CONDUIT CAPITAL

CONDENSED CONSOLIDATED UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021, WEBINARS AND EXTENSION OF CIRCULAR DISTRIBUTION DATE

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" or "the Company")

CONDENSED CONSOLIDATED UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021, WEBINARS AND EXTENSION OF CIRCULAR DISTRIBUTION DATE

Conduit Capital is a JSE-listed investment holding company invested primarily in the insurance industry. Our goal is to compound our capital at a high rate over the long term on a per share basis.

Conduit wholly owns the Constantia Insurance Group of companies ("Constantia"), a diversified niche insurance company operating in South Africa and 18 other African countries. Constantia's target combined ratio is 95% or better over the medium term. In addition, investments are made in public and private opportunities that contribute to the increase in the capital base of Constantia and allow the insurer to write more profitable business and generate more float for investment. Conduit's private investments include real estate brokerage Century 21 South Africa, Africa Special Opportunities Capital Fund I and Conduit Ventures.

Constantia Insurance Group

Constantia is a diversified pan-African insurer writing business in Health, Life, Medical Malpractice and Property & Casualty (General and Specialty). First licensed in 1952, Constantia operates 3 insurance licenses providing insurance solutions across 19 countries, with dominant positions in Health and Medical Malpractice insurance.

Constantia is building a business for the long term in niche markets in South Africa and across Africa, leveraging on unique partnerships with industry experts. Core to Constantia's value proposition is its people and culture, which has been transformed since the leadership change in 2020. This enabling culture and a shared value commercial model, aligns interests and achieves sustainable outcomes. This has resulted in a number of new partnerships being launched, while interest in partnering with Constantia continues to grow.

Since 2015 Constantia has reinvested into the business to generate more float. Premiums increased from R788.5 million in 2015 to R1.94 billion in 2021, at an approximate 100% combined ratio currently. Average premium growth has been 15.2% since 2017 (despite extensive remediation in 2020/21), well above the industry average of 7%.

Highlights for the six months to 31 December 2021:

- Gross premium income increased by 7.3% to R1.025 billion.
- The focus on disciplined underwriting saw the business achieve a gross loss ratio of 47.9% as underwriting profits increased, growing by 10.7% over the prior period.
- Operating expense growth remained below inflation.
- The key segments of Health, Medical Malpractice and Specialist P&C performed well, delivering solid growth while maintaining excellent underwriting results and a combined ratio of 95.6%. The group combined ratio was 100.4%.

- Cash inflow from operations was R34.3 million. Net float generated during the period amounted to R55.1 million and total float increased to R618.2 million.
- Cash at period-end was R179.3 million, up over 90% from the corresponding prior period. In the first two months of the 2022 calendar year, Constantia's cash balances had increased by a further R52.7 million.
- The business culture has been transformed with all people metrics maintaining a positive trajectory: employee turnover reduced from 30% in 2019 to a healthy 8% in 2022, while the employee Net Promoter Score ("eNPS") reflected 38 (over 30 is considered excellent).

Health

Constantia is the leading provider of medical gap cover with more than 250 000 principal members (600 000 individuals) and 480 group schemes covered. The primary health solution has an extensive medical network with approximately 8 000 medical professionals and 3 800 pharmacies providing 20 000 principal members (40 000 individuals) with private medical benefits. During the period, Constantia acquired a minority interest in OracleMed, a medical insurance provider to 17 000 members across 19 African countries. OracleMed is contracted to 3 200 hospitals globally.

The Health segment performed consistently over the first half of the financial year, increasing gross premiums by 8.6% to R557.5 million. Claims were in line with expectation as normality returned post the worst of the Covid pandemic. The Council for Medical Schemes extended the exemption period for low-cost primary healthcare offerings, increasing opportunities in this field as the runway has been extended. Growth opportunities through partnerships are promising and this should deliver robust growth in the near term.

Medical Malpractice

Constantia launched EthiQal in November 2016 as the only locally based insurer offering occurrence-based medical malpractice cover. EthiQal has a unique value proposition through its focus on supporting and enhancing healthcare in South Africa by protecting doctors and their patients through the development and support of optimised and innovative risk management solutions.

The Medical Malpractice division delivered a solid performance, with gross premiums increasing by 12.9%. Claims were lower than expected, resulting in record profitability. Despite its leading market status penetration is still low, giving this segment significant growth prospects.

Property & Casualty

The business is divided into two segments: Specialty and General. Specialty includes motor warranty, construction, aviation, heavy commercial vehicles, taxis and buses, marine and guarantees, while the General segment focuses on commercial and personal property and motor cover.

Our focus on specialist business saw our Specialty segment achieve robust growth against the comparative period of 20.6%, generating good margins as gross loss ratios remained low at 46.0%. Despite active interventions in remediating the General business, the underlying General loss ratio deteriorated to 66.6%. The General business needs scale to efficiently mitigate underwriting risk and cover operating expenses. Management is tackling this challenge, which received a recent boost with the signing of a new partnership that will add significant scale. The capital transaction is also expected to add impetus to the growth in this segment.

Life

The Life business is a small part of the Constantia group, generating premiums of R23.2 million. Growth has not been a focus of this business as we await the conclusion of the announced capital transaction. Nonetheless, the business has signed a number of new partnerships that will launch in the coming months. The pipeline is growing.

Performance

Despite the headwinds posed by the economy and the insurer's capital position, Constantia delivered an increase of 7.3% in gross premiums with double digit growth in its specialist businesses, including Medical Malpractice. The turnaround saw underwriting profit improve 10.7% over the corresponding prior year period.

The business generated strong positive cashflows with R34.3 million in operating cash being generated in the six-month period. Float increased to R618.2 million. In the first two months of the 2022 calendar year, the cash balance in Constantia had increased by a further R52.7 million. Float increased by a further R39.5 million during the same period.

Constantia has a solid pipeline of opportunities that should deliver material growth at a combined ratio below 100%, once the business is recapitalised.

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

Table 1

	Six months ended 31 December 2021				Six months ended 31 December 2020			
	Gross R'000	Net excl. solvency reinsurance R'000	Net operating result R'000	Combined ratio %	Gross R'000	Net excl. solvency reinsurance R'000	Net operating result R'000	Combined ratio %
Health	557 528	559 403	44 307	92.1	513 573	510 535	38 491	92.5
Medical Malpractice	118 441	112 126	17 038	85.6	104 900	98 443	18 617	82.3
P&C: Specialty	217 063	144 311	270	99.9	180 040	120 410	(2 209)	101.2
P&C: General	108 280	72 303	(43 872)	140.5	129 070	96 325	(20 350)	115.8
Funeral and Assistance	23 283	23 283	(4 481)	119.2	27 217	27 020	(9 010)	133.1
Unallocated			4				(6 685)	
Total	1 024 595	911 426	13 266	98.7	954 800	852 733	18 854	98.0
Cost of solvency reinsurance			(17 692)	1.7			(17 075)	1.8
Net operating result	1 024 595	911 426	(4 426)	100.4	954 800	852 733	1 779	99.8

[1] *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 ("Board") 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 Listings Requirements of the JSE Limited ("JSE") and the Revised Guide on Pro Forma Information issued by SAICA and the accounting policies applicable for the Group for the six months ended 31 December 2021. The illustrative solvency reinsurance normalised information has been derived from the Group's unaudited financial information and has not been reviewed nor reported on by the Group's auditors.*

The transformation of the business over the past 18 months delivered an operating performance in line with expectations. Achieving the growth numbers and maintaining the underwriting performance in a difficult environment is evidence of the sustained turnaround in the business.

Post the capital transaction, announced on SENS on 20 December 2021, the Solvency Capital Requirement of Constantia Insurance Company Limited ("CICL") is expected to be in excess of 1.1, providing the company with adequate capital to pursue profitable growth opportunities. Shareholders are referred to the notes to the financial statements for further details regarding the statutory capital position of CICL. Constantia Life and Health Assurance Company Limited ("CLAH") and Constantia Life Limited ("CLL") both meet minimum regulatory capital requirements on an SCR basis.

The business is delivering profits, building float and generating cash. The executive team has shown their value by building a high-performing culture, developing its talent and attracting top industry talent, bringing with them business of high quality. After a period of focused remediation, Constantia is entering its next growth phase that will see it achieve robust growth at a combined ratio approaching its target of 95% across all segments. The growth opportunity is, however, dependent on the recapitalisation of the CICL balance sheet. We are confident the capital position will be restored in due course.

Private Investments

Century21

Century21 is the South African master license owner of the Century21 real estate brokerage brand, the largest real estate brokerage in the world. Year-to-date sales from the franchise network were similar to the record levels achieved in fiscal 2021. Additional franchises have been awarded. The business generates high returns on capital and cash flows, and has an attractive growth opportunity in the market with only 49 franchises at 31 December 2021. The annualised return on capital of this business is 62.6%.

Africa Special Opportunities Capital ("ASOC") Fund I

ASOC provides companies with flexible funding solutions to facilitate holistic restructuring and recapitalisation. Conduit received R34 million in cash from realisations from ASOC Fund I. The IRR on the disposed investment was approximately 22%. Further cash realisations are expected from Fund I before the end of the calendar year.

Conduit Ventures Proprietary Limited

Conduit Ventures is an investment holding company, which holds interests in the following insurance adjacent businesses and other investments:

- Leymic Holdings, an investment holding company with interests in motor and non-motor insurance claims solutions and technologies that support Constantia and other insurers by providing technology-led efficiency enhancements; and

- Rikatec, an insure-tech company that specialises in information management systems, digital solutions, big data and advanced analytics.

These entities are progressing well by scaling in their markets, although growth has been slower than expected, mainly due to the effects of the pandemic. The entities give Constantia access to the latest technologies.

Extension of Circular Distribution Date

Shareholders are referred to the announcement released on SENS on 20 December 2021 regarding the investment in Conduit Capital through an issue of preference shares.

Using the terms defined in the aforementioned announcement, Shareholders are further advised that:

- Mmuso are in the process of concluding their comprehensive internal process related to the Proposed Transaction and, given the size and complexity of the Proposed Transaction, this process has taken longer than originally anticipated. In the interest of good corporate governance, Mmuso's internal governance processes must be completed; and
- in light of the aforementioned, the Company has approached the JSE for an extension to Friday, 27 May 2022 to distribute the Circular, which extension has been granted.

Building for the Long Term

Conduit is a long-term owner of the businesses in which it invests. The goal is to compound our capital on a per share basis at a high rate over the next 30+ years. The groundwork we are laying now should position us to generate above average returns going forward. The insurance business has the ability to generate substantial surplus assets for reinvestment but will need to be recapitalised to capture these opportunities.

Sean Riskowitz
Chief Executive Officer
Johannesburg
31 March 2022

Interim Results Webinar

Shareholders are advised that management will be hosting an investor call at **14:00 CAT on 1 April 2022** to provide commentary in terms of the interim results for the six months ended 31 December 2021. The call will focus on the Interim Results and how it contributed towards our long-term vision and growth strategy. A presentation relating to the interim results is available on the Group's website at: https://www.conduitcapital.co.za/presentations.php

Please register for the interim results webinar by the close of business on 31 March 2022 on the link below: https://us06web.zoom.us/webinar/register/WN_9UY8WumqRVKA7eNZCQHT9w

Conduit Capital Investor Day Webinar

Conduit Capital and Constantia Insurance Group invite all shareholders, partners, employees and prospective shareholders to attend a special investor day webinar hosted by EasyEquities at **16:00 CAT on 4 April 2022**. The focus will be on the Constantia Insurance Group, which represents 95% of Conduit's assets. Conduit CEO Sean Riskowitz and Constantia CEO Peter Todd will be telling the Constantia story, followed by a Q&A with your hosts.

Please register for the Conduit Capital investor day webinar by close of business 1 April 2022 on the link below: https://us02web.zoom.us/webinar/register/WN_D0IWwH7YRKmkHT68LcQ23A

Please send an email to results@conduitcapital.co.za should you require any assistance relating to the above-mentioned webinars.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited six months ended 31 Dec 2021 R'000	Unaudited six months ended 31 Dec 2020 R'000	Audited year ended 30 Jun 2021 R'000
Gross written premium	1 024 595	954 800	1 949 246
Reinsurance premium	(884 738)	(819 959)	(1 685 437)
Net written premium	139 857	134 841	263 809
Net change in provision for unearned premium	(2 389)	1 702	5 236
Net premium income	137 468	136 543	269 045
Reinsurance commission received	418 246	406 651	832 077
Other income	6 897	1 236	19 944
Rental income	548	450	1 510
Income from insurance operations	563 159	544 880	1 122 576
Total insurance expenses	(567 585)	(543 101)	(1 131 376)
Net claims and movement in claims reserves	(77 332)	(86 691)	(153 907)
Insurance contract acquisition costs	(153 530)	(141 904)	(287 345)
Administration and marketing expenses	(337 358)	(308 954)	(680 863)
Other operating income (expenses)	635	(5 552)	(9 261)
Operating (loss) profit from insurance operations	(4 426)	1 779	(8 800)
Net non-insurance loss	(13 326)	(15 818)	(27 415)
Other income	36 396	41 157	69 340
Cost of sales	(19 415)	(9,124)	(19 049)
Administration and marketing expenses	(29 902)	(47 683)	(72 466)
Other operating expenses	(405)	(168)	(5 240)
Operating loss	(17 752)	(14 039)	(36 215)
Investment loss	(46 424)	(33 255)	(138 031)
Finance charges	(5 023)	(3 401)	(8 117)
Share of profit (loss) of associates	1 114	(3 974)	(4 029)
Other non-operating (expenses and losses) income	(6 725)	296	(95 474)
Loss before taxation	(74 810)	(54 373)	(281 866)
Taxation	(1 461)	4 321	136 104
Loss for the period	(76 271)	(50 052)	(145 762)
Other comprehensive income	-	-	-
Total comprehensive loss	(76 271)	(50 052)	(145 762)
Attributable to:			
Equity holders of the parent	(76 590)	(51 778)	(145 774)
Non-controlling interest	319	1 726	12
Total comprehensive loss	(76 271)	(50 052)	(145 762)
Headline loss	(76 165)	(58 209)	(142 330)
Loss per share (cents)			
- Basic and Diluted	(11.1)	(7.5)	(21.1)
- Headline and Diluted Headline	(11.1)	(8.4)	(20.6)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 31 Dec 2021 R'000	Unaudited 31 Dec 2020 R'000	Audited 30 Jun 2021 R'000
ASSETS			
Non-current assets	591 166	763 425	640 354
- Property, plant and equipment	52 321	70 881	58 901
- Intangible assets	83 267	97 437	89 376
- Loans receivable	1 102	4 200	1 044
- Insurance, trade and other receivables	106 168	176 734	100 921
- Deferred taxation	117 155	18 265	116 330
- Investment in associates	81 786	35 993	37 080
- Investments held at fair value	149 367	359 915	236 702
Current assets	869 350	798 501	765 775
- Insurance assets	500 487	447 057	448 381
- Inventory	285	2 295	-
- Loans receivable	-	199	-
- Insurance, trade and other receivables	188 643	254 876	158 274
- Taxation	612	358	350
- Cash and cash equivalents	179 323	93 716	158 770
Assets held for sale	2 715	6 896	2 715
Total assets	1 463 231	1 568 822	1 408 844
EQUITY AND LIABILITIES			
Capital and reserves	(59 290)	114 448	17 253
- Stated capital	1 158 569	1 158 569	1 158 569
- Accumulated losses	(1 217 115)	(1 046 529)	(1 140 525)
Equity attributable to equity holders of the parent	(58 546)	112 040	18 044
Non-controlling interest	(744)	2 408	(791)
Non-current liabilities	79 028	122 984	86 237
- Policyholder liabilities under insurance contracts	25 617	25 641	26 872
- Lease liabilities	45 603	52 593	49 073
- Deferred taxation	7 808	44 750	10 292
Current liabilities	1 443 493	1 331 390	1 305 354
- Insurance liabilities	708 072	637 550	636 714
- Lease liabilities	8 030	5 300	8 801
- Loans payable	10 689	11 014	11 089
- Insurance, trade and other payables	712 457	674 419	647 080
- Taxation	4 245	3 107	1 670
Total equity and liabilities	1 463 231	1 568 822	1 408 844

SEGMENTAL REPORT

SEGMENTAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Insurance and Risk R'000	Investments R'000	Total R'000
Income from operations	563 159	16 931	580 090
Expenses	(567 585)	(24 828)	(592 413)
Operating result	(4 426)	(7 897)	(12 323)
Equity accounted income (loss)	1 258	(144)	1 114
Investment income (loss)	475	(47 168)	(46 693)
Other	(11 705)	23	(11 682)
Loss before head office expenses and taxation	(14 398)	(55 186)	(69 584)
Unallocated net head office expenses			(5 226)
Taxation			(1 461)
Loss for the period			(76 271)
Capital utilised			
Capital employed at end of period	(48 715)	91 874	(59 292)
Reallocation	84 908	(84 908)	-
Capital utilised at end of period	36 193	6 966	(59 292)
Average capital utilised during the period	42 759	9 678	(3 086)

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 income (loss)	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
Loss 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 YEAR ENDED 30 JUNE 2021

	Insurance and Risk R'000	Investments R'000	Total R'000
Income from operations	1 122 576	50 261	1 172 837
Expenses	(1 131 376)	(55 597)	(1 186 973)
Operating result	(8 800)	(5 336)	(14 136)
Equity accounted loss	-	(4 029)	(4 029)
Investment loss	(8 793)	(128 651)	(137 444)
Other	(100 269)	(4 042)	(104 311)
Loss before head office expenses and taxation	(117 862)	(142 058)	(259 920)
Unallocated net head office expenses			(21 946)
Taxation			136 104
Loss for the year			(145 762)
Capital utilised			
Capital employed at end of year	3 928	51 003	17 253
Reallocation	48 959	(48 959)	-
Capital utilised at end of year	52 887	2 044	17 253
Average capital utilised during the year	82 357	32 920	86 865

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited six months ended 31 Dec 2021 R'000	Unaudited six months ended 31 Dec 2020 R'000	Audited year ended 30 Jun 2021 R'000
Net cash flows from operating activities	34 347	(60 987)	(7 480)
- Cash generated by (utilised in) operations	36 593	(60 539)	(9 734)
- Interest received	1 671	985	5 318
- Finance charges	(1 878)	(244)	(352)
- Dividends received from investments	418	521	1 168
- Taxation paid	(2 457)	(1 710)	(3 880)
Net cash flows from investing activities	(5 736)	21 088	43 719
- Net movement in loan funding granted to third parties	(58)	918	4 786
- Net (acquisition) disposal of associates	(42 000)	5 394	5 394
- Loans granted to associates	(1 592)	(2 504)	(3 646)
- Disposal of subsidiaries (net cash disposed of)	-	(6 271)	(6 271)
- Disposal of property held for sale	-	12 000	14 500
- Net acquisition of property, plant and equipment	(585)	(4 647)	(861)
- Net acquisition of intangible assets	(323)	-	(1 520)
- Net disposal of financial investments	38 822	16 198	31 337
Net cash flows from financing activities	(8 058)	(15 517)	(26 601)
- Shares repurchased	-	(10 025)	(10 025)
- Dividends paid to non-controlling shareholders	(118)	(200)	(200)
- Net movement in loan funding granted by minorities	(154)	-	(1 485)
- Net movement in loan funding granted by third parties	(400)	-	75
- Net movement in loan funding in respect of lease liabilities	(7 386)	(5 292)	(14 966)

Total cash movement for the period	20 553	(55 416)	9 638
Cash at the beginning of the period	158 770	149 132	149 132
Total cash at the end of the period	179 323	93 716	158 770

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Stated capital R'000	Accumulated losses R'000	Non-controlling interest R'000	Total R'000
Balance at 1 July 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 minorities	-	-	(735)	(735)
Dividends paid	-	-	(200)	(200)
Treasury stock acquired through subsidiaries	(10 025)	-	-	(10 025)
Balance at 31 December 2020	1 158 569	(1 046 529)	2 408	114 448
Total comprehensive loss for the period	-	(93 996)	(1 714)	(95 710)
Loan funding repaid	-	-	(1 485)	(1 485)
Balance at 30 June 2021	1 158 569	(1 140 525)	(791)	17 253
Total comprehensive (loss) income for the period	-	(76 590)	319	(76 271)
Loan funding repaid	-	-	(154)	(154)
Dividends paid	-	-	(118)	(118)
Balance at 31 December 2021	1 158 569	(1 217 115)	(744)	(59 290)

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

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 2021 ("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 2021, except for the adoption of the amendments to IFRS 4: Insurance Contracts and IFRS 7: Financial Instruments: Disclosures as it pertains to Phase 2 of the Interest Rate Benchmark Reform. There was no material impact to the Group on adopting the amendments.

The Unaudited Results have further been prepared in accordance with the requirements of the JSE Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the SAICA Financial Reporting Guides and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

These Unaudited Results were prepared under the supervision of Ms Bianca Yan CA (SA), the Financial Director and have not been reviewed or reported on by the Company's auditors.

2. **Changes in stated capital**

During the period under review there were no changes to the Group's stated capital.

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

	31 Dec 2021 '000	31 Dec 2020 '000	30 Jun 2021 '000
Number of shares	688 276	688 276	688 276
- Shares in issue	764 444	764 444	764 444
- Shares held as treasury shares	(76 168)	(76 168)	(76 168)
Weighted average number of shares on which earnings and diluted earnings per share calculations are based	688 276	691 738	690 021
- Shares in issue	764 444	764 444	764 444
- Shares held as treasury shares	(76 168)	(72 706)	(74 423)

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

During the period under review, the Group acquired a 30% interest in Oraclemed Health Investments Proprietary Limited, an underwriting manager that oversees the Group's medical evacuation business in Africa, for a total consideration of R42.0 million.

No associate companies required impairment during the period under review.

4. **Disposal of subsidiaries**

The Group did not dispose of any of its subsidiaries during the period under review.

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 2021				
Listed investments	125 181	-	-	125 181
Unlisted investments	-	-	24 186	24 186
	125 181	-	24 186	149 367
31 December 2020				
Listed investments	285 136	-	-	285 136
Unlisted investments	-	-	74 779	74 779
	285 136	-	74 779	359 915
30 June 2021				
Listed investments	179 635	-	-	179 635
Unlisted investments	-	-	57 067	57 067
	179 635	-	57 067	236 702

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.

In carrying out the valuation of financial assets classified in Level 3 on 31 December 2021, the directors:

- relied on the valuation performed by an independent third party that used the net asset value of the underlying assets in the investment, adjusted for the impact of expected future earnings, as a basis to determine an unlisted fund's value at R23.2 million; and
- relied on the valuation performed by an independent third party that used the expected free cash flows of the underlying assets in an unlisted investment to determine its value at R1.0 million.

6. Taxation

The continued turnaround of Constantia during the 2021 – 2022 financial periods, a substantial and sustained improvement in the underwriting result and a reduction in operating expenses resulted in Constantia delivering improved operating results on a sustainable basis. In the 2021 financial results a deferred tax asset of R100.0 million was recognised in respect of historical tax losses and this asset was maintained for the current reporting period. The asset relates to tax losses incurred in the years from 2016 to 2021 in CICL and it is expected that these losses will be recouped by the 2025 financial year. The value of the deferred tax asset on unused tax losses in CICL and its subsidiaries, not raised to date, is approximately R149.1 million. The Board believes that, despite recent losses experienced by the insurance subsidiaries, adequate interventions have been implemented to enable the production of future taxable profits and growth and, ultimately, the recovery of the deferred tax asset within a reasonable period. On that basis, the Board believes that the deferred tax asset as reflected in the results gives a fair reflection of Conduit's financial position as at the reporting date.

The Group's effective tax rate for the period under review was -2.0% (Dec 2020: 7.9%). If the additional deferred tax assets in respect of losses during the period in Constantia were raised, the effective tax rate would have been 13.0% (Dec 2020: 13.7%). 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 losses from equities at the capital gains tax rate, which is an effective 22.4%; and
- no tax is provided for on head office expenses of R8.1 million, non-operating expenses and losses of R6.3 million, equity accounted income of R1.1 million and the reversal of the R15.2 million in mark-to-market profits associated with the treasury stock held by subsidiaries.

This position will be reviewed on an ongoing basis.

7. Related party transactions

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

	R'000
Transactions with associates	
Mobility Insurance Underwriting Managers Proprietary Limited	
- Loans granted	(350)
- Interest received	105
- Management fees paid	(5 267)
- Trade balance owed by	509
Rikatec Proprietary Limited	
- Loans granted	(291)
- Interest received	846

8. Reconciliation of headline earnings

	Unaudited six months ended 31 Dec 2021 R'000	Unaudited six months ended 31 Dec 2020 R'000	Audited year ended 30 Jun 2021 R'000
Loss attributable to ordinary equity holders of Conduit	(76 590)	(51 778)	(145 774)
Loss (profit) on disposal of property, plant and equipment	425	(144)	4 819
Profit on disposal of subsidiaries	-	(712)	(712)
Impairment of associates	-	(1 729)	(1 729)
Profit on revaluation of properties held for sale	-	(7 117)	(5 436)
Impairment of goodwill	-	2 287	5 505
Tax on the items above	-	984	997
Headline earnings	(76 165)	(58 209)	(142 330)

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 2021 CICL reported a provisional SCR ratio of (0.09) in its quarterly return to the PA ("QRT"), primarily as a result of:

- capital erosion over the period has been the longer than expected J-curves in underwriting profitability and inadequate rates in prior years, which have since been remediated;
- the impairment in the prior financial year of R94.4 million in investments in and premium receivables from Insure Group Managers Limited ("IGM"), a premium collection agency utilised by Constantia, after IGM was placed in liquidation and it was established that the exposure should be considered irrecoverable; and
- unrealised losses in the listed equity portfolio in the current and prior financial periods. we believe the mark-to-market valuation of the listed equity portfolio understates the intrinsic value of the portfolio.

CICL's provisional reported MCR on the same date was (0.89).

As at 31 December 2021 CLL reported a provisional SCR ratio of 2.28 in its QRT, while the reported MCR on the same date was 0.70. A section 50 transfer is currently in progress for the policies to be transferred to CLAH, with the target date being December 2022.

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

- continued intervention to further improve the cash generative ability of each company, including the reorganisation of the company's balance sheet, 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 the SENS announcement released on 20 December 2021 Conduit has signed a binding term sheet with Mmuso Capital whereby the latter would acquire an interest in Conduit for R500.0 million ("Proposed Transaction"). Through the Proposed Transaction, the due diligence of which has been completed, and pending several approval processes, the net equity value of Conduit, and in turn the solvency capital of its subsidiaries, will increase, thereby enabling the Group and its subsidiaries to consolidate their existing businesses, grow premium volume and pursue new organic and inorganic growth opportunities.

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. Impairments

The Group has not recorded any material impairments during the period under review.

11. Contingent liabilities

11.1 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 2021 amounted to R2.53 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 R2.53 million as at the reporting date.

11.2 The Group is not aware of any current or pending legal cases, other than in the ordinary course of business, that would have a material adverse effect on its results.

12. Going concern

The Board assessed the going concern status of each legal entity in the Group, 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 Board believes that, despite the Capital and Reserves total on the Condensed Consolidated Statement of Financial Position reflecting a negative balance as at the reporting date, the Group has adequate cash and financial resources to continue in operation for the foreseeable future. The Group's interim financial statements have accordingly been prepared on a going concern basis.

13. Directors

There were no changes to the board of directors during the period under review, apart from the change in function for Ms Nonzukiso Siyotula, regarding her appointment as the Lead Independent Director with effect from 19 November 2021.

14. Dividends

In line with the Group's strategy, the Board has not recommended any dividend payment to ordinary shareholders (2020: Nil).

15. 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.

16. Directors' responsibility

The directors take full responsibility for the preparation of these condensed consolidated unaudited results.

Directors:

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

* Independent

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