CONDUIT CAPITAL

UNAUDITED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

CONDUIT CAPITAL LIMITED
Incorporated in the Republic of South Africa
(Registration number: 1998/017351/06)
Share code: CND ISIN: ZAE000073128
("Conduit" or "Conduit Capital" or "the Group")

UNAUDITED CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

LETTER FROM THE CEO TO THE SHAREHOLDERS OF CONDUIT CAPITAL:

Dear fellow Shareholder,

Conduit Capital is a JSE-listed South African investment holding company primarily invested in the insurance industry through our subsidiary the Constantia Insurance Group ("Constantia" or "the Insurance Group"). Conduit supports the Insurance Group through capital and capacity investments to create the platform for Constantia to grow into a diversified insurance business, delivering a combined ratio of 95% or better over the long term. We support the business of Constantia by making investments in public and private companies that increase our capital base and allow Constantia to write more business and generate more float.

Conduit's private investments include the franchisor of the world's principal residential real estate sales organisation, Century 21 South Africa; the distressed investing group Africa Special Opportunities Capital's Fund 1; and Conduit Ventures, a collection of technology businesses that mainly serve insurance markets.

<u>Constantia</u>

Constantia is a diversified pan-African insurer writing business in the Health, Life, Medical Malpractice and Property & Casualty lines. Constantia operates three insurance licenses across 19 countries, with a dominant position in Health and Medical insurance. Conduit owns 100% of the Constantia group of companies.

The period under review saw a tremendous turnaround in the performance of Constantia. Over the past few years, Constantia had been on a targeted growth drive, doubling Gross Written Premium since 2017. In February 2020, through a leadership change, Peter Todd was appointed as Chief Executive Officer of Constantia. The new leadership team consolidated the business, reduced costs and improved underwriting discipline. They achieved their objectives in a short space of time.

Peter and his team achieved the following exceptional milestones:

- Constantia returned to underwriting profitability[1], delivering a R100.8 million underwriting profit for the period compared to R9.4 million in the prior comparable period.
- The combined ratio of 99.8% improved from 111.3% in the prior period.
- Constantia achieved an operating profit of R1.8 million for the period compared to an operating loss of R126.3 million in the prior period.
- Gross written premium decreased 14.4% as loss-making books were remediated or cancelled. Underwriting profitability will be prioritised over book growth.

[1] Before operating expenses.

- Net written premium before solvency reinsurance decreased from R1.045 billion to R855.9 million. Solvency reinsurance understates the actual level of net written premium. It is more meaningful to look at net written premium before solvency reinsurance to get an understanding of Constantia's earnings potential.
- Since the leadership change, the team has delivered ten consecutive months of underwriting profits and generated R219.3 million in positive underwriting cash flow. Group operating cash flow during this period, excluding once-off costs and losses from discontinued business lines, was R47.7 million.
- In June 2020 a business restructure was undertaken, waste was eliminated and punitive contracts exited or renegotiated.

Table 1[2] below reflects Constantia's gross and net written premium adjusted for solvency reinsurance by segment, together with the net underwriting profit or loss after expenses for the period under review and the comparative period:

Table 1

	Six months ended 31 December 2020				Six months ended 31 December 2019			
	Gross R'000	Net excl. solvency reinsurance R'000	Net underwriting result R'000	Combined ratio %	Gross R'000	Net excl. solvency reinsurance R'000	Underwriting result R'000	Combined ratio %
Health	513 573	510 090	38 491	92.5	490 345	490 345	(6 400)	101.3
Medical Malpractice	104 900	98 341	18 617	82.3	95 541	88 541	13 379	86.0
Property and Casualty	309 110	220 401	(22 559)	107.3	441 816	407 328	(79 298)	117.9
Funeral and Assistance	27 217	27 020	(9 010)	133.1	87 205	58 552	(11 733)	113.5
Unallocated head office expenses	-	-	(6 685)				(22 346)	
Total	954 800	855 852	18 854	98.0	1 114 907	1 044 766	(106 398)	109.5
Cost of solvency reinsurance			(17 075)				(19 910)	
Net insurance result			1 779	99.8			(126 308)	111.3

In the Health segment Constantia is the leading provider of medical gap cover with over 600,000 individuals and 480 group schemes. Primary Health has an extensive medical network with 8,000 medical professionals and 3,800 pharmacies providing medical services to 40,000 individuals. Oraclemed provides medical evacuation insurance to 17,000 members across 19 African countries and contracts with 3,200 hospitals globally. The segment's net premium grew by 4.7% and the underwriting result was in line with expectation at a 92.5% combined ratio.

In the Medical Malpractice segment Constantia launched the EthiQal business in 2017 in response to Obstetricians closing their practices due to the unavailability and cost of insurance. Today Ethiqal has a dominant position in Obstetrics and has expanded into other specialist fields. Gross premium and operating profits were better than expected with a combined ratio of 82.3%.

[2] The pro forma information in Table 1 above is presented to demonstrate the effect on the Group's reported results if the net impact of all solvency reinsurance were reflected as a single line item. The solvency reinsurance normalised information is the responsibility of the Group's Board of Directors and is presented for illustrative purposes only. Due to the nature of this information, it may not fairly present the Group's financial position, changes in equity and results of operations or cash flows. The pro forma information has been compiled in terms of the JSE Listings Requirements and the Revised Guide on Pro Forma Information issued by SAICA and the accounting policies applicable for the Group for the year ending 30 June 2021. The illustrative solvency reinsurance normalised information has been derived from the Group's unaudited financial information and has not been reviewed or reported on in an independent Reporting Accountant's assurance report.

In Property and Casualty Constantia has 70 partners that provide access to vast distribution networks. Specialist divisions make up 51% of segment premiums, leading to higher margins and less competition. The business underwrites warranty, construction, aviation, heavy commercial vehicles, taxis, buses and guarantees. The segment's combined ratio of 107.3% is a significant improvement on the comparative period (117.9%) but reflects a lack of scale in the non-specialist segments. The gross loss ratio improved more than expected to 62.8% (2019: 69.3%), well below historical market averages, and the operating expense ratio improved significantly compared to the prior period.

In the Funeral business Constantia exited under-performing funeral parlour and burial society business to focus on cross-selling via existing channels. The last of the funeral parlour and burial society business was exited with effect from 1 December 2020. The combined ratio was 133.1% (excluding the funeral risk that was terminated and off book by 1 December 2020, the combined ratio was 126.5%).

The following table illustrates the evolution of the gross loss ratio for each of our segments:

Segment	FY2018 %	FY2019 %	FY2020 %	FY2021[3] %
Health	48.3	48.7	48.8	41.6
Medical Malpractice	39.8	28.5	41.3	41.2
Property and Casualty	76.2	73.7	64.2	62.8
Funeral and Assistance	54.5	97.1	38.6	37.1[4]
Overall	57.5	59.8	53.0	48.3

Market values of the equity portfolio increased in November and into December 2020. We cannot predict short-term share price movements, but are pleased with the underlying operational situation at each of our investments. These companies trade far below a reasonably conservative estimation of fair value, however until such time as the macroeconomic environment and confidence in South Africa Inc. improves, the shares may continue to trade at subdued levels.

Constantia's performance improvement is expected to continue into the second half of the fiscal year. Operational cash flows are sufficient to support company liquidity and various initiatives are being explored to support growth capital needs.

Private Investments

We sold our 25% interest in ASOC Management Company Proprietary Limited ("ASOC") for cash, but retain our interest in the ASOC Fund 1 (carried at R56.2 million). A major portion of the fund is expected to be realized at a profit during the 2021 calendar year.

Century 21 delivered an excellent performance, increasing sales in the six months by 45% across 49 franchisees nationwide. The business has a return on equity of 84% with no debt.

Conduit Ventures houses our interests in claims solutions and technologies that support the insurance industry. These businesses have been adversely affected by the lockdown, but we remain optimistic about their future prospects. These businesses bring specialist skills to the Group at scale.

[3] This column includes loss ratios for the period 1 July 2020 to 31 December 2020.

[4] This number excludes some funeral risk that was terminated and moved off risk with effect from 1 December 2020. Including the funeral risk, the gross loss ratio was 83.8% and the overall gross loss ratio was 49.6%.

COVID-19

The virus continues to flare up across the world and South African's second wave is no different. We express our sincere appreciation and thanks to our employees and partners who have delivered a solid result in difficult circumstances. We remain cautious on the medium-to-long-term effects of lockdowns on the economic environment.

Sean Riskowitz
Chief Executive Officer
Johannesburg
22 February 2021

INTERIM RESULTS CALL

Shareholders are advised that management will be hosting an investor call at 17:00 CAT on 23 February 2021 to provide commentary in terms of the interim results for the six months ended 31 December 2020.

The call will focus on the Interim Results Announcement and the related presentation is available on the Group's website at https://www.conduitcapital.co.za/presentations.php, and how it contributed towards our long-term vision and growth strategy.

Please send an email, by close of business on 22 February 2021, to results@conduitcapital.co.za to pre-register for the call.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited six months ended 31 Dec 2020 R'000	Reviewed six months ended 31 Dec 2019 R'000	Audited year ended 30 Jun 2020 R'000
Gross written premium	954 800	1 114 907	2 109 967
Reinsurance premium	(819 959)	(946 239)	(1 799 529)
Net written premium	134 841	168 668	310 438
Net change in provision for unearned premium	1 702	4 678	3 899
Net premium income	136 543	173 346	314 337
Reinsurance commission received	406 651	322 656	719 201
Other income	1 236	22 228	34 158
Rental income	450	396	1 979
Income from insurance operations	544 880	518 626	1 069 675
Total insurance expenses	(543 101)	(644 934)	(1 242 784)
Net claims and movement in claims reserves	(86 691)	(78 893)	(171 359)
Insurance contract acquisition costs	(141 904)	(161 290)	(301 378)
Administration and marketing expenses	(308 954)	(409 745)	(747 619)
Other operating (expenses) income	(5 552)	4 994	(22 428)
Operating profit (loss) from insurance operations	1 779	(126 308)	(173 109)
Net non-insurance loss	(15 818)	(10 386)	(41 807)
Other income	41 157	15 579	43 426
Cost of sales	(9,124)	-	(7 242)
Administration and marketing expenses	(47 683)	(25 972)	(75 886)
Other (expenses) income	(168)	7	(2 105)
Operating loss	(14 039)	(136 694)	(214 916)
Investment loss	(33 255)	(184 747)	(393 091)
Finance charges	(3 401)	(3 849)	(8 329)
Equity accounted (loss) income	(3 974)	3 070	3 244
Other non-operating income (expenses and losses)	296	(26 315)	(28 930)
Loss before taxation	(54 373)	(348 535)	(642 022)
Taxation	4 321	41 338	71 393
Loss profit for the period	(50 052)	(307 197)	(570 629)
Other comprehensive income	-	-	-
Total comprehensive loss	(50 052)	(307 197)	(570 629)
Attributable to:			
Equity holders of the parent	(51 778)	(307 369)	(568 696)
Non-controlling interest	1 726	172	(1 933)
Total comprehensive loss	(50 052)	(307 197)	(570 629)
Headline loss	(58 209)	(297 814)	(547 332)
Loss per share (cents)			
- Basic and Diluted	(7.5)	(43.8)	(80 7)
- Headline and Diluted Headline	(8.4)	(42.4)	(77.6)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 31 Dec 2020 R'000	Reviewed 31 Dec 2019 R'000	Audited 30 Jun 2020 R'000
ASSETS			
Non-current assets	763 425	946 953	816 864
- Property, plant and equipment	70 881	86 010	72 850
- Intangible assets	97 437	172 566	106 083
- Reinsurers' share of policyholder liabilities	-	17,292	12
- Loans receivable	4 200	-	-
- Insurance, trade and other receivables	176 734	-	166 547
- Deferred taxation	18 265	11 457	12 252
- Investment properties	-	3 470	-
- Investment in associates	35 993	38 951	39 972
- Investments held at fair value	359 915	617 207	419 148
Current assets	798 501	1 008 713	861 160
- Insurance assets	447 057	458 255	439 212
- Inventory	2 295	2 553	2 033
- Loans receivable	199	492	632
- Insurance, trade and other receivables	254 876	431 353	269 408
- Taxation	358	253	664
- Cash and cash equivalents	93 716	115 807	149 211
Assets held for sale	6 896	32 920	11 779
Total assets	1 568 822	1 988 586	1 689 803
EQUITY AND LIABILITIES			
Capital and reserves	114 448	447 919	175 460
- Stated capital	1 158 569	1 170 538	1 168 594
- Accumulated losses	(1 046 529)	(733 424)	(994 751)
Equity attributable to equity holders of the parent	112 040	437 114	173 843
Non-controlling interest	2 408	10 805	1 617
Non-current liabilities	122 984	188 779	132 511
- Policyholder liabilities under insurance contracts	25 641	59 336	34 990
- Interest bearing borrowings	-	2 059	-
- Lease liabilities	52 593	55 549	52 767
- Deferred taxation	44 750	71 835	44 754
Current liabilities	1 331 390	1 351 888	1 381 832
- Insurance liabilities	637 550	633 832	629 958
- Lease liabilities	5 300	4 728	5 317
- Loans payable	11 014	-	11 014
- Insurance, trade and other payables	674 419	709 025	732 583
- Taxation	3 107	4 303	2 881
- Bank overdraft	-	-	79
Total equity and liabilities	1 568 822	1 988 586	1 689 803
Net asset value per share (cents)	16.3	61.7	24.6
Tangible net asset value per share (cents)	2.1	37.3	9.6

SEGMENTAL REPORT

SEGMENTAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	Insurance and Risk R'000	Investments R'000	Total R'000
Income from operations	544 880	30 475	575 355
Expenses	(537 549)	(31 191)	(568 740)
Operating result	7 331	(716)	6 615
Equity accounted loss	-	(3 974)	(3 974)
Investment (loss) income	7 245	(39 843)	(32 598)
Other	(8 480)	(395)	(8 875)
Loss before head office expenses and taxation	6 096	(44 928)	(38 832)
Unallocated net head office expenses			(15 541)
Taxation			4 321
Profit for the period			(50 052)
Capital utilised			
Capital employed at end of period	182 931	(83 571)	114 448
Reallocation	(140 789)	140 789	-
Capital utilised at end of period	42 142	57 218	114 448
Average capital utilised during the period	11 649	92 666	118 274

SEGMENTAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Insurance and Risk R'000	Investments R'000	Total R'000
Income from operations	518 626	-	518 626
Expenses	(644 934)	(2 056)	(646 990)
Operating result	(126 308)	(2 056)	(128 364)
Equity accounted income	-	3 070	3 070
Investment (loss) income	2 747	(187 909)	(185 162)
Other	(3 452)	(26 530)	(29 982)
Loss before head office expenses and taxation	(127 013)	(213 425)	(340 438)
Unallocated net head office expenses			(8 097)
Taxation			41 338
Profit for the period			(307 197)
Capital utilised			
Capital employed at end of period	411 379	9 335	447 919
Reallocation	(371 846)	371 846	-
Capital utilised at end of period	39 533	381 181	447 919
Average capital utilised during the period	52 773	516 876	599 635

SEGMENTAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited six months ended 31 Dec 2020 R'000	Reviewed six months ended 31 Dec 2019 R'000	Audited year ended 30 Jun 2020 R'000
Net cash flows from operating activities	(60 987)	(106 838)	(112 679)
- Cash utilised in operations	(60 539)	(106 430)	(118 077)
- Interest received	985	2 870	5 490
- Finance charges	(244)	(3 849)	(1 443)
- Dividends received from investments	521	1 122	1 556
- Taxation paid	(1 710)	(551)	(205)
Net cash flows from investing activities	20 170	34 868	75 091
- Net disposal (acquisition) of associates	5 394	(1 000)	31 920
- Dividends received from associates	-	2 894	3 175
- Loans granted to associates	(2 504)	(2 950)	(4 125)
- Disposal and acquisition of subsidiaries (net of cash acquired and disposed of)	(6 271)	1 233	(4 314)
- Disposal of property held for sale	12 000	-	-
- Net acquisition of property, plant and equipment	(4 647)	(2 469)	(5 789)
- Net acquisition of intangible assets	-	-	(512)
- Net disposal (acquisition) of financial investments	16 198	37 160	54 736
Net cash flows from financing activities	(14 599)	(6 996)	(8 053)
- Shares repurchased	(10 025)	-	(1 944)
- Dividends paid to non-controlling shareholders	(200)	-	
- Net movement in loan funding: Interest bearing borrowings	-	(1 430)	
- Net movement in loan funding: Third parties	918	8	5 074
- Net movement in loan funding: Leases	(5 292)	(5 574)	(11 183)
Total cash movement for the period	(55 416)	(78 966)	(45 641)
Cash at the beginning of the period	149 132	194 773	194 773
Total cash at the end of the period	93 716	115 807	149 132

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Stated capital R'000	(Accumulated losses) Retained earnings R'000	Non-controlling interest R'000	Total R'000
Balance at 1 July 2019	1 162 575	(426 055)	9 305	745 825
Total comprehensive (loss) income for the period	-	(307 369)	172	(307 197)
Treasury stock disposed of through subsidiaries	7 963	-	-	7 963
Acquisition of non-controlling interest	-	-	1 328	1 328
Balance at 31 December 2019	1 170 538	(733 424)	10 805	447 919
Total comprehensive loss for the period	-	(261 327)	(2 105)	(263 432)
Acquisition of non-controlling interest	-	-	(7 083)	(7 083)
Treasury stock acquired through subsidiaries	(1 944)	-	-	(1 944)
Balance at 30 June 2020	1 168 594	(994 751)	1 617	175 460
Total comprehensive (loss) income for the period	-	(51 778)	1 726	(50 052)
Disposal of non-controlling interest	-	-	(735)	(735)
Dividends paid	-	-	(200)	(200)
Acquisition of non-controlling interest	(10 025)	-	-	(10 025)
Balance at 31 December 2020	1 158 569	(1 046 529)	2 408	114 448

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

1. Basis of preparation

The accounting policies applied in the preparation of these condensed consolidated unaudited financial statements for the six months ended 31 December 2020 ("Unaudited Results") are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the annual financial statements for the year ended 30 June 2020, except for the adoption of the amended IAS 1: Presentation of Financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. There was no material impact to the Group on adopting the amendments.

The Unaudited Results have been prepared making use of reasonable judgements and estimates and reporting is done in terms of IAS 34: Interim Financial Reporting, the Companies Act, 2008 (Act 71 of 2008), as amended, the SAICA Financial Reporting Guide, as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of JSE Limited ("the JSE"). These interim results were prepared under the supervision of Ms Bianca Yan, the Chief Financial Officer.

These interim financial results have not been reviewed or reported on by the Company's auditors.

2. Changes in stated capital

During the period under review CICL and Midbrook Lane Proprietary Limited ("Midbrook"), all wholly-owned subsidiaries, acquired an aggregate of 17 170 401 Conduit shares in the market for a total consideration of R10.0 million. The Group accounts reflect these shares as treasury shares.

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

	31 Dec 2020 '000	31 Dec 2019 '000	30 Jun 2020 '000
Number of shares	688 276	708 569	705 447
- Shares in issue	764 444	764 444	764 444
- Shares held as treasury shares	(76 168)	(55 875)	(58 997)

	31 Dec 2020 '000	31 Dec 2019 '000	30 Jun 2020 '000
Weighted average number of shares on which earnings and diluted earnings per share calculations are based	691 738	701 948	705 081
- Shares in issue	764 444	764 444	764 444
- Shares held as treasury shares	(72 706)	(62 496)	(59 363)

3. **Disposal and impairment assessment of associates**

During the period under review the Group disposed of its investment in ASOC, a non-core associate, for a total consideration of R5.4 million. The disposal resulted in a profit of R1.7 million.

No associate companies required impairment during the period under review.

4. **Disposal of subsidiaries**

4.1 The Group sold its interest in two non-core subsidiaries, Inventory and Risk Surveys Proprietary Limited ("IRS") and Riskonet Africa Proprietary Limited ("Riskonet"), for a total consideration of R161.00, resulting in a profit of R0.7 million.

4.2 Further details of the disposals are as follows. Please note that numbers reflected below are subject to change as some of the values have been obtained from provisional accounts:

Group	IRS	Riskonet	Total
Effective date of change of control	*1 December 2020*	*1 December 2020*	
Book value of assets sold:			
- Property, plant and equipment	(16)	(187)	(203)
- Deferred taxation	(55)	(456)	(511)
- Trade and other receivables	(603)	(2 801)	(3 404)
- Taxation	(36)	-	(36)
- Cash and cash equivalents [1)]	(2 315)	(3 956)	(6 271)
- Loans	-	5 198	5 198
- Trade and other payables	1 148	4 056	5 204
- Non-controlling interest	735	-	735
- Net (assets) liabilities disposed of	(1 142)	1 854	712
- Sale consideration	-	-	-
- Profit (loss) on disposal	(1 142)	1 854	712

1) Reflected in the condensed consolidated statement of cash flows as a cash outflow due to the disposal of subsidiaries.

5. **Financial instruments**

Fair value estimation

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

Financial assets	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
31 December 2020				
Listed investments	285 136	-	-	285 136
Unlisted investments	-	-	74 779	74 779
	285 136	-	74 779	359 915
31 December 2019				
Listed investments	568 387	-	-	568 387
Investment properties	-	-	3 470	3 470
Unlisted investments	-	-	48 820	48 820
	568 387	-	52 290	620 677

Financial assets	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2020				
Listed investments	350 806	-	-	350 806
Unlisted investments	-	-	68 342	68 342
	350 806	-	68 342	419 148

There have been no transfers between Levels 1, 2 and 3 during the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period:

- Financial assets classified in Level 1 have been valued with reference to quoted prices and market rates (unadjusted) in active markets for identical assets or liabilities;
- Financial assets classified in Level 2 have been valued using inputs other than quoted market prices (included within Level 1) that are observable for the asset and liability, either directly or indirectly; and
- The fair value of the financial assets classified in Level 3 has been determined by inputs that are not based on observable market data in that the future expected cash flows from the underlying unlisted entities have been discounted at market related rates.

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

6. Taxation

Due to the continued underwriting losses incurred during the past number of years CICL decided in 2019 not to raise any deferred tax assets. This resulted in potential tax assets of R3.15 million (Dec 2019: R41.96 million) not being credited to the income statement and a cumulative R272.34 million not being reflected in assets.

The Group's effective tax rate for the period under review is therefore 7.9% (Dec 2019: 53.6%). If the additional deferred tax assets were raised the effective tax rate would have been 13.7% (Dec 2019: 23.9%). The difference between this rate and the standard company income tax rate of 28.0% can mostly be attributed to the fact that:

- tax is provided on the Group's investment income and losses from equities at the capital gains tax rate, which is an effective 22.4%; and
- no tax credit is provided for on head office expenses of R15.54 million and equity accounted losses of R3.97 million.

This position will be reviewed on an ongoing basis.

7. Related party transactions

Other than what was already disclosed elsewhere in this document, the Group concluded the following related party transactions during the period under review:

	R'000
Transactions with associates	
ASOC Management Company Proprietary Limited	
- Loan repayment	225

	R'000
Mobility Insurance Underwriting Managers (Pty) Limited	
- Interest received	97
- Management fees paid	(5 579)
- Balance due to	(53)
Rikatec Proprietary Limited	
- Loans granted	(1 870)
- Interest received	762

8. Reconciliation of headline earnings

	Unaudited six months ended 31 Dec 2020 R'000	Reviewed six months ended 31 Dec 2019 R'000	Audited year ended 30 Jun 2020 R'000
Loss attributable to ordinary equity holders of Conduit	(51 778)	(307 369)	(568 696)
Profit on disposal of property, plant and equipment	(144)	(246)	(124)
(Profit) loss on disposal of subsidiary	(712)	-	72
(Profit on disposal) impairment of associates	(1 729)	21 421	21 468
Profit on disposal of property	(7 117)	-	-
Impairment of goodwill	2 287	-	4 514
Impairment of computer software		-	6 404
Tax on the items above	984	(11 684)	(11 038)
Non-controlling interest on the items above (after taxation)	-	64	68
Headline earnings	(58 209)	(297 814)	(547 332)

9. Statutory capital below regulatory requirements

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

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

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

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

As at 31 December 2020 CICL reported an SCR ratio of 0.28 in its quarterly return to the PA ("QRT"), primarily as a result of unrealised losses in the listed equity portfolio, as well as underwriting losses incurred within the property and casualty business during the previous two and a half years. CICL's reported MCR on the same date was 1.03.

CICL’s ongoing correspondence with the PA includes various action plans to restore the SCR above 1.00 and to add an additional safety margin. These plans include, but are not limited to:

- continued intervention to improve the cash generative ability of each company, including the sale of equities in the short term, underwriting and operational interventions and improved risk management processes;
- increased and improved efforts in cost reduction and maintenance;
- the continued sustained turnaround of CICL's property and casualty business through focused remediation initiatives already in progress;
- continued optimisation of the use of reinsurance structures to transfer some insurance risk to reinsurers; and
- per various SENS announcements released during the current financial year, as well as the previous financial year, details of transactions with certain entities within Trustco Group Holdings Limited were disclosed. Through these transactions the net equity value of the Group, and in turn the solvency capital of entities within the Constantia Insurance Group, will increase substantially, thereby enabling the Constantia entities to consolidate their existing businesses, grow premium volume significantly and pursue new organic and inorganic growth opportunities.

  Further SENS announcements relevant to these transactions will be made available, as and when appropriate.

It should however be noted that, notwithstanding the substantive remediation efforts already underway, should the planned initiatives not be successful, CICL’s SCR may not be restored to a minimum level of 1.00 in the short term.

10. Contingent liabilities

10.1 A portfolio acquisition agreement, effective 1 September 2015, exists between CICL and Dealers Indemnity Proprietary Limited ("Dealers"). Dealers receives a monthly annuity of R45 000 for the remainder of the vendor's natural life, subject to a minimum payment of R1.50 million ("the Minimum Payment").

The present value of the annuity payments as at 31 December 2019 amounted to R2.63 million (“the Maximum Liability”) per an actuarial calculation based on published mortality tables. The Group has initially raised a liability to the value of R1.50 million, which was the minimum amount payable. This amount has now been paid in full. The Group therefore confirms that it has a contingent liability of R2.63 million as at the reporting date.

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

11. Going concern

The Board assesses the going concern status of each legal entity in the Group on an annual basis, with the assessment involving making a judgement, at a particular point in time, about the future outcome of events or conditions which are inherently uncertain.

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis.

12. Directors

12.1 On 2 January 2021 Ms Rosetta Xaba resigned as an Independent Non-executive Director of the Company.

12.2 On 5 February 2021 Mr Lourens Louw resigned as Financial Director of the Company in order to become the financial director of the Constantia Group.

12.3 On the same day, Ms Bianca Yan was appointed as Financial Director of the Company.

13. Dividends

In line with the Group's strategy, the Board has not recommended any dividend payment to ordinary shareholders (2019: Nil).

14. Events after reporting period

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:

Executive directors:	Sean Riskowitz (Chief Executive Officer), Bianca Yan (Financial Director)
Non-executive directors:	Ronald Napier (Chairman)*, Leo Chou, Adrian J Maizey, Nonzukiso Siyotula*, William N Thorndike Jr.*

* Independent

Sponsor:
Merchantec Capital

Company secretary:
CIS Company Secretaries Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196

Registered address:
Nicol Main Office Park, Building B
2 Bruton Road, Bryanston, 2191
PO Box 97, Melrose Arch, 2076
Telephone: +27 11 686 4200

Transfer secretaries:
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196