nictus

Taking action with a strategic focus…

Condensed consolidated interim financial statements

for the six months ended 30 September 2016

VISION

Nictus is an independent diversified investment holding group that creates above average value for shareholders and other stakeholders through sustainable growth.

MISSION

With a culture of **EXCELLENCE** and through a visionary and dynamic leadership we will achieve our vision through:

- Protecting our independence
- Expanding our business base in Southern Africa
- Growing a satisfied customer base
- Optimising all resources
- Being innovative and technology driven
- Being the preferred employer

CORE VALUES

- Individual and collective ownership
- Teamwork
- Respect
- Adaptability
- Integrity
- Transparency
- Fanatical discipline

Hudson incliner high-lift electrical chair

"We are what we repeatedly do. Excellence then, is not an act but a habit."

Aristotle (384 BC – 322 BC)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2016

	Unaudited		Audited
Figures in R'000	**30 Sept 2016**	30 Sept 2015	31 March 2016
Assets			
Non-current assets			
Property, plant and equipment	**17 458**	17 275	17 230
Intangible assets	**228**	480	355
Investments	**25 210**	39 658	39 841
Deferred tax assets	**2 616**	2 457	1 145
Loans and receivables	**3 382**	4 847	4 768
	48 894	64 717	63 339
Current assets			
Current assets	**500 923**	466 366	453 217
Total assets	**549 817**	531 083	516 556
Equity and liabilities			
Equity			
Stated capital	**48 668**	48 668	48 668
Revaluation reserve	**7 983**	8 170	7 983
Retained earnings	**37 949**	34 462	37 749
	94 600	91 300	94 400
Liabilities			
Non-current liabilities			
Deferred tax liabilities	**2 475**	2 584	2 602
	2 475	2 584	2 602
Current liabilities			
Trade and other payables	**9 277**	9 819	7 610
Insurance contract liability	**443 465**	427 380	411 944
	452 742	437 199	419 554
Total liabilities	**455 217**	439 783	422 156
Total equity and liabilities	**549 817**	531 083	516 556

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2016

	Unaudited		Audited
Figures in R'000	**Six months ended 30 Sept 2016**	Six months ended 30 Sept 2015	Year ended 31 March 2016
Revenue	**21 364**	26 955	51 062
Cost of sales	**(9 067)**	(10 567)	(20 621)
Gross profit	**12 297**	16 388	30 441
Other income	**1 012**	2 617	4 062
Investment income from operations	**17 637**	13 152	30 699
Operating and administrative expenses	**(30 460)**	(29 356)	(59 772)
Results from operating activities	**486**	2 801	5 430
Investment income	**2 613**	2 241	3 869
Profit before taxation	**3 099**	5 042	9 299
Taxation expense	**(911)**	(169)	(1 312)
Profit for the period	**2 188**	4 873	7 987
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Taxation related to components of other comprehensive income	**–**	–	(187)
Total comprehensive income for the period	**2 188**	4 873	7 800
Profit attributable to:			
Owners of the parent	**2 188**	4 873	7 987
	2 188	4 873	7 987
Total comprehensive income attributable to:			
Owners of the parent	**2 188**	4 873	7 800
	2 188	4 873	7 800
Basic earnings per share (cents)	**3,30**	7,35	12,05
Diluted basic earnings per share (cents)	**3,30**	7,35	12,05
Weighted average number of shares in issue (000s)	**66 270**	66 270	66 270

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2016

	Unaudited		Audited
Figures in R'000	**Six months ended 30 Sept 2016**	Six months ended 30 Sept 2015	Year ended 31 March 2016
Cash flows from operating activities			
Cash utilised by operations	**(27 920)**	(34 171)	(75 909)
Investment income received from operations	**16 975**	12 340	29 264
Dividends received	**662**	812	1 435
Dividends paid	**(1 988)**	(1 988)	(1 988)
Net cash utilised by operating activities	**(12 271)**	(23 007)	(47 198)
Net cash (utilised by)/generated from investing activities	**(28 223)**	20 827	107 194
Total cash movement for the period	**(40 494)**	(2 180)	59 996
Cash and cash equivalents at the beginning of the period	**118 112**	58 116	58 116
Total cash and cash equivalents at end of the period	**77 618**	55 936	118 112

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2016

Figures in R'000	Share capital	Revaluation reserve	Retained earnings	Total equity
Balance at 31 March 2015	48 668	8 170	31 577	88 415
Total comprehensive income for the period				
Profit for the period	–	–	4 873	4 873
Total comprehensive income for the period	–	–	4 873	4 873
Transactions with the owners of the Company				
Distributions to the owners of the Company				
Dividend	–	–	(1 988)	(1 988)
Total transactions with the owners of the Company	–	–	(1 988)	(1 988)
Balance at 30 September 2015	48 668	8 170	34 462	91 300
Total comprehensive income for the period				
Profit for the period	**–**	**–**	**3 114**	**3 114**
Other comprehensive income				
Deferred tax on property revaluations – capital gains tax rate change	**–**	**(187)**	**–**	**(187)**
Total comprehensive income for the period	**–**	**(187)**	**3 114**	**2 927**
Transactions with the owners of the Company				
Distributions to the owners of the Company				
Prescribed dividends	**–**	**–**	**173**	**173**
Total transactions with the owners of the Company	**–**	**–**	**173**	**173**
Balance at 31 March 2016	**48 668**	**7 983**	**37 749**	**94 400**
Total comprehensive income for the period				
Profit for the period	**–**	**–**	**2 188**	**2 188**
Total comprehensive income for the period	**–**	**–**	**2 188**	**2 188**
Transactions with the owners of the Company				
Distributions to the owners of the Company				
Dividend (note 6)	**–**	**–**	**(1 988)**	**(1 988)**
Total transactions with the owners of the Company	**–**	**–**	**(1 988)**	**(1 988)**
Balance at 30 September 2016	**48 668**	**7 983**	**37 949**	**94 600**

CONDENSED SEGMENTAL REPORT

for the six months ended 30 September 2016

	Unaudited		Audited
Figures in R'000	**Six months ended 30 Sept 2016**	Six months ended 30 Sept 2015	Year ended 31 March 2016
Segment assets			
Furniture retail	**64 346**	64 452	63 679
Insurance and finance	**522 998**	510 061	486 431
	587 344	574 513	550 110
Head office and eliminations	**(37 527)**	(43 430)	(33 554)
	549 817	531 083	516 556
Segment revenue			
Furniture retail	**16 101**	18 849	36 564
Insurance and finance	**6 167**	8 829	15 918
	22 268	27 678	52 482
Head office and eliminations	**(904)**	(723)	(1 420)
	21 364	26 955	51 062
Segment profit for the period			
Furniture retail	**(1 204)**	446	820
Insurance and finance	**2 783**	2 656	3 627
	1 579	3 102	4 447
Head office and eliminations	**609**	1 771	3 540
	2 188	4 873	7 987

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS

for the six months ended 30 September 2016

Figures in R'000	Profit on ordinary activities	Taxation	Non-controlling interest	Net profit
Unaudited – Six months ended 30 September 2016				
Profit before taxation	**3 099**	**(911)**	**–**	**2 188**
Adjustments for:				
Profit on disposal of property, plant and equipment	**(10)**	**3**	**–**	**(7)**
Headline earnings	**3 089**	**(908)**	**–**	**2 181**
Headline earnings per share from operations (cents)	**3,29**			
Diluted headline earnings per share from operations (cents)	**3,29**			
Unaudited – Six months ended 30 September 2015				
Profit before taxation	5 042	(169)	–	4 873
Adjustments for:				
Profit on disposal of property, plant and equipment	(35)	10	–	(25)
Headline earnings	5 007	(159)	–	4 848
Headline earnings per share from operations (cents)	7,32			
Diluted headline earnings per share from operations (cents)	7,32			
Audited – Year ended 31 March 2016				
Profit before taxation	9 299	(1 312)	–	7 987
Adjustments for:				
Profit on disposal of property, plant and equipment	(18)	5	–	(13)
Headline earnings	9 281	(1 307)	–	7 974
Headline earnings per share from operations (cents)	12,03			
Diluted headline earnings per share from operations (cents)	12,03			

NOTES TO THE FINANCIAL INFORMATION

for the six months ended 30 September 2016

1. Basis of preparation

The condensed consolidated interim financial statements (interim financial statements) are prepared in accordance with International Financial Reporting Standards, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

The interim financial statements are presented in thousands of South African Rand (R'000s) on the historical cost basis, except held for trading investments which are measured at fair value and land and buildings held for administrative purposes which are measured at revalued amounts.

The interim financial statements for the period ended 30 September 2016, together with the statements regarding the prospects of the group, have not been audited by the group's auditors.

The interim financial statements as reported herein have been prepared by the group financial director of Nictus Limited, Eckhart H Prozesky CA(SA).

2. Directors' responsibility

The directors take full responsibility for the preparation of the interim financial statements.

3. Related parties

During the period, certain companies within the group entered into transactions with each other. These intra-group transactions have been eliminated on consolidation. Related party information is unchanged from that reported at 31 March 2016. Refer to the 2016 audited financial statements for further information, accessible on the Nictus website.

4. Events after reporting date

There were no events after the reporting date and up to the date of approval of these interim financial statements that affected the presentation of the interim financial statements for the period ended 30 September 2016.

5. Changes to the board

Nicolaas C Tromp and Barend J Willemse were re-elected as directors of Nictus Limited at the annual general meeting on 18 August 2016.

6. Dividend

The board declared a final dividend of 3 cents per ordinary share for the year ended 31 March 2016 on 30 June 2016, to all ordinary shareholders recorded in the books of Nictus Limited at the close of business on Friday, 22 July 2016. The dividend was paid on Monday, 25 July 2016.

No interim dividend has been declared.

NOTES TO THE FINANCIAL INFORMATION continued

for the six months ended 30 September 2016

7. Determination and disclosure of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Property, plant and equipment

The fair value of land and buildings is estimated by using a combination of the income capitalisation method and the depreciated replacement value method. This method requires the net annual income generated by the property, based on market trends, to be capitalised at an appropriate rate of return to reflect risk, specific investment demands and the overall condition of the structures.

Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted closing market price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price; and
- The fair values of debt securities are based on the quoted closing market price as reflected on the recognised exchange.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The carrying amount of short-term trade and other receivables at amortised cost is believed to approximate their fair values.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Interest-bearing loans and borrowings and loans to group companies

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The interest rate used for determining the fair value is the prime interest rate.

Trade and other payables

All trade and other payables are of a short-term nature and the carrying value of trade and other payables at amortised cost is believed to approximate their fair value.

Cash and cash equivalents

The cash and cash equivalents for the group is of a short-term nature and the fair value of bank overdrafts approximates the carrying amount.

NOTES TO THE FINANCIAL INFORMATION continued

for the six months ended 30 September 2016

7. Determination and disclosure of fair values continued

7.1 Fair value of land and buildings

Land and buildings, which consist of business premises situated on erf 2134, Ferndale, Johannesburg, are independently valued on an ad-hoc basis. The last independent valuation was performed on 31 March 2014. The company's directors value the group's property portfolio on an annual basis. An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the locations and category of property being valued, also provides supporting information used in the annual directors' valuation process. The fair values are based on valuations and other market information that take into consideration the estimated rental value and depreciated replacement value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. The directors have assessed the residual value of the properties at 31 March 2016 and calculated that the residual value approximates the current carrying value. No depreciation has therefore been recognised in the current period in respect of the properties.

Figures in R'000	Level 1	Level 2	Level 3	Total
Land and buildings	–	–	16 100	16 100

The valuation techniques to fair value assets and liabilities in Level 3.

Assets	Method	Major assumptions
Land and buildings	Income capitalisation method	Capitalisation rate Rental per square metre per Rode report

Figures in R'000	Land and buildings
Reconciliation of land and buildings at fair value in Level 3	
Balance at 1 April 2016	**16 100**
Total gains or losses in other comprehensive income	**–**
Fair value measurements	**–**
Balance at 30 September 2016	**16 100**

Sensitivity analysis

Land and buildings

Presented below is an analysis of the impact on the fair value of the land and buildings for changes in the key valuation assumptions.

Figures in R'000	Capitalisation rate		
Income method	13,25%	14,25%	15,25%
Rental (5% decrease)	16 550	15 400	14 400
Rental (rate per Rode report)	17 400	16 100	15 100
Rental (5% increase)	18 300	17 000	15 900

NOTES TO THE FINANCIAL INFORMATION continued

for the six months ended 30 September 2016

7. Determination and disclosure of fair values continued

7.1 Fair value of land and buildings continued

Sensitivity analysis continued

Figures in R'000	Depreciation rate		
Depreciated replacement cost method	64%	65%	66%
Building costs (5% decrease)	17 050	16 750	16 450
Building costs (rate per AECOM's African Property and Construction Handbook of 2013)	17 600	16 100	17 000
Building costs (5% increase)	18 150	17 800	17 500

7.2 Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. There were no transfers between the levels for the reporting period.

Level 1: Represents those assets which are measured using quoted market prices in an active market for an identical instrument.

Level 2: Represents those assets which are measured using valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Represents those assets which are measured using valuation techniques using significant unobservable inputs.

	Unaudited		Audited
Figures in R'000	**Six months ended 30 Sept 2016**	Six months ended 30 Sept 2015	Year ended 31 March 2016
Level 1			
Listed shares	**16 389**	25 044	23 708
Corporate bonds	**1 974**	1 966	1 936
Unit trusts	**6 847**	12 648	14 197
	25 210	39 658	39 841

NOTES TO THE FINANCIAL INFORMATION continued

for the six months ended 30 September 2016

7. Determination and disclosure of fair values continued

7.3 Financial assets by category

The accounting policies for financial assets have been applied to the line items below:

Figures in R'000	Loans and receivables at amortised cost	Fair value through profit or loss – held for trading	Held to maturity at amortised cost	Total
30 September 2016				
Loans and receivables	**41 295**	**–**	**–**	**41 295**
Investments	**–**	**25 210**	**–**	**25 210**
Trade receivables	**289 699**	**–**	**–**	**289 699**
Short-term deposits	**77 844**	**–**	**–**	**77 844**
Cash and cash equivalents	**77 618**	**–**	**–**	**77 618**
	486 456	**25 210**	**–**	**511 666**
30 September 2015				
Loans and receivables	46 531	–	–	46 531
Investments	–	37 692	1 966	39 658
Trade receivables	257 656	–	–	257 656
Short-term deposits	111 090	–	–	111 090
Cash and cash equivalents	55 936	–	–	55 936
	471 213	37 692	1 966	510 871
31 March 2016				
Loans and receivables	51 236	–	–	51 236
Investments	–	39 841	–	39 841
Trade receivables	253 248	–	–	253 248
Short-term deposits	22 988	–	–	22 988
Cash and cash equivalents	118 112	–	–	118 112
	445 584	39 841	–	485 425

The carrying amounts of the financial assets approximate their fair values.

NOTES TO THE FINANCIAL INFORMATION continued

for the six months ended 30 September 2016

7. Determination and disclosure of fair values continued

7.4 Financial liabilities by category

The accounting policies for financial liabilities have been applied to the line items below:

Figures in R'000	Financial liabilities at amortised cost	Total
30 September 2016		
Trade and other payables	**6 429**	**6 429**
30 September 2015		
Trade and other payables	9 701	9 701
31 March 2016		
Trade and other payables	6 905	6 905

The carrying amounts of the financial liabilities approximate their fair values.

8. Results overview

8.1 Furniture segment

The retail environment is currently subject to weaker consumer demand and high interest rates. Due to lower sales levels achieved and reduced profit margins the profitability of the furniture segment was under pressure during the six-month period ended 30 September 2016.

8.2 Insurance and finance segment

The segment continued to deliver positive results during the six-month period ended 30 September 2016. Corporate Guarantee reduced its exposure to equity markets to restrict potential losses caused by currency and share price fluctuations attributed to the political, global and local economic instability. The active management of the investments contributed to an increase in investment income generated by operations.

8.3 Holding Company level

The company continued to invest in expanding its talent pool and succession planning to support its current and future business operations. This resulted in reduced profitability, however we believe it to be prudent and necessary to achieve its strategies.

9. Prospects

The Group has historically generated higher earnings in the second part of the financial year. The board is confident that despite the economic, political and environmental challenges within the South African economy, the various segments are well placed to build on the results achieved in the first six months.

On behalf of the board

Gerard R de V Tromp
Group managing director

Eckhart H Prozesky
Group financial director

Randburg
9 December 2016

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CONTACT INFORMATION

Nictus Limited

(Nictus or the company)
(Incorporated in the Republic of South Africa)
Registration number RSA: 81/011858/06
Registration number NAM: 781/11858
JSE share code: NCS
ISIN number: NA0009123481

www.nictuslimited.co.za

Company secretary

Veritas Board of Executors Proprietary Limited

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Auditors and reporting accountant

KPMG Inc.

Registration number 1999/021543/21
KPMG Crescent
85 Empire Road, Parktown 2193
Private Bag 9, Parktown 2122

Sponsor

KPMG Services Proprietary Limited

Registration No: 1999/012876/07
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Registered office of the Company

Head office

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Windhoek office

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140 Mandume Ndemufayo Avenue
Windhoek
Private Bag 13231, Windhoek

Directors

Barend J Willemse
(Independent non-executive chairman)
Gerard Swart
(Independent non-executive)
John D Mandy
(Independent non-executive)
Philippus J de W Tromp
(Non-executive)
Nicolaas C Tromp
(Non-executive)
Gerard R de V Tromp
(Group managing director)
Eckhart H Prozesky
(Group financial director)



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