary, improved during the period under review.

The committee will continue to monitor and evaluate internal operating structures, controls and systems to ensure that these are maintained and continue to contribute to the ongoing functioning of the Company.

The Audit and Risk Committee sets the principles and approves the fees for non-audit services tabled by the external auditors. A report by the committee has been provided on page 31 of the Integrated Annual Report.

Attendance at Committee meetings

Name	14 Sep '16	29 Sep '16	20 Feb '17	17 May '17	14 Sep '17
Harpur, David	P	P	P	P	P
Mahlangu, Jabulani *(Chair)*	P	P	P	P	P
Xaba, Rosetta	P	P	P	P	P
Number of committee members	3	3	3	3	3
Number present	3	3	3	3	3

Key: P Present/Participated

Review of Management and Financial controls

The Board and the Audit and Risk Committee continuously review the management and financial controls of the Group to ensure that:

- an effective system of internal controls and accounting records is maintained by the Group; and
- the assets of the Group are safeguarded and appropriately insured.

Internal Audit

An internal audit function has been established at Group level. The insurance operations have their own internal audit department, while the function of internal audit for the non-insurance operations was outsourced to PwC during the financial year.

The internal audit department reports on the findings of the internal audit procedures to the chairman of the Audit and Risk Committee.

Internal control

The effectiveness of internal control systems are monitored through management reviews. The Board is responsible 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 accountability of its assets and to minimise fraud, potential liability, loss and material misstatements, while still complying with applicable laws and regulations.

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.

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

NOMINATIONS COMMITTEE

The Nominations Committee considers and recommends to the directors and shareholders candidates for appointment to the main and subsidiary Boards. The committee members during the year were Ronald Napier (Chair), David Harpur and Jabulani Mahlangu, all independent non-executive directors. The CEO and other directors attend committee meetings by invitation. During the period under review the committee met on 17 November 2016 and on 14 September 2017 and all members were present.

REMUNERATION COMMITTEE

The Remuneration Committee's main responsibilities are to:

- consider, review and make recommendations to the Board concerning the remuneration policies and principles of the Group as well as the implementation thereof; and
- review and approve the remuneration and terms of employment of the executive directors and senior employees of the Group.

All the Group's executive directors have service contracts, the salient details of which are disclosed on page 22 of the Integrated Annual Report.

During the year under review the committee comprised independent non-executive directors. The CEO and other directors attend committee meetings by invitation. During the year under review the committee met three times. Details of directors' remuneration have been provided on pages 72 and 73 of the Integrated Annual Report. The directors' remuneration policy is reflected on pages 21 to 23 of the Integrated Annual Report.

Attendance at Remuneration Committee meetings

Name	14 Sep '16	17 Nov '16	17 May '17	14 Sep '17
Harpur, David *(Chair)*	P	P	P	P
Mahlangu, Jabulani	P	P	P	P
Napier, Ronald	P	P	P	P
Number of committee members	3	3	3	3
Number present	3	3	3	3

Key: P Present/Participated

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee assesses the Group's various social and ethics related activities against the five areas of responsibility as outlined in its terms of reference and the Companies Act, identifies areas of development for each of the areas of responsibility and then enables the formulation of an action plan to address these matters.

The committee met twice during the past year, under the leadership of Ms Rosetta Xaba, the Chairperson.

Attendance at Social and Ethics Committee meetings

Name	17 Nov '16	17 May '17
Xaba, Rosetta *(Chair)*	P	P
Scott, Barry	P	P
Moodley, Tyrone	A	P
Toet, Gavin	P	P
Number of committee members	4	4
Number present	3	4

Key: P Present/Participated
A Apology/Absent

INVESTMENT COMMITTEE

The Investment Committee's main responsibilities are 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 limitations imposed on individual Group companies by statutory bodies; and
- oversee the implementation of the Group's approved capital allocation strategy and ensure that restrictions imposed by statutory bodies are conformed with.

The Committee has executive and non-executive directors as members, and during the year met as follows:

Name	14 Sep '16	17 Nov '16	20 Feb '17	17 May '17	14 Sep '17
Maizey, Adrian *(Chair)*	–	–	–	P	P
Moodley, Tyrone *(Chair)*	P	P	P	–	–
Riskowitz, Sean	P	P	P	P	P
Scott, Barry	P	P	P	P	P
Number of Board members	3	3	3	3	3
Number present	3	3	3	3	3

Key: P Present/Participated
– Not a member at the time

GENDER DIVERSITY

The Board has introduced a gender diversity policy during the year under review. It has given itself a year to comply with the targets in the policy and more details will be provided in the 2018 Integrated Annual Report.

EMPLOYMENT EQUITY AND PRACTICES

The Group is committed to providing equal opportunities for its employees regardless of their ethnic origin or gender.

The directors are of the view that affirmative action, structured in an economically viable and self-sustaining manner, is an essential and integral part of a sound employment strategy. Where applicable, employment equity policies have been formalised and, where required, plans have been submitted to the Department of Labour.

ENVIRONMENT

The Group is committed to pursuing sound environmental policies in all aspects of its business and seeks to encourage and promote good environmental practice among its employees and within the community in which it operates.

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 Limited. 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 Limited 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 International Financial Reporting Standards ("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 2017 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 32.

"The Financial Statements set out on pages 38 to 92, which have been prepared on the going concern basis, and the directors report as set out on pages 36 to 37, were approved by the Board on 27 September 2017 and were signed on its behalf by:

S Riskowitz
Chief Executive Officer

L E Louw
Financial Director

Johannesburg
27 September 2017

COMPANY SECRETARY'S CERTIFICATE

Pursuant to our duties in term of Section 88 (2) (e) of the Companies Act of South Africa we certify 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
27 September 2017

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 of South Africa.

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, and overseeing the external and internal audit functions and 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.

COMPOSITION OF THE AUDIT AND RISK COMMITTEE AND ACCESS THERETO

As at 30 June 2017, the Audit and Risk Committee comprised three independent non-executive directors, namely Mr Jabulani Mahlangu (Chairman), Mr David Harpur and Ms Rosetta Xaba. The qualifications of the Members of the Committee appear on page 94. The Group Financial Director, other directors, senior financial executives and representatives from the external auditors attended meetings by invitation only.

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

During the year under review, meetings were held in September 2016, February 2017 and May 2017.

STATUTORY RESPONSIBILITIES

In fulfilment of its statutory duties, the Audit and Risk Committee, during the reporting period, amongst others:

1. ensured that the appointment of the external auditors, Grant Thornton, complied with all applicable legislation;
2. satisfied itself of the independence of the external auditors;
3. agreed the fees to be paid to the external auditors and reviewed the other terms of their engagement;
4. determined the nature and extent of non-audit work to be performed by the external auditors and pre-approved any non-audit engagements;
5. made itself available to deal with any complaints relating to the accounting practices or the content or audit of the Financial Statements of the Company or the internal financial controls of the Company or any related matters (no such matters were, however, referred to the committee); and
6. nominated Grant Thornton for appointment as the Company's external auditors for the 2018 financial year.

OTHER RESPONSIBILITIES

In addition to its statutory responsibilities, the Audit and Risk Committee has executed its duties over the past financial period in accordance with its charter. 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 development 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 or assumptions included in the results;
6. satisfying itself that the Financial Director is adequately experienced and qualified; and
7. satisfying itself with the experience and the independence of the Company Secretary, and that an arms-length relationship is maintained with the Board.

Jabulani Mahlangu
Audit and Risk Committee Chairman

Johannesburg
27 September 2017

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Conduit Capital Limited and its subsidiaries (the group) set out on pages 38 to 92, which comprise the statements of financial position as at 30 June 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the 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 2017, 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 to communicate in our report.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Acquisition of Midbrook Lane Proprietary Limited ("Midbrook") and Snowball Wealth Proprietary Limited ("Snowball").

Conduit Capital Limited ("Conduit") purchased 100% of the share capital of Midbrook effective 2 February 2017 and 100% of the share capital of Snowball effective 30 March 2017, gaining control over these companies. These have been classified as investments in subsidiaries and have been consolidated from the effective date of control into the Conduit Group results.

The total purchase price of Midbrook and Snowball was R177.6 million and R474.1 million respectively, which was settled through an issue of 258 064 082 Conduit shares. The net asset value at date of acquisition amounted to R610.3 million resulting in goodwill of R41.4 million.

The market price of the underlying equities portfolios held in the subsidiaries acquired reduced in value between the Transaction date and the Implementation date, and together with the simultaneous increase in the Conduit share price on these dates, resulted in the goodwill to be impaired.

Refer to Accounting Policy, Basis of Consolidation note 2, Notes 16 and 45.4 of the group financial statements.

Due to the complexities over a business combination, this has been considered a key audit matter.</td><td>Our audit procedures included amongst others:
• The audit of the business combination accounting for compliance with IFRS3.
• The purchase agreements of Midbrook and Snowball were inspected and compared to the business combination calculations for accuracy.
• The fair value of the assets and liabilities of Midbrook and Snowball were recalculated at the effective purchase date.
• Ensured that the correct figures were included in the Conduit group consolidation from the effective date of acquisition of Midbrook and Snowball.
• Reperformed the calculations in the impairment models.</td></tr>
</table>

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 Accounting Policy, Insurance Contracts, note 4.2.7, Notes 24 and 31 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. • Assessing the competence, capabilities and objectivity of the external actuaries who perform the valuation of insurance contracts, and verified their qualifications, experience and professional reputation. • We 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, we tested the data integrity in the policyholder database to source documents. • We performed test checks on the reconciliations of the bordereaux reports to the general ledger. • We performed procedures over Capital Adequacy Requirements (CAR) calculations to ensure compliance with the relevant legislation.
Deferred tax asset	
A deferred tax asset amounting to R30.5 million was raised in respect of estimated tax losses in Constantia Insurance Company Limited. 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 utlised. 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: • Review of 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. • Discussed with management their plans for future actions and the availability of financing facilities and access to capital needs. • Assessed the adequacy of the disclosures in the financial statements.
Assessment of carrying value of goodwill	
Included in intangible assets is goodwill amounting to R34.4 million which relates to the insurance business. On an annual basis, the directors have prepared a goodwill valuation to assess 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 review of the budgeted forecast, discount rates, cash flows and assumptions used to ensure there was adequate support for the assumptions underlying the forecast. • Compared the financial forecasts 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 financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 17 years.

Grant Thornton

GRANT THORNTON
Registered Auditors
Practice Number: 903485E

S Ho
Registered Auditor
Chartered Accountant (SA)

27 September 2017

@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 2017.

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 shares of no par value (2016: 500 million ordinary shares of one cent each).

During the year, the authorised and issued share capital of the Company, comprising ordinary par value shares of one cent each, were converted into ordinary no par value shares. This was necessitated due to the need to issue additional shares pursuant to the acquisitions of Midbrook Lane Proprietary Limited ("Midbrook') and Snowball Wealth Proprietary Limited ("Snowball") – please refer to notes 16.4 and 45.4 of the Financial Statements for further details.

In settlement of the Midbrook acquisition, the Company issued 68 428 980 ordinary no par value shares for a total consideration of R177.23 million on 2 February 2017. On 30 March 2017 the Company issued a further 189 635 102 ordinary no par value shares for a total consideration of R474.09 million in settlement of the Snowball acquisition.

Midbrook held 9 811 110 Conduit Capital ordinary shares and Snowball held 41 000 000 Conduit Capital ordinary shares on the respective acquisition dates. These shares are now reflected in the Group accounts as treasury shares.

Please refer to notes 28 and 44.3 of the Financial Statements for further details.

SHARE PREMIUM

Due to the conversion of the authorised and issued share capital of the Company, comprising ordinary par value shares of one cent each into ordinary no par value shares, the balance on the share premium account was transferred to stated capital.

Please refer to note 29 of the Financial Statements for further details.

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

In addition to the Midbrook and Snowball acquisitions detailed above, 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 R66.32 million (2016: R3.90 million);
2. listed investments held at fair value through profit and loss, to the value of approximately R130.60 million (2016: R186.38 million);
3. unlisted investments to the value of approximately R30.92 million (2016: Nil);
4. an investment in an associate to the value of approximately R2 500 (2016: Nil); and
5. further investments in subsidiaries to the value of approximately R0.43 million (2016: Nil).

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

1. property, plant and equipment, software and other intangible assets to the value of approximately R0.14 million were disposed of (2016: R0.04 million);
2. investments held at fair value through profit and loss to the value of approximately R182.83 million were disposed of (2016: R28.44 million);
3. trade debtors and loans of R3.34 million were impaired and written off through profit and loss (2016: R5.42 million). No previous period impairments were reversed through profit and loss (2016: Nil);
4. although no associate company was disposed of in the current year (2016: R0.33 million), an associate company classified as held for sale was impaired by R32.80 million;
5. no joint venture company was disposed in the current year (2016: R1.72 million);
6. computer software developed in-house for R1.80 million was impaired in full (2016: Nil); and
7. goodwill of R41.41 million, relating to the Midbrook and Snowball acquisitions,was impaired in full (2016: Nil).

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 report.

DIRECTORS AND OFFICERS

The following persons acted as directors during the financial year:

Name			Appointed
Harpur, David		# * R	31 March 2015
Louw, Lourens	*(Financial Director)*		25 August 2004
Mahlangu, Jabulani		# * R	31 March 2015
Maizey, Adrian		**	20 February 2017
Moodley, Tyrone			19 May 2015
Napier, Ronald	*(Chairman)*	* R	31 March 2015
Riskowitz, Sean	*(Chief Executive Officer)*		31 March 2015
Scott, Barry		*	19 May 2015
Toet, Gavin			8 September 2009
Xaba, Rosetta		# *	19 May 2015

Key: * *Non-executive (Independent)*
** *Non-executive (Non-independent)*
# *Audit 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 2017, certain directors beneficially owned 23.08 million (2016: 6.24 million) ordinary shares in Conduit Capital. The directors held no rights to share options (2016: Nil). Full details of these holdings are disclosed in note 48 to the financial statements.

DIRECTORS' INTEREST IN CONTRACTS

Other than their letters of employment with the Company and the information disclosed in notes 48 and 49, 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 2017 and 30 June 2016 the Company's borrowings totalled as follows:

	2017 **R'000**	2016 R'000
Borrowings from other Group companies	**147**	162

DIVIDENDS

In line with the Group's strategy, the details of which appear in the Chief Executive Officer's Letter, the Board has not recommended any dividend payment to ordinary shareholders (2016: R Nil).

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee's report appears on page 31.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	GROUP 30 June 2017 R'000	GROUP Restated 30 June 2016 R'000	GROUP Restated 30 June 2015 R'000	COMPANY 30 June 2017 R'000	COMPANY 30 June 2016 R'000
ASSETS						
Non-current assets		**989 686**	327 345	304 563	**977 655**	290 736
Property, plant and equipment	15	**14 331**	10 787	9 067	**–**	110
Intangible assets	16	**93 701**	37 226	35 246	**–**	–
Loans receivable	17	**4 249**	16 783	16 004	**–**	–
Deferred taxation	18	**37 276**	10 790	9 334	**–**	–
Investment properties	19	**4 431**	4 351	5 928	**–**	–
Investment in associates	20 & 37	**2 527**	133	124 411	**3**	3
Investment in joint ventures	21	**–**	–	225	**–**	–
Investment in subsidiaries	22	**–**	–	–	**977 652**	290 623
Investments held at fair value	23	**833 171**	247 275	104 348	**–**	–
Current assets		**715 450**	741 905	759 650	**8 976**	38 023
Insurance assets	24	**265 001**	267 108	302 672	**–**	–
Loans receivable	17	**14 299**	2 365	1 180	**–**	10
Trade and other receivables	25	**222 427**	182 535	129 962	**1 276**	492
Taxation		**5 622**	17 424	12 904	**–**	–
Cash and cash equivalents	26	**208 101**	272 473	312 932	**7 700**	37 521
Assets held for sale	27 & 37	**90 000**	110 000	–	**24 368**	11 568
Total assets		**1 795 136**	1 179 250	1 064 213	**1 010 999**	340 327
EQUITY AND LIABILITIES						
Capital and reserves		**948 823**	562 146	448 740	**1 006 321**	336 274
Stated capital	28	**846 603**	3 314	2 564	**998 800**	3 314
Share premium	29	**–**	319 881	174 140	**–**	344 167
Retained income (accumulated losses)		**101 910**	238 605	271 459	**7 521**	(11 207)
Equity attributable to owners of the parent		**948 513**	561 800	448 163	**1 006 321**	336 274
Non-controlling interest		**310**	346	577	**–**	–
Non-current liabilities		**151 867**	52 883	61 281	**3 228**	3 065
Policyholder liabilities under insurance contracts	31	**29 384**	25 987	32 606	**–**	–
Interest-bearing borrowings	46.4	**–**	–	–	**3 228**	3 065
Deferred taxation	18	**122 483**	26 896	28 675	**–**	–
Current liabilities		**694 446**	564 221	554 192	**1 450**	988
Insurance liabilities	24	**365 562**	306 447	354 022	**–**	–
Loans payable	46.4	**–**	–	–	**147**	162
Trade and other payables	32	**327 366**	251 744	191 970	**1 303**	826
Taxation		**1 518**	6 030	8 200	**–**	–
Total equity and liabilities		**1 795 136**	1 179 250	1 064 213	**1 010 999**	340 327
Net asset value per share (cents)		**176.1**	169.5	174.8		
Tangible net asset value per share (cents)		**145.7**	137.2	127.5		

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	GROUP 30 June 2017 R'000	GROUP Restated 30 June 2016 R'000	COMPANY 30 June 2017 R'000	COMPANY 30 June 2016 R'000
Gross written premium	33.1	**1 069 794**	1 005 586	**–**	–
Reinsurance premium		**(687 890)**	(629 530)	**–**	–
Net written premium		**381 904**	376 056	**–**	–
Net change in provision for unearned premium		**(13 862)**	(348)	**–**	–
Net insurance income		**368 042**	375 708	**–**	–
Reinsurance commission received		**353 965**	298 973	**–**	–
Other income	33.2	**28 826**	18 036	**–**	–
Income from insurance operations		**750 833**	692 717	**–**	–
Total insurance expenses		**(885 182)**	(713 107)	**–**	–
Net claims and movement in claims reserves	34	**(229 805)**	(187 318)	**–**	–
Insurance contract acquisition costs		**(179 807)**	(180 064)	**–**	–
Administration and marketing expense		**(469 145)**	(332 514)	**–**	–
Other expenses	36.1	**(6 425)**	(13 211)	**–**	–
Net underwriting loss		**(134 349)**	(20 390)	**–**	–
Net non-insurance income (expenses)		**47 356**	(13 984)	**22 419**	18 780
Investment income	35	**64 550**	4 470	**26 872**	17 936
Other income	33.2	**310**	195	**310**	4 326
Administration and marketing expense		**(17 492)**	(13 638)	**(4 755)**	(3 807)
Other (expenses) income	36.2	**(12)**	(5 011)	**(8)**	325
Operating (loss) profit		**(86 993)**	(34 374)	**22 419**	18 780
Finance charges	38	**(577)**	(924)	**–**	(147)
Equity accounted (loss) income	20 & 21	**(362)**	13 153	**–**	–
Other expenses and losses	36.3	**(80 324)**	(11 858)	**(3 691)**	–
(Loss) profit before taxation	39	**(168 256)**	(34 003)	**18 728**	18 633
Taxation	42	**31 525**	918	**–**	–
(Loss) profit for the year		**(136 731)**	(33 085)	**18 728**	18 633
Other comprehensive income		**–**	–	**–**	–
Total comprehensive (loss) income		**(136 731)**	(33 085)	**18 728**	18 633
Attributable to:					
Equity holders of the parent		**(136 695)**	(32 854)		
Non-controlling interest		**(36)**	(231)		
Total comprehensive loss		**(136 731)**	(33 085)		
LOSS PER SHARE (CENTS)					
– Basic	11.2 & 44.4.1	**(34.8)**	(10.6)		
– Diluted	11.2 & 44.4.2	**(34.8)**	(10.6)		

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 at 30 June 2015 (as previously reported)		2 564	174 140	–	278 544	577	455 825
Correction of prior period error	11.1	–	–	–	(7 085)	–	(7 085)
Balance as at 30 June 2015		2 564	174 140	–	271 459	577	448 740
Total comprehensive loss for the period		–	–	–	(32 854)	(231)	(33 085)
As previously reported		–	–	–	(23 817)	(231)	(24 048)
Correction of prior period error	11.1	–	–	–	(9 037)	–	(9 037)
Issue of share capital		750	149 250	–	–	–	150 000
Share issue costs		–	(3 509)	–	–	–	(3 509)
Balance at 30 June 2016		3 314	319 881	–	238 605	346	562 146
Total comprehensive loss for the year		**–**	**–**	**–**	**(136 695)**	**(36)**	**(136 731)**
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)**	**101 910**	**310**	**948 823**
		(Refer note 28)		(Refer note 28)			

COMPANY	Stated capital R'000	Share premium R'000	(Accumulated losses) Retained income R'000	Total R'000
Balance at 30 June 2015	2 564	198 426	(29 840)	171 150
Total comprehensive income for the period	–	–	18 633	18 633
Issue of share capital	750	149 250	–	150 000
Share issue costs	–	(3 509)	–	(3 509)
Balance at 30 June 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**

STATEMENTS OF CASH FLOWS

	Notes	GROUP 30 June 2017 R'000	GROUP 30 June 2016 R'000	COMPANY 30 June 2017 R'000	COMPANY 30 June 2016 R'000
Cash flows from operating activities		**(5 299)**	(39 253)	**22 112**	17 545
Cash (utilised) generated by operations	45.2	**(51 661)**	(49 008)	**(4 760)**	456
Interest received	35	**13 766**	17 157	**2 872**	3 636
Finance charges	38	**(577)**	(924)	**–**	(147)
Dividends received from investments	35	**26 621**	2 529	**24 000**	13 600
Taxation received (paid)	45.3	**6 552**	(9 007)	**–**	–
Cash flows from investing activities		**(45 320)**	(145 413)	**158**	–
Disposal of joint ventures	21	**–**	1 716	**–**	–
Dividends received from joint ventures	21	**–**	738	**–**	–
(Acquisition) disposal of associates	20	**(3)**	325	**–**	–
Dividends received from associates	20	**–**	13 600	**–**	–
(Acquisition) disposal of subsidiaries	45.4	**(433)**	–	**1**	–
Acquisition of property, plant and equipment	15	**(5 393)**	(1 095)	**–**	–
Disposal of property, plant and equipment	15	**141**	37	**157**	–
Acquisition of investment properties	19	**(80)**	–	**–**	–
Acquisition of intangible assets	16	**(60 854)**	(2 801)	**–**	–
Disposal of intangible assets	16	**–**	4	**–**	–
Acquisition of financial investments	23	**(161 523)**	(186 375)	**–**	–
Disposal of financial investments	23	**182 825**	28 438	**–**	–
Cash flows from financing activities		**(29 731)**	144 207	**(52 091)**	13 506
Proceeds from new share issue	28	**–**	146 491	**–**	146 491
Interest bearing borrowings received	46.4	**–**	–	**163**	160
Interest bearing borrowings repaid	45.4	**(13 179)**	–	**–**	–
Loans granted to third parties	17	**(960)**	(1 964)	**–**	–
Loans repaid by third parties	17	**1 560**	–	**–**	–
Loans granted to joint ventures, associates and assets held for sale	20, 21 & 27	**(15 553)**	(320)	**(12 800)**	(3)
Loans granted to subsidiaries	46.4	**–**	–	**(39 454)**	(133 142)
Loans granted to unlisted investments	23.1.2	**(1 599)**	–	**–**	–
Net (decrease) increase in cash and cash equivalents		**(80 350)**	(40 459)	**(29 821)**	31 051
Cash and cash equivalents at the beginning of the year		**272 473**	312 932	**37 521**	6 470
Cash acquired	45.4	**15 978**	–	**–**	–
Cash and cash equivalents at the end of the year	26	**208 101**	272 473	**7 700**	37 521

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 2017			
Income from operations	750 833	–	750 833
Expenses	(885 182)	(2 115)	(887 297)
Operating result	(134 349)	(2 115)	(136 464)
Equity accounted loss	–	(362)	(362)
Investment income	11 900	50 787	62 687
Other	(815)	(41 408)	(42 223)
(Loss) profit before head office expenses and taxation	(123 264)	6 902	(116 362)
Unallocated net head office expenses			(51 894)
Taxation			31 525
Loss for the year			(136 731)
Capital utilised			
Capital employed at end of year	308 595	660 523	948 823
Reallocation	(192 222)	192 222	–
Capital utilised at end of year	116 373	852 745	948 823
Average capital utilised during the year	126 897	461 390	617 930
YEAR ENDED 30 JUNE 2016 (restated)			
Income from operations	692 717	–	692 717
Expenses	(713 107)	(1 405)	(714 512)
Operating result	(20 390)	(1 405)	(21 795)
Equity accounted income (loss)	(676)	13 829	13 153
Investment income (loss)	14 793	(12 148)	2 645
Other	(2 331)	(5 000)	(7 331)
Loss before head office expenses and taxation	(8 604)	(4 724)	(13 328)
Unallocated net head office expenses			(20 675)
Taxation			918
Loss for the year			(33 085)
Capital utilised			
Capital employed at end of year	291 390	199 998	562 146
Reallocation	(138 969)	138 969	–
Capital utilised at end of year	152 421	338 967	562 146
Average capital utilised during the year	181 826	191 587	450 145

1. BASIS OF PREPARATION

The Group's consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are in compliance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee 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 joint ventures 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, joint ventures 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. 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

No standards and interpretations effective and adopted in the current year had any material impact on the Group.

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 2017 or later periods:

IFRS 17: Insurance contracts

This standard supersedes IFRS 4 'Insurance Contract' and solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values instead of historical cost, ending the practice of using data from when a policy was taken out.

The effective date for this standard is for years beginning on or after 1 January 2021. The impact of the standard has not yet been fully assessed, but it is expected to be material.

11. CORRECTION OF PRIOR PERIOD ERRORS AND RESTATEMENT OF COMPARATIVE NUMBERS

11.1 Correction of prior period errors

In the current year, it was established that an incorrect formula was used to determine the Rand value of foreign premiums receivable during the 2015 and 2016 financial periods, resulting in an overstatement of net assets during those periods.

The error was corrected by restating each of the affected financial statement line items for the prior periods as follows:

	Previously reported R'000	Adjustment R'000	Restated R'000
2016			
Impact on equity			
Trade and other receivables	184 325	(1 790)	182 535
Taxation receivable	16 601	823	17 424
Insurance liabilities	(295 685)	(10 762)	(306 447)
Deferred tax asset	8 098	2 692	10 790
Reduction in equity		(9 037)	
Impact on Statement of Profit or Loss and Other Comprehensive Income			
Currency translation losses	(251)	(12 551)	(12 802)
Taxation – current	(3 150)	822	(2 328)
Taxation – deferred	543	2 692	3 235
Increase in losses		(9 037)	
2015			
Impact on equity			
Trade and other receivables	149 515	(19 553)	129 962
Taxation receivable	10 149	2 755	12 904
Insurance liabilities	(363 735)	9 713	(354 022)
Reduction in equity		(7 085)	
Impact on Statement of Profit or Loss and Other Comprehensive Income			
Currency translation losses	3 999	(9 840)	(5 841)
Taxation	(7 216)	2 755	(4 461)
Reduction in profits		(7 085)	

11. CORRECTION OF PRIOR PERIOD ERRORS AND RESTATEMENT OF COMPARATIVE NUMBERS (continued)

11.2 Impact of prior year error on net asset value, tangible net asset value and basic and diluted (loss) profit per share

	Previously reported (cents per share)	Adjustment (cents per share)	Restated (cents per share)
As at 30 June 2016			
– Net asset value per share	174.4	(4.9)	169.5
– Tangible net asset value per share	142.0	(4.8)	137.2
For the year ended 30 June 2016			
– Basic loss per share	(7.7)	(2.9)	(10.6)
– Diluted loss per share	(7.7)	(2.9)	(10.6)
– Headline loss per share	(2.8)	(2.9)	(5.7)
– Diluted headline loss per share	(2.8)	(2.9)	(5.7)
As at 30 June 2015			
– Net asset value per share	177.6	(2.8)	174.8
– Tangible net asset value per share	130.3	(2.8)	127.5
For the ten months ended 30 June 2015			
– Basic profit per share	13.2	(2.5)	10.7
– Diluted profit per share	13.2	(2.5)	10.7
– Headline profit per share	13.4	(2.5)	10.9
– Diluted headline profit per share	13.4	(2.5)	10.9

11.3 Restatement of comparative numbers

The Consolidated Statements of Profit or Loss and Other Comprehensive Income have been presented in a manner to make it less complicated to distinguish the Group's underwriting results from other income and expenses. The prior period's Consolidated Statements of Profit or Loss and Other Comprehensive Income are presented in a manner similar to that of the current period in order to simplify comparative analysis.

GROUP		Previously reported R'000	Adjustment R'000	Restated R'000
Income				
– Non-insurance revenue		18 231	(18 231)	–
– Other income	(Insurance)	–	18 036	18 036
– Other income	(Non-insurance)	–	195	195
			–	
Expenses				
– Underwriting management fees		(200 228)	200 228	–
– Profit commissions		(66 702)	66 702	–
– Administration costs		(36 213)	36 213	–
– Other expenses		(48 429)	48 429	–
– Other		(12 109)	12 109	–
– Correction of prior period error	(Refer note 11.1)	(12 551)	12 551	–
– Administration and marketing expense	(Insurance)	–	(332 514)	(332 514)
– Other expenses	(Insurance)	–	(13 211)	(13 211)
– Administration and marketing expense	(Non-insurance)	–	(13 638)	(13 638)
– Other expenses	(Non-insurance)	–	(5 011)	(5 011)
– Other expenses and losses		–	(11 858)	(11 858)
			–	

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

	2017		2016	
	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	–	16 783	–
Investments	–	833 171	–	247 275
Listed investments	–	800 901	–	247 275
Unlisted investments	–	32 270	–	–
Current				
Loans receivable	14 299	–	2 365	–
Trade and other receivables	23 810	–	11 238	–
Cash and cash equivalents	208 101	–	272 473	–
	250 459	833 171	302 859	247 275

12.2 Liabilities

	2017		2016	
	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
Current				
Trade and other payables	53 656	–	21 399	–
	53 656	–	21 399	–

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
2017				
Assets				
– Listed investments	800 901	–	–	800 901
– Investment properties	–	–	4 431	4 431
– Unlisted investments	–	24 230	8 040	32 270
	800 901	24 230	12 471	837 602
2016				
Assets				
– Listed investments	247 275	–	–	247 275
– Investment properties	–	4 351	–	4 351
	247 275	4 351	–	251 626

12. GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

12.3 Fair value hierarchy (continued)

Investment properties have been transferred from Level 2 to Level 3 during the reporting period due to the use of unobservable inputs being used in the valuation. There have been no other transfers between Levels 1, 2 and 3.

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:

	2017 R'000	2016 R'000
Current		
Financial assets at fair value through profit and loss		
Opening balance	**–**	–
Transfer from Level 2	**4 431**	–
Acquisition	**8 040**	–
Closing balance	**12 471**	–

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 16.4.1.

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

	2017 Financial assets at amortised cost R'000	2016 Financial assets at amortised cost R'000
Non-current		
Amounts due from subsidiaries	**–**	13 393
Current		
Trade and other receivables	**976**	313
Cash and cash equivalents	**7 700**	37 521
	8 676	51 227

13. COMPANY FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

13.2 Liabilities

	2017 Financial liabilities at amortised cost R'000	2016 Financial liabilities at amortised cost R'000
Current		
Loans payable	**147**	162
Trade and other payables	**1 303**	826
	1 450	988

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

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

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

	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 Group				
14.1.1 2017				
Interest received	**13 766**	**–**	**–**	**13 766**
Finance charges	**–**	**–**	**(577)**	**(577)**
Dividend income	**–**	**26 621**	**–**	**26 621**
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	**(3 343)**	**–**	**–**	**(3 343)**
	10 423	**50 784**	**(577)**	**60 630**
14.1.2 2016				
Interest received	17 157	–	–	17 157
Finance charges	–	–	(924)	(924)
Dividend income	–	2 529	–	2 529
Realised fair value adjustment of financial assets	–	1 752	–	1 752
Unrealised fair value adjustment of financial assets	–	(17 369)	–	(17 369)
Amounts written off	(5 420)	–	–	(5 420)
	11 737	(13 088)	(924)	(2 275)
14.2 Company				
14.2.1 2017				
Interest received	**2 872**	**–**	**–**	**2 872**
Finance charges	**–**	**–**	**–**	**–**
Dividend income	**–**	**24 000**	**–**	**24 000**
Impairment losses	**(8)**	**–**	**–**	**(8)**
	2 864	**24 000**	**–**	**26 864**
14.2.2 2016				
Interest received	3 636	–	–	3 636
Finance charges	–	–	(147)	(147)
Reversal of impairment losses	325	–	–	325
	3 961	–	(147)	3 814

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

	2017 Cost R'000	2017 Accumulated depreciation R'000	2017 Net carrying value R'000	2016 Cost R'000	2016 Accumulated depreciation R'000	2016 Net carrying value R'000
– Owner occupied properties (Land)	2 217	–	2 217	2 217	–	2 217
– Owner occupied properties (Buildings)	5 082	–	5 082	5 082	–	5 082
– Leasehold improvements	609	(313)	296	63	(63)	–
– Computer hardware	4 371	(1 695)	2 676	1 525	(1 071)	454
– Office equipment	2 140	(1 224)	916	1 624	(917)	707
– Furniture and fittings	5 589	(2 592)	2 997	4 388	(2 324)	2 064
– Motor vehicles	592	(445)	147	592	(329)	263
	20 600	(6 269)	14 331	15 491	(4 704)	10 787

	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
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

No depreciation is raised on owner occupied buildings as the residual value of the buildings (R8.69 million) is in excess of the carrying value.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

15.1 Group (continued)

	Owner occupied properties (Land) R'000	Owner occupied properties (Buildings) R'000	Computer hardware R'000	Office equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Total R'000
2016							
Movement for the year							
– Opening carrying value	1 692	3 736	512	810	1 939	378	9 067
– Reclassification from investment properties	525	1 346	–	–	–	–	1 871
– Additions	–	–	226	167	702	–	1 095
– Disposals	–	–	(10)	(8)	(280)	–	(298)
– Depreciation	–	–	(274)	(262)	(297)	(115)	(948)
	2 217	5 082	454	707	2 064	263	10 787

15.2 Company

	2017 Cost R'000	**2017** Accumulated depreciation R'000	**2017** Net carrying value R'000	2016 Cost R'000	2016 Accumulated depreciation R'000	2016 Net carrying value R'000
– Office equipment	**–**	**–**	**–**	117	(30)	87
– Furniture and fittings	**–**	**–**	**–**	115	(92)	23
	–	**–**	**–**	232	(122)	110

	Office equipment R'000	**Furniture and fittings R'000**	**Total R'000**
2017			
Movement for the year			
– Opening carrying value	**87**	**23**	**110**
– Disposals	**(87)**	**(23)**	**(110)**
	–	**–**	**–**
2016			
Movement for the year			
– Opening carrying value	110	36	146
– Depreciation	(23)	(13)	(36)
	87	23	110

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 – 5 years
Broker relationships	2 – 5 years
Goodwill	Indefinite

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
– Goodwill (note 16.1)	**34 371**	34 371	**–**	–
– Computer software (note 16.2)	**58 756**	1 754	**–**	–
– Broker relationships and other (note 16.3)	**574**	1 101	**–**	–
	93 701	37 226	**–**	–
16.1 Goodwill				
16.1.1 Net carrying value				
– Cost	**75 779**	34 371	**–**	–
– Impairment	**(41 408)**	–	**–**	–
– Net carrying value	**34 371**	34 371	**–**	–
16.1.2 Goodwill per cash generating unit				
Black Ginger 92 Proprietary Limited				
– Cost	**1 992**	1 992	**–**	–
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)**	–	**–**	–
	34 371	34 371	**–**	–

16. INTANGIBLE ASSETS (continued)

	GROUP 30 June 2017 R'000	GROUP 30 June 2016 R'000	COMPANY 30 June 2017 R'000	COMPANY 30 June 2016 R'000
16.1 Goodwill (continued)				
16.1.3 Movement for the year				
At beginning of the year	**34 371**	34 371	**–**	–
Acquisition as part of subsidiaries' purchase	**41 408**	–	**–**	–
Impairment	**(41 408)**	–	**–**	–
	34 371	34 371	**–**	–
16.2 Computer software				
16.2.1 Net carrying value				
Cost	**63 180**	4 202	**–**	–
Amortisation	**(4 424)**	(2 448)	**–**	–
Net carrying value	**58 756**	1 754	**–**	–
16.2.2 Movement for the year				
At beginning of the year	**1 754**	833	**–**	13
Additions	**60 841**	1 292	**–**	–
Disposals	**–**	(4)	**–**	–
Impairment[1]	**(1 798)**	–	**–**	–
Amortisation	**(2 041)**	(367)	**–**	(13)
	58 756	1 754	**–**	–

[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 year under review 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 – 5 years.

	GROUP 30 June 2017 R'000	GROUP 30 June 2016 R'000	COMPANY 30 June 2017 R'000	COMPANY 30 June 2016 R'000
16.3 Broker relationships and other				
16.3.1 Net carrying value				
Cost	**1 564**	1 551	**–**	–
Amortisation	**(990)**	(450)	**–**	–
Net carrying value	**574**	1 101	**–**	–
16.3.2 Movement for the year				
Cost	**1 101**	42	**–**	–
Additions	**13**	1 509	**–**	–
Amortisation	**(540)**	(450)	**–**	–
Net carrying value	**574**	1 101	**–**	–

The remaining expected useful life of Broker relationships is 2 – 5 years. Also refer to note 43.2.2.

16. INTANGIBLE ASSETS (continued)

16.4 Impairment testing of intangible assets

16.4.1 Impairment testing of goodwill

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

- Black Ginger 92 Proprietary Limited ("Black Ginger");
- Constantia Risk and Insurance Holdings Proprietary Limited ("CRIH");
- Midbrook Lane Proprietary Limited ("Midbrook"); and
- Snowball Wealth Proprietary Limited ("Snowball").

Black Ginger and CRIH

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

- uses operational cash flow projections based on budgeted operating results covering a five year period;
- extrapolates cash flows beyond the fifth year by using a growth rate of 3%; 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.

Cash flows and returns have been discounted using risk adjusted pre-tax cost of equity rates ranging 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.

Midbrook and Snowball

Due to market movements, the underlying equities portfolios in both Midbrook and Snowball reduced in value between the Transaction Date and the Implementation Dates (refer to note 22 for further detail). This affected the net asset value ("NAV"), as well as the fair value of the companies as at the respective Implementation Dates. Together with the simultaneous increase in the Conduit share price (as reflected in note 22), this resulted in goodwill of R19.76 million and R21.65 million being generated on the Midbrook and Snowball transactions respectively, given that Midbrook, Snowball and the Conduit shares had to be valued at fair (market) value as at the respective Implementation Dates.

Given the nature of the underlying assets in both companies, the NAV of each company as at its Implementation Date was also its fair value. On that basis, the goodwill paid for each company had no value, as the companies were already fairly valued at NAV. The goodwill associated with the Midbrook and Snowball transactions (R41.41 million in total) was therefore impaired in full.

The directors 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.

16.4.2 Impairment testing of other intangible assets

The useful life and residual value of each asset is assessed twice annually and its carrying value is restated by applying the appropriate 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 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
Non-current: Unsecured	**4 249**	16 783	**–**	–
Current: Unsecured	**14 299**	2 365	**–**	10
	18 548	19 148	**–**	10
NON-CURRENT				
Unsecured loans	**9 249**	21 783	**–**	–
Less: Allowance for impairment	**(5 000)**	(5 000)	**–**	–
	4 249	16 783	**–**	–
Allowance for impairment				
– At beginning of the year	**(5 000)**	–	**–**	–
– Impairment raised due to entity being placed in business rescue	**–**	(5 000)	**–**	–
	(5 000)	(5 000)	**–**	–
CURRENT				
Unsecured loans	**14 299**	2 365	**–**	10

Unsecured loans' repayment and interest terms are as follows:

- R1.30 million carries interest at the bank overdraft rate plus 4% and is repayable by no later than 30 June 2018;
- R0.77 million carries interest at the prime bank overdraft rate plus 1% and is repayable by no later than 1 November 2018; and
- R16.48 million carries interest at call rates and is repaid through management fees earned by the borrower from business that it generates for the Group. R13.00 million of this loan is included under current loans.

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

18. DEFERRED TAX

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 2017 R'000	Restated 30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
Balance at beginning of year	**(16 106)**	(19 341)	**–**	–
Increase in liability due to acquisition of subsidiary, relating to unrealised gains on investments (refer note 45.4)	**(101 497)**	–	**–**	–
Charge against the statement of profit or loss and other comprehensive income	**32 396**	3 235	**–**	–
Balance at end of year	**(85 207)**	(16 106)	**–**	–

18. DEFERRED TAX (continued)

	GROUP		COMPANY	
	30 June 2017 R'000	Restated 30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
Relating to:	**(85 207)**	(16 106)	**–**	–
Provisions and accruals	**4 766**	(1 467)	**–**	–
Accelerated capital allowances	**(13)**	(9)	**–**	–
Unrealised gains on investment properties	**(938)**	(400)	**–**	–
Unrealised gains on investments	**(119 527)**	(25 535)	**–**	–
Estimated tax losses	**30 505**	11 305	**–**	–
Comprising:	**(85 207)**	(16 106)	**–**	–
Deferred tax assets	**37 276**	10 790	**–**	–
Deferred tax liabilities	**(122 483)**	(26 896)	**–**	–

In the 2017 financial results a deferred tax asset of R30.51 million is recognised in respect of estimated tax losses (2016: R11.31 million). This asset relates to 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 2020 financial year. A further stress test scenario, in terms whereof only 80% of the gross premium income base budget is attained, reflects that the recoupment period will be extended to no later than the 2021 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 the directors, using market observable data. External valuations are carried out every two years by external property valuators. When investment properties become owner occupied, the Group reclassifies them to property, plant and equipment, using the fair value at the date of reclassification as the cost. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

Significant judgement

The fair value of investment properties has been determined with the use of open market values by professional property valuators. The most recent valuation date was 30 June 2016.

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
19.1 Net carrying value				
Cost	**1 326**	1 246	**–**	–
Fair value adjustment	**3 105**	3 105	**–**	–
Net carrying value	**4 431**	4 351	**–**	–
19.2 Movement for the year				
At beginning of year	**4 351**	5 928	**–**	–
Additions	**80**	–	**–**	–
Reclassification to owner occupied properties	**–**	(1 871)	**–**	–
Fair value adjustment (note 35)	**–**	294	**–**	–
	4 431	4 351	**–**	–

19. INVESTMENT PROPERTIES (continued)

In carrying out the valuation on 30 June 2016, 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 R90 per m2 in the general vicinity of the properties; and
- A capitalisation rate ranging 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 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
At beginning of year	**133**	124 411	**3**	11 568
Loans	**2 753**	3	**–**	3
Acquisitions (disposals)	**3**	(325)	**–**	–
Attributable portion of (losses) earnings	**(362)**	12 719	**–**	–
Dividend received	**–**	(13 600)	**–**	–
Impairment (refer note 37)	**–**	(13 075)	**–**	–
Reclassification to assets held for sale (refer note 27)	**–**	(110 000)	**–**	(11 568)
Balance at end of year	**2 527**	133	**3**	3

Details of the impairment calculation are set out in note 37 and further details of the investments are set out in notes 46.1 and 46.2.

20. INVESTMENT IN ASSOCIATES (continued)

Associates' summary information

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

	ASOC Management Company Proprietary Limited (25.0%) R'000	Other listed in note 46.1 (40%) R'000	Total R'000
30 June 2017			
Non-current assets	87	1 025	1 112
Current assets	1 991	1 528	3 519
Non-current liabilities	(3 321)	–	(3 321)
Current liabilities	(195)	(1 633)	(1 828)
Revenue	950	5 326	6 276
After-tax (loss) profit for the year	(1 447)	908	(539)
Other comprehensive income	–	–	–
Total comprehensive (loss) income	(1 447)	908	(539)
Reconciliation from share of net asset value to carrying value			
Net asset value	(1 438)	920	(518)
Share of net asset value	(360)	368	8
Loan balances (refer note 46.1)	2 753	3	2 756
Write-down to carrying value	–	(238)	(238)
Carrying value	2 393	133	2 526
30 June 2016			
Non-current assets	–	704	704
Current assets	–	1 545	1 545
Non-current liabilities	–	(525)	(525)
Current liabilities	–	(1 398)	(1 398)
Revenue	–	926	926
After-tax loss for the year	–	(2 774)	(2 774)
Other comprehensive income	–	–	–
Total comprehensive loss	–	(2 774)	(2 774)
Reconciliation from share of net asset value to carrying value			
Net asset value	–	326	326
Share of net asset value	–	130	130
Loan balances (refer note 46.1)	–	3	3
Carrying value	–	133	133

21. INVESTMENT IN JOINT VENTURES

Accounting policy

Interests in joint ventures are accounted for under the equity method, except when the investment is acquired and held exclusively with a view to its disposal in the near future, in which case the investment is accounted for under the cost 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 joint venture, less any impairment losses. The use of the equity method is discontinued from the date that the Group ceases to have joint control over the entity.

21. INVESTMENT IN JOINT VENTURES (continued)

Distributions received from the joint venture reduce the carrying amount of the investment.

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
At beginning of year	**–**	225	**–**	–
Loans	**–**	317	**–**	–
Disposals	**–**	(1 716)	**–**	–
Dividend received	**–**	(738)	**–**	–
Attributable portion of earnings	**–**	434	**–**	–
Profit on sale	**–**	1 478	**–**	–
Balance at end of year	**–**	–	**–**	–

In June 2016 the joint venture in Riverstone Insurance Brokers Proprietary Limited was disposed of for a total consideration of R1.72 million.

22. INVESTMENT IN SUBSIDIARIES

Accounting policy

Company

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

Acquisition of Midbrook and Snowball

On 19 July 2016 ("the Transaction Date") the Group agreed to acquire all the issued shares in Midbrook and Snowball, subject to a number of conditions that had to be met. Both entities were valued at Net Asset Value ("NAV") at the time (R167.65 million for Midbrook and R464.61 million for Snowball).

The purchase consideration for each transaction was to be settled in Conduit shares, valued at 245 cents each (i.e. 68.43 million shares were to be issued to Midbrook and 189.64 million shares were to be issued to Snowball on conclusion of the transactions). The rationale behind the transactions was to increase the Group's overall equities investment portfolio, thereby generating additional earnings potential and ultimately more capital for eventual investment into the insurance operations over time.

The Midbrook and Snowball transactions became unconditional and were implemented only on 2 February 2017 and 30 March 2017 ("the Implementation Dates"), respectively. In settlement of the Midbrook acquisition, Conduit issued 68 428 980 ordinary no par value shares at 259 cents (the market value on the the Midbrook Implementation Date) each for a total consideration of R177.23 million on 2 February 2017. On 30 March 2017 the Company issued a further 189 635 102 ordinary no par value shares at 250 cents (the market value on the Snowball Implementation Date) each for a total consideration of R474.09 million in settlement of the Snowball acquisition.

Breakdown of Investment in Subsidiaries

	COMPANY	
	30 June 2017 R'000	30 June 2016 R'000
Unlisted shares at cost, less amounts written off	**958**	2 217
Equity loans (terms detailed in note 46.3)	**976 694**	275 023
Other amounts due by subsidiaries	**–**	13 393
Net carrying value (refer notes 46.3 and 46.4)	**977 652**	290 633
Directors' valuation	**1 038 939**	531 059

The directors' valuation of the underlying shares for trading entities is based on cash flow projections using the same principles as described in section 16.4.1, 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.

23. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

Accounting policy

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

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

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
23.1 Long term investments				
Listed investments (note 23.1.1)	**800 901**	247 275	**–**	–
Listed equities	**800 901**	245 364	**–**	–
Bonds	**–**	1 911	**–**	–
Unlisted investments (note 23.1.2)	**32 270**	–	**–**	–
	833 171	247 275	**–**	–
23.1.1 Listed equities and bonds at valuation				
Opening net book value	**247 275**	99 133	**–**	–
Additions	**130 603**	186 375	**–**	–
Increase due to acquisition of subsidiary	**581 436**	–		
Disposals	**(182 825)**	(22 401)	**–**	–
Fair value adjustment (refer note 35)	**24 412**	(15 832)	**–**	–
Closing net book value	**800 901**	247 275	**–**	–
23.1.2 Unlisted investments at valuation				
Opening net book value	**–**	5 215	**–**	–
Additions	**30 920**	–		
Equity loans	**1 599**	–	**–**	–
Disposals	**–**	(6 037)	**–**	–
Fair value adjustment (refer note 35)	**(249)**	822	**–**	–
Closing net book value	**32 270**	–	**–**	–
Directors' valuation	**32 270**	–	**–**	–

The equity loan, issued to AA Broking Services Proprietary Limited, is unsecured, interest free and has no repayment terms. The loan shall however become immediately due and payable on the commencement of business rescue proceedings in respect of the company by means permitted in the Companies Act and will be repaid on the granting of any order (whether provisional or final) placing the company in liquidation. Also refer to note 43.2.3.

Unlisted investments classified in:

- Level 2 of the fair value hierarchy and valued at R24.23 million, have been valued by an independent third party using the net asset value of the underlying assets in the investment as a basis;
- Level 3 of the fair value hierachy and valued at R8.04 million, have been valued by using future expected cash flows from the underlying unlisted entity over the next 5 years, growing it by 3% p.a. thereafter and discount these at a pre-tax rate of 33.5%.

24. 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 2017 R'000	Restated 30 June 2016 R'000	Restated 30 June 2015 R'000	**30 June 2017 R'000**	30 June 2016 R'000
24.1 Gross insurance liabilities					
Claims reported but not paid (refer note 24.4 below)	**(125 468)**	(49 860)	(65 414)	**–**	–
Claims incurred but not reported (refer note 24.5 below)	**(98 046)**	(70 191)	(35 066)	**–**	–
Unearned premiums, net of deferred acquisition costs	**(142 048)**	(186 396)	(253 542)	**–**	–
Unearned premiums	**(201 376)**	(275 616)	(378 279)	**–**	–
Deferred acquisition costs	**59 328**	89 220	124 737	**–**	–
Total insurance liabilities	**(365 562)**	(306 447)	(354 022)	**–**	–
24.2 Recoverable from reinsurers					
Claims reported but not paid (refer note 24.4 below)	**100 641**	52 776	43 784	**–**	–
Claims incurred but not reported (refer note 24.5 below)	**51 499**	43 983	19 808	**–**	–
Unearned premiums, net of deferred reinsurance commission revenue	**112 861**	170 349	239 080	**–**	–
Unearned premiums	**171 798**	258 374	362 549	**–**	–
Deferred reinsurance commission revenue	**(58 937)**	(88 025)	(123 469)	**–**	–
Reinsurers' share of insurance liabilities	**265 001**	267 108	302 672	**–**	–
24.3 Net insurance liabilities					
Claims reported but not paid (refer note 24.4 below)	**(24 827)**	2 916	(21 630)	**–**	–
Claims incurred but not reported (refer note 24.5 below)	**(46 547)**	(26 208)	(15 258)	**–**	–
Unearned premiums	**(29 187)**	(16 047)	(14 462)	**–**	–
Total net insurance liabilities	**(100 561)**	(39 339)	(51 350)	**–**	–

24.4 Claims reported but not paid

Gross claims reported but not paid is less than the amount after reinsurance has been taken into account due to the fact that R15.9 million in gross claims relating to foreign inward reinsurance business has been offset against outstanding premium balances, as these will be settled by the foreign insurer on a net basis.

24. INSURANCE ASSETS AND LIABILITIES (continued)

24.5 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 13.2% of net insurance premium for the 2017 financial period (2016: 12.6%).

Had the IBNR provision been calculated at statutory rates, the net provision would have been R23.43 million less (2016: R8.55 million less) than the net R46.55 million currently provided for (2016: R26.21 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 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 Financial Services Board requirements the IBNR provision has been calculated at statutory rates.

25. TRADE AND OTHER RECEIVABLES

Accounting policy

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 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 2017 R'000	Restated 30 June 2016 R'000	Restated 30 June 2015 R'000	**30 June 2017 R'000**	30 June 2016 R'000
Deposits and prepaid expenses	**2 047**	2 352	1 399	**300**	179
Insurance receivables	**196 570**	169 170	112 397	**–**	–
Trade receivables	**12 276**	4 665	12 000	**289**	313
Loans – Unsecured	**–**	–	768	**–**	–
Other receivables – Unsecured	**11 534**	6 573	3 623	**687**	–
Less: Allowance for impairment	**–**	(225)	(225)	**–**	–
	222 427	182 535	129 962	**1 276**	492

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

26. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
Comprising:				
Cash	**16**	51	**–**	–
Call accounts	**172 681**	258 208	**7 566**	37 485
Current accounts – Local	**22 896**	5 894	**134**	36
Current accounts – Foreign	**12 508**	8 320	**–**	–
Net cash and cash equivalents	**208 101**	272 473	**7 700**	37 521

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.

27. ASSETS HELD FOR SALE

Accounting policy

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

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
27.1 Net carrying value				
Cost	**11 568**	11 568	**11 568**	11 568
Loans	**12 800**	–	**12 800**	–
Fair value adjustment	**65 632**	98 432	**–**	–
Net carrying value	**90 000**	110 000	**24 368**	11 568
27.2 Movement for the year				
At beginning of year	**110 000**	–	**11 568**	–
Reclassification from associates	**–**	110 000	**–**	11 568
Loans	**12 800**	–	**12 800**	–
Impairment (refer note 37)	**(32 800)**	–	**–**	–
	90 000	110 000	**24 368**	11 568

On 23 June 2016 Conduit Capital received an unsolicited, non-binding offer from an independent party who was looking to acquire its 40% shareholding in Anthony Richards and Associates Proprietary Limited ("ARA") for a purchase consideration of R110 million. After due consideration Conduit Capital's board of directors agreed to a possible sale, subject to certain conditions and the investment was classified as an Asset held for Sale. Subsequent to the 2016 year end the transaction did not materialise, but as at 30 June 2017 it is still the intention of management to sell the investment held in ARA. The classification of ARA therefore remains as an Asset Held for Sale.

28. STATED CAPITAL

During the year, the authorised and issued share capital of the Company, comprising ordinary par value shares of 1 cent each, were converted into ordinary no par value shares.

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
Authorised				
1 500 000 000 ordinary shares of no par value (2016: 500 000 000 ordinary shares of 1c each)	**–**	5 000	**–**	5 000
Issued				
Opening: 331 379 818 ordinary shares of 1c each (2016: 256 379 818)	**3 314**	2 564	**3 314**	2 564
Rights offer	**–**	750	**–**	750
New issue (refer to note 22)	**651 319**	–	**651 319**	–
Reallocation of share premium (refer to note 29)	**319 881**	–	**344 167**	–
Stated capital: 589 443 900 ordinary shares of no par value	**974 514**		**998 800**	
Treasury shares:				
– 3 221 ordinary shares of no par value each held by Conduit Management Services Proprietary Limited (2016: 3 221 ordinary shares of 1c each)	**–***	–*	**–**	–
– 9 811 110 ordinary shares of no par value held by Midbrook Lane Proprietary Limited (2016: nil)	**(25 411)**	–	**–**	–
– 41 000 000 ordinary shares of no par value held by Snowball Wealth Proprietary Limited (2016: nil)	**(102 500)**	–	**–**	–
Closing: 589 443 900 ordinary shares of no par value	**846 603**	3 314	**998 800**	3 314

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)

	GROUP 30 June 2017	GROUP 30 June 2016	COMPANY 30 June 2017	COMPANY 30 June 2016
Opening balance	**331 376 597**	256 376 597	**331 379 818**	256 379 818
Issued	**258 064 082**	75 000 000	**258 064 082**	75 000 000
Treasury shares	**(50 811 110)**	–	**–**	–
	538 629 569	331 376 597	**589 443 900**	331 379 818

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 (2016: Nil). There were no contracts in place for the sale of shares (2016: Nil).

29. SHARE PREMIUM

Reconciliation of movement in share premium:

	GROUP 30 June 2017 R'000	GROUP 30 June 2016 R'000	COMPANY 30 June 2017 R'000	COMPANY 30 June 2016 R'000
Opening balance	**319 881**	174 140	**344 167**	198 426
Received in terms of rights offer	**–**	149 250	**–**	149 250
Expenses incurred in terms of rights offer	**–**	(3 509)	**–**	(3 509)
Reallocation to stated capital (refer note 28 above)	**(319 881)**	–	**(344 167)**	–
	–	319 881	**–**	344 167

30. SHARE-BASED PAYMENTS

No share options were awarded to executive directors and staff during 2016/17. No share options remained outstanding as at the reporting date (2016: Nil).

31. 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 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
Opening balance	**25 987**	32 606	**–**	–
Transfer from (to) profit or loss	**3 397**	(6 619)	**–**	–
	29 384	25 987	**–**	–
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.				
31.1 Analysis of policyholder liabilities				
Individual funeral cover	**24 542**	22 765	**–**	–
Group funeral cover	**4 842**	3 222	**–**	–
	29 384	25 987	**–**	–
31.2 Maturity analysis of policyholder liabilities				
Policyholder liabilities are expected to become payable as follows:				
Up to one year	**7 829**	5 937	**–**	–
One year to five years	**4 874**	4 359	**–**	–
More than five years	**16 681**	15 691	**–**	–
	29 384	25 987	**–**	–

31.3 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 6.20% (2016: 6.39%)
- Interest rate 7.70% (2016: 7.89%)
- Withdrawal assumptions were based on experience in the portfolio and in the market
- Mortality rates were based on SA85/90 Heavy (2016: 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.

31. POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS (continued)

31.4 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.

31.5 Sensitivities

Policyholder liabilities have been calculated at R29.38 million by the statutory actuary as at 30 June 2017 (2016: R25.99 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	29 384	0.00
Mortality (and other claims)	10% increase	30 836	4.94
Expenses	10% increase	31 805	8.24
Investment returns	1% reduction	31 721	7.95
Withdrawals	10% increase	28 714	(2.28)
Inflation	1% increase	31 235	6.30

32. TRADE AND OTHER PAYABLES

Accounting policy

Trade and other payables are financial instruments measured at amortised cost. Refer to the financial instruments accounting policy, note 3.

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
Accruals	**23 607**	7 720	**622**	677
Insurance payables	**273 710**	230 345	**–**	–
Trade payables	**30 018**	13 648	**650**	118
Dividends payable	**31**	31	**31**	31
	327 366	251 744	**1 303**	826

33. 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 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
33.1 Insurance revenue				
Gross insurance premiums	**1 069 794**	1 005 586	**–**	–
Local	**954 563**	904 738	**–**	–
Foreign	**115 231**	100 848	**–**	–
33.2 Non-insurance revenue (local)	**29 136**	18 231	**310**	4 326
Included in Income from Insurance Operations				
Advisory, consulting, management and other fees, fees received from third parties	**28 313**	17 389	**–**	–
Rental income	**513**	647	**–**	–
Included in Net non-insurance income (expenses)				
Advisory, consulting and management fees received from group companies	**–**	–	**–**	4 131
Advisory, consulting, management and other fees, fees received from third parties	**310**	195	**310**	195
	1 098 930	1 023 817	**310**	4 326

34. CLAIMS AND MOVEMENT IN CLAIMS RESERVES

	GROUP 30 June 2017 R'000	GROUP 30 June 2016 R'000	COMPANY 30 June 2017 R'000	COMPANY 30 June 2016 R'000
Gross claims paid	**(553 758)**	(479 487)	**–**	–
Change in provision for outstanding claims and IBNR	**(96 273)**	(32 222)	**–**	–
Transfer (to) from policyholder liabilities	**(3 397)**	6 619	**–**	–
Gross claims and movement in claims reserves	**(653 428)**	(505 090)	**–**	–
Reinsurers' share of claims paid	**368 200**	284 887	**–**	–
Reinsurers' share of provisions	**55 423**	32 885	**–**	–
Net claims and movement in claims reserves	**(229 805)**	(187 318)	**–**	–

35. 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 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
Interest income	**13 766**	17 157	**2 872**	3 636
Investment income and fair value adjustments (listed shares and bonds)	**51 033**	(13 303)	**24 000**	–
Dividend income	**26 621**	2 529	**24 000**	–
Fair value adjustment (unrealised)	**7 382**	(13 832)	**–**	–
Fair value adjustment (realised)	**17 030**	(2 000)	**–**	–
Investment income (unlisted shares and bonds)	**(249)**	822	**–**	14 300
Dividend income (subsidiaries and associates)	**–**	–	**–**	13 600
Fair value adjustment (unrealised)	**(249)**	(3 537)	**–**	700
Fair value adjustment (realised)	**–**	4 359	**–**	–
Investment income – other	**–**	(206)	**–**	–
Derivatives losses	**–**	(607)	**–**	–
Fair value adjustment (Investment properties)	**–**	294	**–**	–
Other	**–**	107	**–**	–
	64 550	4 470	**26 872**	17 936

36. OTHER (LOSSES) (EXPENSES) INCOME

36.1 Insurance

Foreign exchange losses	**(1 296)**	(12 802)	**–**	–
Financial assets impaired and written off	**(3 331)**	(409)	**–**	–
Impairment of computer software	**(1 798)**	–	**–**	–
	(6 425)	(13 211)	**–**	–

36.2 Non-insurance

(Financial assets impaired and written off) Reversal of impairment	**(12)**	(5 011)	**(8)**	325
	(12)	(5 011)	**(8)**	325

36.3 Non-operational

Business combination expenses	**(6 101)**	–	**–**	–
Impairment of investment in associates and assets held for sale	**(32 800)**	(13 075)	**–**	–
Impairment of goodwill	**(41 408)**	–	**–**	–
Impairment of investment in subsidiaries	**–**	–	**(1 258)**	–
Impairment of loans to subsidiaries	**–**	–	**(2 480)**	–
(Loss) profit on disposal of property, plant and equipment	**(15)**	(261)	**47**	–
Profit on disposal of joint ventures	**–**	1 478	**–**	–
	(80 324)	(11 858)	**(3 691)**	–

37. IMPAIRMENT OF ASSOCIATES AND ASSETS HELD FOR SALE

Impairments

In June 2016 ARA's fair value was determined based on an unsolicited purchase offer received from an independent third party on 23 June 2016. This resulted in an impairment during the 2016 financial year. The transaction did not materialise and, although the investment in ARA remains classified as an Asset Held for Sale, market conditions in the sector in which it operates neccesitated a reassessment of the value at which it is reflected in the accounts.

ARA's fair value was therefore determined based on a "value in use calculation" that:

– used cash flow projections based on budgeted results covering a three year period;
– assumed growth in earnings at 3% per year thereafter;
– discounted expected cash flows at a pre-tax rate of 21.9%; and
– further reduced the valuation result by the value of any shareholders' loans outstanding.

The carrying value was also confirmed by an independent third party who was approached to assist in the process of selling ARA.

The result of the exercise is detailed below:

		2017 ARA R'000	2016 ARA R'000
Fair value determined in terms of calculation detailed above		**77 200**	110 000
Book value prior to valuation		**(110 000)**	(123 075)
Impairment	(refer notes 20, 27 & 36)	**(32 800)**	(13 075)
Capital gains tax (deferred)		**(13 976)**	(21 324)
– Fair value of investment		**77 200**	110 000
– Original cost price of investment		**(14 805)**	(14 805)
– Capital gain		**62 395**	95 195
x Capital gains tax rate		**22.40%**	22.40%
Capital gains tax previously calculated and reported		**21 324**	18 308
Reported reduction in net assets due to impairment		**(25 452)**	(16 091)

38. FINANCE CHARGES

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
Interest paid	**(577)**	(924)	**–**	(147)

39. (LOSS) PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
The (loss) profit before taxation includes:				
Auditors' remuneration (external)	**(3 563)**	(3 556)	**(588)**	(601)
Current year	**(2 757)**	(3 360)	**(622)**	(585)
Prior year underprovision	**(628)**	(59)	**34**	(8)
Other services	**(178)**	(137)	**–**	(8)
Consulting fees paid	**(8 618)**	(4 278)	**(380)**	(20)
Depreciation and amortisation	**(4 274)**	(1 765)	**–**	(49)
Direct operating expenses in respect of investment properties	**(42)**	(283)	**–**	–
Impairment of computer software	**(1 798)**	–	**–**	–
Impairment of goodwill	**(41 408)**	–	**–**	–
Legal fees	**(5 677)**	(1 075)	**(159)**	(47)
Management fees paid to third parties	**(2 456)**	(5 092)	**–**	–
Operating lease charges	**(6 432)**	(2 818)	**–**	–
Equipment	**(388)**	(24)	**–**	–
Motor vehicles	**(8)**	–	**–**	–
Premises	**(6 036)**	(2 794)	**–**	–
Secretarial fees	**(379)**	(246)	**(168)**	(170)
Staff costs	**(79 706)**	(30 770)	**(2 027)**	–
Salaries and wages (excluding directors' remuneration)	**(77 264)**	(28 943)	**(2 027)**	–
Provident fund (defined contribution plan)	**(2 442)**	(1 827)	**–**	–

40. DIRECTORS' REMUNERATION

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Other benefits R'000	Total R'000
40.1 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

40. DIRECTORS' REMUNERATION (continued)

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Other benefits R'000	Total R'000
40.1 2017 (continued)					
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

	Directors' fees R'000	Basic salary R'000	Bonuses R'000	Other benefits R'000	Total R'000
40.2 2016					
Paid for by Company:					
NON-EXECUTIVE					
Napier, R	490	–	–	–	490
Bruyns, S R	22	–	–	–	22
Harpur, D	269	–	–	–	269
Mahlangu, J	338	–	–	–	338
Moodley, T	269	–	–	–	269
Scott, B	269	–	–	–	269
Xaba, R	338	–	–	–	338
	1 995	–	–	–	1 995
Paid for by subsidiaries:					
NON-EXECUTIVE					
Mahlangu, J	141	–	–	–	141
Xaba, R	85	–	–	–	85
EXECUTIVE					
Louw, L E	–	2 176	–	165	2 341
Riskowitz, S	–	1 480	–	–	1 480
Shaw, R L	–	2 824	356	28	3 208
Toet, G	–	2 167	–	174	2 341
	226	8 647	356	367	9 596
	2 221	8 647	356	367	11 591

41. RETIREMENT BENEFITS

37.8% of the Group's employees, all employed by the Insurance and Risk Services division, contribute to the GTC Umbrella Provident Fund of which the Constantia Insurance 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 R2.44 million (2016: R1.83 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.

42. 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 2017 R'000	Restated 30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
42.1 Taxation				
South African normal taxation	**(871)**	(2 317)	**–**	–
Current period	**(811)**	(2 328)	**–**	–
Prior period (under) overprovision	**(60)**	11	**–**	–
Deferred tax	**32 396**	3 235	**–**	–
Taxation per statement of profit or loss and other comprehensive income	**31 525**	918	**–**	–
42.2 Taxation reconciliation				
(Loss) profit before tax	**(168 256)**	(34 003)	**18 728**	18 633
Standard South African normal taxation	**47 112**	9 520	**(5 244)**	(5 217)
Non-taxable income	**9 317**	8 505	**6 720**	3 808
Non-deductible expenses	**(13 192)**	(4 128)	**(57)**	(26)
Prior period (under) overprovision – Normal tax	**(60)**	11	**–**	–
Prior period underprovision – Deferred tax	**–**	118	**–**	–
Deferred tax asset not raised in companies with losses	**(11 656)**	(5 071)	**(1 349)**	–
Utilisation of previously unrecognised tax losses	**316**	636	**–**	1 435
Rate change	**172**	–	**–**	–
Capital gains tax rate differential	**(484)**	(8 673)	**(70)**	–
Taxation per statement of profit or loss and other comprehensive income	**31 525**	918	**–**	–

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 R143.63 million (2016: R74.10 million).

43. COMMITMENTS AND CONTINGENT LIABILITIES

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
43.1 Commitments: Operating leases				
At the reporting date the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:				
Property leases	**4 827**	5 425	**–**	–
Within one year	**2 333**	1 787	**–**	–
In second to fifth years	**2 494**	3 638	**–**	–

Operating lease payments largely represent rentals payable for office properties.

43.2 Contingent liabilities

43.2.1 A portfolio acquisition agreement, effective 1 September 2015, exists between the 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 2017 amounted to R3 001 012 (2016: R3 081 746) ("the Maximum Liability") per an actuarial calculation based on published mortality tables. As it is uncertain as to whether any amount in excess of the Minimum Payment will actually become due and payable, the Group has initially raised a liability to the value of the Minimum Payment, of which R510 000 remains payable ("the Outstanding Amount"). It further confirms that it has a contingent liability of R2 491 012 (2016: R2 031 746) as at the reporting date. The contingent liability relates to the difference between the Outstanding Amount and the Maximum Liability.

43.2.2 During the 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%.

43.2.3 A subordination agreement has been entered into between a Group company and AA Broking Services Proprietary Limited (""AABS"") whereby the Group company has subordinated 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 has already been paid to AABS by the reporting date (refer note 23).

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

44. LOSS PER SHARE

44.1 Calculation of basic loss

	GROUP 30 June 2017 R'000	Restated 30 June 2016 R'000
The loss amounts used in the calculation of basic loss per share are as follows:		
Loss for the year	**(136 731)**	(33 085)
Non-controlling interest	**36**	231
Loss attributable to ordinary shareholders	**(136 695)**	(32 854)

44.2 Reconciliation between basic loss and headline loss

	2017		2016	
	Gross R'000	Net R'000	Gross R'000	Net R'000
Headline loss is determined as follows:				
Loss attributable to ordinary equity holders of the parent		**(136 695)**		(32 854)
Net loss on revaluation of investment properties	**–**	**–**	31	38
Loss on disposal of property, plant and equipment	**15**	**10**	261	188
Impairment of associates and assets held for sale	**32 800**	**25 453**	13 075	16 090
Impairment of goodwill	**41 408**	**41 408**	–	–
Impairment of computer software	**1 798**	**1 798**	–	–
Profit on disposal of joint ventures	**–**	**–**	(1 478)	(1 202)
Headline loss		**(68 026)**		(17 740)

44.3 Shares in issue

	GROUP 30 June 2017 R'000	Restated 30 June 2016 R'000
44.3.1 Number of shares ('000)		
– Shares in issue	**589 444**	331 380
– Shares held as treasury shares	**(50 814)**	(3)
	538 630	331 377
44.3.2 Weighted average number of shares ('000)		
– Shares in issue	**407 632**	297 363
– Bonus issue for rights offer[1]	**–**	12 751
– Shares held as treasury shares	**(14 455)**	(3)
	393 177	310 111
44.3.3 Diluted weighted average number of shares ('000)		
– Shares in issue	**407 632**	297 363
– Bonus issue for rights offer[1]	**–**	12 751
– Shares held as treasury shares	**(14 455)**	(3)
	393 177	310 111

[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 took place on 14 December 2015.*

44. LOSS PER SHARE (continued)

44.4 Loss per share (cents)

		GROUP	
		30 June 2017 R'000	Restated 30 June 2016 R'000
44.4.1	Basic loss per share	(34.8)	(10.6)
44.4.2	Diluted loss per share	(34.8)	(10.6)
44.4.3	Headline loss per share	(17.3)	(5.7)
44.4.4	Diluted headline loss per share	(17.3)	(5.7)

45. NOTES TO THE CASH FLOW STATEMENTS

45.1 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.

45.2 Reconciliation of loss before taxation to cash (utilised) generated by operations

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	30 June 2017 R'000	30 June 2016 R'000
(Loss) profit before taxation	(168 256)	(34 003)	18 728	18 633
Adjustments for:				
Depreciation and amortisation	4 274	1 765	–	49
Dividend income	(26 621)	(2 529)	(24 000)	(13 600)
Finance charges	577	924	–	147
Interest income	(13 766)	(17 157)	(2 872)	(3 636)
Impairment of associates and assets held for sale	32 800	13 075	–	–
Impairment of computer software	1 798	–	–	–
Impairment of goodwill	41 408	–	–	–
Impairment and write-off (reversal) of financial assets	3 343	5 420	8	(325)
Investment profits	(24 163)	15 010	–	(700)
Loss (profit) on disposal of property, plant and equipment	15	261	(47)	–
Profit on sale of joint ventures	–	(1 478)	–	–
Revaluation of investment property	–	(294)	–	–
Write-off due to restructuring of subsidiaries	–	–	1 258	–
Write-off of subsidiaries' loans	–	–	2 480	–
Equity accounted loss (income)	362	(13 153)	–	–
Operating cash flows before working capital changes	(148 229)	(32 159)	(4 445)	568
Working capital changes	96 568	(16 849)	(315)	(112)
– Increase in trade and other receivables	(43 216)	(57 991)	(792)	(94)
– Increase (decrease) in trade and other payables	75 165	59 774	477	(18)
– Increase (decrease) in policyholder liabilities	3 397	(6 619)	–	–
– Decrease in insurance assets	2 107	35 564	–	–
– Increase (decrease) in insurance liabilities	59 115	(47 577)	–	–
Cash (utilised) generated by operations	(51 661)	(49 008)	(4 760)	456

45.3 Taxation received (paid)

Opening balance	11 394	4 704	–	–
Acquisition of subsidiaries	133	–	–	–
Statement of comprehensive income movement	(871)	(2 317)	–	–
Closing balance	(4 104)	(11 394)	–	–
	6 552	(9 007)	–	–

45. NOTES TO THE CASH FLOW STATEMENTS (continued)

45.4 Reconciliation of assets acquired in subsidiaries to cash paid

During the year the group acquired all the shares in Midbrook and Snowball. The details of the acquisitions are as follows:

Group	Midbrook R'000	Snowball R'000	**Total 2017 R'000**	Total 2016 R'000
Effective date of control	2 Feb '17	30 Mar '17		
Fair value of assets acquired:				
– Investments held at fair value	153 987	427 449	**581 436**	–
– Treasury stock	25 411	102 500	**127 911**	–
– Trade and other receivables	13	6	**19**	–
– Bank balances (overdraft)	(502)	16 480	**15 978**	–
– Deferred taxation	(20 163)	(81 334)	**(101 497)**	–
– Interest bearing borrowings	–	(13 179)	**(13 179)**	–
– Trade and other payables	(105)	(352)	**(457)**	–
– Net tax	(754)	887	**133**	–
– Net asset value acquired	157 887	452 457	**610 344**	–
– Goodwill acquired	19 763	21 645	**41 408**	–
– Sale price	177 650	474 102	**651 752**	–
– Settled with equities	(177 231)	(474 088)	**(651 319)**	–
– Net cash outflow on acquisition	419	14	**433**	–
Profit after tax since acquisition date, included in the consolidated results for the year			**13 864**	–
Turnover since acquisition date, included in the consolidated results for the year			**–**	–
Group loss after tax had the business combinations been included for the entire year			**(168 384)**	(33 085)
Group revenue had the business combinations been included for the entire year			**1 098 930**	1 023 817

During the year the Company disposed of its shareholding in Conduit Fund Managers Proprietary Limited ("CFM"). The details of the disposal are as follows:

Company	CFM R'000	**Total 2017 R'000**	Total 2016 R'000
– Book value of investment in subsidiary disposed of (note 46.3)	–	**–**	–
– Settled with cash	(1)	**(1)**	–
– Net cash inflow on disposal	(1)	**(1)**	–

46. INVESTMENT IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

46.1 The following information relates to the Group's investment in associate companies (including those held for sale):

	Nature of business	Country of incorporation	Number of shares held 2017	Number of shares held 2016	Interest 2017 %	Interest 2016 %	Book value of investment 2017 R'000	Book value of investment 2016 R'000	Indebtedness to Group 2017 R'000	Indebtedness to Group 2016 R'000
Directly owned										
Anthony Richards & Associates Proprietary Limited	Credit recovery and call centre services	RSA	**100**	100	**40**	40	**77 200**	110 000	**12 800**	–
Liciaflash Proprietary Limited	Procurement	RSA	**60**	60	**40**	40	**–**	–	**3**	3
Held through a subsidiary										
Administration Plus Proprietary Limited	Underwriting manager	RSA	**4 000**	4 000	**40**	40	**371**	130	**–**	–
ASOC Management Company Proprietary Limited	Fund manager	RSA	**2 500**	–	**25**	–	**(359)**	–	**2 753**	–
Wheels Underwriting Managers Proprietary Limited (in liquidation)	Underwriting manager	RSA	**20**	20	**20**	20	**–**	–	**–**	–
							77 212	110 130	**15 556**	3

Note:
All associates of the Group are unlisted companies.

46.2 Allocated as follows:

	GROUP 30 June 2017 R'000	GROUP 30 June 2016 R'000	COMPANY 30 June 2017 R'000	COMPANY 30 June 2016 R'000
Book value of investment reflected as associates (note 20)	**2 768**	133	**3**	3
Book value of investment reflected as held for sale (note 27)	**90 000**	110 000	**24 368**	11 568
Total investment in associates (notes 20 and 27)	**92 768**	110 133	**24 371**	11 571

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

46.3 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	
			2017	2016	2017	2016	2017	2016	2017	2016
					%	%	R'000	R'000	R'000	R'000
Directly owned										
Conduit Fund Managers Proprietary Limited	Asset manager	RSA	–	1	–	100	–	–	–	10
Conduit Management Services Proprietary Limited	Management services; equities trading	RSA	140 000	140 000	100	100	140	140	707 101	142 308
Copper Sunset Trading 186 Proprietary Limited	Holding company	RSA	100	100	100	100	2	2	232 727	132 705
Marble Gold 213 Proprietary Limited	Holding company	RSA	100	100	100	100	231	1 490	(147)	(162)
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	–	–	14 871	13 393
Conduit Fund Managers Proprietary Limited	Asset manager	RSA	1	–	100	–	–	–	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	2 245 500	2 245 000	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	–	–	–	–
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	–	–	–	–	–	–	(3 228)	(3 065)
Internetwork Property Services Proprietary Limited	Administrative company	RSA	100	100	100	100	–	–	–	–

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

46.3 The following information relates to the Company's investment in subsidiary companies: (continued)

	Nature of business	Country of incorporation	Issued ordinary share capital		Interest		Shares at cost less amounts written off		Indebtedness to (by) Conduit Capital	
			2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
					%	%	**R'000**	R'000	**R'000**	R'000
Inventory and Risk Surveys Proprietary Limited	Risk surveyor	RSA	**100**	100	61	61	**–**	–	**–**	–
Midbrook Lane Proprietary Limited	Equities investment	RSA	**4 093 942**	–	100	–	**–**	–	**–**	–
Midbrook Lane Ventures Proprietary Limited	Investment company	RSA	**100**	–	100	–	**–**	–	**–**	–
Snowball Wealth Proprietary Limited	Equities investment	RSA	**24 960**	–	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**	500 000	100	100	**–**	–	**–**	–
							958	2 217	**973 319**	285 189

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 payable to 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.*

46.4 Allocated as follows:

	COMPANY	
	30 June 2017 R'000	30 June 2016 R'000
Shares at cost less impairment	**958**	2 217
Equity loans	**976 694**	275 023
Other amounts due by subsidiaries	**–**	13 393
Investment in subsidiaries (note 22)	**977 652**	290 633
Interest bearing borrowings	**(3 228)**	(3 065)
Loans payable	**(147)**	(162)
	974 277	287 406

47. RISK MANAGEMENT

47.1 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 10.8% to the Group's gross premium income for the 2017 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 2017				
Assets	**11 038**	**144 552**	**159 008**	**131 411**
Liabilities	**(11 086)**	**(145 187)**	**(159 706)**	**(131 988)**
Net liability	**(48)**	**(635)**	**(698)**	**(577)**
30 June 2016 – Restated				
Assets	9 641	142 436	156 679	129 487
Liabilities	(10 397)	(153 607)	(168 967)	(139 642)
Net liability	(756)	(11 171)	(12 288)	(10 155)
30 June 2015 – Restated				
Assets	9 420	114 422	125 864	104 020
Liabilities	(12 349)	(150 001)	(165 001)	(136 364)
Net liability	(2 929)	(35 579)	(39 137)	(32 344)

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.

47.2 Interest rate risk

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

The Group has some investments and borrowings that are subject to interest rate risk. Details of these investments are set out in note 23. Additional exposure to interest rate risk is in the form of cash balances held at call with banks (see note 26), which earn interest at rates that vary on a daily basis, loans receivable that earn interest at rates that are linked to the prime lending rate (see note 17).

47.2.1 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:

	2017 **2% increase** **R'000**	2016 2% increase R'000	**2017** **2% decrease** **R'000**	2016 2% decrease R'000
Financial assets				
Investments in debt securities	**–**	(105)	**–**	107
Cash and interest bearing loans	**3 971**	5 307	**(3 971)**	(5 307)
	3 971	5 202	**(3 971)**	(5 200)
Financial liabilities				
Interest bearing borrowings	**(167)**	(299)	**167**	299

47. RISK MANAGEMENT (continued)

47.2 Interest rate risk (continued)

47.2.2 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:

	2017 2% increase R'000	2016 2% increase R'000	2017 2% decrease R'000	2016 2% decrease R'000
Financial assets				
Cash and interest bearing loans	832	1 179	(832)	(1 179)
Financial liabilities				
Loans payable	–	(60)	–	60

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

47.3 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 in equity;
- unlisted investments in equity; and
- investment properties and property holding subsidiaries.

The Group regularly reviews and actively manages these risks through its Investment Committee.

47.4 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;
- 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.

47. RISK MANAGEMENT (continued)

47.4 Credit risk

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
47.4.1 GROUP				
30 June 2017				
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**	**46 846**	**250 459**
30 June 2016				
Investments in debt securities held at fair value	–	1 911	–	1 911
Loans receivable	–	–	19 148	19 148
Trade and other receivables	–	–	11 238	11 238
Cash and cash equivalents	51	259 423	12 999	272 473
	51	261 334	43 385	304 770
47.4.2 COMPANY				
30 June 2017				
Trade and other receivables	**–**	**–**	**976**	**976**
Cash and cash equivalents	**–**	**7 700**	**–**	**7 700**
	–	**7 700**	**976**	**8 676**
30 June 2016				
Trade and other receivables	–	–	313	313
Cash and cash equivalents	–	37 521	–	37 521
	–	37 521	313	37 834

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 23) 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.

47. RISK MANAGEMENT (continued)

47.4 Credit risk (continued)

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
47.4.3 GROUP						
30 June 2017						
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
	250 174	161	124	5 000	(5 000)	250 459
30 June 2016						
Investments in debt securities held at fair value	1 911	–	–	–	–	1 911
Loans receivable	19 148	–	–	5 000	(5 000)	19 148
Trade and other receivables	11 146	52	40	121	(121)	11 238
Cash and cash equivalents	272 473	–	–	–	–	272 473
	304 678	52	40	5 121	(5 121)	304 770
47.4.4 COMPANY						
30 June 2017						
Trade and other receivables	976	–	–	–	–	976
Cash and cash equivalents	7 700	–	–	–	–	7 700
	8 676	–	–	–	–	8 676
30 June 2016						
Trade and other receivables	313	–	–	–	–	313
Cash and cash equivalents	37 521	–	–	–	–	37 521
	37 834	–	–	–	–	37 834

47. RISK MANAGEMENT (continued)

47.5 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	Total R'000
47.5.1 GROUP		
2017		
Trade and other payables	**53 656**	**53 656**
	53 656	**53 656**
2016		
Trade and other payables	21 399	21 399
	21 399	21 399
47.5.2 COMPANY		
2017		
Loans payable	**147**	**147**
Trade and other payables	**1 303**	**1 303**
	1 450	**1 450**
2016		
Loans payable	162	162
Trade and other payables	826	826
	988	988

47.6 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.

47.6.1 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.

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.

47. RISK MANAGEMENT (continued)

47.6 Insurance risk (continued)

47.6.1 Types of insurance policies (continued)

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.

47.6.2 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	2017 R'000	2016 R'000
Short term		
Property	**77 602**	105 665
Motor	**160 975**	42 751
Accident and Health	**718 394**	601 574
Guarantee	**28 094**	24 902
Liability	**17 959**	–
Miscellaneous (including legal expenses, retrenchment cover)	**36 673**	60 497
Long term	**30 097**	170 197
	1 069 794	1 005 586

47.6.3 Management of insurance risk

The acceptance of insurance risk is the core activity of the insurance division. As a result, the risk management approach is to ensure that risks are within acceptable limits rather than totally nullified. The principal risk is that the frequency or severity of claims are greater than expected or that premiums have not been correctly rated for the level of risk adopted.

The underwriting results of each underwriting manager or scheme and of each risk class are monitored on a regular basis by the portfolio management function and management and corrective measures are actioned where applicable. This can include the review of underwriting manager procedures for the acceptance of new business, rating procedures and claims administration, the re-rating of existing business, where applicable, or the cancellation of contracts with underwriting managers or policyholders when justified. There are clearly defined limits within which business may be written.

The Group has a programme for the regular internal audit of underwriting activities to identify potential risk areas proactively.

Underwriting risk is further mitigated by a clear reinsurance policy that incorporates both proportional and non-proportional reinsurance programs which are reviewed and monitored by management by individual lines of business. As part of the Group's risk management regime, it annually reviews its reinsurance program to ensure that an appropriate level of risk is retained in the Group.

The Group's short-term insurance risks are spread across various geographical areas and amongst various lines of business, both personal and commercial, including guarantee, liability, motor, accident and health, and property cover. In respect of long-term policies, a reputable actuary is utilised to ensure that adequate premiums are being levied and that the Capital Adequacy Reserve is well covered by assets.

47. RISK MANAGEMENT (continued)

47.6 Insurance risk (continued)

47.6.4 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;
– Hannover Reinsurance Africa Limited;
– Munich Reinsurance Company of Africa Limited;
– SCOR Africa Limited;
– Swan General Limited; and
– Performance and Customs Bond Services Proprietary 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.

47.7 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.

47. RISK MANAGEMENT (continued)

47.7 Capital risk management (continued)

Constantia Insurance Company Limited's solvency on the international basis at the reporting date was 46.9% (2016: 107.8%), while its CAR at the reporting date was 1.13 overall (2016: 2.62) and 1.28 on its domestic business (2016: 3.00). Constantia Life and Health Assurance Company Limited and Constantia Life Limited's CARs were 3.71 and 1.98 respectively (2016: 3.70 and 1.97).

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 Financial Services Board. Solvency for this purpose is calculated in terms of the Act.

The current regulatory framework is presently under review and a new risk-based approach to determining the capital to be held by the Group is expected to be implemented on or after 1 July 2018.

48. DIRECTORS' INTEREST IN SHARES AND SHARE OPTIONS

48.1 Beneficial interest in shares

	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

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 2016			
Harpur, David	–	–	–
Louw, Lourens	4 125 000	–	4 125 000
Mahlangu, Jabulani	–	–	–
Moodley, Tyrone	–	–	–
Napier, Ronald	–	–	–
Riskowitz, Sean*	–	–	–
Scott, Barry	65 000	–	65 000
Toet, Gavin	2 051 236	–	2 051 236
Xaba, Rosetta	–	–	–
	6 241 236	–	6 241 236

** 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, and have an additional indirect beneficial interest in, an aggregate of 89 054 077 Conduit Capital shares.*

48.2 Interest in share options

No director had an interest in any share options at any stage during the year under review (2016: Nil).

49. RELATED PARTY TRANSACTIONS

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

49.1 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 49.3.

49.2 Companies within the group

49.2.1 Subsidiaries

Details of investments in and loans to/from subsidiary companies are disclosed in notes 46.3 and 46.4. Additional information about the impact that these balances have on the Group and the Company's Financial Statements are disclosed in note 22. Details of trading transactions with subsidiary companies and outstanding balances are reflected in note 49.4.1.

49.2.2 Joint ventures

Details of trading transactions with joint ventures are reflected in notes 21 and 49.4.3.

49.2.3 Associates and Assets held for sale

Details of investments in associate companies are disclosed in notes 46.1 and 46.2.

Details of trading transactions with associate companies are reflected in notes 20 and 49.4.2.

49.3 Directors and key management

49.3.1 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 40), shareholdings (note 48) and share options in the Company (notes 30 and 48).

49.3.2 Companies transacted with and controlled by a director or an ex-director

Mr Robert Shaw (ex-director) and member of key management until 18 November 2016 controls:

- Anslow Management Consultants Proprietary Limited;
- Freshfields Insurance Brokers Proprietary Limited;
- Newbridge Reinsurance Brokers Proprietary Limited;
- Shavian Investment Holdings Proprietary Limited; and
- Unison Guarantee Acceptances 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").

Messrs Moodley and Maizey also perform duties for, and are compensated for performing those duties, by the Riskowitz Group. Mr. Maizey has an interest in the Riskowitz Group.

Mr Tyrone Moodley is the Chief Executive Officer and Mr Sean Riskowitz, at the time, was the Chairman of Midbrook Lane Proprietary Limited, which was acquired by the Conduit Group.

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

During the year ended 30 June 2017 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 49.4.4.

49. RELATED PARTY TRANSACTIONS (continued)

49.4 Trading transactions and outstanding balances other than loan balances

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
49.4.1 Subsidiaries				
Black Ginger 92 Proprietary Limited				
– Interest received	**–**	–	**1 463**	1 261
Conduit Fund Managers Proprietary Limited				
– Part-impairment of loan	**–**	–	**(2 480)**	–
Conduit Management Services Proprietary Limited				
– Management and administration fees received	**–**	–	**–**	2 400
– Balance due by	**–**	–	**–**	228
Constantia Insurance Group				
– Balance due by (to)	**–**	–	**248**	(54)
IMR Share Trust				
– Interest paid	**–**	–	**(172)**	(147)
49.4.2 Associates and Assets held for sale				
Anthony Richards and Associates Proprietary Limited				
– Dividend received	**24 000**	13 600	**24 000**	13 600
– Directors fees received	**75**	75	**75**	75
Administration Plus Proprietary Limited				
– Management fees paid	**(3 676)**	(3 396)	**–**	–
– Profit commission paid	**(1 156)**	(260)	**–**	–
– Balance due to	**(857)**	–	**–**	–
ASOC Management Company Proprietary Limited				
– Interest received	**253**	–	**–**	–
AA Broking Services Proprietary Limited				
– Commission paid	**(3 958)**	–	**–**	–
– Management fees paid	**(3 062)**	–	**–**	–
– Balance due to	**(2 088)**	–	**–**	–
49.4.3 Joint ventures				
Riverstone Insurance Brokers Proprietary Limited				
– Directors fees received	**–**	120	**–**	–
– Dividend received	**–**	738	**–**	–

49. RELATED PARTY TRANSACTIONS (continued)

49.4 Trading transactions and outstanding balances other than loan balances (continued)

	GROUP		COMPANY	
	30 June 2017 R'000	30 June 2016 R'000	**30 June 2017 R'000**	30 June 2016 R'000
49.4.4 Directors, directors' companies and key management				
Anslow Management Consultants Proprietary Limited				
– Management fees paid	**(138)**	(360)	**–**	–
– Rental paid	**(295)**	(746)	**–**	–
Shavian Investment Holdings Proprietary Limited				
– Rental paid	**(332)**	(858)	**–**	–
Unison Guarantee Acceptances Proprietary Limited				
– Management fees	**(823)**	(4 140)	**–**	–
– Profit commission paid	**–**	(1 608)	**–**	–
– Balance due to	**(625)**	(1 608)	**–**	–
Freshfields Insurance Brokers Proprietary Limited is an insurance broker that receives brokerage fees in the ordinary course of business.				
Newbridge Reinsurance Brokers Proprietary Limited is being used by the Conduit Group as a reinsurance broker. Their fees are paid by reinsurers, i.e. they receive no income from the Conduit Group.				
Ithuba Investments LP, a USA based fund to which Protea Asset Management LLC is the investment adviser and to which Riskowitz Capital Management LLC is the General Partner, was the underwriter for Conduit Capital's rights offer				
– Underwriting fee	**–**	(2 565)	**–**	–
– Rights offer shares taken up in terms of underwriting agreement	**–**	2 953	**–**	–
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**	–	**–**	–
Mr Adrian Maizey has entered into an agreement with Conduit Capital in terms whereof he provides consulting services relating to equity investments				
– Consultancy fee	**(375)**	–	**(375)**	–

SHAREHOLDER INFORMATION

as at 30 June 2017

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	574	41.81	173 911	0.03
1 001 – 10 000 shares	438	31.90	1 857 548	0.32
10 001 – 100 000 shares	231	16.82	7 538 544	1.28
100 001 – 1 000 000 shares	82	5.97	27 184 893	4.61
1 000 001 shares and over	48	3.50	552 689 004	93.76
	1 373	**100.00**	**589 443 900**	**100.00**

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Close corporations	12	0.87	5 325 302	0.90
Individuals	1 200	87.40	188 322 195	31.95
Nominees and trusts	68	4.95	33 735 011	5.72
Other persons and corporations	42	3.06	45 866 133	7.78
Private companies	46	3.35	161 051 322	27.32
Public companies	4	0.30	155 112 768	26.32
Share trusts	1	0.07	31 169	0.01
	1 373	**100.00**	**589 443 900**	**100.00**

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Non-public shareholders	17	1.24	74 480 452	12.64
Directors and associates' holdings	13	0.95	23 634 952	4.01
Own holdings	3	0.22	50 814 331	8.62
Share trust	1	0.07	31 169	0.01
Public shareholders	1 356	98.76	514 963 448	87.36
	1 373	**100.00**	**589 443 900**	**100.00**

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

	Number of shares	%
Pershing LLC	136 350 727	23.13
Chou Leo Chih Hao Mr	73 157 606	12.41
Snowball Wealth Proprietary Limited (wholly owned subsidiary)	41 000 000	6.96
Sygma Inv and Consulting Proprietary Limited	37 922 612	6.43
Appias Proprietary Limited	22 913 857	3.89
Morgan Stanley Smith Barney LLC	18 731 981	3.18
Citiclient Nominees No 8 NY GW	17 863 806	3.03
RAC Investment Holdings Proprietary Limited	17 836 527	3.03
	365 777 116	**62.06**

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
FirstRand Bank
Absa 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

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 shareholders of Conduit Capital ("Annual General Meeting") will be held at 09:00 on Friday, 17 November 2017 at The Fairway Hotel & Spa, Setperk Street, Randpark, Randburg, 2125 for the purpose of considering, and, if deemed fit, passing with or without modification the resolutions set out hereafter.

The board of directors of the Company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008), as amended ("the Companies Act"), the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 10 November 2017. Accordingly, the last day to trade Conduit Capital shares in order to be recorded in the Register to be entitled to vote will be Tuesday, 7 November 2017.

1. To receive, consider and adopt the annual financial statements of the Company and the Group for the financial year ended 30 June 2017, including the reports of the auditors, directors, Audit Committee and the social and ethics committee
2. To confirm the appointment of Mr Leo C. H. Chou as a non-executive director in terms of clause26 of the Company's Memorandum of Incorporation.
3. To confirm the appointment of Mr Adrian Maizey as a non-executive director in terms of clause 26 of the Company's Memorandum of Incorporation.
4. To confirm the appointment of Mr William N. Thorndike Jr. as an independent non-executive director in terms of clause 26 of the Company's Memorandum of Incorporation.

   An abbreviated curriculum vitae in respect of each of Mr Chou, Mr Maizey and Mr Thorndike is set out in **Annexure A** to this notice of Annual General Meeting.
5. To appoint Mr Jabulani Mahlangu as a member and Chairman of the Conduit Capital Audit and Risk Committee.
6. To appoint Mr Ronald Napier as a member of the Conduit Capital Audit and Risk Committee (Mr Napier is currently the Chairman of the Board of Directors).
7. To appoint Ms Rosetta Xaba as a member of the Conduit Capital Audit and Risk Committee.

   An abbreviated curriculum vitae in respect of each member of the Audit and Risk Committee is set out in **Annexure A** to this notice of Annual General Meeting.
8. To confirm the re-appointment of Grant Thornton as independent auditors of the Company with Ms Serena Ho being the individual registered auditor who will undertake the audit of the Company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.

The minimum percentage of voting rights required for each of the resolutions set out in items number 1 to 10 above to be adopted is more than 50% (fifty percent) of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the Annual General Meeting.

As special business, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

9. ORDINARY RESOLUTION NUMBER 1

Advisory endorsement of remuneration policy

"Resolved that the remuneration policy of the Company, the salient features of which are set out in the Directors' Remuneration Report contained on pages 21 to 23 of the Annual Report, be and is hereby endorsed by way of a non-binding advisory vote of shareholders of the Company in terms of the King IV Report on Corporate Governance."

Explanatory note for ordinary resolution 1

The King IV Report on Corporate Governance recommends that the Company's remuneration policy be tabled to shareholders for a non-binding advisory vote at each Annual General Meeting. Failure to pass this resolution will not have legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when assessing the Company's remuneration policy. Should the resolution be voted against by 25% or more of the voting rights exercised, the board of directors undertakes to engage with those opposed to the implementation report in order to ascertain the reasons therefore, and to address appropriately any legitimate and reasonable objections and concerns.

Ordinary resolutions to be 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.

10. ORDINARY RESOLUTION NUMBER 2

Advisory endorsement of implementation report

"Resolved that the implementation report of the Company, the salient features of which is set out in the Directors' Implementation Report contained on page 21 of the Annual Report, be and is hereby endorsed as a non-binding advisory vote of shareholders of the Company in terms of the the King IV report on Corporate Governance".

Explanatory note for ordinary resolution number 2

The King IV report on Corporate Governance recommends that the Company's implementation report be tabled to shareholders for a non-binding advisory vote at each Annual General Meeting. Failure to pass this resolution will not have legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when assessing the Company's implementation report. Should the resolution be voted against by 25% or more of the voting rights exercised, the board of directors undertakes to engage with those opposed to the implementation report in order to ascertain the reasons therefore, and to address appropriately any legitimate and reasonable objections and concerns.

Ordinary resolutions to be adopted at the 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.

11. ORDINARY RESOLUTION NUMBER 3

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 Listings Requirements of JSE Limited ("JSE Listings Requirements"), as amended from time to time."

Ordinary resolutions to be 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.

12. ORDINARY RESOLUTION NUMBER 4

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 of the Company and the Listings Requirements of JSE Limited ("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 80 794 435 securities. Any securities issued under this authorisation will be deducted from the aforementioned 80 794 435 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 3 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.

13. 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;
- 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 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.

13.1 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 93; and
- directors' interests in securities – page 89.

13.2 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.

13.3 Directors' responsibility statement

The directors, whose names appear on page 24 of the annual 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.

13.4 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.

14. 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 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.

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.

15. 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 2017 were authorised in terms of a special resolution approved by shareholders at the annual general meeting held on 17 November 2016. The same resolution authorised the Board to approve an annual increase of NED fees for the 2018 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 2018, resulting in the following NED fees:

Position	Approved fee in ZAR for the year ending 30 June 2018*
Chairman of the Board	R561 030
Chairman of the Audit and Risk Committees	R387 380
Chairperson of the Social and Ethics Committee	R387 380
Other non-executive directors	R307 420

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 2018 be ratified;
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.

16. ORDINARY RESOLUTION NUMBER 5

Signature of documents

"Resolved that each director of the Company be and is hereby individually 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 to be 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.

17. 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 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 resolutions to be 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.

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 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 15 November 2017 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.

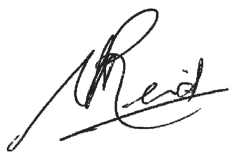
Kindly note that meeting participants, which includes proxies, are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licenses and passports.

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, 10 November 2017 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

27 September 2017
Johannesburg

ANNEXURE A

ABBREVIATED CURRICULUM VITAE OF DIRECTORS OFFERING THEMSELVES FOR RE-ELECTION AND MEMBERS OF THE AUDIT COMMITTEE

*The occupation and relevant business experience of **Leo Chou** is set out below:*

Qualifications: B Com

Role: Non-executive Director, Member of the Investment Committee

Leo is the founding member and former chairperson and chief executive officer of Snowball Wealth Proprietary Limited ("Snowball Wealth"), a privately held investment company which was recently acquired by Conduit Capital.

Leo is also the executive chairperson of Sygma Investment & Consulting Proprietary Limited ("Sygma"), a private investment company based in Cape Town, which he founded in 2005. Sygma has holdings in international brand distribution, retail and niche logistics' companies, as well as investments in marketable securities and treasury management. Leo, who has successfully built and managed businesses (Sygma built The Brazilian Sandal Company, using the Havaianas trademark, to a company that generates in excess of R100 million in revenue annually), has 15 years of investment and capital allocation experience and for the nine year period that he was responsible for managing Snowball Wealth, the net assets of that company grew by more than 30 times.

*The occupation and relevant business experience of **Jabulani Mahlangu** is set out below:*

Qualifications: B.Com (Acc), B.Compt (Hons), CTA, CA (SA)

Role: Independent Non-executive Director, Chairman of the Audit and Risk Committee, Member of the Nominations Committee, Member of the Remuneration Committee

Jabu completed his articles with PwC in 1996. He joined the Offices for Serious Economic Offences in 1998 and in 2000 returned to the offices of PwC where he was appointed as head of the PwC Forensic Services practice in Gauteng, and was admitted as a partner in 2002. Jabu founded Ligwa Advisory Services and has a diverse client base. He has performed audit and forensic related assignment internationally and in addition carried out various statutory appointments. Jabu has served 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 and Curator bonis in terms of the Prevention of Organised Crime Act, 121 of 1998.

*The occupation and relevant business experience of **Adrian Maizey** is set out below:*

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

Role: Non-executive Director, Chairman of the Investment Committee

Adrian is a partner at Protea Asset Management LLC ("Protea"), a New York City based value investment firm. Adrian holds the Chief Financial Officer and President titles for Protea and, in this capacity, sources capital and investment opportunities, provides guidance to portfolio companies, evaluates and monitors investments, and is responsible for Protea's financial, legal, regulatory, marketing and tax activities. Before joining Protea, Adrian was Chief Operating Officer and Chief Compliance Officer of Leonard Green and Partners, L.P. ("LGP"), a $24 billion Los Angeles based private equity firm. Prior to LGP, Adrian co-founded Redbird Capital partners, a New York City based private equity firm focused on providing flexible, long-term capital to help entrepreneurs grow their businesses.

Adrian also formerly held the positions of Chief Financial Officer and Chief Compliance Officer of ESL, a group of long-term value investment funds, which at its peak had approximately $22 billion in assets under management. In addition, Adrian was Chief Financial Officer of Motherrock L.P. ("Motherrock"), a $450 million New York City energy derivatives hedge fund. Prior to joining Motherrock, Adrian spent a decade with Deloitte & Touche LLP ("Deloitte") serving primarily the investment management and energy industries as a management consultant and member of Deloitte's Financial Advisory Services, Corporate Finance, and Energy Trading Risk management practices.

*The occupation and relevant business experience of **Ronald Napier** is set out below:*

Qualifications: BA LLB, MA (Oxford)

Role: Independent Non-executive Director, Chairman of the Board, Chairman of the Nominations Committee, Member of the Remuneration Committee, Member of the Audit and Risk Committee

Ronnie Napier is a former senior partner of law firm Webber Wentzel, having spent over 50 years practising law. He presently serves as a consultant to the firm having retired as a partner in 2001. Ronnie is a former Lloyd's representative in South Africa and also served on the Board of the South African Insurance Association for 20 years, having held the position of Chairman. He is the current Chairman of the Insurance Crime Bureau, Chairman of the Fire Protection Association, Chairman of Sunderland Marine Insurance Company and a Board member of Business Against Crime.

*The occupation and relevant business experience of **William Thorndike Jr.** is set out below:*

Qualifications: MBA (Stanford)

Role: Independent non-executive Director, Member of the Investment Committee

Will, a US citizen who is a graduate of Harvard College and the Stanford Graduate School of Business, and the author of 'The Outsiders: Eight Unconventional CEOs and Their Radically Rational Blueprint for Success' (which has been translated into ten languages), is the founder and managing director of Housatonic Partners, a leading middle market private equity firm with offices located in both Boston and San Francisco. He is also Senior Advisor to Brahman Capital, a public market investment fund based in Manhattan, with approximately $4 billion in assets under management.

Will, who has served as a trustee of various non-profit organisations and a director of over 30 companies, is currently a director of, inter alia, QMC Telecom International Holdings LLC, General Motors Company and the chairperson of the board of directors of NYSE-listed Consol Energy Incorporated (NYSE: CNX).

*The occupation and relevant business experience of **Rosetta Xaba** is set out below:*

Qualifications: B.Compt (Hons), CA (SA)

Role: Independent Non-executive Director, Chairperson of the Social and Ethics Committee, Member of the Audit and Risk Committee

Rosetta has over 13 years' experience in External and Internal Auditing and Financial Management in the public and private sectors. She has worked at KPMG and Deloitte where she served as an outsourced Financial Director to various clients and was responsible for ensuring compliance with the Public Sector Finance Management Act (PFMA) and Treasury Regulations. She has further compliance experience with the South African Reserve Bank, the Financial Services Board and the National Credit Regulator. Rosetta is a director of ROSSAL 98, an independent consultancy company. She is an independent non-executive director of Finbond Group Limited and a non-executive director of the TIA and the Little Eden Society. She has previously served as a non-executive director for the HSRC, the SA Nursing Council, the SA Pharmacy Council, the International Trade Administration Commission and the Eskom Development Foundation.

NOTES

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 of shareholders of the Company to be held at The Fairway Hotel & Spa, Setperk Street, Randpark, Randburg, 2125, at 09:00 on Friday, 17 November 2017 and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the Annual General Meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the Annual General Meeting in person or by proxy and vote. If they do not wish to attend the Annual General Meeting 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 Annual General Meeting 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.	To receive, consider and adopt the annual financial statements of the Company and Group for the financial year ended 30 June 2017			
2.	To confirm the appointment as director of Mr Leo C. H. Chou			
3.	To confirm the appointment as director of Mr Adrian Maizey			
4.	To confirm the appointment as director of Mr William N. Thorndike Jr.			
5.	To approve the appointment of Mr Jabulani Mahlangu as member and Chairman of the Audit Committee			
6.	To approve the appointment of Mr Ronald Napier as member of the Audit Committee			
7.	To approve the appointment of Ms Rosetta Xaba as member of the Audit Committee			
8.	To confirm the re-appointment of Grant Thornton as auditors of the Company, together with Ms Serena Ho being the individual registered auditor for the ensuing financial year			
9.	**Ordinary resolution number 1** Advisory endorsement of the remuneration policy			
10.	**Ordinary resolution number 2** Advisory endorsement of the implementation report			
11.	**Ordinary resolution number 3** Control of authorised but unissued ordinary shares			
12.	**Ordinary resolution number 4** General issue of shares for cash			
13.	**Special resolution number 1** General approval to acquire shares			
14.	**Special resolution number 2** Loans or other financial assistance to subsidiaries and other related or inter-related companies			
15.	**Special resolution number 3** Approval of the non-executive directors' remuneration			
16.	**Ordinary resolution number 5** 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 Annual General Meeting 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 ______________________________ 2017

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 Annual General Meeting 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 Annual General Meeting 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 Annual General Meeting 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 Annual General Meeting 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.

   A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting 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 Annual General Meeting, or prior to voting on any resolution proposed at the Annual General Meeting.

5. 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 Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.

6. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

7. A shareholder's authorisation to the proxy including the Chairperson of the Annual General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the Annual General Meeting.

8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

9. 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 Annual General Meeting.

10. 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.

11. 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).

12. **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 Annual General Meeting, or prior to voting on any resolution proposed at the Annual General Meeting.

13. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act:

a. A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting.

b. The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

c. The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

d. If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's 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 Annual General Meeting.

CONDUIT CAPITAL

www.conduitcapital.co.za