nictus

Integrated annual report

for the year ended 31 March 2018

ABOUT this report

The 2018 report builds on the disclosure contained in last year's annual report and has been prepared in line with best practice based on the principles of King IV and the provisions of the Companies Act of South Africa have been applied. Audited financial statements are published as part of the integrated annual report. The audited financial statements are also available to shareholders on the Nictus group website W www.nictuslimited.co.za and by request from the company secretary at E groupsec@nictus.com.na.

Approval of the integrated annual report

The audit and risk committee oversees the preparation of the integrated annual report. The committee recommended the report for approval to the group's board of directors.

Scope and boundaries of the report

This report covers the activities and performance of the Nictus group (the group) which includes Nictus Limited, the holding company of the group, and all its subsidiaries, for the year ended 31 March 2018. The companies operate in South Africa.

There has been no change from last year in the scope and boundary of the report. The reporting complies with International Financial Reporting Standards (IFRS), the Companies Act of South Africa and the JSE Listings Requirements. Whilst management has also considered the reporting guidelines of the Integrated Reporting Committee of SA, not all these guidelines were incorporated in this report.

Forward-looking statements

The integrated annual report includes forward-looking statements relating to the financial position and results of the group's operations. These statements by their nature involve uncertainty as they relate to events and depend on circumstances that may or may not occur in the future.

Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic conditions, the cyclical nature of the retail sector, changes in interest rates, credit and the associated risk of lending, collections, inventory levels, gross and operating margins, capital management, the execution of the business model and competitive and regulatory factors. The group undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the group's auditors.

Independent assurance

Assurance of the financial statements has been provided by the external auditor, KPMG Inc.

Feedback

The group aims to establish and maintain constructive and informed relationships with all of its stakeholders.

Stakeholders are encouraged to provide feedback on the integrated annual report at E groupsec@nictus.com.na which will enable the group to gauge the adequacy and standard of its integrated reporting.

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GROUP REVENUE increased by 6,1% to R47,4 million (2017: R44,7 million)

GROUP TOTAL ASSETS increased by 7,7% to R640,3 million (2017: R594,8 million)

INVESTMENT INCOME FROM OPERATIONS increased by 12,2% to R42,5 million (2017: R37,9 million)

PROFIT FOR THE YEAR decreased by 21,5% to R5,4 million (2017: R6,9 million)

DIVIDEND of 3,0 CENTS per share DECLARED (2017: 3,0 cents per share)

ABOUT Nictus

Vision

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

Philosophy

Nictus has been successful in change initiatives. The challenge remains to reach a top level of EXCELLENCE throughout the organisation. The philosophy and core focus will be to drive EXCELLENCE in every aspect of the organisation and through this establish Nictus as a leading entity wherever we are present.

Core values

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

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

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

Aristotle (384 BC – 322 BC)

NICTUS GROUP IS A RETAILER OF HOUSEHOLD FURNITURE, ELECTRICAL APPLIANCES AND HOME ELECTRONICS SOLD THROUGH THE NICTUS FURNISHERS BRAND AS WELL AS A SHORT-TERM INSURER THROUGH THE CORPORATE GUARANTEE BRAND.

nictus

100% Insurance and finance SEGMENT

Corporate Guarantee (South Africa) Limited
www.corporateguarantee.co.za

The financial services division of the Nictus group is run through Corporate Guarantee, which brings a unique approach to short-term insurance through the alternative risk transfer model. The head office is currently situated in Randburg and utilises group administration staff.

The level of recurring sales in the insurance and finance segment is evidence of service satisfaction, trust and customer loyalty. We strive to create customised solutions that suit each of our client's needs, enabling our clients to become independent in managing their own risks, while building a sustainable foundation in creating wealth.

100% Furniture retail SEGMENT

Nictus Meubels Proprietary Limited
Kruben Holdings Proprietary Limited
www.nictusfurnishers.co.za

The group has three furniture retail stores in South Africa. Nictus places the customer first by continually striving towards EXCELLENCE. Helpful personnel provide service with dedication and motivation, while maintaining integrity, focus and sound values. Products are of the HIGHEST QUALITY and provide excellent value for money. Stores are situated in Louis Trichardt, Polokwane and Randburg.

The furniture retail segment is primarily focused on the expanding middle to higher income market in the living standards measurement (LSM) 7 category and above. The group has a recurring customer base in the areas that we operate in. Customers are predominantly from black communities.

Total number of employees

53

Please refer to the website for more information at www.nictuslimited.co.za

About Nictus continued

Wealth created

GROUP REVENUE
R47,4 million
(2017: R44,7 million)

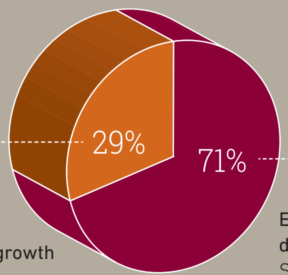
INVESTMENT INCOME
R47,1 million
(2017: R42,8 million)

COST OF GOODS AND SERVICES
R73,9 million
(2017: R65,5 million)

TOTAL: **R20,6 million** (2017: R21,8 million)

Wealth created applied as follows

2018



Reinvested to support future growth

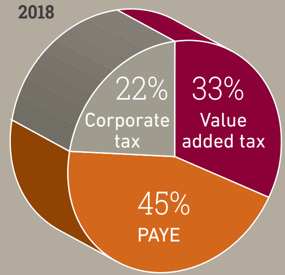
Employees and directors
Salaries, wages and other benefits

3%
Depreciation and amortisation

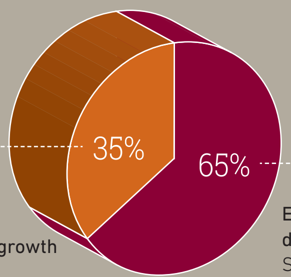
26%
Profit attributable to equity holders of the parent

Direct and indirect taxes

2018



2017



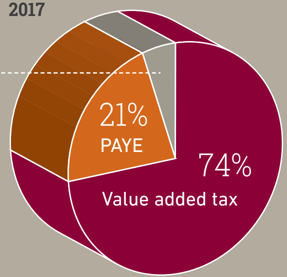
Reinvested to support future growth

Employees and directors
Salaries, wages and other benefits

3%
Depreciation and amortisation

32%
Profit attributable to equity holders of the parent

2017



5% Corporate tax

Milestones

1945 Nictus was founded

1955 The selling of new furniture under the Nictus brand name first commenced in Namibia

1969 Primary listed on the JSE on 1 July 1969, under general retailers, JSE code: NCS

1983 The first South African furniture outlet was established in Randburg

2002 Corporate Guarantee (South Africa) Limited was founded. The company has built up a client base throughout South Africa

2012 Since the 2012 unbundling of the Namibian operation, the South African group is making steady progress towards sustainable profit and growth with effective management being established in South Africa

Code of conduct

I will:

Treat others as I want to be treated by them, the golden rule.

Always **strive** to do what is **best for my group**, my country and my planet.

Abide by the values, policies and procedures of the group, the laws of my country and the universal human principles of all that is good and just.

Be honest, reliable, fair, and open in everything I say, write and do and accept responsibility for the consequences.

Protect the group's assets, information and reputation.

Value and respect the diversity of beliefs, cultures, convictions and habits of the people of our group and the country in which we operate.

Disclose to the group any real or perceived situations where my private interests or the interests of the members of my immediate or extended family or other persons close to me may interfere with the interests of the group.

Not give or receive gifts or benefits in contravention of the policies of the group and no gift, irrespective of the value, should influence me to change my business decision to the detriment of the Nictus group.

Seek new, better and more innovative ways to do my work and perform to the utmost of my abilities.

Not remain silent in the face of dishonesty, malice, disrespect, intolerance or injustice.

FOUR YEAR review of the group

Figures in R'000	2018	2017	2016	2015
Statements of financial position				
Assets				
Non-current assets	37 916	44 884	63 339	65 140
Current assets	602 390	549 903	453 217	435 940
Total assets	640 306	594 787	516 556	501 080
Equity and liabilities				
Total shareholders' equity	102 727	99 303	94 400	88 415
Non-current liabilities	2 400	2 398	2 602	2 384
Current liabilities	535 179	493 086	419 554	410 281
Total equity and liabilities	640 306	594 787	516 556	501 080
Statements of profit or loss and other comprehensive income				
Revenue	47 361	44 651	51 062	55 932
Operating profit*	4 870	7 069	9 299	6 736
Financing costs	–	–	–	–
Profit before taxation	4 870	7 069	9 299	6 736
Taxation credit/(expense)	542	(178)	(1 312)	88
Profit after taxation	5 412	6 891	7 987	6 824
Attributable to:				
Equity holders of the parent	5 412	6 891	7 987	6 824
	5 412	6 891	7 987	6 824
Ordinary dividends paid	1 988	1 988	1 988	–
Number of ordinary shares issued (number of shares)	66 269 940	66 269 940	66 269 940	66 269 940
Weighted average number of shares	66 269 940	66 269 940	66 269 940	66 269 940

**Amounts stated before taking into account finance costs.*

	2018	2017	2016	2015
Key ratios				
Performance per ordinary share				
Basic earnings (cents)	8,17	10,40	12,05	10,30
Headline earnings (cents)	8,17	10,45	12,03	10,30
Dividends paid (cents)	3,00	3,00	3,00	–
Net worth (cents)	155,01	149,85	142,45	133,42
Profitability and asset management				
Net operating income* to turnover (%)	10,28	15,83	18,21	12,04
Return on assets managed (%)	4,71	7,12	9,90	7,70
Net asset turn (times)	0,46	0,45	0,54	0,64
Return on shareholders' equity (%)	5,27	6,94	8,46	7,72
Liquidity				
Interest cover (times)	–	–	–	–
Dividend cover (times)	2,72	3,47	4,01	–
Liability ratio	5,24	4,92	4,38	4,64
Current ratio	1,13	1,12	1,08	1,06
JSE performance				
Market price (cents) High	75	70	99	130
Market price (cents) Low	31	45	34	70
Market price at year end (cents)	45	52	60	79
Price earnings ratio	5,51	4,98	4,99	7,67
Earnings yield (%)	18,16	20,08	20,05	13,04
Volume of shares traded to weighted number of issued shares (%)	1,07	1,84	4,83	1,33
Market capitalisation (R'000)	29 821	34 460	39 762	52 353

**Amounts stated before taking into account finance costs.*

Refer to page 146 for definitions, ratios and terms.

HIGH LEVEL risks of the group

Group · Insurance segment · Furniture segment

Risk	Impact	Mitigation	Segment
Economic and political outlook			
Uncertain economic and political conditions may impact consumer confidence	Weak economic conditions resulting in decreased profitability or losses suffered by customers and clients, which could negatively affect our ability to achieve our profit targets.	Changes in the current economic and political environments are consistently monitored at group level. In instances where changes in the economic environment are identified that could negatively impact the group, these are discussed, assessed and, if required, counter measures are implemented immediately to mitigate potential losses.	
Brand and reputation			
Reputational risk	Should customers and stakeholders no longer trust the brands within the group, sales could deteriorate and shareholder value be lost.	Managing executives and the board ensure good corporate governance, sound business practices and compliance with laws and regulations. Client and stakeholder relationships further play a vital role in mitigating the risk.	
Market risk			
Exposure of investments to market risk	Fluctuations and movements could negatively impact profitability.	Senior management together with the group investment committee evaluate and manage the market risk as well as the mitigating factors with regard to these risks. Sound relationships exist with investment institutions and regular updates on market risk are received and evaluated. The size of the investment portfolio exposed to market risk is actively discussed and adjusted according to the risk appetite of the company, current and anticipated market conditions ahead. A dedicated investment officer assists with the monitoring capacity of the investment portfolio.	
Concentration risk			
The risk of loss arising from concentrated exposure to a particular group of customers (e.g. geographic location)	The occurrence of an isolated or specific event could result in a disproportionate negative impact on profitability.	Customer relationships are managed on an ongoing basis to enable the company to proactively manage identified risk areas and to avoid avertible losses. Appropriate thresholds, actuarial modelling and risk appetite are defined and monitored at board level to address concentration risk.	
Operational risk			
Weakness in or failure of our internal control systems	Any weakness in or failure of internal control systems will negatively affect our ability to effectively manage our business, control inventory and contain costs. This will result in losses for the group.	A strong focus is placed on the maintenance of internal control systems throughout the group. A strict credit granting policy is in place for all customers before credit sales are approved. Highly skilled employees with a high level of integrity are employed in key positions. Internal audit further provides feedback on internal controls of subsidiaries.	
Inadequate control of group assets	Inadequate control of group assets could result in financial losses to the business.	The group's investment committee oversees investments within the group structure. The focus of this committee is to optimise returns within the parameters of the various laws and regulations applying to the group and its subsidiaries.	
Supplier relationships	Deterioration of supplier relationships could result in a decrease in profits due to non-availability of inventory and assistance to enhance customer service.	Open communication channels exist with all suppliers to ensure that good relationships are maintained at all times. Agreed trade terms are in place and these terms are respected at all times.	

High level risks of the group continued

Risk	Impact	Mitigation	Segment
Operational risk continued			
Client relationships	Deterioration of client relationships could result in failure to meet sales and premium targets.	Clients are treated with respect at all times. Furniture clients are able to contact the various branch managers at any time to discuss problems that may arise. Credit agreements with clients further ensure compliance with our terms and conditions of sales. Such terms and conditions are explained to the client in detail prior to the conclusion of the sale. Relationships with insurance clients, once established, are managed on an ongoing basis.	
Compliance with various laws and regulations	Non-compliance with the various laws and regulations could result in penalties incurred as well as reputational damage.	Qualified people are employed within the group to monitor changes in laws and regulations as well as compliance therewith. Changes in possible impacts of ever-changing laws and regulations are discussed at group and subsidiary level. Compliance to the various laws and regulations is non-negotiable.	
Information technology failure and data security	Business interruption, data losses and breach of client confidentiality could result in reputational damage, financial losses and non-compliance with laws and regulations.	Senior management has always adopted a proactive approach to managing the IT environment by: outsourcing key functions to reputable third parties and maintaining sound business relationships with key software licensors.	

Group   Insurance segment   Furniture segment

Risk	Impact	Mitigation	Segment
Credit risk			
Credit risk on counterparties	Default from a counterparty being an investment house, bank or reinsurer could result in financial losses to the group.	Senior management together with the investment committee evaluate the credit risk on all counterparties and monitor exposure to institutions and industries.	
Bad debts	Losses incurred through non-performance of debtors due to economic conditions.	Strict controls are in place for the credit granting process and the follow-up and collection of debt is a continuous process with additional focus by branch personnel and management. Authorisation levels are in place as well as repossession procedures.	

LEADERSHIP 02

SUCCESSION PLANNING REMAINS AT THE PINNACLE OF THE BOARD'S PRIORITY LIST. TALENT POOLS ARE DEVELOPED ON AN ONGOING BASIS TO STIMULATE OUR PHILOSOPHY OF PROMOTION FROM WITHIN.

Board of directors,
EXECUTIVE MANAGEMENT AND COMPANY SECRETARY

1
Prof Johan Willemse
Independent non-executive chairman

2
Gerard Tromp
Executive group managing director and executive management

3
Eckhart Prozesky
Executive group financial director and executive management

4
Nico Tromp
Non-executive director

5
Philippus Tromp
Non-executive director

6
Gerard Swart
Independent non-executive director

7
John Mandy
Independent non-executive director

8
Willem Boshoff
Company secretary

9
Ion Gerber
Executive management: Insurance segment (prescribed officer)

Board of directors, executive management and company secretary continued

1

Prof Johan Willemse (63)

Independent non-executive chairman

Committees: Remuneration and nomination, audit and risk, investment *(chairman)*

Barend J Willemse (Johan) obtained his MCom (Economics) from the University of the Free State and his PhD (Agricultural Economics) from the University of Pretoria, for which he received the Protein Research Trust award for the best PhD. A Cochrane bursary to study at the Illinois University (USA) was awarded in 2003.

He received various awards for his work, which included two awards as the agricultural writer of the year, Absa/Sake economist of the year, the Animal Feed Manufacturers Association person of the year, agriculturalist of the year by the central region of Agricultural Writers Association and nominated as Bloemfonteiner of the year, 2009.

His experience includes: member of the National Agricultural Marketing Council, trustee of the Oilseeds and Protein Research Trust, chief economist of Agri SA and member of the SA Maize Board's management team, entrepreneur with his wife Marlene and two daughters in various businesses, including agri-business consulting, feed manufacturing and tourism. He was a full Professor at the Department of Agricultural Economics and chair for five years at the UFS. He served on Absa Group and Absa Bank boards for more than five years as an independent non-executive director and for three years as board member of Absa Financial Services Proprietary Limited (serving on various committees). He is currently involved with UFS Business School and teaching a course on scenario planning.

2

Gerard Tromp (37)

Executive group managing director and executive management

Committees: Social and ethics, investment

Gerard R de V Tromp has a BCom marketing degree and is a chartered accountant (South Africa and Namibia) and completed his articles in 2008. After completion of his articles he joined the group in 2009 as the group company secretary, which role he fulfilled until 2012. During 2012, he was appointed as the managing director of the furniture segment. During 2014, he was appointed as deputy managing director of the group. On 18 April 2016, he was appointed as managing director of the group.

3

Eckhart Prozesky (32)

Executive group financial director and executive management

Committees: Investment

Eckhart H Prozesky is a chartered accountant (South Africa) and completed his articles in 2011. After completion of his articles he joined the group in 2012 as the financial manager of the furniture segment. During 2015, he was appointed as the financial director of the group.

4

Nico Tromp (69)

Non-executive director

Nicolaas C Tromp (Nico) has a BCom degree. After completing his accounting articles in 1973, he joined the Nictus group and became the managing director of the group in 1979. He served as chairman of the Nictus group from 1998 until 2003. He is also a director/chairman of various other companies and has acted as a trustee of numerous trusts for the past 30 years. He stepped down as managing director of the group on 18 April 2016.

5

Philippus Tromp (42)

Non-executive director

Committees: Social and ethics *(chairman)*

Philippus J de W Tromp has a BEcon, EDP: USB; SMP: USB and was appointed as a non-executive director of Nictus Limited in 2012. He is currently the group managing director of Nictus Holdings Limited and has served the Nictus group for the past 15 years.

6

Gerard Swart (63)

Independent non-executive director

Committees: Remuneration *(chairman)*, audit and risk, social and ethics

Gerard Swart is a qualified chartered accountant (South Africa and Namibia) and boasts 34 years' experience in the accounting profession, of which 24 years as audit partner, during which he fulfilled the role of managing partner for 15 years.

7

John Mandy (72)

Independent non-executive director

Committees: Remuneration, audit and risk *(chairman)*

John D Mandy is a qualified chartered accountant (Namibia) and a fellow of the Chartered Secretaries of Southern Africa. He has a number of years of experience in senior executive roles at Pupkewitz Group Holdings, Namibian Harvest Investments Limited, Stocks and Stocks Properties and Arthur Andersen & Co. In addition, he occupied the position of chief executive officer of the Namibian Stock Exchange for a period of 10 years until the end of 2012. He was elected as an independent non-executive director and member and chairman of the audit and risk committee of Nictus Limited for the past five years.

8

Willem Boshoff (32)

Company secretary

Willem H Boshoff is a qualified chartered accountant (Namibia) and completed his articles in 2012. He fulfils the role of nominee group secretary of Veritas Board of Executors Proprietary Limited.

9

Ion Gerber (31)

Executive management: Insurance segment (prescribed officer)

Stephanus J Gerber (Ion) is a qualified chartered accountant (South Africa) and a member of executive management. He completed his articles in 2013, whereafter he joined the Nictus group and was appointed manager of the insurance segment in 2016.

Chairman's REPORT

THE PAST YEAR WAS A DIFFICULT YEAR FOR BUSINESS AND CORPORATE GOVERNANCE IN THE SOUTH AFRICAN ECONOMY, CORPORATE SCANDALS AND CORRUPTION IN STATE-OWNED ENTERPRISES REACHED A LEVEL NEVER SEEN BEFORE, WHILE TRADING CONDITIONS IN THE ECONOMY REMAINED DIFFICULT, DESPITE A SMALL POSITIVE ECONOMIC GROWTH RATE. CONSUMER SPENDING AND OUR CUSTOMER BASE IN FURNITURE AND INSURANCE HAD A DIFFICULT YEAR.

Prof Johan Willemse | *Chairman*

FORTUNATELY, INDICATIONS ARE THAT THE TIDE IS SLOWLY TURNING POSITIVE UNDER NEW POLITICAL LEADERSHIP, ALTHOUGH INSTABILITY REMAINS A FEATURE OF THE BUSINESS WORLD IN WHICH WE ARE OPERATING.

Despite higher taxes and an increase in value added tax, we remain optimistic that the economic outlook has improved for 2018/19 with lower interest rates and lower inflation and a strong increase in consumer confidence that will most probably translate into higher spending, stronger economic growth and a more favourable trading environment.

The corporate scandals during the past year and the lack of proper oversight and accountability have prompted all of us to be more vigilant and really focus with new concentration on the governance process and to ask the important and sometimes not so popular questions as the board, representing the stakeholders' interests. Given our corporate governance responsibility, we adhere to the King principles and are implementing King IV as we proceed, while also complying with the regulatory environment and sound accounting principles. The regulatory environment in the insurance industry remains onerous and adds costs, but we are diligent in fulfilling our reporting obligations and operating within the regulatory framework as we are not in the business to take shortcuts for a quick profit.

Your board continues to develop strategies with management and we believe that we will continue to build a strong and profitable business.

YOUR COMPANY REMAINED PROFITABLE DURING THE YEAR AND WE BELIEVE THAT WE ARE CONTINUING TO BUILD A STRONG FOUNDATION WITH STRONG LEADERSHIP AND EMPLOYEES AND APPROPRIATE INVESTMENTS IN NEW MANAGEMENT SYSTEMS TO FACILITATE FUTURE GROWTH AND TO REMAIN PROFITABLE AND GROW FUTURE PROFITABILITY WITH APPROPRIATE STRATEGY.

The fact that our share price remains substantially below net asset value continues to be a challenge and we will continue to build confidence in the business's future and sustainable profitability, which we believe will create value for shareholders and lower the discount to net asset value.

The furniture segment had a good profitable year, with low levels of bad debt, as credit selection is done according to strict criteria. We expect profitability to remain good, with sound management and a clear strategy.
In the Insurance industry premiums were below budget, due to the difficult economic circumstances of our clients, but prospects are improving as the economic outlook improves and we continue to develop more flexibility in our product offering to suit clients' specific needs. The regulation in the insurance industry remains burdensome, as regulation keeps changing and we wait for the new Solvency Assessment and Management (SAM) regulations to be made law. We are complying with regulations and our solvability remains healthy and within regulatory prescriptions while we continue to strive for profitability.

I wish to thank the managing director and staff for their dedication and hard work, while the board members continue to fulfill the governance role with enthusiasm and due diligence. We will continue to strive to improve profitability within the regulatory and governance frameworks for the benefit of all stakeholders.

GROUP managing director's REPORT

THE PAST YEAR CAN POSSIBLY BE MARKED AS ONE OF THE MOST CHALLENGING GIVEN THE TURMOIL IN ECONOMIC AND POLITICAL ENVIRONMENTS INCLUDING CORPORATE SCANDALS AND CORRUPTION AT A LEVEL THAT CANNOT BE IMAGINED. PROFIT MARGINS ARE COMING MORE AND MORE UNDER PRESSURE IN THE EFFORT TO SERVICE THE END CONSUMER AND CREATING VALUE IN THE EVER-COMPETING ECONOMIC ENVIRONMENT.

Gerard Tromp | *Executive group managing director*

Creative ideas, exceptional focus on innovation, as well as keeping up with the high pace of change remains critical in maintaining a competitive advantage and providing an above average customer experience.

It remains a privilege to report on the operations and financial results of the group achieved during the past year, which illustrates the commitment of our employees as well as the loyalty of our esteemed customers and clients.

Corporate governance

Nictus remains committed to the highest standards of corporate governance, promoting a sound internal control environment. King IV has been implemented during the year under review. We look forward to the implementation of Solvency Assessment and Management (SAM) in the insurance industry as this transitional period has been cumbersome and costly. We remain a proud South African citizen, committed to conforming to all rules and regulations we are exposed to across the group in the hope of building an enduring and better South Africa.

Segmental performance

Insurance and finance segment

The insurance segment performed satisfactorily during the year although a decline in insurance income has occurred. Volatility in the economic environment played a major role and our insurance product achieved its full potential in assisting our clients to conquer tough economic times. Rates of return also came under pressure, especially during the second part of the financial year, although we remain conservative in our investment approach to ensure the preservation of capital. The Steinhoff debacle had a big impact on the returns achieved as the drop in their share price resulted in a loss of R0,861 million incurred. Despite the loss incurred, the investment income from operations increased by 12,2%. We continue to employ highly skilled personnel to ensure the full benefit of the product is explained to our clients, where a very sharp focus is maintained on excellent customer service and convenience. Development in technology as well as innovative, custom-made solutions remains a top priority in this segment.

Furniture segment

The furniture segment performed remarkably well compared to the prior year. We managed to achieve a growth of 19% in revenue which resulted in returning the segment to profitability for the year under review. In the effort of fulfilling customer needs and expectations, together with strong support from our suppliers, we are building a sustainable basis from which synergies and growth can be achieved. Although this industry remains very challenging and competitive, we position ourselves with ongoing longer-term strategies and continuously strive, to deliver the best priced and value for money products to our customers.

Outlook

Nictus maintained profitability for the past three years and wishes to grow this profitability on a sustainable basis. We are excited about the future of Nictus and South Africa and believe that focusing on the strategies we formulate and believe in, will result in the desired outcomes and milestones set.

Our philosophy remains to keep working on and formulating longer-term strategies and action plans, and putting these into action over time. We will maintain and enhance the group's exceptional value offering for its customers and clients and we look forward to capturing these synergies for the benefit of all policyholders, stakeholders and shareholders.

Although the coming year will bring further challenges economically as well as politically, I believe we are well positioned to face these conditions and look forward to converting these challenges into opportunities.

Appreciation

I would like to bring all glory to our loving and almighty God for continuously blessing this group. He is amidst our decision making and thought processes and we are humbled by His grace.

Furthermore, I would like to thank every customer, client and stakeholder for their trust and support in our brands as well as in our people. We will continue to strive for excellence, maintaining integrity at all levels throughout our group.

Lastly, I would like to thank the chairman and the members of the board for their vision, support and guidance, my family for unqualified support, as well as management and staff for their continued commitment in living the strategy of becoming a sought after wealth creator.

Operational REVIEW

NICTUS PUTS THE CUSTOMER FIRST BY CONTINUALLY STRIVING TOWARDS EXCELLENT SERVICE WITH DEDICATED, HELPFUL, FOCUSED AND MOTIVATED STAFF THROUGH MAINTAINING INTEGRITY, DISCIPLINE AND A HIGH VALUE SYSTEM. QUALITY AND VALUE PRODUCTS ARE SOLD AT THE BEST YIELD POSSIBLE IN THE SOUTH AFRICAN FURNITURE RETAIL INDUSTRY, BY UTILISING ADVANCED TECHNOLOGIES.

Nictus Furnishers

Nictus Furnishers is a furniture retail company operating in South Africa. We set the boundaries for destination home furnishing within a selected footprint, delighting customers through quality, value, variety and service.

Nictus has established itself as a household name for more than seven decades and is widely acknowledged for its quality, value and service. The most important benefit for our customers is the fact that they can purchase quality products at affordable prices, thereby receiving excellent value for their money. Management sees credit granting solely as a marketing tool.

Product mix, variety and exclusivity play a significant role in the success of the business. Branch managers are involved in merchandising to maintain the optimal mix within the areas in which we operate.

Products

Nictus stocks a wide variety of well-known local and international brands in the furniture trade.

Future strategy

Product innovation, exclusivity and throughput through current branches will be increased for all branches to operate at optimum levels.

Visit our furniture website for more information on www.nictusfurnishers.co.za as well as our social media platform on Facebook (nictusfurnishers).

REVENUE
R43,5 million
(2017: R36,7 million)

ASSETS
R70,4 million
(2017: R62,8 million)

Corporate Guarantee

Corporate Guarantee (South Africa) Limited is an insurance company which specialises in converting risk into sustainable wealth. We offer innovative risk management products as an alternative to conventional insurance products. Because we understand that the financial needs and risk role of each of our clients are different, we focus on structuring unique solutions to the needs of each of our clients.

We have a philosophy of building strong and lasting relationships and that is why we view our customers and stakeholders as valuable partners in creating alternative insurance solutions.

Our product

Our product is based on the principle of Alternative Risk Transfer (ART). We enable our clients to build up their own contingency fund as a method of protection against unforeseen risks. This fund is not used to subsidise any other third-party risk, which can lead to significant reduction in insurance costs.

The aim of the product is to build up a contingency policy fund to such a level that the owner becomes less dependent on costly conventional insurance.

We therefore believe that we truly empower the policyholder to enjoy access to a fund that would otherwise have been lost. The reward for better risk management is the potential refund of all the premiums paid into the contingency policy.

Advantages of the product

- The contingency policy enables the policyholder to retain more risk for his own account and can be used in combination with conventional insurance as part of a total insurance programme.
- Risks that are normally excluded under conventional insurance can be covered under the policy.
- The insured is rewarded for good risk management and participates in a no claim bonus scheme.
- The product reduces the need for the purchase of conventional insurance to catastrophe type cover.
- It encourages better risk management which will directly result in a reduction of conventional insurance cost. It enhances cashflow and financial stability.

Future strategy

Increasing investment return automatically increases profit within the segment as well as the group. A group investment committee assists with the management of investments within the group, especially the insurance segment. An investment mandate is in place within the segment, providing management with specific guidelines in investing financial assets. Service to our clients and focusing on relationships remains one of the cornerstones of our success.

Visit out our insurance website for more information on www.corporateguarantee.co.za

REVENUE
R5,2 million
(2017: R9,4 million)

ASSETS
R609,6 million
(2017: R563,4 million)

GOVERNANCE

03

THE BOARD IS COMMITTED TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE. WE ACCEPT THE CHALLENGE TO SEEK EXCELLENCE BY CONSTANTLY COMPARING OURSELVES AGAINST INTERNATIONAL BEST PRACTICES, THROUGHOUT THE GROUP.

Corporate governance REPORT

THE GROUP ENDORSES THE KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA, 2016 (KING IV) AND HAS STRIVED TOWARDS COMPLIANCE THEREWITH AS FURTHER SET OUT HEREIN, WHICH THE BOARD BELIEVES IT HAS ESSENTIALLY ACHIEVED DURING THE FINANCIAL YEAR.

Approach to governance

The key applications and explanations by the group of the principles contained in King IV are explained in the table below. We account therefor in accordance with International Financial Reporting Standards (IFRS) and do so in the format of integrated reporting, whilst compliance to the Companies Act of South Africa and the JSE Listings Requirements is enshrined in our business model.

We further acknowledge our responsibility, resulting from our fiduciary duties and duties of care, skill and diligence, to ensure that business within the group is conducted with transparency, prudence, fairness, accountability and integrity.

Principles	Nictus application
Principle 1	
Leadership "The governing body should lead ethically and effectively"	The governing body has adopted the ideal future, mission, code of conduct and core values of Nictus and sets an example by actively pursuing and acting within the ambit of the code of conduct. The ethical approach is further established with the appointment of its balanced spread of independent non-executives, pursuing the achievement of sustainable economic, social and environmental performance in a corporate responsible manner. The board adheres to its fiduciary duties and its functions are summarised in a board charter. Each member is held accountable for their leadership in an evaluation process to the rest of the governing body.

Principles	Nictus application
Principle 2	
Organisational ethics "Govern the ethics of the organisation in a way that supports the establishment of an ethical culture"	The governing body, with the assistance of management and the social and ethics committee, requires all employees to sign the board-approved code of conduct, which forms the foundation for ethics within the organisation, as an undertaking to conform thereto, thereby creating awareness amongst employees of the company's ethical compliance requirements. The governing body sets an example by undertaking to conform to the code of conduct themselves. Nictus' code of conduct is disclosed on page 5 of the integrated annual report and is available on the company's website. The social and ethics committee engages with stakeholders directly or through delegated functions through management to remain informed about the level of ethics that the group maintains. The board believes that a strong ethical culture is key in building strong and lasting stakeholder relationships and an internal talent pool to ensure growth and sustainability with the appropriate succession.
Principle 3	
Responsible corporate citizenship "Ensure that the organisation is and is seen to be a responsible corporate citizen"	The governing body recognises the Constitution of South Africa as the supreme law, together with the other laws, standards and the company's own policies and procedures, and considers how to interpret and apply them to the organisation's activities in an effort to be and be seen as a responsible corporate citizen. With the assistance of board committees, executive management, the company secretary, a function outsourced to Veritas Board of Executors Proprietary Limited (Veritas), regulators and professional service providers, the board gathers its own insights into the corporate governance of the group and utilises these insights, together with reports received, to effectively oversee and ultimately take responsibility for the corporate governance of the group.

Corporate governance report continued

Principles	Nictus application
Principle 4	
Strategy and performance "The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process"	Strategy, risk, opportunities, performance and sustainability, based on an ethical foundation, are all key matters dealt with in the integrated business plan of the company, which is created by the managing director and supported by the board. These factors, including viability assessments, capital, solvency, liquidity and going concern status, are examined in detail, and monitored throughout the year to determine their individual and combined effects on the business and drive a strategy that should create exceptional value for shareholders and other stakeholders alike.
Principle 5	
Reporting "The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects"	The board, assisted by the audit and risk committee and executive management, has established controls and processes, including consultations with professional service providers, to independently gather, review and report adequate information regarding the company's financial and sustainable performance and the integrity of the integrated annual report. This includes the oversight over information published in terms of the King Code disclosure requirements. The board has assumed responsibility for the approval of interim communications and the chairperson of the board ultimately approves all SENS announcements. Nictus is committed to transparent and effective communication with all stakeholder groups. Such communication takes place through formal and informal channels, including the company's website.

Principles	Nictus application
Principle 6	
Primary roles and responsibilities of the governing body "The governing body should serve as the focal point and custodian of the corporate governance in the organisation"	The board acknowledges its responsibility to steer the organisation, and to review and approve its strategic direction based on the principles of good corporate governance. The board has established committees to assist it to fulfil its duties. The committees are all constituted by charters, which are approved by the board. The governance framework detailing the composition of the board, its committees and attendance at meetings is summarised in the table presented on page 36. The board believes that it has discharged its responsibilities in relation to its own charter.
Principle 7	
Composition of the governing body "The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively"	The appointment of directors is a formal process, which is overseen by the remuneration and nomination committee. The company is committed to appoint suitably qualified and experienced directors and acknowledges the responsibility for ensuring that the board attracts and appoints sufficient members with an appropriate mix of skills, knowledge, experience and independence, and who also meet the gender and race diversity targets set by the group, taking into account the nature, scale and complexity of the business. The company supports the principles and aims of appropriate gender diversity and has adopted a policy on the promotion of gender diversity at board level. The board and committees are sufficiently represented by independent non-executive directors and are independently chaired. None of the independent non-executive directors has been serving on the board long enough for their independence to become compromised due to length of service.

Corporate governance report continued

Principles	Nictus application
Principle 8	
Committees of the governing body "The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties"	Well-structured board committees assist the governing body in fulfilling its duties. Board committees, appropriately constituted, comprise members of the board and their authority, objectives and functions are governed by clearly defined terms of reference, mandates and charters, subject to annual revision. Members for each committee are selected according to their suitability in terms of their qualifications, experience and the prescribed composition of the committees. The company has the following committees: • Audit and risk committee; • Remuneration and nomination committee; • Social and ethics committee; and • Investment committee. The governance framework detailing the composition and functions of board committees is presented on page 36.
Principle 9	
Evaluation of the performance of the governing body "The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness"	Evaluations of the board, its audit and risk committee and individual directors are conducted internally through a self-assessment process, and consideration is given to outsourcing such evaluations, as and when the board deems necessary.

Principles	Nictus application
Principle 10	
Appointment and delegation to management "The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities"	The governing body appoints a competent and appropriately experienced managing director, who is responsible to lead strategy implementation and report to it. The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibility. The board has appointed Veritas Board of Executors Proprietary Limited (Veritas), to provide a competent, suitably qualified and an experienced company secretary. The ability of Veritas, its board and employees, to perform its company secretarial duties and its performance is assessed annually by the board taking into account a set of pre-agreed deliverables. Veritas boasts decades of experience. Care is taken to monitor the arm's-length relationship with the board and written agreements are in place to govern the relationship between the parties.
Principle 11	
Risk governance "The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives"	Nictus' risk methodology includes the consideration and implementation of appropriate risk responses to identified risks, based on the strategic objectives of the group. The effective monitoring of risk is achieved at Nictus through a combination of daily and periodic activities undertaken by management at various levels in the organisation, culminating in the activities of the executive management and audit and risk committee, which oversee the risk management process at Nictus. The board considers and determines the levels of risk tolerance as well as risk appetite during its periodic review of the group's risk profile. This risk profile determines the ambit within which management is allowed to take on risk-inclined projects. The audit and risk committee provides oversight of Nictus' risk management activities and reports formally on its findings and recommendations to the board annually.

Corporate governance report continued

Principles	Nictus application
Principle 12	
Technology and information governance "The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives"	Nictus promotes an ethical IT governance culture and a common IT language. IT is aligned with the performance and sustainability objectives of the group from a safeguarding, strategic and business process perspective. The board has delegated responsibility for the implementation of an IT governance framework to management. All IT matters are referred to the group's outsourced IT consultants, who advise on the most appropriate technological solutions for the group. Executive management makes recommendations to the board, at which levels decisions are taken. Continued focus is given to the effectiveness and improvement of operating systems in order to increase functionality and promote enhanced reporting capabilities for better management. The board annually considers, independent assurance on the effectiveness of the technology and information, including outsourcing.
Principle 13	
Compliance governance "The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen"	Nictus has a compliance culture with a legal compliance programme, which supports efforts to identify and comply with applicable laws and regulations. Compliance also forms part of Nictus' code of conduct. The board and audit and risk committee are regularly briefed on new laws and regulations by the company secretary, professional service providers and JSE sponsors. The company secretary acts as legal compliance officer, whilst certain compliance functions in the insurance segment are outsourced to independent, suitably experienced and qualified service providers.

Principles	Nictus application
Principle 14	
Remuneration governance "The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term"	The remuneration and nomination committee is responsible for determining just and equitable remuneration policies for the group and making related recommendations to the board. The group's remuneration policy incorporates the recommendations of King IV. It aims to appeal to and retain those individuals that will support and contribute towards achieving the group's desired results and strategy. The policy, philosophy and strategy are encapsulated in the following: Remuneration should: • Contribute towards appealing to and retaining motivated and loyal employees; • Reflect a direct correlation with the vision and results of the group; • Be reviewed and benchmarked annually; • Support the strategy of the group; and • Reward performance and motivate employees. The remuneration report, policy and implementation report are presented on pages 37 to 40 and 132.
Principle 15	
Assurance "The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports"	Nictus has developed a combined assurance model, which provides a coordinated approach to assurance activities in respect of key risks facing the company, with oversight by the audit and risk committee. This includes internal risk management, compliance functions and internal and external audit reporting. Nictus has a risk-based internal audit function, with a charter approved by the audit and risk committee and board. Internal audit focuses on governance, risk management, the system of internal controls, follows a systematic approach, and investigates and reports on control deficiencies, fraud, corruption, unethical behaviour and irregularities.

Corporate governance report continued

Principles	Nictus application
Principle 16	
Stakeholder engagement "In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time"	The governing body tasks management with the management of stakeholder relationships, including identification of important stakeholder groups, and development of strategies and policies to manage these relationships effectively. Constructive stakeholder engagement within the group is facilitated through formal and informal mechanisms and shareholders are encouraged to attend the company's annual general meeting. Nictus strives to achieve an appropriate balance between various stakeholder groups' interests and expectations in taking decisions in the best interest of the group and ultimately its shareholders, who are treated equitably. The board and the group's external auditors will be available at the annual general meeting to respond to any shareholder queries.
Principle 17	
Responsible investing "The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote the good governance and the creation of value by the companies in which it invests"	The function of the investment committee is to evaluate and advise the board on all group and subsidiary investments of substantial monetary value or business importance, including involvement in the formulation of investment policies, principles and practices to achieve optimum return on investments. The investment committee is chaired by the chairperson of the group and further consists of the group managing director, the group financial director and another non-executive director.

Governance framework

Board committees

The board has established committees to assist it to fulfil its duties. The committees are all constituted by charters, which are approved by the board. The board committees are as follows:

Audit and risk committee

The audit and risk committee consists of three independent non-executive directors and discharges its duties as set out, *inter alia*, in the audit and risk committee charter and the Companies Act of South Africa.

The audit and risk committee assumes the risk management function of the group. An extensive risk-identifying procedure is followed, with input from all operational subsidiaries, to identify and evaluate business-threatening risks. The committee meets at least bi-annually.

The internal and external auditors attend the meetings by invitation and have unrestricted access to the chairperson and members of the audit and risk committee.

Remuneration and nomination committee

The remuneration and nomination committee consists of three independent non-executive directors and is responsible for determining just and equitable remuneration policies for the group and making related recommendations to the board. The remuneration and nomination committee also assumes the function of a nomination committee. The committee meets bi-annually.

Social and ethics committee

The social and ethics committee is chaired by a non-executive director and includes an independent non-executive director and another director, as appointed by the board. The committee meets bi-annually. The committee oversees the group's social development and ethics management, good corporate citizenship, sustainability strategies and preferred employer policies.

Investment committee

The function of the investment committee is to evaluate and advise the board on all group and subsidiary investments of substantial monetary value or business importance, including involvement in the formulation of investment policies, principles and practices to achieve optimum return on investments. The investment committee is chaired by the chairperson of the group and further consists of the group managing director and the group financial director. The managing executives of the insurance and finance segment and the investment officer of the group have an *ex-officio* seat on the committee, which meets at least four times per year.

Corporate governance report continued

The composition of the board, its committees and attendance of meetings is summarised in the following table:

Name	Status	Board	Audit and risk committee	Remune-ration and nomination committee	Social and ethics committee	Investment committee
Barend J Willemse	Independent non-executive chairman	4/4	√ 2/2	√ 2/2		√ C 4/4
John D Mandy	Independent non-executive	4/4	√ C 2/2	√ 2/2		
Gerard Swart**	Independent non-executive	3/4	√ 2/2	√ C 2/2	√ 2/3	
Andries J Kruger*	Independent non-executive	1/1				
Nicolaas C Tromp	Non-executive	4/4				
Eckhart H Prozesky	Executive *(Financial)*	4/4				√ 4/4
Gerard R de V Tromp	Executive *(Managing)*	4/4			√ 3/3	√ 4/4
Philippus J de W Tromp	Non-executive	4/4			√ C 3/3	

√ Indicates board committee membership and C indicates board committee chairman. The figures in each column indicate the number of meetings attended out of the maximum possible number of meetings for the respective director.

** Mr Kruger was appointed to the board effective 1 October 2017 and resigned as director effective 1 April 2018 due to possible future conflicts of interest. He attended one board meeting and one audit and risk committee meeting by invitation.*

*** Mr Swart was appointed by the board as member of the social and ethics committee on 19 April 2017.*

Remuneration REPORT

REMUNERATION PACKAGES ARE REVIEWED AND BENCHMARKED AGAINST INDEPENDENT COMPARABLE MARKET DATA IN ORDER TO ALSO RECOGNISE A DIFFERENTIATION BETWEEN HIGH, AVERAGE AND UNDER PERFORMERS. EVALUATIONS OF REMUNERATION PACKAGES ARE UNDERTAKEN ANNUALLY.

Remuneration and nomination committee

The details pertaining to the composition and operation of the remuneration and nomination committee are set out in the corporate governance report.

Remuneration policy

The group's remuneration policy incorporates the recommendations of King IV. It aims to appeal to and retain those individuals that will support and contribute towards achieving the group's desired results and strategy.

The policy, philosophy and strategy are encapsulated in the following:

Remuneration should:

- Contribute towards appealing to and retaining motivated and loyal employees;
- Reflect a direct correlation with the vision and results of the group;
- Be reviewed and benchmarked annually;
- Support the strategy of the group; and
- Reward performance and motivate employees.

Structure of executive remuneration

Total cost-to-company forms the basis of the remuneration package for senior management and executive directors. The package consists of a cash component and benefits. Remuneration is linked to challenging long- and short-term financial and non-financial performance targets and sustainable profits attributable to shareholders.

- Long-term incentive remuneration is offered to retain employees and meet performance levels over a number of years; and
- Short-term incentive remuneration is offered to meet performance levels during the year in terms of guidelines determined by the board.

Incentive bonus plan

Executive directors and senior management participate in an incentive bonus plan which is based on the achievement of predetermined and agreed targets set for each director and member of senior management in each specific segment in order to achieve the group's targets.

Remuneration report continued

Share incentive scheme

The committee considers the granting of options to executive directors and senior management annually. Those who qualify, participate in the group's share option and incentive scheme, which is designed to recognise the contribution of senior management to the growth of the group's equity and to retain key employees. Within the limits approved by the company's shareholders, options are allocated to executive directors and senior management in proportion to their contribution to the business as reflected by their seniority and the group's performance. The options are allocated at a price determined by the board, in terms of a resolution and the applicable JSE Limited rules.

No share options were allotted to employees or directors during the current or prior year.

Vesting of share options

The options, when granted, vest after stipulated periods of time and are exercisable over a ten-year period in terms of the trust deed of the share incentive scheme trust.

Retirement benefits

A total cost-to-company approach to remuneration packages is followed and no retirement benefits are offered by the group. The group encourages employees to make provision for retirement and offers assistance where the need arises.

Executive service contracts

Executive directors have service agreements with notice periods of 30 days. The retirement age is set at 60 years, whilst directors may negotiate further terms past the age of 60 on an individual basis. No contractual entitlements on termination of employment exist, but compliance to the relevant Labour Acts is ensured.

Succession planning

The board continuously reviews the succession planning throughout the group and is informed of senior level requirements. The objective is to ensure that continuity is provided to develop a pool of individuals with potential and to cater for development and future placement. The ongoing restructuring of the group in terms of top management bears testimony to the commitment of the group in its pursuit of realising its ideal future.

Board evaluation process

A participative internal evaluation of the board's performance and the structural environment is undertaken annually. Overall, the board is considered to be balanced and effective. In spite of continuous progress being made during the year under review, there will always remain areas for improvement.

Non-executive directors

Non-executive directors are expected to perform the tasks and duties normally associated with the position of a non-executive director as defined in the Companies Act of South Africa, King IV and the Memorandum of Incorporation of the company. The board and each of its committees have charters which set out the responsibilities of the board and the respective committees.

Non-executive directors are expected to provide leadership, expertise and knowledge on strategy and business, contribute to the planning process of the group and ultimately assume the role as custodians of the governance process. Non-executive directors receive market-related remuneration.

Non-executive directors are remunerated for their services on the basis of their related fiduciary duties and attendance at board and committee meetings.

No contractual arrangements for compensation for loss of office exist, nor do non-executive directors receive any incentives or participate in any of the group's incentive schemes. Annual fees payable to non-executive directors for the period between the annual general meetings to be held on 22 August 2018 and August 2019 respectively are to be approved by the shareholders on 22 August 2018. Fees for the period commencing on the aforesaid date were recommended by the directors after having been considered and recommended by the remuneration and nomination committee.

Remuneration implementation report

The remuneration and nomination committee recommended the following increases to the board, which were approved and applied for the 2018 financial year:

- General staff 6,5%
- Management 6,5%
- Executives 16,67%
- Non-independent non-executives 6,5%
- Independent non-executives 14,56%

Executive management remuneration for the 2017/2018 year:

	Paid by the company		Paid by the subsidiaries	
Figures in R'000	Basic salary	Bonuses	Directors' fees	Total
2018				
Gerard R de V Tromp*	**360**	**–**	**–**	**360**
Eckhart H Prozesky	**1 360**	**300**	**–**	**1 660**
Stephanus J Gerber**	**1 027**	**273**	**–**	**1 300**
	2 747	**573**	**–**	**3 320**
2017				
Gerard R de V Tromp*	360	–	–	360
Eckhart H Prozesky	1 200	240	–	1 440
Stephanus J Gerber**	613	–	–	613
	2 173	240	–	2 413

** As disclosed in note 28, a management fee of R3,616 million (2017: R3,875 million) was paid to a related party, Nictus Holdings Limited, including services rendered by Gerard R de V Tromp as executive director, to the value of R2,540 million (2017: R2,012 million).*

*** Appointed as prescribed officer within Corporate Guarantee (South Africa) Limited on 1 August 2016.*

Incentive bonuses were awarded within the ambit of the relevant boards' discretion, based on predetermined financial and non-financial targets achieved.

Shareholders are given an opportunity to pass a separate non-binding advisory vote on the remuneration policy. In the event that 25,00% or more of shareholders vote against the remuneration policy, it would be considered a failed vote. Nictus commits itself to engaging with these shareholders to determine the reasons for their dissenting vote and to possibly reassess the group's remuneration policy, to continually enhance and refine it to the satisfaction of the shareholders. Any shareholders who wish to engage with us in relation to the remuneration policy are invited to do so via the nominee company secretary, Willem Boshoff at E groupsec@nictus.com.na.

Remuneration report continued

Non-executive fees 2018/2019

Non-executives' fees are presented to, and approved at the annual general meeting by means of a special resolution. Recommended fees are presented to the remuneration and nomination committee for consideration, based on market research, which submits its recommendation to the board, and thereafter to the annual general meeting for approval. In view of the levels of responsibility being placed on directors and benchmarks for comparable companies, the fees for non-executive directors for the 2018/2019 year, as set out below, have been recommended for approval.

From 22 August 2018	
Chairman's remuneration *(inclusive of all committee remuneration)*	R711 500 per year
Committee chairman *(inclusive of all committee and board fees)*	
Audit and risk committee	R358 800 per year
Remuneration and nomination committee	R418 600 per year
Social and ethics committee	R111 538 per year
Committee membership	
Audit and risk committee	R37 375 per meeting
Remuneration and nomination committee	R37 375 per meeting
Social and ethics committee	R37 375 per meeting

Independent non-executive directors will be paid an amount of R37 375 per day per meeting in respect of special meetings. They will also be paid a pro rata amount per hour for additional work undertaken.

Non-executive directors who are not independent will be paid an amount of R17 428 per day per meeting and an additional R10 457 for chairing such meeting.

Statement by the chairman of the remuneration and nomination committee

The remuneration and nomination committee functions in accordance with its policy and mandate, which are updated annually and approved by the board. The chairman of the remuneration and nomination committee reports regularly to the board.

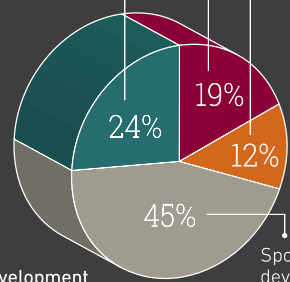
The remuneration and nomination committee has applied its mind and provided guidance, to ensure that all employees are remunerated in accordance with the approved remuneration policy. Remuneration within the group is based on a fair and responsible combination of factors, including performance, levels of decision making, consequence of error, market research (i.e. cost of living increase, annual salary benchmarking etc.) and incentives to ensure long-term value for the employee and group.

The remuneration and nomination committee is satisfied that it has complied with its remuneration policy during the financial year ended 31 March 2018, and that the group remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

Gerard Swart
Chairman: remuneration and nomination committee

19 June 2018

CORPORATE SOCIAL responsibility REPORT



Community involvement development

Foreword by the chairperson

Operating ethically is an integral part of how we earn and preserve the trust of our stakeholders. Businesses in South Africa are reportedly exposed to bribery, fraud, corruption and other unethical behaviour, and the Nictus group was previously exposed to behaviour of this nature. We try to ensure that we behave and conduct business in an ethical manner and in line with the values of the company. Nictus is committed to embedding a strong ethical culture throughout its businesses and maintaining good corporate governance structures.

The board reviewed the current composition of the social and ethics committee to realign with the requirements of the King IV code. Gerard Swart, an independent non-executive director, was appointed to the committee.

Report 2018

The committee is mindful of the current broad-based black economic empowerment status (BBBEE), as it was subjected to renewed focus during the year under review. The annual compliance report prepared pursuant to section 13G(2) of the BBBEE Amendment Act No. 46 of 2013 was prepared by external consultants and is available on the company's website for perusal.

No major safety, health and environmental impacts on communities, employees and/or customers, in terms of the group's operations, activities and services, were reported during the year under review. The Occupational Health and Safety Act (OHASA) requirements were reviewed and received renewed focus during the year.

No instances were reported of unethical behaviour. We continued to maintain a very close relationship with all major stakeholders and to comply with consumer protection laws.

Staff members of the group are one of our major assets. We strive for their upliftment and aim to treat them as equals. Our finding was that no major employment-related issues were reported for the period under review.

Involvement 2018

I am pleased to report that contributions made in the areas where we were involved, more than doubled from the previous year.

Conclusion

The committee recognises that as the group grows, the monitoring of compliance with the relevant social, ethical and legal requirements and best practice codes will play an ever-greater part in its long-term sustainability.

We are however of the opinion that the social and ethics guidelines and value system were adhered to during the financial year.

Philippus J de W Tromp
Chairman: social and ethics committee

19 June 2018

FINANCIALS

04

WE ARE GEARED TO CARRY FORWARD OUR MOMENTUM TO ENSURE GROWTH AND PROFITS.

04

Group annual financial statements and annual financial statements

for the year ended 31 March 2018

The reports set out below comprise the group annual financial statements and annual financial statements presented to the shareholders:

44 Directors' responsibilities and approval

45 Report of the audit and risk committee

46 Certificate of the company secretary

47 Directors' report

51 Independent auditor's report

56 Statements of financial position

57 Statements of profit or loss and other comprehensive income

58 Statements of changes in equity

60 Statements of cash flows

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The financial statements of Nictus Limited as published on 29 June 2018 have been audited in compliance with section 30 of the Companies Act of South Africa.

Eckhart H Prozesky (financial director, CA(SA)) was responsible for supervising the preparation of these financial statements.

Registration number: RSA 81/011858/06
Registration number: NAM 787/11858
Primary listing: JSE

Directors' responsibilities and approval

Directors' responsibility statement

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the group annual financial statements and annual financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group and company at 31 March 2018 and the results of their operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The directors are also responsible for the preparation of the directors' report. The external auditor is engaged to express an independent opinion on the group financial statements and financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting policies and procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group.

While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's and company's cash flow forecasts for the year ending 31 March 2019 and, in the light of this review and the current financial position, they are satisfied that the group and company have access to adequate resources to continue in operational existence for the foreseeable future. The directors have made an assessment of the group's and company's ability to continue as going concerns and there is no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group financial statements and financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements of Nictus Limited, which have been prepared on the going concern basis, were approved by the board on 19 June 2018 and were signed by:

Gerard R de V Tromp	Barend J Willemse
Authorised director	*Authorised director*
Group managing director	*Chairman*

Report of the audit and risk committee

The members and chairman of the group audit and risk committee were individually re-elected at the 2017 annual general meeting of Nictus Limited, in compliance with the requirements of the Companies Act of South Africa. The Nictus Limited group audit and risk committee continues to fulfil the function of the audit and risk committee requirement in respect of Corporate Guarantee (South Africa) Limited, its wholly owned subsidiary in terms of the Insurance Act and dispensation granted by the Financial Services Board.

The group audit and risk committee operates in terms of a board of directors approved charter and its three elected members are all independent non-executive directors including the chairman of the board. The committee is chaired by another independent non-executive director.

The audit and risk committee includes the oversight of risk management; all its members are financially literate and bring business and financial acumen to the committee.

The group managing director, the group financial director and representatives of the external auditor and internal audit are invited to attend the audit and risk committee meetings.

The committee met twice (in prior years four times) during the year. In terms of the committee's charter it reviewed the charter and measured its effectiveness during the year under review.

The audit and risk committee's continuing key objectives and responsibilities are to:

- Determine whether management has created and maintains an effective control environment and that they demonstrate and stimulate the necessary respect for the internal control structure amongst all parties;
- Review the scope and outcome of external and internal audits. The review is to include an assessment of the efficiency of the audit function, ensuring that emphasis is placed in areas where the committee, management and auditors believe special attention is necessary;
- Ensure that the board of directors makes informed decisions and is aware of the implications of such decisions regarding accounting policies, practices and disclosures;
- Provide a safeguard of directors' liabilities by informing the board of directors on issues of importance to the business and the status of the financial reporting;
- Review and recommend to the board for approval the company's annual and interim reports;
- Assist the board of directors in its evaluation of the adequacy and effectiveness of the risk management system;
- Assist the board of directors in the identification of the build-up and concentration of the various risks to which the insurer is exposed;
- Assist the board of directors in identifying and regularly monitoring all material risks to ensure that its decision-making capability and accuracy of its reporting is adequately maintained;
- Facilitate and promote communication, through reporting structures, regarding the adequacy and effectiveness of the risk management system or any other related matter, between the board of directors and managing executives;
- Introduce such measures as may serve to enhance the adequacy and effectiveness of the risk management system; and
- Coordinate the monitoring of risk management on an enterprise-wide and individual business unit basis.

The audit and risk committee does not rely only on the internal control processes but receives and regularly reviews the findings of both the internal and external auditors covering:

Report of the audit and risk committee continued

- System of internal control;
- Compliance with relevant laws and regulations; and
- The credibility, independence and objectivity of the external auditor.

The audit and risk committee also reviews changes in legislation to ensure compliance by companies in the group. The audit and risk committee reports its findings to the board of directors, which thereafter has the responsibility to ensure compliance with the legislation.

The audit and risk committee has adopted a policy of limiting the consulting non-audit work undertaken by the external auditors. Prior approval of any consulting work in excess of R250 000 is required.

The external auditor has unrestricted access to the audit and risk committee members.

The audit and risk committee is satisfied that:

- It has complied with the responsibilities set out in the audit and risk committee charter, as well as the relevant legal and regulatory responsibilities based on the information and explanations given by management and discussions with the external auditors regarding the results of their audit;
- The financial director has the necessary training, expertise and experience;
- The board is aware of the implications and actions required to apply and explain the principles of King IV in the current financial year;
- There was no material breakdown in the internal financial controls that was noted or reported during the financial year under review; and
- The external auditor is considered to be independent of the company/group and is thereby able to conduct its audit functions without any influence from the company/group.

John D Mandy
Chairman audit and risk committee

19 June 2018

Certificate of the company secretary

In our opinion as company secretary, we hereby confirm, in terms of the Companies Act of South Africa that, for the year ended 31 March 2018, the company has lodged with the Commissioner of the Companies and Intellectual Property, all such returns and notices as are required of a public company in terms of this Act and that all such returns and notices are true, correct and up to date.

Willem H Boshoff
Veritas Board of Executors Proprietary Limited
Company secretary

19 June 2018

Directors' report

to the shareholders of Nictus Limited

Your directors have pleasure in reporting on the activities and financial results of the group for the year ended 31 March 2018.

Review of subsidiaries

Details of subsidiaries are dealt with in note 5 of the consolidated financial statements.

Figures in R'000	2018	2017
The interest of the company in the aggregate net profit after tax of subsidiaries is:		
Profit after taxation	3 064	971

The subsidiaries of this company are mainly involved in furniture retail, immovable properties, short-term insurance and financing in South Africa.

Financial results

For the year under review the group's profit from operations before taxation amounted to R4,870 million compared to a profit of R7,069 million in the previous year. The company's profit before taxation for the year was R3,580 million compared to a profit of R7,537 million in the previous year.

Segmental analysis

A detailed segmental analysis is included in note 37 of the consolidated financial statements.

Directors

Director	Date of initial appointment	Date of re-election	Date of resignation
Executive			
GR de V Tromp *(Managing director)*	18 November 2014		
HE Prozesky *(Financial director)*	1 March 2015		
Non-executive			
PJ de W Tromp	1 April 2012	17 August 2017	
NC Tromp	27 April 1979	18 August 2016	
Independent non-executive and members of the audit and risk committee			
BJ Willemse *(Chairman)*	15 June 2010	18 August 2016	
JD Mandy	12 March 2013	17 August 2017	
G Swart	15 October 2013	17 August 2017	
AJ Kruger	1 October 2017		1 April 2018

Directors' report continued

Shareholding at 31 March 2018

	Number of shareholders	%	Number of shares	%
Ordinary shares				
Composition of shareholders				
Non-public shareholders	13	2,02	53 910 156	81,35
Directors and associates	12	1,86	41 083 716	62,00
Nictus Holdings Limited	1	0,16	12 826 440	19,35
Public shareholders	629	97,98	12 359 784	18,65
	642	100,00	66 269 940	100,00

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Ordinary shares				
Banks/brokers	1	0,16	31 488	0,05
Close corporations	1	0,16	2	0,00
Individuals	427	66,51	1 100 440	1,66
Insurance companies	1	0,16	9 375	0,01
Nominees and trusts	179	27,88	17 120 516	25,83
Other corporations	4	0,62	43 172	0,07
Private companies	25	3,89	35 131 792	53,01
Public companies	4	0,62	12 833 155	19,36
	642	100,00	66 269 940	100,00

	Number of shares	%
Shareholders, other than directors, with an interest above 5% in stated capital:		
Nictus Holdings Limited	12 826 440	19,35
Landswyd Beleggings Proprietary Limited	24 063 092	36,31
Namprop Proprietary Limited	5 719 875	8,63
Trocor Proprietary Limited	5 683 103	8,58
PC Trust	4 070 109	6,14

At 31 March, the directors and their associates (as defined in terms of the JSE Listings Requirements) had the following direct and indirect beneficial interest in the stated capital of the company:

	Number of shares 2018	2017
Direct interests		
BJ Willemse	50 000	–
GR de V Tromp	2 531	2 531
HE Prozesky	172 000	153 125
Indirect interests		
BJ Willemse	33 665	33 665
NC Tromp, GR de V Tromp and PJ de W Tromp	53 651 960	54 674 709
	53 910 156	54 864 030

There have been no changes in directors' interests between the financial year end and the date of approval of the financial statements.

Analysis of executive directors' share options as at 31 March 2018

There were no outstanding share options at year end held by the directors in the current or prior financial year.

Stated capital

There were no changes in stated capital during the year.

The 183 730 060 unissued ordinary shares remain under the control of the directors with the authority to allot and issue such shares at their sole discretion until the next annual general meeting of the shareholders of Nictus Limited.

Dividends

Final dividend

The board, within its discretion has declared a final dividend of 3,00 cents per Nictus ordinary share (ordinary share) (2017: 3,00 cents per ordinary share) for the year ended 31 March 2018, to all ordinary shareholders recorded in the books of Nictus at the close of business on Friday, 20 July 2018 which will be paid on Monday, 23 July 2018.

The cash dividend timetable is structured as follows:

- Declaration date is Friday, 29 June 2018;
- The last day to trade cum dividend in order to participate in the dividend is Tuesday, 17 July 2018;
- The shares commence trading ex-dividend from the commencement of business on Wednesday, 18 July 2018;
- The record date is Friday, 20 July 2018; and
- The dividend is to be paid on Monday, 23 July 2018.

Directors' report continued

Share certificates will not be rematerialised or dematerialised between Wednesday, 18 July 2018 and Friday, 20 July 2018, both days inclusive.

Events after reporting date

The directors are not aware of any matter or circumstances arising since the end of the financial year and up to the date of this report, apart from the resignation of AJ Kruger as independent non-executive director effective 1 April 2018, that requires disclosure.

Secretary

Veritas Board of Executors Proprietary Limited
Corner of Pretoria and Dover Street, Randburg
PO Box 2878, Randburg 2125

Registered offices

Republic of South Africa

Nictus Limited
Corner of Pretoria and Dover Street, Randburg
PO Box 2878, Randburg 2125

Namibia

Nictus Limited
Nictus Building, 1st floor
140 Mandume Ndemufayo Avenue
Windhoek
Private Bag 13231, Windhoek

19 June 2018

Independent auditor's report

to the shareholders of Nictus Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Nictus Limited (the group and company) set out on pages 56 to 129, which comprise the statements of financial position at 31 March 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and a summary of significant accounting policies and the notes to the financial statements.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nictus Limited at 31 March 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report continued

Assessment of the valuation of land and buildings – (R16 146 000)

Refer to accounting policy 1.1 and 1.3 and note 3 to the financial statements.

The key audit matter	How we addressed the matter in our audit
As disclosed in note 3 to the consolidated financial statements, land and buildings amounting to R16,1 million, carried at revalued amounts, represents 92% of property, plant and equipment of the group at 31 March 2018. The fair value is based on valuations performed by the directors using a combination of the income capitalisation method and the depreciated replacement cost method. The fair value is based on taking into account the estimated rental value and depreciated replacement value which involve significant judgement. Given the significant judgement that is required in determining the fair value of land and buildings, this was considered as a key audit matter in our audit of the consolidated financial statements.	Our procedures in relation to the valuation of the land and buildings included: • We obtained the valuation models prepared by the directors to determine the fair value of land and buildings at 31 March 2018 and gained an understanding of the valuation models used, significant assumptions applied and the critical judgement areas to evaluate if the valuation methods are consistent with relevant accounting requirements and industry norms. • We evaluated the appropriateness of the assumptions and judgements applied by the directors, in particular the valuation methods and the capitalisation and rental rates by comparing them to our knowledge of the market, market data and entity-specific information. • We evaluated whether the disclosures for land and buildings in the financial statements, meet the requirements of the relevant financial reporting standards.

Impairment reversal of investment in Nictus Meubels Proprietary Limited – Impairment allowance R17 192 000

Refer to accounting policy 1.2 and 1.10 and Note 5 to the financial statements.

The key audit matter	How we addressed the matter in our audit
Investments in subsidiary companies are stated at historical cost less accumulated impairment allowances in the separate financial statements. The carrying value of the investments in subsidiary companies are reviewed at each reporting date to determine whether indicators of impairment exist and whether there is any indication that previous losses have decreased or no longer exist. An impairment loss is recognised to the extent that the carrying value of an investment in a subsidiary exceeds its recoverable amount. As disclosed in note 5 to the separate financial statements, impairments of R17,2 million have been recognised in respect of the investment in Nictus Meubels Proprietary Limited (Nictus Meubels) due to historic trading losses incurred by the subsidiary. The accumulated impairment loss reduced in the current year in respect of Nictus Meubels by R1,2 million. Given the judgement that is required in determining the recoverable amount of the investment in Nictus Meubels, the impairment of the investment was considered as a key audit matter in our audit of the separate financial statements.	Our procedures in relation to the impairment of the investment in Nictus Meubels included: • We obtained the impairment assessment prepared by the directors in respect of Nictus Meubels at 31 March 2018 and gained an understanding of the methodology applied to determine the recoverable amount in respect of the investment. • We evaluated the appropriateness of significant assumptions applied and the critical judgement areas in assessing the impairment loss recognised. • We compared the carrying value of the investment in Nictus Meubels to the recoverable amount of Nictus Meubels and considered contradictory evidence that came to our attention during our audit of both the consolidated and separate financial statements that may have had an impact on the impairment allowance recognised in respect of the investment in Nictus Meubels.

Independent auditor's report continued

Other information

The directors are responsible for the other information. The other information comprises the Report of the audit and risk committee, the Certificate of the company secretary and the Directors' report as required by the Companies Act of South Africa, the Directors' responsibility and approval and all other information contained in the Integrated annual report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Nictus Limited for 27 years.

KPMG Inc.
Registered Auditors

Per RD Kok
Chartered Accountant (SA)
Registered Auditor
Director

19 June 2018

KPMG Crescent
85 Empire Road, Parktown, Johannesburg

Statements of financial position

at 31 March 2018

Figures in R'000	Note(s)	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Assets					
Non-current assets					
Property, plant and equipment	3	**18 051**	17 629	**334**	–
Intangible assets	4	**118**	101	**22**	77
Investments in subsidiaries	5	**–**	–	**78 444**	77 259
Investments	6	**11 340**	22 062	**–**	–
Deferred tax assets	7	**3 020**	1 424	**–**	–
Loans and receivables	8	**5 387**	3 668	**–**	–
		37 916	44 884	**78 800**	77 336
Current assets					
Inventories	9	**10 993**	11 284	**6**	6
Loans to group companies	10	**–**	–	**–**	1 268
Loans and receivables	8	**44 226**	44 766	**40 051**	40 591
Trade and other receivables	11	**358 645**	335 484	**9 301**	6 014
Investments	6	**98 809**	100 766	**–**	–
Cash and cash equivalents	12	**89 717**	57 603	**453**	451
		602 390	549 903	**49 811**	48 330
Total assets		**640 306**	594 787	**128 611**	125 666
Equity and liabilities					
Equity					
Stated capital	13	**48 668**	48 668	**48 668**	48 668
Revaluation reserve	14	**7 983**	7 983	**–**	–
Retained earnings		**46 076**	42 652	**22 200**	21 594
		102 727	99 303	**70 868**	70 262
Liabilities					
Non-current liabilities					
Deferred tax liabilities	7	**2 400**	2 398	**2 118**	1 132
		2 400	2 398	**2 118**	1 132
Current liabilities					
Loans from group companies	10	**–**	–	**51 227**	50 532
Trade and other payables	16	**10 974**	10 837	**4 398**	3 740
Insurance contract liability	17	**524 193**	482 180	**–**	–
Current tax payable	26	**12**	69	**–**	–
		535 179	493 086	**55 625**	54 272
Total liabilities		**537 579**	495 484	**57 743**	55 404
Total equity and liabilities		**640 306**	594 787	**128 611**	125 666

Statements of profit or loss and other comprehensive income

for the year ended 31 March 2018

Figures in R'000	Note(s)	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Revenue	18	**47 361**	44 651	**16 879**	23 588
Cost of sales		**(26 470)**	(21 628)	**–**	–
Gross profit		**20 891**	23 023	**16 879**	23 588
Other income	19	**2 259**	2 117	**3 285**	5 870
Investment income from operations	21	**42 505**	37 884	**–**	–
Operating expenses		**(48 258)**	(43 991)	**(8 285)**	(13 631)
Administrative expenses		**(17 128)**	(16 805)	**(7 930)**	(7 913)
Results from operating activities	20	**269**	2 228	**3 949**	7 914
Investment income	21	**4 601**	4 841	**4 301**	4 330
Finance expenses	22	**–**	–	**(4 670)**	(4 707)
Profit before taxation		**4 870**	7 069	**3 580**	7 537
Taxation credit/(expense)	23	**542**	(178)	**(986)**	(2 268)
Profit for the year		**5 412**	6 891	**2 594**	5 269
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the year		**5 412**	6 891	**2 594**	5 269
Profit attributable to:					
Owners		**5 412**	6 891	**2 594**	5 269
		5 412	6 891	**2 594**	5 269
Total comprehensive income attributable to:					
Owners		**5 412**	6 891	**2 594**	5 269
		5 412	6 891	**2 594**	5 269
Basic earnings per share (cents)	36	**8,17**	10,40		
Diluted basic earnings per share (cents)	36	**8,17**	10,40		

Statements of changes in equity

for the year ended 31 March 2018

Figures in R'000	Stated capital	Revaluation reserve	Retained earnings	Total equity
GROUP				
Balance at 1 April 2016	48 668	7 983	37 749	94 400
Total comprehensive income for the year				
Profit for the year	–	–	6 891	6 891
Total comprehensive income for the year	–	–	6 891	6 891
Transactions with the owners of the company				
Distributions to the owners of the company				
Dividends paid	–	–	(1 988)	(1 988)
Total transactions with the owners of the company	–	–	(1 988)	(1 988)
Balance at 31 March 2017	48 668	7 983	42 652	99 303
Total comprehensive income for the year				
Profit for the year	**–**	**–**	**5 412**	**5 412**
Total comprehensive income for the year	**–**	**–**	**5 412**	**5 412**
Transactions with the owners of the company				
Distributions to the owners of the company				
Dividends paid	**–**	**–**	**(1 988)**	**(1 988)**
Total transactions with the owners of the company	**–**	**–**	**(1 988)**	**(1 988)**
Balance at 31 March 2018	**48 668**	**7 983**	**46 076**	**102 727**
Note(s)	13	14		

Figures in R'000	Stated capital	Retained earnings	Total equity
COMPANY			
Balance at 1 April 2016	48 668	18 313	66 981
Total comprehensive income for the year			
Profit for the year	–	5 269	5 269
Total comprehensive income for the year	–	5 269	5 269
Transactions with the owners of the company			
Distributions to the owners of the company			
Dividends paid	–	(1 988)	(1 988)
Total transactions with the owners of the company	–	(1 988)	(1 988)
Balance at 31 March 2017	48 668	21 594	70 262
Total comprehensive income for the year			
Profit for the year	**–**	**2 594**	**2 594**
Total comprehensive income for the year	**–**	**2 594**	**2 594**
Transactions with the owners of the company			
Distributions to the owners of the company			
Dividends paid	**–**	**(1 988)**	**(1 988)**
Total transactions with the owners of the company	**–**	**(1 988)**	**(1 988)**
Balance at 31 March 2018	**48 668**	**22 200**	**70 868**
Note(s)	13		

Statements of cash flows

for the year ended 31 March 2018

Figures in R'000	Note(s)	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Cash flows from operating activities					
Cash (utilised by)/generated from operations	25	**(23 070)**	(41 680)	**222**	5 310
Investment income received from operations		**40 709**	36 728	**–**	–
Dividends received		**1 796**	1 156	**–**	1 920
Dividends paid		**(1 988)**	(1 988)	**(1 988)**	(1 988)
Finance expenses paid		**–**	–	**(4 670)**	(4 707)
Tax paid	26	**(1 109)**	(592)	**–**	–
Net cash generated from/(utilised by) operating activities		**16 338**	(6 376)	**(6 436)**	535
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	**(875)**	(965)	**(366)**	–
Proceeds on sale of property, plant and equipment		**–**	115	**–**	–
Acquisition of intangible assets	4	**(145)**	–	**–**	–
(Acquisition)/disposal of investments		**(35 126)**	17 949	**–**	–
Investment income received		**4 601**	4 841	**4 301**	4 330
Short-term funds disinvested/(invested)		**46 781**	(77 778)	**–**	–
Loans advanced to subsidiary companies		**–**	–	**–**	(121)
Loans repaid by related party		**540**	1 702	**540**	1 702
Repayments to subsidiary companies		**–**	–	**(16 500)**	(12 074)
Loans advanced by subsidiary companies		**–**	–	**17 195**	5 519
Loans repaid by subsidiary companies		**–**	–	**1 268**	–
Proceeds from share buy-back by subsidiary		**–**	–	**–**	200
Proceeds on disposal of subsidiary		**–**	7	**–**	7
Net cash generated from/(utilised by) investing activities		**15 776**	(54 129)	**6 438**	(437)
Total cash movement for the year		**32 114**	(60 505)	**2**	98
Total cash sold by subsidiary for the year		**–**	(4)	**–**	–
Cash and cash equivalents at the beginning of the year		**57 603**	118 112	**451**	353
Total cash and cash equivalents at the end of the year	12	**89 717**	57 603	**453**	451

Significant accounting policies

for the year ended 31 March 2018

1. Presentation of financial statements

Nictus Limited (the company) is a company incorporated and domiciled in the Republic of South Africa. The group financial statements as at and for the year ended 31 March 2018 comprise the company and its subsidiaries. Where reference is made to group it should be interpreted as group or company as the context requires.

Nictus Group is a retailer of household furniture, electrical appliances and home electronics sold through the Nictus Furnishers brand as well as a short-term insurer through the Corporate Guarantee brand.

The group and company financial statements have been prepared in accordance with and in compliance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB), the Listings Requirements of the JSE Limited, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa. They were authorised for issue by the company's board of directors on 19 June 2018.

Basis of measurements

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Land and buildings are measured at revalued amounts; and
- Financial instruments classified at fair value through profit or loss are measured at fair value.

These accounting policies are consistent with those applied in the previous year.

1.1 Significant judgements and estimates

In preparing the financial statements in conformity with IFRS, management is required to make estimates and assumptions that affect the application of accounting policies and the amounts represented in the financial statements and related disclosures. Use of available information, historical experience and various other factors that are believed to be reasonable in the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statement is included in the following notes:

- Note 3 – Revaluation of land and buildings
- Note 7 – Utilisation of tax losses
- Note 17 – Insurance provisions and liabilities
- Notes 5, 6, 31 and 32 – Valuation of investments and other financial instruments

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date in the principal or in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

Significant accounting policies continued

for the year ended 31 March 2018

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current closing price as reflected on the recognised exchange.

The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs in making the measurements.

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The carrying value less impairment allowance of short-term trade receivables and the carrying value of short-term payables are deemed to approximate their fair values. The fair value of financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Utilisation of tax losses

Judgement is required in determining the accruals for income taxes due to the complexity of legislation.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax losses can be utilised. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Fair value adjustment of land and buildings

External, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the locations and category of properties being valued, value the group's property portfolio on an ad-hoc basis. The group'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 directors' valuation process. The fair values are based on valuation models 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.

Insurance provisions and liabilities

The classification of insurance contracts is disclosed in detail in note 1.17.

1.2 Investment in subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Investments in subsidiary companies are stated at cost less accumulated impairment losses in the company's separate financial statements.

When the group loses control over the subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

1.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost/revalued amounts less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the company; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially that are directly attributable to the acquisition of an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or maintain it. If the replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other costs are recognised in profit or loss as an expense as incurred.

Land and buildings are carried at revalued amounts, determined from market-based evidence by appraisals undertaken by professional valuers on an ad-hoc basis and the group's directors' valuation on an annual basis, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Formal revaluations are performed annually by the directors such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Significant accounting policies continued

for the year ended 31 March 2018

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

On the subsequent sale or retirement of revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such item when that cost is incurred and if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Depreciation

Depreciation is recognised in profit or loss and is calculated on the depreciable amount on a straight-line basis over the estimated useful life of each major component of an item of property, plant and equipment. Items of property, plant and equipment are depreciated from the date they are installed and are ready for use. Land is not depreciated. The depreciation is recognised in profit or loss unless it is included in the carrying amount of another asset.

The depreciable amount is the difference between the cost of an item of property, plant and equipment and its residual value.

Residual value is the estimated amount that the group would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the item of property, plant and equipment were already of age in the condition expected at the end of its useful life.

The estimated useful lives for current and comparative years are as follows:

Item	Average useful life
Buildings	50 years
Motor vehicles	5 years
Leasehold improvements	Over lease term
Plant and machinery	3 to 20 years
Furniture and fittings	3 to 10 years
Generator equipment	15 years
Shop fittings	3 years
Solar equipment	5 years

The depreciation method, residual value and the useful life of each item of property, plant and equipment are reviewed at each reporting date and adjusted if appropriate.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Earnings and diluted earnings per share

The group presents earnings per share (EPS) and diluted earnings per share data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing profit or loss attributable to ordinary shareholders of the company, after the adjustment for the effects of all dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding during the period.

1.5 Intangible assets

Computer software

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the intangible asset will flow to the entity; and
- The cost of the intangible asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Acquired computer software that is significant and unique to the business is capitalised as an intangible asset on the basis of the cost incurred to acquire and bring to use the specific software. Costs that are directly associated with the development and production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate allocation of relevant overheads.

Costs associated with maintaining computer software programs are capitalised as intangible assets only if they qualify for recognition. In all other cases these costs are recognised as an expense as incurred.

Computer software is amortised on a systematic basis over its estimated useful life from the date it becomes available for use.

The gain or loss arising from the derecognition of an intangible asset is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Amortisation is provided to write down the intangible assets, on a straight-line basis in profit or loss over their estimated useful lives, to their residual values from the date they are available for use.

The estimated useful lives for the current and comparative years are as follows:

Item	Useful life
Computer software	3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.6 Financial instruments

Derivatives

The group does not deal in derivatives, as derivatives do not form part of the group's financing or investment strategy.

Non-derivative financial instruments

Initial recognition

Financial instruments are recognised when, and only when, the group becomes party to the contractual provisions of the particular instrument. Regular way purchases and sales of financial assets are accounted for at trade date i.e. the date that the group commits itself to purchase or sell the asset.

Derecognition

Financial assets are derecognised if the group's contractual rights to the cash flows arising from the financial asset have expired or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Initial measurement

Non-derivative financial instruments comprise investments, loans and receivables, trade and other receivables, cash and cash equivalents,

Significant accounting policies continued

for the year ended 31 March 2018

interest-bearing borrowings, trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent measurement

Subsequent to initial recognition non-derivative financial instruments are measured as set out below.

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less impairment losses.

Loans to group companies are classified as loans and receivables.

Trade and other receivables

Trade and other receivables are measured at amortised cost less impairment losses. Trade and other receivables that are of a short-term nature are not discounted due to the insignificance of the difference between the carrying value and the fair value.

The non-current portions of trade receivables are classified as loans and receivables.

Short-term investments

Short-term investments consist of short-term deposits with an original maturity date of more than three months. Short-term investments are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and deposits with an original maturity date of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Cash and cash equivalents are measured at amortised cost.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Loans from group companies are classified as financial liabilities at amortised cost.

Trade and other payables

Trade and other payables are carried at amortised cost using the effective interest method. Trade and other payables that are of a short-term nature are not discounted due to the insignificance of the difference between the carrying value and the fair value.

Financial instruments designated as at fair value through profit or loss

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition.

Financial instruments are designated as at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Listed investments held by the group are classified as at fair value through profit or loss. The fair values are calculated by reference to stock exchange market prices and/or market value of debt securities, quoted on the bond exchange of South Africa, at the close of business on the reporting date.

Unit trusts consist of investments in money market instruments, listed debt securities and listed equities. These investments are fair valued based on the quoted closing market price per unit at the close of business on the reporting date.

Offset

Financial assets and financial liabilities are offset against each other only when a legally enforceable right exists to set off the recognised amounts, and the group intends either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.7 Income tax and deferred tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences relating to investments in subsidiaries to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The company withholds dividend tax on behalf of its shareholders at a rate of 20% (15% before 22 February 2017) on dividends declared. Amounts withheld are not recognised as part of the company's tax charge, but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised as the gross amount with the related withholding tax recognised as part of the tax expense unless it is otherwise reimbursable, in which case it is recognised as an asset.

Significant accounting policies continued

for the year ended 31 March 2018

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Other leases are classified as operating leases and the leased assets are not recognised in the group's statement of financial position.

Operating leases – lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability. This lease asset or liability is not discounted.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in profit or loss in the period in which the related revenue is recognised. The amount of any write-down of inventories to their net realisable value and all losses of inventories are recognised as an expense in profit or loss in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as an increase in the amount of inventories and recognised as income in the period in which the reversal occurs.

Obsolete, damaged and slow-moving inventory is identified on a continuous basis and written down to its net realisable value.

1.10 Impairment of assets

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed for impairment at each reporting date to determine whether there is any objective evidence that they are impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events that occurred after the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset.

Financial assets measured at amortised cost

The group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in the allowance account against loans and receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is recognised in profit or loss.

Indicators of impairment

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the group on terms that the group would not otherwise consider;
- Indications that a debtor will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers; or
- Observable data indicating that there is a measurable decrease in expected cash flows from a group of financial assets.

Non-financial assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent that it reverses a previous revaluation on the same asset.

A cash-generating unit is a group of assets that are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary or is redeemable but only at the group's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in profit or loss as interest expense.

Significant accounting policies continued

for the year ended 31 March 2018

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those employee benefits other than termination benefits) that are expected to be settled wholly before 12 months after the reporting date are recognised in profit or loss in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense in profit or loss when there is a legal or constructive obligation to make such payments as a result of past performance.

Share-based payment transactions

The group has an employee share trust for the granting of non-transferable options to executives and senior employees. Shares in the group held by the employee share trust are treated as treasury shares and presented in the statement of financial position as a deduction from equity.

The fair value of share options is measured using the Black-Scholes-Merton model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted-average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the entity revises its estimates of the number of options that are expected to vest. The impact, if any, of the revision of original estimates is recognised in profit or loss, with a corresponding adjustment to equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors, will ultimately vest.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as share dilution in the computation of diluted earnings per share.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

1.13 Revenue

The group's revenue comprises the following:

- Sale of goods;
- Rental income;
- Finance income on instalment sales; and
- Insurance premium income.

The company's revenue comprises the following:

- Management fee from subsidiaries;
- Dividend income from subsidiaries; and
- Interest income from subsidiaries.

Group

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and value added tax. Revenue is recognised when:

- Persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer;
- Recovery of the consideration is probable;
- The associated costs and possible return of goods can be estimated reliably;
- There is no continuing management involvement with the goods; and
- The amount of revenue can be measured reliably.

If it is probable that discounts will be granted; and the amount can be measured reliably, then the discount is recognised as a reduction of revenue when the sales are recognised.

Rental income

Some properties in the group comprise a portion held to earn rental income and another portion held for administrative purposes. A portion of these properties cannot be sold separately and a significant portion of these properties are held for administrative purposes. These properties are classified as owner occupied. Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

Finance income on instalment sales

Finance income comprises interest on instalment debtors arising from credit sales. The earned portion of interest received is recognised as revenue. Interest is earned from the date that the sales contract is concluded, over the period of the contract, based on the terms and conditions of the instalment sales agreement.

Interest income on funds in the insurance segment is recognised as interest earned from operations as there are legislative requirements where the funds need to be invested.

Insurance premium income

For insurance premium income recognition and measurement refer to note 1.17.

Company

Management fees from subsidiaries

Management fees are recognised by the company when services are rendered to subsidiaries.

Interest and dividend income from subsidiaries

Interest and dividend income from subsidiaries is recognised as revenue in the holding company's separate financial statements. Dividend income is recognised on the date that the company's right to receive payment is established. Finance income is included, depending on its nature, either in revenue, investment income from operations or investment income.

1.14 Other income

Transactions not recognised as revenue or finance and investment income are classified as other income and include external insurance claims, profit on disposal of property, plant and equipment, commission and administration fees.

Significant accounting policies continued

for the year ended 31 March 2018

1.15 Investment income and expenses

Investment income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Interest income on funds in the insurance segment is recognised as interest earned from operations as there are legislative requirements where the funds need to be invested. Dividend income is recognised in profit or loss on the date that the group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Interest and dividend income are presented separately and not as part of the fair value changes of the financial assets measured at fair value through profit or loss.

Financing expenses comprise interest paid on borrowings calculated using the effective interest method and preference dividends paid by the company on redeemable preference shares, which are classified as liabilities.

1.16 Functional and presentation currency

Functional and presentation currency and foreign currency transactions

The company's functional currency is the South African Rand. The financial statements have been presented in South African Rands, rounded to the nearest thousand unless stated otherwise.

Transactions in foreign currencies are translated to the functional currency of the group entities at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary assets and liabilities measured at historical cost are translated to the functional currency at the exchange rate at the date that the historical cost was determined.

1.17 Classification of insurance contracts

Contracts under which the group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk which is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

The group classifies financial guarantee contracts issued as insurance contracts.

Premiums

Premiums written comprise the premiums on insurance contracts entered into during the financial year, irrespective of whether they relate in whole or in part to a later reporting period. Premiums are disclosed gross of commission to intermediaries and exclude value added tax. Premiums written include adjustments to premiums written in prior reporting periods.

The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten.

Unearned premium provision

The provision for unearned premiums comprises the proportion of premiums written, which is estimated to be earned in subsequent reporting periods or that relates to the unexpired terms of policies issued reduced by claims incurred, computed separately for each insurance contract using a basis that results in premium income being earned as the group is released from the insurance risk presented by the underlying policies.

Claims incurred

Claims incurred consist of claims and claims handling and related expenses paid during the financial year together with the movement in the provision for outstanding claims, including provisions for claims incurred but not yet reported (IBNR), and related expenses together with any other adjustments to claims from previous years. Where applicable deductions are made for salvage and other recoveries. Outstanding claims comprise provisions for the company's estimate of the undiscounted ultimate cost of settling all claims incurred but unpaid at the reporting date.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material. The methods used to value these provisions, and estimates made are reviewed regularly.

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred which are attributable to the unexpired periods of the policies in force.

Liability adequacy test

The net liability recognised for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made and the group recognises the shortfall in profit or loss for the year.

No-claim bonuses

The product offered by the group includes a profit participation measure and provides for a reward to policyholders for favourable loss experience.

1.18 Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the group's managing director, who is the chief operating decision maker, to make decisions about resources to

Significant accounting policies continued

for the year ended 31 March 2018

be allocated to the segment and to assess its performance.

Segment results

Segment results consist of segment revenue less segment expenses.

Segment revenue

Segment revenue consists of revenue reported in the group's profit or loss that is directly attributable to a segment and the relevant portion of group revenue that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments of the group, but excluding non-specific revenue interest or dividend income and also excluding gains on sales of investments or gains on extinguishments of debt (unless the segment's operations are primarily of a financial nature).

Segment expense

Segment expense consists of expenses resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion of expenses that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments within the group, excluding non-operating interest incurred, losses on sales of investments or losses on extinguishments of debt (unless the segment's operations are primarily of a financial nature) and income tax.

General administrative expenses, such as head office expenses, and other expenses that arise at group level and relate to the group as a whole, are also excluded from segment expense. However, costs incurred at group level on behalf of a segment are included in segment expense if they relate to the segment's operating activities and they can be directly attributed or allocated to the segment on a reasonable basis.

Segment assets

Segment assets consist of those assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated on a reasonable basis. Segment assets do not include income tax assets.

Segment liabilities

Segment liabilities consist of those operating liabilities that result from the operating activities of a segment that are either directly attributable to the segment or can be allocated on a reasonable basis to the segment. Segment liabilities do not include income tax liabilities.

1.19 Determination of fair values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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, debt securities and unit trusts

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 values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted closing market price;
- The fair values of debt securities are based on the quoted closing market price as reflected on the Bond Exchange of South Africa. The securities are regularly traded on the active market; and
- The fair values of the unit trust investments are based on the quoted put (exit) price provided by the fund manager.

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 held by the group are of a short-term nature and the fair value of positive bank balances and bank overdrafts is deemed to approximate the carrying amount.

Notes to the financial statements
for the year ended 31 March 2018

2. New standards and interpretations not yet effective

At the date of authorisation of the group financial statements and financial statements for the year ended 31 March 2018, the following standards and interpretations were in issue but not yet effective:

	Standard/interpretation	Effective date: Years beginning on or after
IFRS 15	Revenue from Contracts with Customers	Annual periods beginning on or after 1 April 2018*
IFRS 9	Financial Instruments	Annual periods beginning on or after 1 April 2018*
IFRS 2 amendments	Classification and Measurement of Share-based Payment Transactions	Annual periods beginning on or after 1 April 2018
IAS 40 amendment	Transfers of Investment Property	Annual periods beginning on or after 1 April 2018*
IFRIC 22	Foreign Currency Transactions and Advance Considerations	Annual periods beginning on or after 1 April 2018
IFRS 4 amendments	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Annual periods beginning on or after 1 April 2018
IFRS 16	Leases	Annual periods beginning on or after 1 April 2019*
IFRIC 23	Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 April 2019*
IFRS 9 amendment	Prepayment Features with Negative Compensation	Annual periods beginning on or after 1 April 2019*
IAS 28 amendment	Long-term Interest in Associates and Joint Ventures	Annual periods beginning on or after 1 April 2019*
IFRS 17	Insurance Contracts	Annual periods beginning on or after 1 April 2021*

**All standards and interpretations will be adopted at their effective date despite early application being permitted under IFRS (except for those standards and interpretations that are not applicable to the entity).*

The changes as a result of the IAS 40 amendment, IFRS 9 amendment and IAS 28 amendment are not applicable to the business of the company and will therefore have no impact on future financial statements.

2. New standards and interpretations not yet effective continued

The directors are of the opinion that the impact of the application of the remaining standards and interpretations will be as follows:

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Revenue comprises, amongst other components, the fair value of amounts invoiced in respect of goods sold, net of rebates and settlement discounts as well as interest income on credit sales. Revenue is recognised when risk and rewards are passed to the customer, which in the case of credit sales is the date of delivery. In respect of cash sales, revenue is recognised when the transaction happens.

It is envisaged that the adoption of the new standard will not have a significant impact on the timing and value of revenue as interest is charged on the credit sales at an appropriate rate which is utilised to calculate the repayment amount which contains a capital and interest element and therefore time value of money is already taken into account when the credit sale is recognised. The finance income is recognised over the contractual term of the instalment sale agreement.

The sales transaction does not involve multiple performance obligations, or complex contractual terms determining the timing over which revenue should be recognised. In terms of the new standard, revenue will still be recognised at a point in time, which will be the date of delivery, and over a period of time for interest income.

Additional performance obligations relate to administrative services rendered upon entering into an instalment sale agreement and transport services rendered relating to the delivery of goods purchased. The revenue will be recognised as part of other income, at a point in time, upon the conclusion of the instalment sale agreement and when the goods are delivered respectively as this is when the conditions relating to the performance obligations will be met.

A subsidiary company generates revenue by leasing its property. The rent received does not involve multiple performance obligations, or complex contractual terms determining the timing over which revenue should be recognised. In terms of the new standard, revenue will be recognised at a point in time, which will be the date of the invoice on a monthly basis.

Lastly, the standard will have no effect on the revenue recognised relating to insurance premium income as this will fall under the ambit of the proposed insurance standard, IFRS 17.

Notes to the financial statements continued

for the year ended 31 March 2018

2. New standards and interpretations not yet effective continued

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard includes changes in the measurement bases of the company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The change from an incurred loss model to an expected credit loss model when assessing the impairment of trade receivables is not expected to have a significant impact on the company under the new standard based on the nature of the customer base and the level of historic credit losses.

The group and insurance subsidiary are eligible and have elected the temporary exemption from IFRS 9.

IFRS 2 amendments clarifying share-based payment accounting

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

Measurement of cash-settled share-based payments – The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

Classification of share-based payments settled net of tax withholdings – The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

Accounting for a modification of a share-based payment from cash-settled to equity-settled – The amendments clarify the approach that companies are to apply.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The impact on the financial statements of the company is not expected to be significant as no options have been granted during the current and prior year and there were no outstanding options for the current and prior year.

2. New standards and interpretations not yet effective continued

IFRIC 22 Foreign Currency Transactions and Advance Considerations

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The group's exposure to foreign currency transactions is limited to occasional foreign purchases of merchandise during a given year by a subsidiary. There is also not a significant time delay between the payment of the foreign currency and the date that risk and rewards pertaining to the purchased inventory transfers. At the current levels of exposure, the new standard will not have a significant impact on the financial statements of the group.

IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The differing effective dates of IFRS 9 and IFRS 4 could have a significant impact on insurers. In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the IASB has issued amendments to IFRS 4 Insurance Contracts. The two optional solutions proposed by the amendments are a temporary exemption from IFRS 9 or an overlay approach.

The group and insurance subsidiary are eligible and have elected the temporary exemption from IFRS 9.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position.

The group has two leases in place for office space and stores in terms of operating leases.

The leases are for periods ranging between 12 and 60 months.

Once the new standard becomes effective, these leases will have to be capitalised and reflected as lease assets and lease liabilities on the statement of financial position. This will give rise to the recognition of an interest charge and depreciation over the lease term and a reduction in lease expenditure currently recognised in the statement of profit or loss and other comprehensive income.

Notes to the financial statements continued

for the year ended 31 March 2018

2. New standards and interpretations not yet effective continued

IFRS 16 Leases continued

As noted in note 33, the group had operating lease commitments of R4,8 million outstanding at 31 March 2018 in respect of current property leases.

The present value of the above-mentioned future commitments is indicative of the amount of the lease asset (right of use asset) and lease obligation which would have to be reflected on the statement of financial position.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- Judgements made;
- Assumptions and other estimates used; and
- The potential impact of uncertainties that are not reflected.

The impact on the financial statements of the company is not expected to be significant, the application of this standard will be done on a case-by-case basis.

IFRS 17 Insurance Contracts

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model (general model) for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss and other comprehensive income.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

A subsidiary, being an insurance company, has contracted a suitable external IFRS adviser to assist with the process of determining the impact of IFRS 17. More detailed disclosure on the impact of the new standard will be provided in future financial statements.

3. Property, plant and equipment

	2018			2017		
Figures in R'000	Cost/ valuation	Accumulated depreciation and impairments	Carrying value	Cost/ valuation	Accumulated depreciation and impairments	Carrying value
GROUP						
At valuation						
Land	**6 566**	**–**	**6 566**	6 566	–	6 566
Buildings	**9 580**	**–**	**9 580**	9 580	–	9 580
At cost						
Leasehold improvements	**1 221**	**(1 180)**	**41**	1 221	(1 162)	59
Plant and machinery	**1 438**	**(1 106)**	**332**	1 078	(1 012)	66
Furniture and fittings	**55**	**(18)**	**37**	55	(11)	44
Motor vehicles	**863**	**(346)**	**517**	850	(230)	620
Generator equipment	**401**	**(81)**	**320**	401	(54)	347
Shop fittings	**480**	**(293)**	**187**	480	(133)	347
Solar equipment	**496**	**(25)**	**471**	–	–	–
Total	**21 100**	**(3 049)**	**18 051**	20 231	(2 602)	17 629
COMPANY						
At cost						
Plant and machinery	**366**	**(32)**	**334**	–	–	–
	366	**(32)**	**334**	–	–	–

Notes to the financial statements continued

for the year ended 31 March 2018

3. Property, plant and equipment continued

Reconciliation of movement in the carrying value of property, plant and equipment

Figures in R'000	Opening carrying value	Additions	Disposals	Depre-ciation	Closing carrying value
2018					
GROUP					
At valuation					
Land	6 566	–	–	–	6 566
Buildings	9 580	–	–	–	9 580
At cost					
Leasehold improvements	59	–	–	(18)	41
Plant and machinery	66	366	(6)	(94)	332
Furniture and fittings	44	–	–	(7)	37
Motor vehicles	620	13	–	(116)	517
Generator equipment	347	–	–	(27)	320
Shop fittings	347	–	–	(160)	187
Solar equipment	–	496	–	(25)	471
	17 629	875	(6)	(447)	18 051
COMPANY					
At cost					
Plant and machinery	–	366	–	(32)	334
2017					
GROUP					
At valuation					
Land	6 566	–	–	–	6 566
Buildings	9 534	115	(69)	–	9 580
At cost					
Leasehold improvements	52	28	–	(21)	59
Plant and machinery	198	–	(2)	(130)	66
Furniture and fittings	49	–	–	(5)	44
Motor vehicles	363	436	(89)	(90)	620
Generator equipment	374	–	–	(27)	347
Shop fittings	94	386	–	(133)	347
	17 230	965	(160)	(406)	17 629

3. Property, plant and equipment continued

Pledged as security

None of the group's or company property, plant and equipment are mortgaged or further encumbered.

Revaluations

Land and buildings, which consist of a business premises situated on erf 2134, Ferndale, Johannesburg, are independently valued on a ad-hoc basis. The previous independent valuation was completed on 31 March 2017. The property was valued by the company's directors at 31 March 2018. The company's directors value the group's property 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 valuation was based on a combination of the income capitalisation method and the depreciated replacement value for existing use. The directors have assessed the residual value of the properties at 31 March 2018 and calculated that the residual value approximates the current carrying value. No depreciation has therefore been recognised in the current or prior period in respect of the property.

The carrying value of the revalued assets, with an original cost price of R5 399 000 for the group, under the depreciated cost model, would have been:

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Land	1 575	1 575	–	–
Buildings	1 147	1 270	–	–
	2 722	2 845	–	–

Notes to the financial statements continued

for the year ended 31 March 2018

3. Property, plant and equipment continued

Fair value hierarchy

Figures in R'000	Level 1	Level 2	Level 3	Total
Land and buildings – 2018	–	–	**16 146**	**16 146**
Land and buildings – 2017	–	–	16 146	16 146

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 Rhode report Vacancy factor

Figures in R'000	Land and buildings
Reconciliation of land and buildings at fair value in Level 3	
Balance 1 April 2017	**16 146**
Fair value measurements	**–**
Balance at 31 March 2018	**16 146**

Sensitivity analysis

Land and buildings

Presented in the tables below is an analysis of the impact on the fair value of the property, per valuation method, for changes in the key valuation assumptions:

Figures in R'000	Capitalisation rate		
Income capitalisation method (%)	8,29	9,29	10,29
Rental (10% decrease)	14 900	13 300	12 000
Rental (Rate per Rhode report)	17 800	15 900	14 400
Rental (10% increase)	20 700	18 500	16 700

3. Property, plant and equipment continued

Sensitivity analysis continued

Land and buildings continued

Figures in R'000	Depreciation factor		
Depreciated replacement cost method (%)	65,00	70,00	75,00
Building costs (3% decrease)	18 000	16 300	14 700
Building costs (Rate per AECOM's African Property and Construction Handbook of 2017)	18 300	16 600	15 000
Building costs (3% increase)	18 700	16 900	15 200

The valuation for the financial year ended 31 March 2018 was based on a combination of the income capitalisation method and the depreciated replacement value for existing use. A 50% contribution rate per method was deemed appropriate by the directors.

The difference between the directors' valuation, R16,250 million, and the value attributed to the property in these financial statements, R16,146 million, was considered but not deemed to be material to warrant an adjustment in fair value.

4. Intangible assets

	2018			2017		
Figures in R'000	Cost	Accumulated amortisation and impairment losses	Carrying value	Cost	Accumulated amortisation and impairment losses	Carrying value
GROUP						
Computer software, internally developed	**997**	**(879)**	**118**	852	(751)	101
COMPANY						
Computer software, internally developed	**378**	**(356)**	**22**	378	(301)	77

Notes to the financial statements continued

for the year ended 31 March 2018

4. Intangible assets continued

Reconciliation of movement in the carrying value of intangible assets

Figures in R'000	Opening carrying value	Additions	Amortisation	Closing carrying value
2018				
GROUP				
Computer software, internally developed	**101**	**145**	**(128)**	**118**
COMPANY				
Computer software, internally developed	**77**	**–**	**(55)**	**22**
2017				
GROUP				
Computer software, internally developed	355	–	(254)	101
COMPANY				
Computer software, internally developed	172	–	(95)	77

Pledged as security

There is no restricted title on computer software and no computer software has been pledged as security for liabilities of the group or the company. As at 31 March 2018 there were no contractual commitments relating to intangible assets.

5. Investments in subsidiaries

Name of company	Held by	Voting power 2018 %	Voting power 2017 %	Shares at cost 2018 R'000	Shares at cost 2017 R'000
Corporate Guarantee (South Africa) Limited	Nictus Limited	**100,00**	100,00	**42 900**	42 900
Kruben Holdings Proprietary Limited	Nictus Limited	**100,00**	100,00	**11 516**	11 516
Nictus Meubels Proprietary Limited	Nictus Limited	**100,00**	100,00	**41 220**	41 220
Oreon Place Investments Proprietary Limited#	Nictus Limited	**–**	–	**–**	–
				95 636	95 636
Impairment of investment in subsidiaries				**(17 192)**	(18 377)
Carrying value at end of year				**78 444**	77 259
Accumulated impairment allowances					
Opening balance				**18 377**	17 344
Current year: impairment losses (reversed)/raised (note 20)				**(1 185)**	1 033
				17 192	18 377

 # On 31 March 2017 the company sold its interest in Oreon Place Investments Proprietary Limited as it could not be aligned to fit into the company's strategy. It was sold to Nico Tromp Trust, a trust related to Nicolaas C Tromp, as a shelf company. The results of Oreon Place Investments Proprietary Limited were previously disclosed as part of the insurance and finance segment, refer to note 37.

As a result of prior period trading losses the investment in Nictus Meubels Proprietary Limited has been impaired. The current year's reversal and prior year's impairment have been accounted for in profit or loss as part of operating expenses. The remaining impairment is based on the recoverable amount of the subsidiary at 31 March 2018.

The company has no interests in unconsolidated entities.

The company has no sponsored entities.

All subsidiaries' principal place of business and country of incorporation are in South Africa.

Notes to the financial statements continued

for the year ended 31 March 2018

6. Investments

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
At fair value through profit or loss – designated				
Listed shares	**11 340**	12 967	**–**	–
Listed debt securities	**1 998**	1 988	**–**	–
Unit trusts	**42 826**	7 107	**–**	–
Debt securities consist of stock held in Standard Bank of South Africa Limited which is redeemable on 10 April 2018 and which earns interest at a rate of 8,4% per annum.				
A register containing particulars of companies in which shares and unit trusts are held is available for inspection at the registered office and head office of the group.				
Amortised cost				
Short-term investments	**53 985**	100 766	**–**	–
Short-term investments consist of short-term deposits with an original maturity date of more than three months. Due to the short-term nature of these deposits and the market-related interest rate attached to them, the carrying value approximates the fair value.				
Total investments	**110 149**	122 828	**–**	–
Disclosure				
Non-current assets	**11 340**	22 062	**–**	–
At fair value through profit or loss – designated	**11 340**	22 062	**–**	–
Current assets	**98 809**	100 766	**–**	–
At fair value through profit or loss – designated	**44 824**	–	**–**	–
Amortised cost	**53 985**	100 766	**–**	–
	110 149	122 828	**–**	–

Refer to note 1.19 on determining the fair value of financial assets.

Refer to note 30 on financial risk management for sensitivity analysis.

6. Investments continued

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. Unit trusts consist of investments in collective investment schemes, the valuation technique is based on quoted put (exit) price provided by the relevant fund managers. The only observable inputs with regard to unit trusts are the closing units and closing price. There were no transfers between the levels for the reporting period.

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Level 1				
Listed shares	**11 340**	12 967	**–**	–
Listed debt securities	**1 998**	1 988	**–**	–
Unit trusts*	**–**	7 107	**–**	–
	13 338	22 062	**–**	–

** The prior year unit trust investment consisted of an investment in a collective investment scheme, of which the majority of the underlying investments constituted listed equity investments. These unit trusts were disposed of during the current financial year.*

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Level 2				
Unit trusts	**42 826**	–	**–**	–
	42 826	–	**–**	–

Interests in unconsolidated structured entities

Unit trust – Investment 1

The fund invests in high-yielding South African fixed-income assets, including government and corporate bonds, fixed deposits and money market instruments. The fund is actively managed and the maximum average duration of assets is two years. As at year end the company's interest in the fund totalled R20,003 million (2017: Rnil) compared to a total fund size of R9,4 billion.

Unit trust – Investment 2

In order to achieve its objective the portfolio will predominantly invest in a diversified range of local and global dividend-yielding equity securities and non-equity securities, including redeemable preference shares, liquid instruments and other interest-bearing securities and instruments. As at year end the company's interest in the fund totalled R22,823 million (2017: Rnil) compared to a total fund size of R718,1 million.

Notes to the financial statements continued

for the year ended 31 March 2018

6. Investments continued

Interests in unconsolidated structured entities continued

Unit trust - Investment 3

The majority of the underlying investments of these unit trusts were listed equity investments. The investment was disposed of during the current financial year. As at year end the company's interest in the fund totalled Rnil (2017: R7,107 million).

7. Deferred tax asset/(liability)

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Reconciliation of movement for the year				
Balance at the beginning of the year	**(974)**	(1 457)	**(1 132)**	1 136
Current period movements:				
– Recognised in profit or loss	**1 594**	483	**(986)**	(2 268)
	620	(974)	**(2 118)**	(1 132)
The net deferred tax asset/(liability) comprises:				
Deferred tax assets	**3 020**	1 424	**–**	–
Deferred tax liabilities	**(2 400)**	(2 398)	**(2 118)**	(1 132)
	620	(974)	**(2 118)**	(1 132)
The net deferred tax asset/(liability) comprises the following temporary differences:				
Available tax losses	**491**	490	**42**	170
Accruals	**3 194**	2 574	**403**	344
Revaluation of land and buildings	**(2 718)**	(2 718)	**–**	–
Fair value gains on investments	**(215)**	(1 320)	**–**	–
Revaluation of insurance asset	**–**	–	**(2 563)**	(1 646)
Capital allowances	**(132)**	–	**–**	–
	620	(974)	**(2 118)**	(1 132)

Deferred tax assets in respect of available tax losses and deductible temporary differences have been recognised to the extent that the directors are of the opinion that sufficient future taxable profits will be available in the foreseeable future to enable the group and its subsidiary companies to utilise the available tax losses and deductible temporary differences.

7. Deferred tax asset/(liability) continued

Tax rates

The deferred tax rate applied to the fair value adjustments of financial assets or revaluations of owner-occupied property is determined by the expected manner of recovery. Where the expected recovery is through sale, the capital gains tax rate of 22,4% (2017: 22,4%) has been used. If the expected manner of recovery is through indefinite use, the corporate tax rate of 28% (2017: 28%) has been applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains tax rate and corporate tax rate has been used.

The following deferred tax assets have not been recognised by the group and company in respect of available tax losses and deductible temporary differences due to the fact that there is not sufficient certainty at the reporting date whether the subsidiary or company would be able to generate sufficient taxable income in the immediate future to utilise the available tax losses and deductible temporary differences.

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Estimated available tax losses	**9 558**	10 226	**148**	608
Tax losses recognised in determining deferred tax assets	**(1 754)**	(1 749)	**(148)**	(608)
Unrecognised tax losses	**7 804**	8 477	**–**	–
Unrecognised deferred tax assets pertaining to unutilised tax losses	**2 185**	2 374	**–**	–

The estimated tax losses will be available to the company and the respective subsidiaries indefinitely per the Income Tax Act as long as the entities are trading. There is currently no intention for the company or the subsidiaries to cease trading activities.

Notes to the financial statements continued

for the year ended 31 March 2018

8. Loans and receivables

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Non-current assets	**5 387**	3 668	**–**	–
Current assets	**44 226**	44 766	**40 051**	40 591
	49 613	48 434	**40 051**	40 591
Comprising:				
Loans and receivables	**40 051**	40 591	**40 051**	40 591
Non-current portion of trade receivables	**5 387**	3 668	**–**	–
Investments held in preference shares	**4 175**	4 175	**–**	–
	49 613	48 434	**40 051**	40 591
Gross				
Not past due	**49 613**	48 434	**40 051**	40 591

Non-current portion of trade receivables

The non-current portion of the receivables represents trade receivables arising from instalment sale agreements in the furniture retail segment, that will only be repaid after 12 months.

Investments held in preference shares

Preference shares relate to preference shares taken up by Corporate Guarantee (South Africa) Limited in Sinuku Securities Proprietary Limited. The preference shares constitute cumulative redeemable preference shares issued on 1 August 2010 for a minimum period of three years and one day whilst not exceeding a period of ten years and bear dividends at a rate of 75% of the Standard Bank of South Africa prime rate. The preference dividends are receivable monthly.

Loans and receivables

Loans and receivables relates to a loan to Nictus Holdings Limited, a related company incorporated in Namibia. The loan is unsecured, repayable on demand and bears interest at the South African prime interest rate.

9. Inventories

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Merchandise	**10 987**	11 278	**–**	–
Consumables	**6**	6	**6**	6
	10 993	11 284	**6**	6

No inventories have been written down to net realisable value.

Inventory pledged as security

No inventory has been encumbered or pledged as security.

10. Loans to/(from) group companies

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Current loans to subsidiary companies				
Kruben Holdings Proprietary Limited	**–**	–	**–**	1 268
	–	–	**–**	1 268
Current loans from subsidiary companies				
Corporate Guarantee (South Africa) Limited	**–**	–	**(27 735)**	(25 202)
Nictus Meubels Proprietary Limited	**–**	–	**(11 752)**	(8 830)
Kruben Holdings Proprietary Limited	**–**	–	**(11 740)**	–
Current portion of cumulative redeemable preference shares issued to subsidiaries	**–**	–	**–**	(16 500)
	–	–	**(51 227)**	(50 532)
Reconciliation – Loans from subsidiary companies				
Opening balance as at 1 April	**–**	–	**(50 532)**	(57 087)
Repayments to subsidiary companies	**–**	–	**16 500**	12 074
Loans advanced by subsidiary companies	**–**	–	**(17 195)**	(5 519)
Finance expenses accrued	**–**	–	**(4 670)**	(4 707)
Finance expenses paid	**–**	–	**4 670**	4 707
	–	–	**(51 227)**	(50 532)

Notes to the financial statements continued

for the year ended 31 March 2018

10. Loans to/(from) group companies continued

Cumulative redeemable preference shares

The cumulative redeemable preference shares bear dividends at a rate of 70% of the Standard Bank of South Africa prime rate. The preference dividends are payable monthly. The preference shares are not redeemable before three years after date of issue.

Cumulative redeemable preference shares of R6,5 million and R10 million, that were payable to Corporate Guarantee (South Africa) Limited and Kruben Holdings Proprietary Limited respectively in the prior year, were settled during the current year.

Loans to/(from) subsidiary companies

Loans due to subsidiaries bear interest at the Standard Bank of South Africa Limited prime lending rate minus 1%, are unsecured and repayable on demand.

Loans due by subsidiaries bear interest at the Standard Bank of South Africa Limited prime lending rate, are unsecured and repayable on demand.

The carrying values of loans to/(from) group companies approximate their fair value due to the market-related interest rates applicable to the loans.

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Disclosure				
Current assets	**–**	–	**–**	1 268
Non-current liabilities	**–**	–	**–**	–
Current liabilities	**–**	–	**(51 227)**	(50 532)
	–	–	**(51 227)**	(49 264)

Inter-company trade receivables are subject to the same terms and conditions applied to the general public and settlement is expected to be made in cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of loan mentioned above. The group does not hold any collateral as security.

The carrying amounts of loans to and from group companies are denominated in the South African Rand.

Loans to group companies impaired

As of 31 March 2018, loans to group companies of Rnil (2017: Rnil) were impaired.

11. Trade and other receivables

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Trade receivables	**357 497**	334 329	**4**	19
Trade receivables: furniture	**10 565**	9 665	**–**	–
Trade receivables: other	**12 262**	8 341	**4**	19
Secured advances	**334 670**	316 323	**–**	–
Prepayments	**930**	710	**142**	113
Insurance asset	**–**	–	**9 154**	5 881
Deposits	**38**	38	**–**	–
Value added tax	**35**	1	**1**	1
Sundry debtors	**145**	406	**–**	–
	358 645	335 484	**9 301**	6 014

The carrying amounts of short-term trade receivables are deemed to approximate their fair values.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable disclosed above.

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Geographical split				
Namibia	**6**	13	**5**	11
South Africa	**358 639**	335 471	**9 296**	6 003
	358 645	335 484	**9 301**	6 014

Trade receivables include instalment sale agreements relating to furniture and household appliances that are sold to customers using instalment sale agreements, which are non-cancellable and which are on average for a period of two years. Goods sold by the furniture segment are sold subject to retention of title clauses, so that in the event of non-payment the group has a secured claim.

At 31 March 2018 the future minimum instalment sale agreements and premium debtors payments receivable within one year, amounting to R26 million (2017: R23 million), are included in trade receivables and R5,4 million (2016: R3,7 million) is receivable between one to five years, which is included in loans and receivables (refer to note 8).

Notes to the financial statements continued

for the year ended 31 March 2018

11. Trade and other receivables continued

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
The ageing of trade and other receivables at the reporting date was:				
Gross				
Not past due	**358 492**	335 054	**9 300**	6 013
Past due 0 – 30 days	**204**	495	**–**	–
Past due 31 – 120 days	**249**	988	**–**	–
Past due 121 – 365 days	**186**	2 204	**–**	–
More than one year	**1**	1	**1**	1
	359 132	338 742	**9 301**	6 014
Impairment allowance				
Not past due	**171**	70	**–**	–
Past due 0 – 30 days	**44**	389	**–**	–
Past due 31 – 120 days	**118**	866	**–**	–
Past due 121 – 365 days	**154**	1 933	**–**	–
	487	3 258	**–**	–
Net carrying value	**358 645**	335 484	**9 301**	6 014

As at 31 March 2018, group trade and other receivables of R0,3 million (2017: R0,5 million) were past due but no impairment allowance was raised. From a company perspective R0,001 million (2017: R0,001 million) was past due but no impairment allowance was raised.

The directors are of the opinion that the impairment allowance raised is adequate and past experience indicates that trade and other receivables past due not impaired are recoverable.

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Reconciliation of movement in impairment allowance				
Opening balance	**3 258**	3 311	**–**	–
Impairment allowance released	**(2 771)**	(53)	**–**	–
	487	3 258	**–**	–

12. Cash and cash equivalents

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Cash and cash equivalents consist of:				
Cash on hand	**17**	16	**5**	5
Bank balances	**5 371**	1 219	**448**	446
Short-term deposits	**84 329**	56 368	**–**	–
	89 717	57 603	**453**	451

Included in cash and cash equivalents are investments made in terms of the various insurance regulations in South Africa to comply with necessary liquidity requirements.

Short-term deposits includes an ultra-conservative unit trust investment of R26,690 million (2017: R18,641 million). The fund invests in call accounts and short-term money market instruments, the majority with original maturities less than three months. The investment has been made to meet short-term obligations as they fall due.

The carrying amount of cash and cash equivalents is deemed to approximate its fair value.

The borrowing capacity as determined by the Memorandum of Incorporation is unrestricted and at the discretion of the directors.

13. Stated capital

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Authorised – no par value shares				
250 million ordinary shares of no par value	**250 000**	250 000	**250 000**	250 000
10 million redeemable cumulative preference shares of no par value	**10 000**	10 000	**10 000**	10 000
	260 000	260 000	**260 000**	260 000
Issued				
66 269 940 ordinary shares of no par value	**48 668**	48 668	**48 668**	48 668

All ordinary shares rank equally with regard to the company's residual assets.

All unissued ordinary shares are under the control of the directors in terms of a resolution of shareholders passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All issued share capital is fully paid up.

Notes to the financial statements continued

for the year ended 31 March 2018

14. Revaluation reserve

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
The revaluation reserve relates to property that is carried at its revalued amount.				
Revaluation of property	**10 701**	10 701	**–**	–
Deferred tax on revaluation	**(2 718)**	(2 718)	**–**	–
	7 983	7 983	**–**	–

15. Share-based payments

Equity-settled share option scheme

The group has an approved share option scheme for senior employees and executive directors.

No options were granted during the current or prior year and there were no outstanding options for the current or prior year.

In 2012 the shareholders approved the adoption of The Nictus Employee Share Incentive Trust. The scheme was introduced to provide an incentive for senior employees (including executive directors) of the group. The objective of the scheme is to enable the retention of key employees. Allocations are linked to the performance of both the group and the individual. Share options granted in terms of the scheme will be classified as an equity-settled scheme.

In terms of the rules of the scheme, options are granted at predetermined prices set by the trustees of the scheme. The vesting period is five years as follows:

- Year 2 – 25% of allocation
- Year 3 – 25% of allocation
- Year 4 – 25% of allocation
- Year 5 – 25% of allocation

If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest unless otherwise recommended by the board of the company.

In terms of the scheme, 10% (6 626 994 shares) of the issued share capital of the company may be offered by the trustees to eligible participants.

The board may adjust the number of shares on a proportionate basis to account for a capitalisation issue or a rights offer of shares or a subdivision or consolidation or reduction of the share capital of the company. No participant shall be entitled to hold or receive more than 1 988 098 of the scheme shares of the company in issue.

16. Trade and other payables

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Trade payables	**1 924**	2 248	**2 701**	2 308
Sundry creditors	**187**	151	**94**	70
Accruals	**8 257**	8 068	**1 497**	1 285
Lease straight-line accrual	**311**	212	**–**	–
Value added tax	**295**	158	**106**	77
	10 974	10 837	**4 398**	3 740

The group and company's exposure to liquidity risk related to trade and other payables is disclosed in note 30. For fair value disclosure, refer to note 32.

17. Insurance contract liability

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Gross provision for unearned premiums	**514 261**	473 944	**–**	–
Gross provision for no claim bonus	**9 603**	7 767	**–**	–
Gross provision for claims incurred but not reported (IBNR)	**329**	469	**–**	–
	524 193	482 180	**–**	–
Analysis of movements in gross provision for unearned premiums				
Opening balance	**473 944**	405 289	**–**	–
Claims paid	**(2 743)**	(1 033)	**–**	–
IBNR released	**140**	48	**–**	–
Net written premiums	**45 405**	77 452	**–**	–
Net underwriting result	**(2 485)**	(7 812)	**–**	–
	514 261	473 944	**–**	–
Analysis of movements in no claim bonus provision				
Opening balance	**7 767**	6 138	**–**	–
No claim bonus charge to the profit or loss	**28 285**	24 858	**–**	–
No claim bonus paid	**(26 449)**	(23 229)	**–**	–
	9 603	7 767	**–**	–

Notes to the financial statements continued

for the year ended 31 March 2018

17. Insurance contract liability continued

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Analysis of movement in gross IBNR provision				
Opening balance	**469**	517	**–**	–
IBNR released	**(469)**	(517)		
IBNR provided	**329**	469	**–**	–
	329	469	**–**	–

Process used to determine significant assumptions

Insurance risks are unpredictable and the group recognises that it is impossible to forecast, with certainly, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have a reasonable likelihood of being adequate to settle all its insurance obligations.

Claim provisions

The group's outstanding claims provisions include notified claims as well as IBNR claims.

Notified claims

Each notified claim is assessed on a separate, case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. The group employs staff experienced in claims handling and applies standardised policies and procedures around claims assessment. The provision for each notified claim includes value added tax, where applicable. There were no unpaid notified claims as at 31 March 2018.

Claims incurred but not reported (IBNR)

Due to the short duration between the occurrence, reporting and settlement of claims, the IBNR is calculated per the prescribed calculation in Board Notice 169 of 2011 issued by the Financial Services Board (FSB). The adequacy of this reserve is assessed on an annual basis as part of the liability adequacy test performed on the total of insurance contract liabilities.

Premium provisions

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is then released as the risk under the contract expires.

17. Insurance contract liability continued

Assumptions

Considering the nature of the insurance contracts sold, it is expected that all insurance liabilities will be settled within twelve months from the reporting date.

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
An increase in IBNR of 1% of net written premiums would decrease profit by:	**3**	5	**–**	–

A 1% decrease will have an equal but opposite effect.

18. Revenue

Figures in R'000	GROUP 2018	GROUP 2017	COMPANY 2018	COMPANY 2017
Sale of goods	**39 220**	32 551	**–**	–
Management fees from subsidiaries	**–**	–	**16 800**	21 551
Rental income	**47**	40	**–**	–
Finance income	**2 866**	3 215	**79**	117
Dividend received from subsidiary	**–**	–	**–**	1 920
Insurance premium income	**5 228**	8 845	**–**	–
	47 361	44 651	**16 879**	23 588
Insurance premium income consists of:				
Net written premiums	**45 405**	77 452	**–**	–
Change in net provision for unearned premiums	**(40 177)**	(68 607)	**–**	–
	5 228	8 845	**–**	–

Notes to the financial statements continued

for the year ended 31 March 2018

19. Other income

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
(Loss)/profit on sale of property, plant and equipment	(6)	24	–	–
Profit/(loss) on sale of subsidiary – Oreon Place	–	3	–	(11)
Commissions received	7	59	–	–
Other services rendered	(3)	54	–	–
Insurance claim	202	370	–	–
Sundry income	31	7	11	–
Administration fees received	1 051	807	–	–
Transport recoveries	977	793	–	–
Insurance asset balance adjustment	–	–	3 274	5 881
	2 259	2 117	3 285	5 870

20. Results from operating activities

Results from operating activities for the year are stated after accounting for the following:

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Insurance expenses				
Claims paid	2 743	1 033	–	–
No claim bonus allocations	28 285	24 858	–	–
	31 028	25 891	–	–
Operating lease charges	2 870	2 514	852	450
– Premises – straight-lined	2 870	2 512	852	450
– Equipment and motor vehicles – straight-lined	–	2	–	–
Bad debt written off	2 868	565	–	–
Allowance for trade receivables impairment released	(2 771)	(53)	–	–
(Reversal)/recognition of impairment against investment in subsidiaries (note 5)	–	–	(1 185)	1 033
Amortisation on intangible asset	128	254	55	95
Depreciation on property, plant and equipment	447	406	32	–

20. Results from operating activities continued

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Profit on disposal of investments	(3 841)	(3 458)	–	–
Fair value adjustments:	4 865	3 288	–	–
– Unit trusts	3 030	2 804	–	–
– Listed debt securities	(10)	435	–	–
– Listed shares	1 845	49	–	–
Insurance premium expenses	185	179	3 031	6 031
Loss on scrapping/derecognition of equipment	–	69	–	–
Employee costs and directors' emoluments	14 586	14 285	6 068	6 100
– Salaries	10 500	10 568	2 309	2 743
– Medical aid contributions	242	236	47	–
– Fees for services as directors (refer to note 29)	3 844	3 481	3 712	3 357
Management fees paid to related party	3 616	3 875	3 616	3 875

21. Investment income

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Investment income from operations				
Dividends received	1 796	1 156	–	–
Financial assets at fair value through profit and loss	(1 024)	170	–	–
Profit on disposal of investments	3 841	3 458	–	–
Fair value adjustments	(4 865)	(3 288)	–	–
Bank and secured advances	41 733	36 558	–	–
	42 505	37 884	–	–
Investment income on loans and receivables				
Bank and other	319	565	19	54
Other interest – loan to related party	4 282	4 276	4 282	4 276
	4 601	4 841	4 301	4 330
	47 106	42 725	4 301	4 330

Notes to the financial statements continued

for the year ended 31 March 2018

22. Finance expense

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Loans from subsidiaries	–	–	(3 771)	(3 257)
Preference dividends paid to subsidiaries	–	–	(899)	(1 450)
	–	–	(4 670)	(4 707)

23. Taxation credit/(expense)

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Major components of the tax expense				
Current taxation				
Current year charge	(1 052)	(661)	–	–
	(1 052)	(661)	–	–
Deferred taxation				
Current year credit/(charge)	1 594	483	(986)	(2 268)
	1 594	483	(986)	(2 268)
	542	(178)	(986)	(2 268)
Reconciliation of the effective tax expense				
Reconciliation between tax at the statutory tax rate and the effective tax rate:				
Profit before taxation	4 870	7 069	3 580	7 537

23. Taxation credit/(expense) continued

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Tax at the applicable tax rate of 28% (2017: 28%)	(1 364)	(1 979)	(1 002)	(2 110)
Tax rate adjusted for:				
Profit on sale of investments	215	194	–	–
Ordinary dividends received	503	324	–	537
Fair value adjustment on listed shares	(272)	(184)	–	–
Revaluation of group insurance assets	939	1 526	–	–
Preference dividend paid	–	–	(252)	(406)
SARS – interest and penalties	(69)	–	(64)	–
Capital allowance – depreciation-related	30	(4)	–	–
Impairment provision reversed/(raised)	–	–	332	(289)
Over provision previous year	15	28	–	–
Utilisation of unrecognised deferred tax asset	189	–	–	–
Deferred tax asset not recognised in the current year	–	(83)	–	–
Administration fees – Buying and selling of listed shares	(24)	–	–	–
Change in unrecognised deductible temporary differences	380	–	–	–
Effective taxation	542	(178)	(986)	(2 268)

24. Auditor's remuneration

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Audit fees	1 582	1 660	862	808

Notes to the financial statements continued

for the year ended 31 March 2018

25. Cash (utilised by)/generated from operations

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Profit before taxation	4 870	7 069	3 580	7 537
Adjustments for:				
Depreciation of property, plant and equipment	447	406	32	–
Loss/(profit) on disposal of property, plant and equipment	6	(24)	–	–
Loss on scrapping of property, plant and equipment	–	69	–	–
Amortisation of intangible asset	128	254	55	95
Dividend income	(1 796)	(1 156)	–	(1 920)
Investment income	(4 601)	(4 841)	(4 301)	(4 330)
Finance costs	–	–	4 670	4 707
Investment income from operations	(40 709)	(36 728)	–	–
Impairment (reversed)/raised on investments in subsidiaries	–	–	(1 185)	1 033
Profit on disposal of investments	(3 841)	(3 458)	–	–
Fair value adjustments on investments	4 865	3 288	–	–
(Loss)/profit on sale of subsidiary	–	(3)	–	11
Changes in working capital:				
Decrease/(increase) in inventories	291	(99)	–	1
Increase in trade and other receivables	(24 880)	(79 920)	(3 287)	(3 826)
Increase in trade and other payables	137	3 227	658	2 002
Increase in insurance contract liability	42 013	70 236	–	–
	(23 070)	(41 680)	222	5 310

26. Tax paid

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Balance owing at the beginning of the year	69	–	–	–
Current tax for the year recognised in profit or loss	1 052	661	–	–
Balance owing at the end of the year	(12)	(69)	–	–
Tax paid	1 109	592	–	–

27. Dividends

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Ordinary dividend paid				
– on 24 July 2017*	1 988	–	1 988	–
– on 25 July 2016**	–	1 988	–	1 988
	1 988	1 988	1 988	1 988
Preference dividend paid	–	–	899	1 450
	–	–	899	1 450

Ordinary dividends paid

* *The board declared a final dividend of 3 cents per ordinary share for the year ended 31 March 2017 on 30 June 2017, to all ordinary shareholders recorded in the books of Nictus Limited at the close of business on Friday, 21 July 2017. The dividend was paid on Monday, 24 July 2017.*

** *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.*

Preference dividends paid

The preference dividends paid relates to the dividends applicable to cumulative redeemable preference shares issued by the company as disclosed in note 10. The preference dividends are payable monthly.

28. Related parties

Relationships

Subsidiaries	Refer to note 5
Related company	Nictus Holdings Limited
	Veritas Board of Executors Proprietary Limited
Members of key management	Gerard R de V Tromp *(Managing director and key management of group)*
	Eckhart H Prozesky *(Financial director and key management of group)*
	Philippus J de W Tromp *(Non-executive director)*
	Nicolaas C Tromp *(Non-executive director)*
	Stephanus J Gerber *(Manager: Insurance segment)*
Independent non-executive directors	Barend J Willemse
	John D Mandy
	Gerard Swart
	Andries J Kruger (resigned 1 April 2018)

Notes to the financial statements continued

for the year ended 31 March 2018

28. Related parties

Relationships continued

The group has a related party relationship with its subsidiaries. Key management personnel has been defined as the executive directors, non-executive directors and managing executives of segments within the group. The definition of key management includes the close members of family of key management personnel and any other entity over which key management exercises control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the group. They may include that individual's domestic partner and children, the children of the individual's domestic partner, and dependants of the individual or the individual's domestic partner.

Transactions with key management personnel

Directors of the company and their immediate relatives beneficially control 81,35% (2017: 82,79%) of the voting shares of the company. Details pertaining to directors' and key management's compensation are set out in note 29.

The group encourages employees to purchase goods and services from group companies. These transactions are generally conducted on terms no more favourable than those entered into with third parties on an arm's length basis, although in some cases nominal discounts are granted. Transactions with key personnel are conducted on similar terms. No abnormal or non-commercial credit terms are allowed, and no impairments were recognised in relation to any transactions with key personnel during the year, nor have they resulted in any non-performing debts at year end.

Similar policies are applied to key personnel at subsidiary level who are not defined as key management personnel at group level.

Certain directors of the group are also non-executive directors of other public companies which may transact with the group. The relevant directors do not believe that they have significant influence over the financial and operational policies of those companies. Those companies are therefore not regarded as related parties.

The following transactions were entered into between subsidiaries of the group and key management (as defined) and/or organisations in which key management personnel have significant influence:

Figures in R'000	2018	2017
Related party balances		
GROUP		
Loan due by related company	**40 051**	40 591

28. Related parties continued

Transactions with key management personnel continued

Figures in R'000	2018	2017
Related party balances		
COMPANY		
Trade payables		
Nictus Meubels Proprietary Limited	**–**	(7)
Kruben Holdings Proprietary Limited	**–**	(76)
Corporate Guarantee (South Africa) Limited	**(2 561)**	(2 093)
Trade receivables		
Receivables from related party	**–**	10
Receivables from subsidiaries	**–**	9
Loan accounts – refer to notes 8 and 10		
Loans to subsidiaries	**–**	1 268
Loan from subsidiaries	**(51 227)**	(34 032)
Loan due by related company	**40 051**	40 591
Preference shares issued to related parties – refer to note 10		
Issued to related parties	**–**	(16 500)
Related party transactions		
GROUP		
Interest received from related party (Nictus Holdings Limited)	**(4 282)**	(4 276)
Management fees paid to related party (Nictus Holdings Limited)	**3 616**	3 875
Secretarial fees paid to related party (Veritas Board of Executors Proprietary Limited)	**289**	290
COMPANY		
Interest received from related party (Nictus Holdings Limited)	**(4 282)**	(4 276)
Interest received from subsidiaries	**(79)**	(117)
Interest paid to subsidiaries	**3 771**	3 257
Preference dividends paid to subsidiaries	**899**	1 450
Management fees received from subsidiaries	**(16 800)**	(21 551)
Management fees paid to related party (Nictus Holdings Limited)	**3 616**	3 875
Rental paid to subsidiaries	**912**	526
Dividend received from subsidiary	**–**	(1 920)
Insurance premiums paid to subsidiary	**3 000**	6 000
Loss on disposal of investment	**–**	11
Secretarial fees paid to related party (Veritas Board of Executors Proprietary Limited)	**206**	239
Goods purchased from subsidiary	**342**	–

Notes to the financial statements continued

for the year ended 31 March 2018

28. Related parties continued

Transactions with key management personnel continued

Loans due to subsidiaries, excluding preference shares, bear interest at the Standard Bank of South Africa Limited prime lending rate minus 1%, are unsecured and repayable on demand.

Loans due by subsidiaries, excluding preference shares, bear interest at the Standard Bank of South Africa Limited prime lending rate, are unsecured and repayable on demand.

Inter-company trade receivables and payables are subject to the same terms and conditions applied to the general public. Interest is charged at market-related rates and settlement is expected to be made in cash.

Refer to note 29 for directors' emoluments.

No guarantees nor doubtful debt were provided for relating to related party balances.

29. Directors', key management's and prescribed officers' remuneration

Figures in R'000	Paid by the company		Paid by the subsidiaries	
	Basic salary#	Bonuses#	Directors' fees#	Total
Executive directors				
2018				
Gerard R de V Tromp*	**360**	**–**	**–**	**360**
Eckhart H Prozesky	**1 360**	**300**	**–**	**1 660**
	1 720	**300**	**–**	**2 020**
2017				
Gerard R de V Tromp*	360	–	–	360
Eckhart H Prozesky	1 200	240	–	1 440
	1 560	240	–	1 800

** As disclosed in note 28, a management fee of R3,616 million (2017: R3,875 million) was paid to a related party, Nictus Holdings Limited, including services rendered by Gerard R de V Tromp as executive director, to the value of R2,540 million (2017: R2,012 million).*

 # Classified as short-term employee benefits. No long-term employee benefits are payable.

29. Directors', key management's and prescribed officers' remuneration continued

Figures in R'000	Directors' fees – company	Directors' fees – subsidiaries	Basic salary – company#	Total
Non-executive directors				
2018				
Barend J Willemse	**576**	**66**	**–**	**642**
John D Mandy	**348**	**–**	**–**	**348**
Gerard Swart	**428**	**–**	**–**	**428**
Andries J Kruger	**85**	**–**	**–**	**85**
Philippus J de W Tromp**	**–**	**–**	**–**	**–**
Nicolaas C Tromp*	**63**	**66**	**192**	**321**
	1 500	**132**	**192**	**1 824**
2017				
Barend J Willemse	612	62	–	674
John D Mandy	391	–	–	391
Gerard Swart	346	–	–	346
Philippus J de W Tromp**	–	–	–	–
Nicolaas C Tromp*	16	62	192	270
	1 365	124	192	1 681

** As disclosed in note 28, a management fee of R3,616 million (2017: R3,875 million) was paid to a related party, Nictus Holdings Limited, including services rendered by Nicolaas C Tromp as non-executive director, to the value of R0,962 million (2017: R1,060 million).*

*** No remuneration was paid to the director as he waived the right to receive any compensation from the company.*

 # Classified as short-term employee benefits. No long-term employee benefits are payable.

Notes to the financial statements continued

for the year ended 31 March 2018

29. Directors', key management's and prescribed officers' remuneration

continued

Figures in R'000	Paid by the subsidiaries Basic salary#	Bonuses#	Total
Prescribed officers other than directors			
2018			
Stephanus J Gerber	**1 027**	**273**	**1 300**
	1 027	**273**	**1 300**
2017			
Stephanus J Gerber*	613	–	613
Morne Louwrens**	396	–	396
Ruaan Smith***	260	65	325
	1 269	65	1 334

 # Classified as short-term employee benefits. No long-term employee benefits are payable.

** Appointed as prescribed officer within Corporate Guarantee (South Africa) Limited on 1 August 2016.*

*** Appointed as prescribed officer within Corporate Guarantee (South Africa) Limited on 1 April 2016 and resigned 31 July 2016.*

**** Appointed as prescribed officer within Nictus Meubels Proprietary Limited on 1 April 2016 and resigned effective 30 June 2016.*

30. Financial risk management

The group's activities expose it to a variety of financial risks from the use of financial instruments: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these group financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has an audit and risk committee, which is responsible for developing and monitoring the group's risk management policies.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

30. Financial risk management continued

The group audit and risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group monitors its cash flow requirements on a daily basis against monthly projections and focuses on optimising its cash return on investments. Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As at 31 March 2018 the company's current liabilities exceed the current assets. Group loans will not be recalled until such time that the company has sufficient funds to settle these liabilities. For external payables the company will obtain funds from its subsidiaries and related companies to settle these in the normal course of business.

The following are the contractual maturities of non-derivative financial liabilities and insurance liabilities, including interest payments and excluding the impact of netting agreements.

Figures in R'000	Carrying amount	Contractual cash flows	12 months or less	1 – 2 years	2 – 5 years
At 31 March 2018					
GROUP					
Trade and other payables	**10 368**	**10 368**	**10 368**	**–**	**–**
Insurance contract liability	**524 193**	**524 193**	**524 193**	**–**	**–**
COMPANY					
Loans from group companies	**51 227**	**51 227**	**51 227**	**–**	**–**
Trade and other payables	**4 292**	**4 292**	**4 292**	**–**	**–**
At 31 March 2017					
GROUP					
Trade and other payables	10 467	10 467	10 467	–	–
Insurance contract liability	482 180	482 180	482 180	–	–
COMPANY					
Loans from group companies	34 032	34 032	34 032	–	–
Cumulative redeemable preference shares	16 500	16 844	16 844	–	–
Trade and other payables	3 663	3 663	3 663	–	–

Notes to the financial statements continued
for the year ended 31 March 2018

30. Financial risk management continued

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group incurs financial liabilities and acquires assets in order to manage market risks. All such transactions are carried out within the guidelines set by the group executive committee.

Interest rate risk

The group adopts a policy of ensuring that its exposure to changes in interest rates and borrowings is limited by setting the terms and conditions of loans to adjust to changes in the market conditions. The group also aims to ensure that the profit margin is sufficient to cover any rate change.

Other market price risk

The investment committee of the group monitors the mix of listed debt and equity securities and unit trusts in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the directors of the relevant segment.

The primary goal of the group's investment strategy is to maximise profitability through well managed investments. Management is assisted by external advisers in this regard.

Interest rate risk

The group is exposed to interest rate risk, as the majority of its interest-bearing financial assets are on a variable rate basis.

Exposure to interest rate risks

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Variable rate instruments				
Financial assets	**468 613**	418 692	**40 504**	42 310
Financial liabilities	**–**	–	**(51 227)**	(50 532)
	468 613	418 692	**(10 723)**	(8 222)

30. Financial risk management continued

Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have increased profit/(loss) and increased/(decreased) equity by the amounts shown below. A decrease of 100 basis points would have an equal but opposite effect on profit. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2017.

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
As at 31 March				
Variable rate instruments	**4 686**	4 187	**(107)**	(82)

Price risk

The group is exposed to equity securities price risk because of investments held by the group's insurance subsidiary and classified on the statement of financial position as at fair value through profit or loss. To manage its price risk arising from investments in listed equity securities, debt securities and unit trusts, the company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the company.

	GROUP			
Figures in R'000	10% increase in market prices 2018	10% decrease in market prices 2018	10% increase in market prices 2017	10% decrease in market prices 2017
At 31 March				
Listed equities				
Listed shares	**1 134**	**(1 134)**	1 297	(1 297)
Listed debt securities	**200**	**(200)**	199	(199)
Unit trusts	**4 283**	**(4 283)**	711	(711)

Foreign exchange risk

The group has no foreign denominated receivables or payables at year end.

The group reviews its foreign currency exposure, including commitments, on an ongoing basis.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investments in short-term deposits.

Notes to the financial statements continued

for the year ended 31 March 2018

30. Financial risk management continued

Credit risk continued

Trade and other receivables and loans and receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

Geographically the concentration of credit risk is in South Africa.

The board has established a credit policy for each segment under which each new customer is analysed individually for creditworthiness before the group's standard payment and delivery terms and conditions are offered. The group's review includes external ratings obtained from an external credit bureau, reviews of claims history for insurance contracts, where available, and in some cases bank references.

Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the subsidiary executive management; these limits are reviewed when required per customer. Customers that fail to meet the group's benchmark creditworthiness may transact with the group only on a cash basis.

The majority of the group's customers have been transacting with the group for a number of years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties or insurance claims.

Trade and other receivables relate only to the group's end user customers. Customers that are graded as "high risk" are restricted by tighter credit limits and their trading activity is monitored monthly by management.

Goods and services are sold subject to retention of title clauses, so that in the event of non-payment the group has a secured claim.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Secured advances include advances made to companies, property companies and other entities in the normal course of business of the insurance segment. These advances are secured by assets, rights to claims in the company, mortgage bonds, pledges and suretyships to the amount of R476,605 million (2017: R456,571 million). Various repayment terms and interest rates apply. Therefore there is no credit risk associated with these advances.

30. Financial risk management continued

Credit risk continued

Investments

The group limits its exposure to credit risk by only investing in short-term investments or reputable institutions. These investments in the insurance subsidiary company are based on the requirements as set out in the Short-term Insurance Act of South Africa.

The investment portfolios are determined monthly by the group investment committee with sufficient financial and investment background. This committee reviews the valuation and returns on investments monthly for listed investments and non-listed investments to determine whether the investment portfolio requires change. Given this, management does not expect any counterparty to fail to meet its obligations other than specifically provided for at year end.

Refer to note 11 for additional disclosures regarding credit risks.

The following table provides information regarding the aggregated credit and market risk exposure for financial instruments and other assets of the company with and without external credit rating as at 31 March (credit ratings assigned are the international scale credit ratings issued by Standard & Poor's Global ratings agency).

Figures in R'000	AAA/AA/A	BBB/BB/B	Unrated	Total
At 31 March 2018				
GROUP				
Investments – Debt securities	–	1 998	–	1 998
Investments – Unit trust	14 492	28 334	–	42 826
Investments – Short-term deposits	–	53 985	–	53 985
Loans and receivables	–	–	49 613	49 613
Trade and other receivables	–	–	22 827	22 827
Cash and cash equivalents – Bank balances	–	5 371	–	5 371
Cash and cash equivalents – Cash on hand	–	–	17	17
Cash and cash equivalents – Short-term deposits	–	84 329	–	84 329
	14 492	174 017	72 457	260 966
COMPANY				
Loans and receivables	–	–	40 051	40 051
Trade and other receivables	–	–	9 158	9 158
Cash and cash equivalents – Bank balances	–	448	–	448
Cash and cash equivalents – Cash on hand	–	–	5	5
	–	448	49 214	49 662

Notes to the financial statements continued

for the year ended 31 March 2018

30. Financial risk management continued

Credit risk continued

Investments continued

Figures in R'000	AAA/AA/A	BBB/BB/B	Unrated	Total
At 31 March 2017				
GROUP				
Investments – Debt securities	–	1 988	–	1 988
Investments – Short-term deposits	–	100 766	–	100 766
Loans and receivables	–	–	48 434	48 434
Trade and other receivables	–	–	18 006	18 006
Cash and cash equivalents – Bank balances	–	1 219	–	1 219
Cash and cash equivalents – Cash on hand	–	–	16	16
Cash and cash equivalents – Short-term deposits	–	56 368	–	56 368
	–	160 341	66 456	226 797
COMPANY				
Loans and receivables	–	–	40 591	40 591
Loans to group companies	–	–	1 268	1 268
Trade and other receivables	–	–	5 900	5 900
Cash and cash equivalents – Bank balances	–	446	–	446
Cash and cash equivalents – Cash on hand	–	–	5	5
	–	446	47 764	48 210

Insurance risks

Terms and conditions of insurance contracts

Corporate Guarantee (South Africa) Limited is registered as a short-term insurance company by the regulatory authority in South Africa and is registered for all statutory classes of short-term insurance business.

The group underwrites finite risk policies to a defined target market which concentrates primarily on the small and medium enterprises in the commercial market and secondarily on the lower end of the corporate commercial market as well as the higher end of the personal market. In the personal segment the group does not cater for the insurance needs of the general public. Commercial and personal clients are carefully selected according to a strategy of prudent risk selection.

30. Financial risk management continued

Insurance risks continued

Terms and conditions of insurance contracts continued

The group aims to deliver innovative and tailored insurance risk solutions to its clients allowing them to retain some insurance risk and effectively operate as autonomous insurance entities. The finite risk policies expose the group to limited risk and include profit participation measures to promote good risk management amongst the insured. The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out in the notes.

Insurance risk and policies for mitigating insurance risk

The primary activity of the group relates to the assumption of the risk of loss from events involving persons or organisations. Such risks may relate to property, accident, personal accident, motor, liability, engineering, credit, agriculture and other perils that may arise from an insured event. As such the group is exposed to the uncertainty surrounding the timing, severity and frequency of claims under insurance contracts.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected and that the group does not charge premiums appropriate for the risk accepted. Insurance events are, by nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The group manages its insurance risk through underwriting limits, approval procedures for new clients, pricing guidelines, centralised management of risk and monitoring of emerging issues. These actions are described below.

Underwriting strategy

The group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a portfolio of similar risks spread over a large geographical area. The underwriting strategy is continuously monitored and updated, and determines the classes of business to be written, the territories in which business is to be written and the industry sectors to which the group is prepared to accept exposure. The strategy is cascaded down by the respective segment boards to management that set the limits for management by client size, class of business, region and industry in order to enforce appropriate risk selection within the portfolio. In addition, management meets monthly to review underwriting information including premium income and loss ratios by class, region and industry.

Concentrations of insurance risk and policies mitigating the concentrations

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the group's resources. The group monitors the concentration risk by geographical area and class of business. The group is broadly represented across South Africa. The group has exposure to all major lines of insurance business.

Notes to the financial statements continued

for the year ended 31 March 2018

30. Financial risk management continued

Insurance risks continued

Exposure relating to catastrophic events

The group sets out the total aggregate exposure that it is prepared to accept in certain regions to a range of events such as natural catastrophes. The aggregate position is reviewed annually.

The group considers that its most significant exposure would arise in the event of a major environmental disaster. This analysis has been performed through identifying key concentration of risks based on different classes of business exposed in the event of such an incident.

Other risk and policies for mitigating these risks

Insurance companies are exposed to the risk of false, invalid and exaggerated claims. Measures are in place to improve the group's ability to proactively detect fraudulent claims.

Claims development

The group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term, subject to predetermined time scales dependent on the nature of the insurance contract. The group is therefore exposed to the risk that claims reserves will not be adequate to fund historic claims (run-off risk). To manage run-off risk the group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and adopts sound reserving practices. Consequently, the group's history has proven the reserves to be sufficient to fund the actual claims paid.

The group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome may prove to be different from the original liability established. However, the uncertainty about the amount and timing of claims payments is typically resolved within a year.

The majority of the group's insurance contracts are classified as "short tail", meaning that any claim is settled within a year after the loss date.

In terms of IFRS 4, an insurer need only disclose claims run-off information where uncertainty exists about the amount and timing of claim payments not resolved within one year. The group does not underwrite business that is "long tail" in nature.

30. Financial risk management continued

Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors both the demographic spread of shareholders as well as the return on capital, which the group defines as total shareholders' equity and the level of dividends to ordinary shareholders.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The group's target is to achieve a return on shareholders' equity based on an accepted sovereign bond and risk factor. The group does not have external debt. Cash resources within the group are utilised for any capital commitments.

There were no changes in the group's approach to capital management during the year.

The group's insurance subsidiary is subject to external legislative capital requirements. The subsidiary's objective is to maintain a strong capital position to enhance investor, creditor and market confidence and to stimulate business growth through the optimisation of business opportunities. In addition the subsidiary is subject to legislative capital requirements as required by the Short-term Insurance Act, 1998 and Board Notice 169. Under the proposed regulatory regime, Solvency Assessment and Management (SAM), the legislative requirements will change significantly. The subsidiary, with the assistance of its consulting actuary, has addressed the capital needs under the proposed regime and has complied with the transitional reporting requirements as communicated by the regulator.

The group has complied with all legislative and Solvency Assessment and Management (SAM) capital requirements during the financial year.

Notes to the financial statements continued

for the year ended 31 March 2018

31. 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 – designated	Total
2018			
GROUP			
Loans and receivables	**49 613**	**–**	**49 613**
Investments	**–**	**56 164**	**56 164**
Trade receivables	**357 497**	**–**	**357 497**
Short-term deposits	**53 985**	**–**	**53 985**
Cash and cash equivalents	**89 717**	**–**	**89 717**
	550 812	**56 164**	**606 976**
COMPANY			
Loans and receivables	**40 051**	**–**	**40 051**
Loans to group companies	**–**	**–**	**–**
Trade and other receivables	**9 158**	**–**	**9 158**
Cash and cash equivalents	**453**	**–**	**453**
	49 662	**–**	**49 662**
2017			
GROUP			
Loans and receivables	48 434	–	48 434
Investments	–	22 062	22 062
Trade receivables	334 329	–	334 329
Short-term deposits	100 766	–	100 766
Cash and cash equivalents	57 603	–	57 603
	541 132	22 062	563 194
COMPANY			
Loans and receivables	40 591	–	40 591
Loans to group companies	1 268	–	1 268
Trade and other receivables	5 900	–	5 900
Cash and cash equivalents	451	–	451
	48 210	–	48 210

Refer to note 1.19 for determining of fair values for financial assets.

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

32. 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
2018		
GROUP		
Trade and other payables	**10 368**	**10 368**
COMPANY		
Loans from group companies	**51 227**	**51 227**
Trade and other payables	**4 292**	**4 292**
	55 519	**55 519**
2017		
GROUP		
Trade and other payables	10 467	10 467
COMPANY		
Loans from group companies	50 532	50 532
Trade and other payables	3 663	3 663
	54 195	54 195

Refer to note 1.19 for determining of fair values for financial liabilities.

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

Notes to the financial statements continued

for the year ended 31 March 2018

33. Commitments

Authorised capital expenditure

The group has not entered into any contracts to purchase property, plant and equipment.

	GROUP		COMPANY	
Figures in R'000	2018	2017	2018	2017
Operating leases – as lessee				
Minimum lease payments due				
– within one year	**1 555**	1 453	**–**	–
– in second to fifth year inclusive	**3 285**	4 840	**–**	–
– lease straight-line accrual	**(311)**	(212)	**–**	–
	4 529	6 081	**–**	–

Operating lease payments represent rentals payable by the group for certain of its properties. Leases are negotiated for periods ranging from one to five years. No contingent rent is payable.

The company provided support to the subsidiary companies, where the current liabilities exceeded current assets, for payments of debt until such time that the subsidiary's current assets exceed its current liabilities.

34. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

35. Events after reporting date

There were no events after the reporting date and up to the date of approval of these financial statements that affected the presentation of the consolidated and separate financial statements for the year ended 31 March 2018, other than that a dividend of 3,00 cents per share was declared by the directors subsequent to year end, payable to shareholders registered on 20 July 2018, and the resignation of Andries J Kruger as independent non-executive director, effective 1 April 2018.

36. Earnings per share

Basic earnings per share

The basic earnings per ordinary share from operations for the year is 8,17 cents (2017: 10,40 cents). The calculation of basic earnings per share from operations is based on a profit of R5,412 million (2017: profit of R6,891 million) and a weighted average number of shares in issue of 66 269 940 (2017: 66 269 940).

36. Earnings per share continued

Diluted earnings per share

The diluted earnings per share from operations for the year is 8,17 cents (2017: 10,40 cents). The calculation of the diluted earnings per share from operations is based on a profit of R5,412 million (2017: R6,891 million) and a weighted average number of shares in issue of 66 269 940 (2017: 66 269 940).

Headline earnings per share

The headline earnings per share from operations for the year is 8,17 cents (2017: 10,45 cents). The calculation of headline earnings per share from operations is based on a profit of R5,416 million (2017: R6,922 million) and a weighted average number of shares in issue of 66 269 940 (2017: 66 269 940).

Diluted headline earnings per share

The diluted headline earnings per share from operations for the year is 8,17 cents (2017: 10,45 cents). The calculation of the diluted headline earnings per share from operations is based on a profit of R5,416 million (2017: profit of R6,922 million) and a weighted average number of shares in issue of 66 269 940 (2017: 66 269 940).

Figures in R'000	Profit on ordinary activities	Taxation	Non-controlling interest	Net profit
Reconciliation between earnings and headline earnings:				
2018				
Profit before taxation	**4 870**	**542**	**–**	**5 412**
Adjustments for:				
Loss on disposal of property, plant and equipment	**6**	**(2)**	**–**	**4**
Headline earnings	**4 876**	**540**	**–**	**5 416**
2017				
Profit before taxation	7 069	(178)	–	6 891
Adjustments for:				
Profit on disposal of property, plant and equipment	(24)	7	–	(17)
Profit on disposal of subsidiary	(3)	1	–	(2)
Loss on scrapping of property, plant and equipment	69	(19)	–	50
Headline earnings	7 111	(189)	–	6 922

Notes to the financial statements continued

for the year ended 31 March 2018

37. Group segmental analysis

	Furniture retail		Insurance and finance		Head office		Eliminations		Consolidated	
Figures in R'000	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Segment revenue										
Sales of goods	**39 220**	32 551	**–**	–	**–**	–	**–**	–	**39 220**	32 551
Rental income	**959**	573	**–**	–	**–**	–	**(912)**	(533)	**47**	40
Finance income	**2 866**	3 215	**–**	497	**79**	117	**(79)**	(614)	**2 866**	3 215
Dividend Income	**–**	–	**–**	–	**–**	1 920	**–**	(1 920)	**–**	–
Management fees	**–**	–	**–**	–	**16 800**	21 551	**(16 800)**	(21 551)	**–**	–
Insurance premium income	**–**	–	**5 150**	8 424	**–**	–	**78**	421	**5 228**	8 845
Total revenue from external customers	**43 045**	36 339	**5 150**	8 921	**16 879**	23 588	**(17 713)**	(24 197)	**47 361**	44 651
Inter-segment revenue	**498**	373	**–**	495	**–**	–	**(498)**	(868)	**–**	–
Total segment revenue	**43 543**	36 712	**5 150**	9 416	**16 879**	23 588	**(18 211)**	(25 065)	**47 361**	44 651
Segment result										
Operating profit/(loss) before financing costs	**2 966**	388	**1 283**	1 932	**8 250**	12 244	**(7 629)**	(7 495)	**4 870**	7 069
Financing costs	**(1 774)**	(1 587)	**–**	(329)	**(4 670)**	(4 707)	**6 444**	6 623	**–**	–
Profit/(loss) before taxation	**1 192**	(1 199)	**1 283**	1 603	**3 580**	7 537	**(1 185)**	(872)	**4 870**	7 069
Taxation (expense)/credit	**(24)**	43	**613**	524	**(986)**	(2 268)	**939**	1 523	**542**	(178)
Net profit/(loss) for the year	**1 168**	(1 156)	**1 896**	2 127	**2 594**	5 269	**(246)**	651	**5 412**	6 891
Segment assets*	**70 391**	62 793	**609 636**	563 378	**128 611**	125 666	**(168 332)**	(157 050)	**640 306**	594 787
Segment liabilities*	**33 232**	26 802	**539 099**	494 737	**57 743**	55 404	**(92 495)**	(81 459)	**537 579**	495 484
Cash flows from operating activities	**355**	1 570	**41 067**	78 971	**(6 436)**	535	**(18 648)**	(87 452)	**16 338**	(6 376)
Cash flows from investing activities	**(6 584)**	(2 163)	**(9 726)**	(138 965)	**6 438**	(437)	**25 648**	87 432	**15 776**	(54 133)
Cash flows from financing activities	**7 000**	–	**–**	–	**–**	–	**(7 000)**	–	**–**	–
Capital expenditure	**(654)**	(965)	**–**	–	**(366)**	–	**–**	–	**(1 020)**	(965)

* *The segment assets and liabilities include tax assets and liabilities and have been included in the elimination column to agree to the amounts per the financial statements. On page 128 a reconciliation is performed to reflect the amount for segment assets and liabilities as defined in the accounting policies.*

Notes to the financial statements continued

for the year ended 31 March 2018

37. Group segmental analysis continued

Figures in R'000	2018	2017
Reconciliation between consolidated segment assets and liabilities and total consolidated assets and liabilities		
Assets		
Consolidated segment assets	**637 286**	593 363
Deferred tax	**3 020**	1 424
Consolidated assets	**640 306**	594 787
Liabilities		
Consolidated segment liabilities	**535 167**	493 017
Deferred tax	**2 400**	2 398
Current tax payable	**12**	69
Consolidated liabilities	**537 579**	495 484

37. Group segmental analysis continued

Figures in R'000	2018	2017
Segment assets		
Furniture retail	**70 391**	62 793
Insurance and finance	**609 636**	563 378
	680 027	626 171
Head office and eliminations	**(39 721)**	(31 384)
	640 306	594 787
Segment revenue		
Furniture retail	**43 543**	36 712
Insurance and finance	**5 150**	9 416
	48 693	46 128
Head office and eliminations	**(1 332)**	(1 477)
	47 361	44 651
Net profit/(loss) for the year		
Furniture retail	**1 168**	(1 156)
Insurance and finance	**1 896**	2 127
	3 064	971
Head office and eliminations	**2 348**	5 920
	5 412	6 891

SHAREHOLDER INFORMATION

05

WE CONTINUE TO IMPLEMENT OUR VISION OF BEING AN INDEPENDENT AND DIVERSIFIED INVESTMENT COMPANY.

Remuneration policy

Objective

The group remuneration policy aims to appeal to and retain those individuals that will support and contribute towards achieving the group's desired results and performance. The policy, philosophy and strategy is encapsulated in the following:

Remuneration should:

- Contribute towards appealing to and retaining motivated and loyal employees;
- Reflect a direct correlation with the vision and results of the group;
- Be reviewed and benchmarked annually;
- Support the strategy of the group; and
- Reward performance and motivate employees.

Remuneration structure

The group remuneration strategy makes provision for:

- A total cost-to-company approach consisting of a cash component and benefits;
- A linkage to challenging long- and short-term financial and non-financial performance and sustainable profits;
- Short-term incentives based on meeting agreed performance levels; and
- Long-term incentives based on meeting long-term performance levels.

Composition of the total remuneration package

The factors considered in structuring the total remuneration package are:

- Review of packages on an annual basis, internally and externally, to ensure their integrity;
- Recognised market research is applied in the structure and evaluation of packages;
- Organisational profiles are considered for use in the evaluation process;
- Performance evaluation and development requirements are considered during the process;
- The scarcity of appropriately qualified staff influences package structure; and
- The total remuneration package consists of a cash component and benefits.

Remuneration incentives

Short-term incentives

The incentive scheme is aimed at achieving group performance which is set out in the rules. To qualify staff must:

- Meet predetermined and agreed annual targets; and
- Perform exceptionally well.

Employees who have transgressed the group code of conduct are ineligible to participate in the incentive scheme and extraneous factors do not influence the incentive evaluation.

Long-term incentives

The incentive scheme is aimed at retaining employees and meeting group performance as set out in the rules over a number of years.

- Senior management and executive directors are eligible to participate; and
- The remuneration and nomination committee determines the structure and percentile quantum of the incentive. The allocation is determined by the executive committee and reported to the remuneration and nomination committee.

Governance

The remuneration and nomination committee stands at the forefront of developing remuneration policies, reviewing the philosophy strategy and practice so as to meet best practice and achieve the group's overall objectives.

Variation

The policy may be varied by the remuneration and nomination committee at any time within the structure of the delegated authority as contained in the approved charter.

Notice of annual general meeting

nictus

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

Notice is hereby given that the annual general meeting of the shareholders of Nictus will be held in the boardroom, Nictus Building, corner of Pretoria and Dover Street, Randburg, on Wednesday, 22 August 2018 at 12:00 (SA time), to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out in this notice.

1. Record date

The board of directors of the company has determined that the record date in terms of section 59(1) of the Companies Act of South Africa (the Companies Act) for the purpose of determining which shareholders of the company are entitled to receive notice of the annual general meeting is Friday, 15 June 2018 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 17 August 2018. Accordingly, only shareholders who are registered in the register of members of the company, or their proxies, on Friday, 17 August 2018 will be entitled to participate in the meeting.

2. General purpose of the annual general meeting

The general purpose of the annual general meeting is to:

2.1 consider and, if deemed fit, pass with or without modification the resolutions set out hereunder; and

2.2. deal with any business that may lawfully be dealt with at the annual general meeting.

3. Presentation of group annual financial statements and annual financial statements

The consolidated audited annual financial statements of the company and its subsidiaries, incorporating the reports of the auditor, the audit and risk committee and the directors for the year ended 31 March 2018, will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act of South Africa.

4. Resolutions for consideration and approval

4.1. Ordinary resolution 1: re-election of Gerard R de V Tromp as a director

"Resolved that Gerard R de V Tromp be and is hereby re-elected as a director of the company."

In order for this ordinary resolution number 1 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required.

A brief *curriculum vitae* is set out on page 16 of the integrated annual report.

4.2. Ordinary resolution 2: re-election of Eckhart H Prozesky as a director

"Resolved that Eckhart H Prozesky be and is hereby re-elected as a director of the company."

In order for this ordinary resolution number 2 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required.

A brief *curriculum vitae* is set out on page 16 of the integrated annual report.

Notice of annual general meeting continued

4.3 Ordinary resolution 3: re-election of Barend J Willemse (Johan) as a director

"Resolved that Barend J Willemse be and is hereby re-elected as a director of the company."

In order for this ordinary resolution number 3 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required.

A brief *curriculum vitae* is set out on page 16 of the integrated annual report.

4.4 Ordinary resolution 4: approval of remuneration policy

"Resolved to approve, by way of a non-binding, advisory vote, the remuneration policy of the company as set out on page 132 of the integrated annual report of which this notice forms part."

In order for this ordinary resolution number 4 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required.

4.5 Ordinary resolution 5: approval of remuneration implementation report

"Resolved to approve, by way of a non-binding, advisory vote, the remuneration implementation report of the company as set out on page 39 of the integrated annual report of which this notice forms part."

In order for this ordinary resolution number 5 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required.

4.6 Ordinary resolution 6: re-election of John D Mandy as a member of the audit and risk committee

"Resolved that John D Mandy, a director of the company, who fulfils the requirements contemplated in section 94(4) of the Companies Act of South Africa, be and is hereby re-elected as a member of the audit and risk committee of the company, to hold office until the conclusion of the next annual general meeting of the company."

In order for this ordinary resolution number 6 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required.

4.7 Ordinary resolution 7: re-election of Barend J Willemse (Johan) as a member of the audit and risk committee

"Resolved that Barend J Willemse, a director and chairman of the board of the company, who fulfils the requirements contemplated in section 94(4) of the Companies Act of South Africa, be and is hereby re-elected as a member of the audit and risk committee of the company, to hold office until the conclusion of the next annual general meeting of the company."

In order for this ordinary resolution number 7 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required. Shareholders' attention is specifically drawn to the dual role of Barend J Willemse, being an independent non-executive chairman of the board and also a member of the audit and risk committee.

4.8 Ordinary resolution 8: re-election of Gerard Swart as a member of the audit and risk committee

"Resolved that Gerard Swart, a director of the company, who fulfils the requirements contemplated in section 94(4) of the Companies Act of South Africa, be and is hereby re-elected as a member of the audit and risk committee of the company, to hold office until the conclusion of the next annual general meeting of the company."

In order for this ordinary resolution number 8 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required.

4.9 Ordinary resolution 9: re-appointment of John D Mandy as chairman of the audit and risk committee

"Resolved that John D Mandy, a director of the company, who fulfils the requirements contemplated in section 94(4) of the Companies Act of South Africa, be and is hereby re-elected as the chairman of the audit and risk committee of the company, to hold office until the conclusion of the next annual general meeting of the company."

In order for this ordinary resolution number 9 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required.

4.10 Ordinary resolution 10: re-appointment of KPMG as auditors

"Resolved that, on recommendation of the audit and risk committee of the company, KPMG Incorporated (Riaan D Kok being the designated audit partner of KPMG) be and is hereby re-appointed as auditors of the company (the designated auditor meeting the requirements of section 90(2) of the Companies Act of South Africa), to hold office until the conclusion of the next annual general meeting of the company."

In order for this ordinary resolution number 10 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required.

4.11 Ordinary resolution 11: authority to issue ordinary shares

"Resolved that the board of directors be and is hereby authorised by way of a general authority to issue at its discretion up to 15% (fifteen per cent (27 559 509 shares)) of the authorised but unissued ordinary shares in the company from time to time, whether created before or after the passing of this resolution, and/or to grant options to subscribe for such 15% (fifteen per cent) of the authorised but unissued shares from time to time, for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by the JSE Limited and are subject to the JSE Listings Requirements, the Companies Act of South Africa and the following conditions, namely that:

4.11.1 this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 (fifteen) months from the date of this meeting;

4.11.2 the issue of the shares must be made to persons qualifying as public shareholders as defined in the JSE Listings Requirements;

4.11.3 the shares which are the subject of the issue:

4.11.3.1 must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

4.11.3.2 shall not exceed 5% (five per cent) of the number of the company's issued ordinary shares in aggregate in any one financial year (including the number of any shares that may be issued in future arising out of the issue of options); and

Notice of annual general meeting continued

4.11.3.3 that a paid press announcement giving full details, including the impact of the issue on net asset value, net tangible asset value, earnings and headline earnings per share and if applicable, diluted earnings and diluted headline earnings per share, be published after any issue representing, on a cumulative basis within one financial year, 5% (five per cent) of the number of shares in issue prior to the issue concerned;

4.11.4 in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% (ten per cent) of the weighted average traded price of the ordinary shares on the JSE, measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares; and

4.11.5 separately, such shares as have been reserved to be issued by the company in terms of its share and other employee incentive schemes."

In order for this ordinary resolution number 11 to be passed, the support of more than 75% (seventy-five per cent) of the voting rights exercised on the resolution by all equity shares holders (as defined in the JSE Listings Requirements) present in person, or represented by proxy, at the annual general meeting is required.

4.12 Ordinary resolution 12: signing authority

"Resolved that each director, or the secretary of the company, be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to the implementation of the resolutions passed at the annual general meeting of the company and set out in this notice."

In order for this ordinary resolution number 12 to be passed, the support of more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting is required.

4.13 Special resolution 1: approval of directors' remuneration

"Resolved that the company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in sections 66(8) and 66(9) of the Companies Act of South Africa, and that the remuneration structure and amounts as set out below, be and are hereby approved until such time as rescinded or amended by the ordinary shareholders by way of a special resolution."

	Proposed fees					
Name of director	Annual fee R	Board R	Audit and risk committee R	Remu-neration committee R	Social and ethics committee R	Investment committee R
Barend J Willemse	711 500	412 500	74 750	74 750	–	149 500
Gerard Swart	418 600	149 500	74 750	119 600	74 750	–
John D Mandy	358 800	149 500	134 550	74 750	–	–
Philippus J de W Tromp	111 538	69 711	–	–	55 769	–
Nicolaas C Tromp	69 711	69 711	–	–	–	–
Gerard Tromp*	–	–	–	–	–	–
Eckhart H Prozesky*	–	–	–	–	–	–

** Executive directors are remunerated in accordance with a cost-to-company package, as set out in the Remuneration report on page 37 of the integrated annual report.*

Special resolution number 1 is required in terms of section 66 of the Companies Act of South Africa, which requires that directors' remuneration for their services as directors may be paid by a company only in accordance with a special resolution approved by shareholders within the previous two years.

In order for special resolution number 1 to be passed the support of at least 75% (seventy-five per cent) of the voting rights exercised on the resolution by the shareholders present in person, or represented by proxy, at the annual general meeting is required.

The reason for this resolution is to obtain prior approval for the payment of the directors' remuneration and the effect will be that the directors are paid in accordance with this resolution.

4.14 Special resolution 2: general authority to repurchase shares

"Resolved that the company, in terms of its Memorandum of Incorporation (MOI), or one of its wholly owned subsidiaries, in terms of such wholly owned subsidiary's MOI, as the case may be, and subject to the relevant subsidiary passing the necessary special resolution, be and is hereby authorised by way of a general approval to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject to the Listings Requirements and the Companies Act of South Africa and subject to the following:

4.14.1 This general authority shall be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this resolution (whichever period is shorter);

4.14.2 The repurchase being effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;

4.14.3 Repurchases may not be made at a price greater than 10% (ten per cent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;

4.14.4 An announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three per cent) of the initial number of ordinary shares, and for each 3% (three per cent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;

4.14.5 The number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% (twenty per cent) of the company's issued share capital as at the date of passing of this special resolution or 10% (ten per cent) of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;

4.14.6 The company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period;

4.14.7 At any point in time the company only appointing one agent to effect any repurchases on its behalf;

Notice of annual general meeting continued

4.14.8 The board of directors must pass a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test set out in section 4 of the Companies Act of South Africa and that since the test was done there have been no material changes to the financial position of the group;

4.14.9 The directors, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting and at the actual date of the repurchase:

4.14.10 the company and the group will be able, in the ordinary course of business, to pay its debts;

4.14.11 the working capital of the company and the group will be adequate for ordinary business purposes;

4.14.12 the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed the liabilities of the company and the group; and

4.14.13 the company's and the group's ordinary share capital and reserves will be adequate for ordinary business purposes."

Section 48 of the Companies Act of South Africa authorises the board of directors of a company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The JSE Listings Requirements require the approval of a 75% (seventy-five per cent) majority of the votes cast by shareholders present or represented by proxy at the annual general meeting for special resolution number 2 to become effective.

4.15 Special resolution 3: financial assistance to entities related or inter-related to the company, in terms of section 45 of the Companies Act of South Africa

"Resolved that, as a general approval, the company may, in terms of section 45(3)(a)(ii) of the Companies Act of South Africa, provide any direct or indirect financial assistance (financial assistance will herein have the meaning attributed to it in section 45(1) of the Companies Act of South Africa) to any related or inter-related company or to any juristic person who is a member of or related to any such company/ies (related and inter-related will herein have the meaning attributed to it in section 2 of the Companies Act of South Africa), subject to compliance with the remainder of section 45 of the Companies Act of South Africa, as the board of directors of the company may deem fit and on the terms and conditions, to the recipient/s, in the form, nature and extent and for the amounts that the board of directors of the company may determine from time to time."

The effect of special resolution number 3, if adopted, is to confer the authority on the board of directors of the company to authorise financial assistance to companies related or inter-related to the company or to any juristic person who is a member of or related to any such companies generally as the board of directors may deem fit, on the terms and conditions, and for the amounts that the board of directors may determine from time to time, for a period of two years from the date of the adoption of the special resolution and in particular as specified in the special resolution.

In order for special resolution number 3 to be passed the support of at least 75% (seventy-five per cent) of the voting rights exercised on the resolution by the shareholders present in person, or represented by proxy, at the annual general meeting is required.

5. Additional information

The following additional information, which may appear elsewhere in the integrated annual report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the company's shares set out in special resolution number 2 above:

5.1. Major shareholders – page 48;

5.2. Stated capital of the company – page 97.

6. Directors' responsibility statement

The directors in office, whose names appear on pages 16 and 17 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolutions contain all information required by the JSE Listings Requirements.

7. Material changes

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the company's financial year end and the date of signature of the integrated annual report.

8. Directors' intention regarding the general authority to repurchase the company's shares

The directors have no specific intention, at present, for the company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the company and its shareholders.

9. Attendance and proxies

9.1 Please note that, in terms of section 62(3 (e) of the Companies Act of South Africa:

9.1.1 a shareholder entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, participate in and vote at the annual general meeting in place of that shareholder; and

9.1.2 a proxy need not also be a shareholder of the company.

9.2 Please note further that section 63(1) of the Companies Act of South Africa requires that the annual general meeting participants must provide satisfactory identification. In this regard, all annual general meeting participants will be required to provide identification satisfactory to the chairman of the annual general meeting.

9.3 All beneficial owners whose shares have been dematerialised through a Central Securities Depository Participant (CSDP), broker or nominee other than with "own name" registration, must provide the CSDP, broker or nominee with their voting instructions in terms of their custody agreement should they wish to vote at the annual general meeting. Alternatively, they may request the CSDP, broker or nominee to provide them with a letter of representation, in terms of their custody agreements, should they wish to attend the annual general meeting.

9.4 Unless you advise your CSDP, broker or nominee, in terms of the agreement between you and your CSDP, broker or nominee by the cut-off time stipulated therein, that you wish to attend the general meeting or send a proxy to represent you at this general meeting, your CSDP, broker or nominee will assume that you do not wish to attend the general meeting or send a proxy.

Notice of annual general meeting continued

9.5 Forms of proxy (which form may be found enclosed) must be dated and signed by the shareholder appointing a proxy and must be received at the registered offices of the company, c/o Veritas Board of Executors Proprietary Limited, Nictus Building, corner of Pretoria and Dover Streets, Randburg (PO Box 2878, Randburg 2125) or the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107). Forms of proxy must be received not later than 10:00 on Monday, 20 August 2018. Before a proxy exercises any rights of a shareholder at the annual general meeting, such form of proxy must be so delivered.

9.6 Attention is drawn to the "Notes" to the form of proxy.

9.7 The completion of a form of proxy does not preclude any shareholder attending the annual general meeting.

10. Voting

10.1 On a show of hands every shareholder present in person or by proxy, and if a member is a body corporate, its representatives, shall have one vote and on a poll every shareholder present in person or by proxy and, if the person is a body corporate, its representative, shall have one vote for every share held or represented by him/her.

10.2 For the purpose of resolutions proposed in terms of the JSE Listings Requirements in respect of which any votes are to be excluded, any proxy given by a holder of securities to the holder of such an excluded vote shall also be excluded from voting for the purposes of that resolution.

11. Electronic participation at the annual general meeting

11.1 Should any shareholder of the company wish to participate in the annual general meeting by way of electronic participation, that shareholder shall be obliged to make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate, to the transfer secretaries at the applicable address set out above at least 5 (five) business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act of South Africa and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the shareholder so accessing the electronic participation.

11.2 Shareholders are encouraged to attend at the annual general meeting. Please note that, in terms of section 63(1) of the Companies Act of South Africa, meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. Forms of identification include valid identity documents, driver's licences and passports.

By order of the board

Nictus Limited
Veritas Board of Executors Proprietary Limited
Secretary

Randburg
19 June 2018

Form of proxy

(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

To be completed by certificated shareholders and dematerialised shareholders with "own name" registration only

For completion by registered members of Nictus unable to attend the annual general meeting of the company to be held in the boardroom, Nictus Building, corner of Pretoria and Dover Street, Randburg, on Wednesday, 22 August 2018 at 12:00 (SA time), or at any adjournment thereof.

I/We ____

of ____ (address)

being the holder/s of ____________________ shares in the company, do hereby appoint:

1. ____ or, failing him/her

2. ____ or, failing him/her

the chairman of the annual general meeting,

as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the abovementioned annual general meeting of members or at any adjournment thereof, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

	For	Against	Abstain	Precluded from voting in terms of the Companies Act or the JSE Listings Requirements
Ordinary resolution 1: re-election of Gerard R de V Tromp as a director				
Ordinary resolution 2: re-election of Eckhart H Prozesky as a director				
Ordinary resolution 3: re-election of Barend J Willemse (Johan) as a director				
Ordinary resolution 4: approval of remuneration policy				

Form of proxy continued

	For	Against	Abstain	Precluded from voting in terms of the Companies Act or the JSE Listings Requirements
Ordinary resolution 5: approval of remuneration implementation report				
Ordinary resolution 6: re-election of John D Mandy as a member of the audit and risk committee				
Ordinary resolution 7: re-election of Barend J Willemse (Johan) as a member of the audit and risk committee				
Ordinary resolution 8: re-election of Gerard Swart as a member of the audit and risk committee				
Ordinary resolution 9: re-appointment of John D Mandy as chairman of the audit and risk committee				
Ordinary resolution 10: re-appointment of KPMG as auditors				
Ordinary resolution 11: authority to issue ordinary shares				
Ordinary resolution 12: signing authority				
Special resolution 1: approval of directors' remuneration				
Special resolution 2: general authority to repurchase shares				
Special resolution 3: financial assistance to entities related or inter-related to the company, in terms of section 45 of the Companies Act of South Africa				

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast.

However, if you wish not to cast your votes in respect of less than all of the ordinary shares that you own in the company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at ______________________________ on __________________________ 2018

Signature ____

Assisted by me, where applicable (name and signature) ______________________________

Notes to the form of proxy

1. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the company) to attend, speak and, on a poll or by show of hands, vote in place of that shareholder at the annual general meeting.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting 'the chairman of the annual general meeting'. The person whose name stands first on the form of proxy and who is present at the annual general meeting shall be entitled to act as proxy to the exclusion of the persons whose names follow.

3. A shareholder's instructions to the proxy have to be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply with the above shall be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting, as he/she deems fit, in respect of all the shareholder's votes exercisable thereat.

4. A shareholder or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such shareholder or represented by such proxy, but the total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the shareholder or his/her proxy is entitled.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity has to be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.

6. The chairman of the annual general meeting may reject or accept any form of proxy that is completed and/or received other than in accordance with these instructions and notes.

7. Any alterations or corrections to this form of proxy have to be initialled by the signatory(ies).

8. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

9. All beneficial owners of ordinary shares who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker, other than those shareholders who have elected to dematerialise their shares with "own name" registrations, and all beneficial owners of ordinary shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions. Voting instructions must reach the CSDP, broker or nominee in sufficient time to allow the CSDP, broker or nominee to advise the company or its transfer secretaries of this instruction no less than 48 hours before the time appointed for the holding of the meeting.

Notes to the form of proxy continued

Should you as the beneficial owner, however, wish to attend the meeting in person, you may do so by requesting your CSDP, broker or nominee to issue you with a letter of representation in terms of the custody agreement entered into with your CSDP, broker or nominee. Letters of representation must be lodged with the company's transfer secretaries or at the registered office of the company not less than 48 hours before the time appointed for the holding of the meeting. Shareholders who hold certificated shares with their own name and shareholders who have dematerialised their shares with "own name" registrations must lodge their completed proxy forms with the company's transfer secretaries or at the registered office of the company not less than 48 hours before the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

10. Forms of proxy have to be lodged with or posted to the registered office of the company, c/o Veritas Board of Executors Proprietary Limited, Nictus Building, corner of Pretoria and Dover Streets, Randburg, (PO Box 2878, Randburg 2125) or the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107). Forms of proxy must be received not later than 10:00 on Monday, 20 August 2018.

Summary of rights established by section 58 of the Companies Act of South Africa (Companies Act), as required in terms of subsection 58(8)(b)(i)

1. A shareholder may at any time appoint any individual, including a non-shareholder of the company, as a proxy to participate in, speak and vote at a shareholders' meeting on his or her behalf (section 58(1)(a)), or to give or withhold consent on behalf of the shareholder to a decision in terms of section 60 (shareholders acting other than at a meeting) (section 58(1)(b)).

2. A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in terms of paragraph 6.3 or expires earlier in terms of paragraph 10.4 (section 58(2)).

3. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (section 58(3)(a)).

4. A proxy may delegate his or her authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy (proxy instrument) (section 58(3)(b)).

5. A copy of the proxy instrument must be delivered to the company, or to any other person acting on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting (section 58(3 (c)) and in terms of the Memorandum of Incorporation (MOI) of the company at least 48 hours before the annual general meeting commences.

6. Irrespective of the form of instrument used to appoint a proxy:

6.1 the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (section 58(4)(a));

6.2 the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and

6.3 if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company (section 58(4)(c)).

7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 6.3 (section 58(5)).

8. If the proxy instrument has been delivered to a company, as long as that appointment remains in effect, any notice required by the Companies Act of South Africa or the company's MOI to be delivered by the company to the shareholder must be delivered by the company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the company to do so in writing and paid any reasonable fee charged by the company for doing so (section 58(6)(b)).

9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the MOI or proxy instrument provides otherwise (section 58(7)).

10. If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of proxy instrument:

10.1 the invitation must be sent to every shareholder entitled to notice of the annual general meeting at which the proxy is intended to be exercised (section 58(8)(a));

10.2 the invitation or form of proxy instrument supplied by the company must:

10.2.1 bear a reasonably prominent summary of the rights established in section 58 of the Companies Act of South Africa (section 58(8)(b)(i));

10.2.2 contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name, and if desired, an alternative name of a proxy chosen by the shareholder (section 58(8)(b)(ii)); and

10.2.3 provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the annual general meeting, or is to abstain from voting (section 58(8)(b)(iii));

10.3 the company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and

10.4 the proxy appointment remains valid only until the end of the annual general meeting at which it was intended to be used, subject to paragraph 7 (section 58(8)(d)).

Definitions, ratios and terms

Average net assets	The sum of net assets at the end of the current year and the previous year, divided by two.
Borrowings ratio	The sum of current and non-current interest-bearing borrowings to the sum of total equity and deferred taxation.
Current ratio	Current assets to current liabilities.
Dividend cover	Headline earnings divided by ordinary dividends paid in the current year.
Dividends per share	Dividends for the year divided by the number of shares in issue at the date of each dividend declaration.
Earnings per share	Profit or loss for the year after adjusting for non-controlling interest, divided by the weighted average number of shares in issue during the year.
Earnings yield (%)	Headline earnings per share to market price at year end.
Headline earnings per share	Headline earnings divided by the weighted average number of shares in issue during the year.
Interest cover	Operating profit or loss before financing costs divided by financing costs.
Liability ratio	The sum of non-current interest-bearing borrowings and current liabilities to total equity and deferred taxation.
Net asset turn	Revenue divided by average net assets.
Net assets	Total assets less non-interest bearing debt and insurance contract liabilities.
Net worth per share	Equity attributable to equity holders of the company divided by the number of ordinary shares in issue at year end.
Operating profit to turnover	Operating profit before financing costs divided by revenue.
Price earnings ratio	Market price at year end to headline earnings per share.
Return on assets managed	Operating profit before financing costs expressed as a percentage of average net assets.
Return on shareholders' equity	Profit or loss attributable to the equity holders of the parent for the year expressed as a percentage of equity attributable to the equity holders of the parent.
Weighted average number of shares in issue during the year	The number of shares determined by relating the number of days within the year that a particular number of shares have been entitled to share in earnings to the total number of days in the year.

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

Registered office of the company

Head office

1st Floor, Nictus Building
Corner of Pretoria and Dover Street, Randburg

PO Box 2878, Randburg 2125

Windhoek office

Nictus Building, 1st floor
140 Mandume Ndemufayo Avenue
Windhoek

Private Bag 13231, Windhoek

Company secretary

Veritas Board of Executors Proprietary Limited

Registration number 1984/007487/07
1st Floor, Nictus Building
Corner of Pretoria and Dover Street, Randburg

PO Box 2878, Randburg 2125

Auditors and reporting accountant

KPMG Inc.

Registration number 1999/021543/21
KPMG Crescent
85 Empire Road, Parktown 2193

Private Bag 9, Parktown 2122

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