Integrated annual report
for the year ended 31 March 2019

ABOUT
this report

The 2019 integrated annual report builds on the disclosures contained in last year's integrated 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. 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 2019. The companies operate in South Africa.

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

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 TOTAL ASSETS
increased by
3,52% to
R662,9 million
(2018: R640,3 million)

GROUP REVENUE
increased by
7,16% to
R50,8 million
(2018: R47,4 million)

INVESTMENT INCOME FROM OPERATIONS
increased by
3,96% to
R44,2 million
(2018: R42,5 million)

PROFIT FOR THE YEAR
increased by
20,9% to
R6,5 million
(2018: R5,4 million)

DIVIDEND DECLARED
increased by
25,0% to
3,75 cents per share
(2018: 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 SEGMENT

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

The insurance segment 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 high levels of recurring sales in both the furniture and insurance divisions are evidence of service satisfaction, trust and customer loyalty. As part of the commitment to service excellence, the group ensures that clients are served by staff from their own communities.

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.

Total number of employees

50

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

About Nictus continued

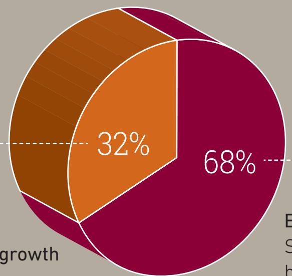
Wealth created

GROUP REVENUE	INVESTMENT INCOME	COST OF GOODS AND SERVICES
R50,8 million (2018: R47,4 million)	R48,4 million (2018: R47,1 million)	R76,4 million (2018: R73,9 million)

TOTAL: **R22,8 million** (2018: R20,6 million)

Wealth created applied as follows

2019



Reinvested to support future growth

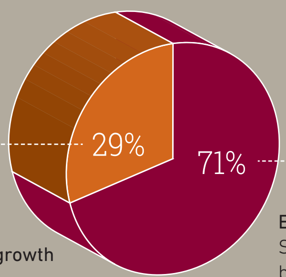
Employees and directors
Salaries, wages and other benefits

4%
Depreciation and amortisation

28%
Profit attributable to equity holders of the parent

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

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 in 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
- **2019** Primary listed on the JSE for 50 years

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	2019	2018	2017	2016
Statements of financial position				
Assets				
Non-current assets	**55 605**	37 916	44 884	63 339
Current assets	**607 260**	602 390	549 903	453 217
Total assets	**662 865**	640 306	594 787	516 556
Equity and liabilities				
Total shareholders' equity	**99 099**	102 727	99 303	94 400
Non-current liabilities	**2 633**	2 400	2 398	2 602
Current liabilities	**561 133**	535 179	493 086	419 554
Total equity and liabilities	**662 865**	640 306	594 787	516 556
Statements of profit or loss and other comprehensive income				
Revenue	**50 752**	47 361	44 651	51 062
Operating profit	**6 543**	4 870	7 069	9 299
Profit before taxation	**6 543**	4 870	7 069	9 299
Taxation credit/(expense)	**–**	542	(178)	(1 312)
Profit after taxation	**6 543**	5 412	6 891	7 987
Attributable to:				
Owners	**6 543**	5 412	6 891	7 987
Ordinary dividends paid	**1 988**	1 988	1 988	1 988
Number of ordinary shares issued (number of shares)	**53 443 500**	66 269 940	66 269 940	66 269 940
Weighted average number of shares	**61 736 760**	66 269 940	66 269 940	66 269 940

	2019	2018	2017	2016
Key ratios				
Performance per ordinary share				
Basic earnings (cents)	**10,60**	8,17	10,40	12,05
Headline earnings (cents)	**10,52**	8,17	10,45	12,03
Dividends paid (cents)	**3,00**	3,00	3,00	3,00
Net worth (cents)	**185,43**	155,01	149,85	142,45
Profitability and asset management				
Net operating income to turnover (%)	**12,89**	10,28	15,83	18,21
Return on assets managed (%)	**6,33**	4,71	7,12	9,90
Net asset turn (times)	**0,49**	0,46	0,45	0,54
Return on shareholders' equity (%)	**6,60**	5,27	6,94	8,46
Liquidity				
Dividend cover (times)	**3,29**	2,72	3,47	4,01
Liability ratio	**5,70**	5,24	4,92	4,38
Current ratio	**1,08**	1,13	1,12	1,08
JSE performance				
Market price (cents) High	**70**	75	70	99
Market price (cents) Low	**35**	31	45	34
Market price at year end (cents)	**69**	45	52	60
Price earnings ratio	**6,51**	5,51	4,98	4,99
Earnings yield (%)	**15,37**	18,16	20,08	20,05
Volume of shares traded to weighted number of issued shares (%)	**1,14**	1,07	1,84	4,83
Market capitalisation (R'000)	**36 876**	29 821	34 460	39 762

Refer to page 164 for definitions, ratios and terms.

HIGH-LEVEL
risks of the group

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 would be impaired.	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 of investment balances 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 as well as current and anticipated market conditions. A dedicated investment officer assists with the monitoring capacity of the investment portfolio.	

Group *Insurance segment* *Furniture segment*

Risk	Impact	Mitigation	Segment
Concentration risk			
The risk of losses 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 would 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 the group.	
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 various laws and regulations could result in penalties being 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 breaches 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 or bank 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

A GREAT MILESTONE THAT WAS ACHIEVED THIS YEAR WAS THE SHARE BUY-BACK TRANSACTION FROM NICTUS HOLDINGS LIMITED WHICH RESULTED IN AN INCREASE OF THE NET ASSET VALUE PER SHARE, WHICH, IN TURN, CREATED INTRINSIC VALUE FOR OUR SHAREHOLDERS.

Board of directors,
EXECUTIVE MANAGEMENT AND COMPANY SECRETARY

1
Professor 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
Ronnie de Vrye
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

Professor Johan Willemse (64)

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 (UFS) 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 has received various awards for his work, which included two awards as the agricultural writer of the year, the Absa/Sake economist of the year, the Animal Feed Manufacturers Association person of the year, the agriculturalist of the year by the central region of Agricultural Writers Association and was nominated as Bloemfonteiner of the year in 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 chairman 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 (38)

Executive group managing director and executive management
Committees: Social and ethics, investment

Gerard R de V Tromp has a BCom marketing degree, 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 (33)

Executive group financial director and executive management
Committee: 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 (70)

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 (43)

Non-executive director
Committee: Social and ethics *(chairman)*

Philippus J de W Tromp has a BEcon, EDP and SMP 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 (64)

Independent non-executive director
Committees: Remuneration and nomination *(chairman)*, audit and risk

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

7

Ronnie de Vrye (65)

Independent non-executive director
Committees: Remuneration and nomination, audit and risk *(chairman)*

Cornelius J de Vrye (Ronnie) is a qualified chartered accountant (South Africa) and has 40 years' experience in corporate banking, 16 of which were at executive level and nine at non-executive board level. He has also gained experience in the insurance and investment industry at non-executive independent board level during the past nine years.

8

Willem Boshoff (33)

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 (32)

Executive management: Insurance segment (prescribed officer)
Committee: Social and ethics

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

SOUTH AFRICA'S ECONOMIC GROWTH SLOWED FURTHER DURING 2018 AND IS PART OF A DECLINING TREND SINCE 2009/10. THE ECONOMIC GROWTH RATE FOR 2018 WAS PUBLISHED AT 0,8% BY THE SOUTH AFRICAN RESERVE BANK (SARB), WITH HOUSEHOLD CONSUMPTION SPENDING GROWING BY ONLY 1,8% DURING 2018 AND OFFICIAL UNEMPLOYMENT INCREASING TOWARDS THE 28% LEVEL.

Professor Johan Willemse | *Chairman*

Corruption and corporate scandals continue with a lot of pressure to improve corporate governance throughout the South African business sector and government entities. Hopefully, we will see several prosecutions during 2019 and a slight improvement in South Africa's economic and business confidence.

The challenges with electricity supply and fuel price increases continue with further tax increases expected and a reduction in household disposable income. The SARB expects that we will only see an improvement in growth in household spending by late 2019 and into 2020. Consumer and business confidence declined further and, in early 2019, reached comparable levels to the world recessionary period in 2008/09.

THE BOARD CONTINUES TO FOCUS ON ITS LONG-TERM STRATEGY TO MAINTAIN PROFITABILITY AMID A WEAK ECONOMIC ENVIRONMENT AND DETERIORATING CONSUMER AND BUSINESS CONFIDENCE.

Management continues to adapt to a difficult trading environment in both the furniture retail and insurance sectors. The board is of the opinion that we will remain profitable during the current economic slowdown through continued improvements and innovation as well as the maintenance of profit levels. Costs have been well managed within the budget and profit levels were maintained.

We are making progress in maintaining a more stable profit level and the board has also adopted an approach to deliver a steady dividend payment to shareholders in the current economic downcycle. We are of the opinion, that as we build this record, it will translate into better support for the share price. The board has also embarked on a strategy to employ capital more profitably and has adopted a strategy that we believe will support the share price and increase profits/dividends into the future. The share buy-back from Nictus Holdings Limited (a Namibian company), has not only consolidated shareholding but has also reduced the number of shares in issue. The strategy remains to employ capital optimally and improve profitability (and dividends) to a more desirable level. We envisage new actions during the financial year that will further improve the efficiency of capital employed and improve profitability within the current capital structure.

Continued focus on our customers and target market will remain a priority to improve our client offering and client base and will continue to build the business in a sustainable manner. Given the fact that the new Solvency Assessment and Management (SAM) regulations have been legislated within the insurance industry, regulatory uncertainty has been reduced, but the burden continues to add costs to doing business.

While the country slipped into a mode of corporate scandal and corruption on a broad basis, the board and management remain very focused in maintaining our values and integrity and fulfilling our fiduciary duties to the shareholders. In this regard, I want to thank John Mandy, who fulfilled his role as an independent non-executive director and the chairman of the audit and risk committee, for his dedication and due diligence.

A word of thanks to the board of directors for their dedication and focus in fulfilling their roles as directors and for safeguarding our shareholders' interests.

I also want to welcome Ronnie de Vrye as an independent non-executive director and chairman of the audit and risk committee and thank him for the contribution he is making to our corporate governance and strategy.

My thanks also to the managing director, financial director and staff for their enthusiasm and dedication with which they implement the company's strategy and values to improve profitability on an ethical basis.

GROUP managing director's REPORT

IT IS ONCE AGAIN A PRIVILEGE TO PRESENT AND REPORT ON THE FINANCIAL RESULTS OF THE GROUP. ALTHOUGH CHALLENGING, IT WAS AN EXCITING YEAR WHERE WE WERE FORCED TO BE CREATIVE AND COMPETITIVE TO BUILD ON OUR LONG-TERM STRATEGY TO SUSTAINABLY GROW OUR EARNINGS AND ASSET BASE TO CREATE WEALTH FOR ALL OUR STAKEHOLDERS.

Gerard Tromp | *Executive group managing director*

A great milestone that was achieved this year was the share buy-back transaction from Nictus Holdings Limited which resulted in an increase in the net asset value per share, which, in turn, created intrinsic value for our shareholders. We are proud to maintain a constant ordinary dividend payment and have aligned our strategies to enhance and maintain a sustainable dividend payment to reward our shareholders, especially in these challenging, yet interesting, times in the South African political and economic environments.

We are privileged to welcome Ronnie de Vrye to our board and look forward to appreciating the wealth of experience and skills he will contribute to the group. We wish John Mandy well for his retirement and we are thankful for his contribution during his term as director.

Segmental performance

Insurance segment

We experienced a steady growth in insurance premiums this year and are delighted with the success and value that our product is contributing to our clients within their different operations. We remain focused on tailormade client-specific solutions. One of our success factors remains the service and turnaround time to our clients and potential clients. We have aligned our investment strategy to challenge the grim investment environment and we are satisfied with the results achieved where no significant fluctuations were experienced that impacted earnings. We are excited to approach the coming years and look forward to opportunities where we can, together with our clients, create opportunities to identify risks and convert them into sustainable wealth.

Furniture segment

Furniture retail will always be one of the most challenging, yet rewarding, operations in the retail industry. Quality and value for money cannot be separated from the success of furniture retail and we are thankful that we can report on the profitability of this segment. Although profit margins are increasingly under pressure, we applaud the support from our suppliers for their combined efforts in satisfying customer needs and preferences. We have had success in identifying and delivering unique product lines to our devoted customers and look forward to building and improving on this in the coming years. It is rewarding that we have had few non-performing debtors and that bad debts and the provision therefore were far below industry norms, as well as our expectations.

Corporate governance

Nictus is proud to promote the highest standards of corporate governance and transparency. We value the integrity of our extremely committed employees in the effort to endorse a sound internal control environment. We remain committed to conforming to all rules and regulations we are exposed to across the group to assist in improving and building on a better South Africa and fighting corrupt practices.

Outlook

Nictus is committed to creating wealth for its stakeholders and will continue to build on this strategy. Our customers remain our core focus and we will persevere in providing them with innovative and exclusive products and solutions with unsurpassed levels of customer service.

Improvements of systems and ongoing focus on all aspects of the group will be a priority in order to be efficient in our operations and effective in maximising returns and optimising all capital structures.

We have hope in the new leadership of the country and take pride in being a South African corporate citizen contributing to the process of restoring South Africa to economic prosperity.

Appreciation

I would like to bring tribute and all glory to our loving God as without his love and grace this group would have no success.

I would like to express a warm thank you to our chairman and all board members for their exceptional value add to the group as well as their commitment and support to achieve the desired outcomes. Thank you to each and every employee and their families for their commitment and assistance on the journey to achieve our ideal future. Thank you to all of our clients and customers for their unqualified support and belief in the group and lastly, I would like to thank my family for their unreserved and unconditional support and for being the cornerstone on which we can build this group.

Operational REVIEW

NICTUS PUTS THE CUSTOMER FIRST BY CONTINUALLY STRIVING TOWARDS SERVICE EXCELLENCE WITH DEDICATED, HELPFUL, FOCUSED AND MOTIVATED STAFF AND BY MAINTAINING OUR 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 USING 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 W www.nictusfurnishers.co.za as well as our social media platform on Facebook (nictus furnishers south africa).

REVENUE
R42,7 million
(2018: R43,5 million)

ASSETS
R51,8 million
(2018: R70,4 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 risks. This fund is not used to subsidise any other third-party risk, resulting in a potential 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. An 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 for investing in financial assets. Service to our clients and focusing on relationships remains one of the cornerstones of our success.

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

REVENUE
R9,2 million
(2018: R5,2 million)

ASSETS
R617,1 million
(2018: R609,6 million)

03 GOVERNANCE

THE BOARD IS OF THE OPINION THAT A STRONG ETHICAL CULTURE IS KEY IN BUILDING STRONG AND LASTING STAKEHOLDER RELATIONSHIPS AND MAINTAINING AN INTERNAL TALENT POOL TO ENSURE GROWTH AND SUSTAINABILITY OF THE GROUP WITH THE APPROPRIATE SUCCESSION.

Corporate governance REPORT

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

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 therefore in accordance with International Financial Reporting Standards (IFRS) and do so in the format of integrated reporting, while 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 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 group'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 group'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 is of the opinion that a strong ethical culture is key in building strong and lasting stakeholder relationships and maintaining an internal talent pool to ensure growth and sustainability of the group 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 group'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 and information 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 group, which is developed 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 group's financial and sustainable performance and the integrity of the integrated annual report. This includes oversight over information published in terms of the King IV disclosure requirements. The board has assumed responsibility for the approval of interim communications and the chairman of the board ultimately approves all Stock Exchange News Service announcements. Nictus is committed to transparent and effective communication with all stakeholder groups. Such communication takes place through formal and informal channels, including the group'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 them to fulfil its duties. The committees are all constituted by charters, which are considered and approved by the board annually. The board has ensured that each committee has the necessary knowledge, skills, experience and capacity to efficiently execute its delegated duties. The governance framework detailing the composition of the board, its committees and attendance at meetings is summarised in the table presented on page 37 of the integrated annual report. The governance framework is evidence of a clear balance of power and authority at board level, and board decisions are taken with the consensus principle. The board believes that it has discharged its responsibilities in relation to its own charter.

Corporate governance report continued

Principles	Nictus application
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 group is committed to appointing 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, with due consideration of gender and race diversity, taking into account the nature, scale and complexity of the business and availability of suitable candidates. The group supports the principles and objectives of appropriate gender and race diversity and has adopted a policy on the promotion of gender and race diversity at board level. The vacancy at board level during the year under review was filled with due regard to the eligibility criteria applicable to the directors' role in terms of the Companies Act of South Africa, JSE Listings Requirements, King IV, the availability of suitable candidates, and any additional requirements that may be necessary to ensure the optimal mix of skills, expertise and experience on the board and its committees, as a collective, to guide the business and strategy of the group that best serves the interests of all its stakeholders. No voluntary target has been set for any appointment of executive, non-executive and/or alternate directors to the board in terms of gender and race diversity. The board and committees are sufficiently represented by independent non-executive directors and are independently chaired, with the exception of the social and ethics committee, which is chaired by a non-executive director and which has no independent non-executive director representation. The committee is not comprised of a majority of non-executive directors. The board is of the opinion that the current composition of the committee does not detract from the performance and responsibilities of the committee. None of the independent non-executive directors have been serving on the board long enough for their independence to become compromised due to length of service.

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 are appropriately constituted and comprise members of the board, with the exception of the social and ethics committee, which has a managing executive as a member. The board committees' authority, objectives and functions are governed by clearly defined terms of reference, mandates and charters, which are 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 group 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 38 of the integrated annual report.
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 chairman 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 annually, and consideration is given to outsourcing such evaluations, as and when the board deems necessary. The board utilises methodology developed by Ram Charan in order to identify patterns revealing areas, which need to be addressed or focused on to increase the overall progressiveness of the board, with the building blocks being group dynamics, appropriate and effective information architecture and by focusing on substantive issues. Although areas of improvement were identified, the board concluded during their annual assessment that they were sufficiently progressive in order to provide the necessary guidance to management in executing the group strategy.

Corporate governance report continued

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 for leading the implementation and execution of approved strategy, policy and operational planning and reporting to the governing body. The board, with the assistance of the remuneration and nomination committee, continuously considers succession for the managing director. 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), a competent, suitably qualified and an experienced company secretary and approves of Veritas' service contract and remuneration. The ability of Veritas, its board and employees, to perform its company secretarial duties and its performance are assessed annually by the board taking into account a set of pre-agreed deliverables. Veritas boasts decades of experience and the board has considered and is satisfied with the competence, qualification and experience of the company secretary. The company secretary has unfettered access to the board, however, 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. The company secretary reports to the board, through the chairman, all statutory duties and functions performed in relation to the board. Other duties and administrative matters are reported to executive management.

Principles	Nictus application
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. Details pertaining to the high-level risks of the group are presented on pages 8 to 11 of the integrated annual report.
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 information technology (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 the 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 level 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.

Corporate governance report continued

Principles	Nictus application
Principle 13	
Compliance governance "The governing body should govern in 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, while certain compliance functions in the insurance segment are outsourced to independent, suitably experienced and qualified service providers. One of the key areas focused on during the reporting period was to ensure compliance with the new insurance act that became effective on 1 July 2018. The group contracted suitably qualified and experienced service providers to assist with the transition in terms of new legislation, to ensure compliance and to monitor the effectiveness of compliance management.
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 39 to 44 of the integrated annual report.

Principles	Nictus application
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 group, 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 the 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.
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 the identification of important stakeholder groups and the 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 group'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. Details pertaining to a share buy-back, which was a key area of focus during the year under review, is presented in the directors' report on page 53 of the integrated annual report. The board and the group's external auditor will be available at the annual general meeting to respond to any shareholder queries.

Corporate governance report continued

Principles	Nictus application
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 the involvement in the formulation of investment policies, principles and practices to achieve optimum return on investments. The investment committee is chaired by the chairman of the group and further consists of the group managing director and the group financial director.

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
Professor Barend J Willemse	Independent non-executive chairman	5/5	√ 2/2	√ 2/2		√ C 5/5
John D Mandy*	Independent non-executive	5/5	√ C 2/2	√ 1/2		
Gerard Swart@	Independent non-executive	5/5	√ 2/2	√ C 2/2	√ 1/2	
Nicolaas C Tromp	Non-executive	5/5				
Eckhart H Prozesky	Executive *(Financial)*	5/5				√ 4/5
Gerard R de V Tromp	Executive *(Managing)*	5/5			√ 2/2	√ 4/5
Philippus J de W Tromp	Non-executive	5/5			√ C 2/2	
Cornelius J de Vrye^	Independent non-executive	1/5				
Stefanus J Gerber#	Managing executive: Corporate Guarantee				√ 1/2	

√ *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.*

* *Retired as director and from the role of chairman of the audit and risk committee and member of the remuneration and nomination committee effective 31 January 2019.*

@ *Resigned as member of the social and ethics committee effective 20 November 2018.*

^ *Appointed as a member of the board effective 1 November 2018 and assumed the role of chairman of the audit and risk committee and member of the remuneration and nomination committee effective 31 January 2019.*

Appointed as member of the social and ethics committee on 20 November 2018.

Corporate governance report continued

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, the JSE Listings Requirements 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 chairman 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 and is responsible for the process of nominating candidates to the board, succession planning in respect of board members and the evaluation of the performance of the board members. The committee meets bi-annually.

Social and ethics committee

The social and ethics committee is chaired by a non-executive director and includes an executive director and a group managing executive, 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 chairman of the group and further consists of the group managing director and the group financial director. The managing executives of the insurance segment and the investment officer of the group have an *ex-officio* seat on the committee, which meets at least four times per year.

Remuneration REPORT

REMUNERATION PACKAGES ARE REVIEWED AND BENCHMARKED AGAINST INDEPENDENT COMPARABLE MARKET DATA IN ORDER TO 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.

The remuneration and nomination committee has undertaken extensive analysis of different reports on remuneration trends and practices within the relevant industries in order to determine the most appropriate benchmark for determining directors' remuneration, taking into account the size, nature, scale and complexity of the group and its operations, in relation to the available market benchmarks. The most significant change to the approach decided on during the year under review, was to use the lower quartile instead of the median in setting the benchmark. The board believes that this change is appropriate in terms of the research undertaken, as well as the current economic climate.

The remuneration and nomination committee is satisfied that the objectives of the group remuneration policy have been achieved during the year under review.

The remuneration policy and related benchmarks are reviewed and reconsidered annually by the board with the assistance of the remuneration and nomination committee.

Overview of the 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.

To achieve the group's policy, philosophy and strategy, the 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.

Remuneration report continued

- 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.

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, while 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 fees. Non-executive directors are paid fees for their services on the basis of their related fiduciary duties and attendance of 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 21 August 2019 and August 2020 respectively are to be approved by the shareholders at the annual general meeting on 21 August 2019. 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 increases to the board, and the non-executive directors' remuneration was approved by shareholders and applied for the 2019 financial year, as follows:

- General staff 5,1%
- Executive management 15,0%
- Non-executive directors 0,3%

Executive management remuneration for the 2018/2019 year:

	Paid by the company		Paid by the subsidiaries	
Figures in R'000	Basic salary	Bonuses#	Directors' fees	Total
2019				
Gerard R de V Tromp*	**420**	**–**	**–**	**420**
Eckhart H Prozesky	**1 560**	**340**	**–**	**1 900**
Stephanus J Gerber	**1 168**	**180**	**–**	**1 348**
	3 148	**520**	**–**	**3 668**
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

* *As disclosed in note 28 to the financial statements, a management fee of R4,167 million (2018: R3,616 million) was paid to a related party, Veritas Board of Executors Proprietary Limited (Nictus Holdings Limited in the prior year), including services rendered by Gerard R de V Tromp as executive director, to the value of R3,020 million (2018: R2,540 million).*

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

No contractual entitlements on termination of employment exist, but compliance to the relevant Labour Acts is ensured.

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 vote on separate non-binding advisory resolutions pertaining to the remuneration policy and remuneration implementation report. In the event that 25% or more of shareholders vote against one or both non-binding advisory resolutions, Nictus commits itself to engage with such shareholders to determine the reasons for their dissenting vote(s) and to possibly reassess the group's remuneration policy and/or implementation thereof to the satisfaction of the shareholders. Any shareholders who wish to engage with us in relation to the remuneration policy or the remuneration implementation report are invited to do so via the nominee company secretary, Willem Boshoff at E groupsec@nictus.com.na.

Remuneration report continued

Non-executive fees 2019/2020

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 shareholders at 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 2019/2020 year, as set out below, have been recommended for approval.

From 21 August 2019

Board-related

Board membership	R160 000 per year
Board chairman	R315 000 per year

Committee-related

Audit and risk committee membership	R40 000 per year
Audit and risk committee chairman	R72 000 per year
Remuneration and nomination committee membership	R40 000 per year
Remuneration and nomination committee chairman	R52 000 per year
Social and ethics committee membership	R20 000 per year
Social and ethics committee chairman	R26 000 per year
Investment committee membership	R40 000 per year
Investment committee chairman	R40 000 per year

Non-executive directors will be paid an amount of R40 000 per day per meeting in respect of board or special meetings, should the number of these additional meetings exceed five per annum. They will also be paid a *pro rata* amount per hour for additional time spent.

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 aimed at fair, responsible and transparent remuneration. Remuneration within the group is based on a 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 2019, 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 2019

Remuneration
POLICY

Objective

The group remuneration policy aims to appeal to and retain those individuals who will support and contribute towards achieving the group's desired results and performance. 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.

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 structuring and evaluating 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.

Remuneration policy continued

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.

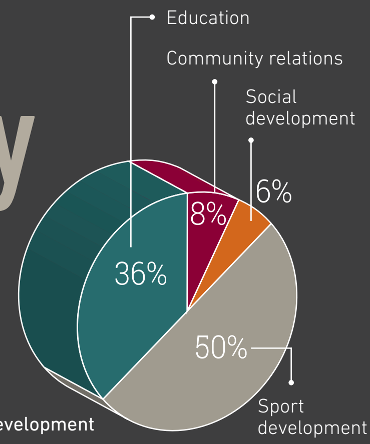
Governance

The remuneration and nomination committee stands at the forefront of developing remuneration policies and 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.

CORPORATE SOCIAL responsibility REPORT



Foreword by the chairman

In the current circumstances, the pressure is increasing for companies to play their part in contributing towards the environment in which we operate and we are responsible for ensuring that we progress in this aspect as a company.

Report 2019

The committee conducted its research in accordance with the Organisation for Economic Cooperation and Development (OECD) principles and in line with the charter and mandate of the board. Our research is also in line with the Social and Ethics handbook issued by the Ethics Institute of South Africa.

The committee was comfortable with the findings of all aspects. Employee, stakeholder and community relations are on par and well managed, and morale levels are very good. Training was conducted throughout the year in the areas that were lacking, as well as social areas where there was a need. The group performed on par in relation to equal opportunities and strives to employ the best suitable candidate for a position, irrespective of the race or gender. We were comfortable with the review performed relating to race and gender equality as well as the progress made toward our broad-based black economic empowerment certification during the year under review.

Health and safety issues were investigated and changes made where required. The committee was comfortable with the issues addressed and ground gained.

The company strives to maintain a high ethical culture through its values and adherence to its code of conduct.

Involvement 2019

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 was adhered to during the financial year.

Philippus J de W Tromp
Chairman: Social and ethics committee

19 June 2019

FINANCIALS

04

WE ARE MAKING PROGRESS IN MAINTAINING A MORE STABLE PROFIT LEVEL AND THE BOARD HAS ALSO ADOPTED AN APPROACH TO DELIVER A STEADY DIVIDEND PAYMENT TO SHAREHOLDERS IN THE CURRENT ECONOMIC DOWNCYCLE.

04

Group annual financial statements and annual financial statements

for the year ended 31 March 2019

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

The financial statements of Nictus Limited as published on 28 June 2019 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 1981/011858/06
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 as at 31 March 2019 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 that 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 2020 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 2019 and were signed by:

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

Audit and risk committee report

The members and chairman of the group audit and risk committee were individually re-elected at the 2018 annual general meeting of Nictus Limited, in compliance with the requirements of the Companies Act of South Africa. The chairman, Mr John D Mandy, retired at the end of January 2019 and was replaced by Mr Cornelius J de Vrye, a newly elected independent non-executive director. 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.

The group audit and risk committee operates in terms of the 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 of 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 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;
- Ensure that the company has established appropriate financial reporting procedures and that these procedures are operating;
- Assess the external auditor's and designated external audit partner's suitability for appointment in accordance with the JSE Listings Requirements and the information detailed in paragraph 22.15(h) therein;
- 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 the auditor 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

Audit and risk committee report continued

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:

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

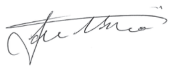
The audit and risk committee also reviews changes in legislation to ensure compliance by companies in the group. The audit and risk committee reports its findings to the board of directors, which thereafter has the responsibility of ensuring compliance with legislation.

The audit and risk committee has adopted a policy of limiting the consulting non-audit work undertaken by the external auditor. 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 auditor 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.



Cornelius J de Vrye
Chairman audit and risk committee

19 June 2019

Directors' report

to the shareholders of Nictus Limited

The directors have pleasure in reporting on the activities and financial results of the group for the year ended 31 March 2019.

Review of subsidiaries

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

Figures in R'000	2019	2018
The interest of the company in the aggregate net profit after tax of subsidiaries is:		
Profit after taxation	4 135	3 064

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

Financial results

For the year under review, the group's profit from operations before taxation amounted to R6,543 million compared to a profit of R4,870 million in the previous year. The company's profit before taxation for the year was R27,735 million compared to a profit of R3,580 million in the previous year.

Segmental analysis

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

Directors

	Date of initial appointment	Date of re-election	Date of resignation/ retirement
Executive			
GR de V Tromp *(Managing director)*	18 November 2014	22 August 2018	
HE Prozesky *(Financial director)*	1 March 2015	22 August 2018	
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			
Professor BJ Willemse *(Chairman)*	15 June 2010	22 August 2018	
JD Mandy	12 March 2013	17 August 2017	31 January 2019
G Swart	15 October 2013	17 August 2017	
CJ de Vrye	1 November 2018		
AJ Kruger	1 October 2017		1 April 2018

Directors' report continued

Shareholding

	Number of shareholders	%	Number of shares	%
Ordinary shares				
Composition of shareholders				
Non-public shareholders	9	1,43	41 213 727	77,12
Directors and associates	9	1,43	41 213 727	77,12
Public shareholders	622	98,57	12 229 773	22,88
	631	100,00	53 443 500	100,00

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Ordinary shares				
Banks/brokers	1	0,16	63 315	0,12
Close corporations	1	0,16	2	0,00
Individuals	426	67,51	1 591 748	2,98
Insurance companies	1	0,16	9 375	0,02
Nominees and trusts	175	27,73	15 700 266	29,38
Other corporations	4	0,63	43 172	0,08
Private companies	20	3,17	36 028 907	67,41
Public companies	3	0,48	6 715	0,01
	631	100,00	53 443 500	100,00

	Number of shares	%
Shareholders, other than directors, with an interest above 5% in stated capital		
Landswyd Beleggings Proprietary Limited	24 906 842	46,60
Namprop Proprietary Limited	6 115 126	11,44
Trocor Proprietary Limited	5 683 103	10,63
PC Trust	4 252 991	7,96

As 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 2019	Number of shares 2018
Direct interests		
Professor BJ Willemse	50 000	50 000
GR de V Tromp	–	2 531
HE Prozesky	172 000	172 000
Indirect interests		
Professor BJ Willemse	33 665	33 665
NC Tromp, GR de V Tromp and PJ de W Tromp	40 958 062	53 651 960
	41 213 727	53 910 156

There have been no changes in the 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 2019

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

Stated capital

During the year, the company successfully completed a specific repurchase transaction, in terms of sections 4, 48(8)(b) and 114 of the Companies Act of South Africa, read together with sections 115 and 164, the JSE Listings Requirements and Nictus' Memorandum of Incorporation, by the company of 12 826 440 ordinary shares (constituting 19,35% of the total company's ordinary shares in issue) from Nictus Holdings Limited, a related party, for a consideration of R7,471 million, being a price of 58,25 cents per share. Apart from the last mentioned, there were no further changes in stated capital during the year.

The 196 556 500 (2018: 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 3,75 cents per Nictus ordinary share (ordinary share) (2018: 3,00 cents per ordinary share) for the year ended 31 March 2019, to all ordinary shareholders recorded in the books of Nictus at the close of business on Friday, 19 July 2019 which will be paid on Monday, 22 July 2019.

The cash dividend timetable is structured as follows:

- Declaration date is Friday, 28 June 2019;
- The last day to trade *cum* dividend in order to participate in the dividend is Tuesday, 16 July 2019;
- The shares commence trading *ex*-dividend from the commencement of business on Wednesday, 17 July 2019;

Directors' report continued

- The record date is Friday, 19 July 2019; and
- The dividend is to be paid on Monday, 22 July 2019.

Shares will not be rematerialised or dematerialised between Wednesday, 17 July 2019 and Friday, 19 July 2019, both days inclusive.

Events after the reporting date

The directors are not aware of any matter or circumstances since the end of the financial year and up to the date of this report which require adjustments to or disclosure in the financial statements.

Secretary

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

Registered offices

Republic of South Africa

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

Namibia

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

19 June 2019

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 2019, the company has lodged with the Commissioner of 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 2019

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 60 to 147, which comprise the statements of financial position as at 31 March 2019, 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 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 as at 31 March 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter below relates to our audit of the consolidated financial statements. No key audit matters were identified in respect of our audit of the separate financial statements.

Independent auditor's report continued

Valuation and disclosure of level 2 investments (R81 252 000)

Refer to accounting policy 1.1, 1.6 and 1.19 and Notes 6, 30 and 31 to the financial statements.

The key audit matter	How we addressed the matter in our audit
At 31 March 2019, investments (financial instruments) carried at fair value through profit or loss represented 18,4% of total assets. Level 2 investments represent 82,9% of the investments balance. Level 2 investments are based on inputs that are observable. Level 2 applies inputs other than quoted prices that are observable for the assets, either directly (as prices) or indirectly (derived from prices). The level 2 investments consist of investments in collective investment schemes (CISs) for which the valuation is based on quoted prices provided by the relevant fund managers. The only observable input with regards to the CISs is the closing price. The closing price is, however, indirectly observable as the fund managers derive the closing price by looking through the CISs in order to identify the asset values of the underlying investments. Consequently, the determination of fair value of these level 2 investments is more complex. Furthermore, IFRS 7 Financial Instruments: Disclosures ("IFRS 7"), IFRS 13 *Fair Value Measurement* ("IFRS 13"), and IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12) requires significant disclosures to be made in relation to these financial instruments. The valuation and disclosure of investments was considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit. Due to the significance to the consolidated financial statements, the complexity of the determination of the fair value of level 2 investments and the significant disclosure requirements, the valuation and disclosure of level 2 investments were considered to be a key audit matter in our audit of the consolidated financial statements.	Our audit related to the valuation and disclosure of level 2 financial instruments included the following procedures: • We obtained independent investment confirmations (including scrip confirmations and asset and fund manager statements) from investment custodians, banks and asset and fund managers to confirm ownership of the investments. • We agreed the investment value to the confirmations received, including inspecting for evidence of encumbrance or other commitments. • In respect of the unit trusts we agreed unit prices to the Association for Savings and Investment South Africa ("ASISA') listed prices. • In respect of the listed debt and equities we agreed the quoted prices to independent sources. • We reviewed the financial statement disclosures, pertaining to investments, as required by IFRS 7, IFRS 13 and IFRS 12 to ensure disclosures were appropriate (including the application of the cash and cash equivalents accounting policy in order to determine the appropriate classification between investments and cash and cash equivalents).

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Integrated annual report for the year ended 31 March 2019", which includes the Audit and risk committee report, the Certificate of the company secretary and the Directors' report as required by the Companies Act of South Africa. The 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

Independent auditor's report continued

separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Nictus Limited for 28 years.

KPMG Inc.
Registered Auditors

Per RD Kok
Chartered Accountant (SA)
Registered Auditor
Director

19 June 2019

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Statements of financial position

as at 31 March 2019

Figures in R'000	Note(s)	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Assets					
Non-current assets					
Property, plant and equipment	3	**18 026**	18 051	**557**	334
Intangible assets	4	**1 201**	118	**22**	22
Investments in subsidiaries	5	**–**	–	**79 220**	78 444
Investments	6	**28 640**	11 340	**3 185**	–
Deferred tax assets	7	**3 253**	3 020	**–**	–
Loans and receivables	8	**4 485**	5 387	**–**	–
		55 605	37 916	**82 984**	78 800
Current assets					
Inventories	9	**10 119**	10 993	**6**	6
Loans and receivables	8	**38 085**	44 226	**33 910**	40 051
Trade and other receivables	11	**401 190**	358 645	**12 854**	9 301
Investments	6	**93 156**	98 809	**–**	–
Cash and cash equivalents	12	**64 640**	89 717	**340**	453
Current tax receivable	26	**70**	–	**–**	–
		607 260	602 390	**47 110**	49 811
Total assets		**662 865**	640 306	**130 094**	128 611
Equity and liabilities					
Equity					
Stated capital	13	**25 969**	48 668	**25 969**	48 668
Revaluation reserve	14	**7 983**	7 983	**–**	–
Retained earnings		**65 147**	46 076	**61 925**	22 200
		99 099	102 727	**87 894**	70 868
Liabilities					
Non-current liabilities					
Deferred tax liabilities	7	**2 633**	2 400	**2 656**	2 118
		2 633	2 400	**2 656**	2 118
Current liabilities					
Loans from group companies	10	**–**	–	**37 647**	51 227
Trade and other payables	16	**11 478**	10 974	**1 897**	4 398
Insurance contract liability	17	**549 655**	524 193	**–**	–
Current tax payable	26	**–**	12	**–**	–
		561 133	535 179	**39 544**	55 625
Total liabilities		**563 766**	537 579	**42 200**	57 743
Total equity and liabilities		**662 865**	640 306	**130 094**	128 611

Statements of profit or loss and other comprehensive income

for the year ended 31 March 2019

Figures in R'000	Note(s)	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Revenue	18	**50 752**	47 361	**42 700**	16 879
Cost of sales		**(25 468)**	(26 470)	**–**	–
Gross profit		**25 284**	20 891	**42 700**	16 879
Other income	19	**734**	2 259	**3 436**	3 285
Investment income from operations	21	**44 190**	42 505	**209**	–
Operating expenses		**(50 594)**	(48 258)	**(9 642)**	(8 285)
Administrative expenses		**(17 263)**	(17 128)	**(8 536)**	(7 930)
Results from operating activities	20	**2 351**	269	**28 167**	3 949
Investment income	21	**4 192**	4 601	**3 979**	4 301
Finance expenses	22	**–**	–	**(4 411)**	(4 670)
Profit before taxation		**6 543**	4 870	**27 735**	3 580
Taxation credit/(expense)	23	**–**	542	**(538)**	(986)
Profit for the year		**6 543**	5 412	**27 197**	2 594
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the year		**6 543**	5 412	**27 197**	2 594
Profit attributable to:					
Owners		**6 543**	5 412	**27 197**	2 594
		6 543	5 412	**27 197**	2 594
Total comprehensive income attributable to:					
Owners		**6 543**	5 412	**27 197**	2 594
		6 543	5 412	**27 197**	2 594
Basic earnings per share (cents)	36	**10,60**	8,17		
Diluted basic earnings per share (cents)	36	**10,60**	8,17		

Statements of changes in equity

for the year ended 31 March 2019

Figures in R'000	Stated capital	Revaluation reserve	Retained earnings	Total equity
GROUP				
Balance as at 1 April 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 as at 31 March 2018	48 668	7 983	46 076	102 727
Total comprehensive income for the year				
Profit for the year	**–**	**–**	**6 543**	**6 543**
Total comprehensive income for the year	**–**	**–**	**6 543**	**6 543**
Transactions with the owners of the company				
Distributions to the owners of the company				
Dividends paid	**–**	**–**	**(1 988)**	**(1 988)**
Prescribed dividends	**–**	**–**	**41**	**41**
Shares repurchased from the owners of the company				
Specific repurchase – ordinary shares	**(22 699)**	**–**	**14 475***	**(8 224)**
Total transactions with the owners of the company	**(22 699)**	**–**	**12 528**	**(10 171)**
Balance as at 31 March 2019	**25 969**	**7 983**	**65 147**	**99 099**
Note(s)	13	14		

** This amount represents the gain on the specific repurchase of ordinary shares.*

Figures in R'000	Stated capital	Retained earnings	Total equity
COMPANY			
Balance as at 1 April 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 as at 31 March 2018	48 668	22 200	70 868
Total comprehensive income for the year			
Profit for the year	**–**	**27 197**	**27 197**
Total comprehensive income for the year	**–**	**27 197**	**27 197**
Transactions with the owners of the company			
Distributions to the owners of the company			
Dividends paid	**–**	**(1 988)**	**(1 988)**
Prescribed dividends	**–**	**41**	**41**
Shares repurchased from the owners of the company			
Specific repurchase – ordinary shares	**(22 699)**	**14 475***	**(8 224)**
Total transactions with the owners of the company	**(22 699)**	**12 528**	**(10 171)**
Balance as at 31 March 2019	**25 969**	**61 925**	**87 894**
Note(s)	13		

** This amount represents the gain on the specific repurchase of ordinary shares.*

Statements of cash flows

for the year ended 31 March 2019

Figures in R'000	Note(s)	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Cash flows from operating activities					
Cash (utilised by)/generated from operations	25	**(57 908)**	(23 070)	**(3 700)**	222
Investment income received from operations		**42 958**	40 709	**–**	–
Dividends received		**1 232**	1 796	**25 000**	–
Dividends paid		**(1 988)**	(1 988)	**(1 988)**	(1 988)
Finance expenses paid		**–**	–	**(4 411)**	(4 670)
Tax paid	26	**(82)**	(1 109)	**–**	–
Net cash (utilised by)/generated from operating activities		**(15 788)**	16 338	**14 901**	(6 436)
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	**(629)**	(875)	**(354)**	(366)
Proceeds on sale of property, plant and equipment		**169**	–	**–**	–
Acquisition of intangible assets	4	**(1 353)**	(145)	**–**	–
Acquisition of investments		**(51 666)**	(35 126)	**(2 976)**	–
Investment income received		**4 192**	4 601	**3 979**	4 301
Short-term funds disinvested		**42 081**	46 781	**–**	–
Loans repaid by related party		**6 141**	540	**6 141**	540
Repayments to subsidiary companies		**–**	–	**–**	(16 500)
Loans advanced by subsidiary companies		**–**	–	**–**	17 195
Loans repaid by subsidiary companies		**–**	–	**–**	1 268
Net cash (utilised by)/generated from investing activities		**(1 065)**	15 776	**6 790**	6 438
Cash flows from financing activities					
Repurchase of company shares: Specific buy-back from shareholder		**(8 224)**	–	**(8 224)**	–
Repayments to subsidiary companies		**–**	–	**(13 580)**	–
Net cash utilised by financing activities		**(8 224)**	–	**(21 804)**	–
Total cash movement for the year		**(25 077)**	32 114	**(113)**	2
Cash and cash equivalents at the beginning of the year		**89 717**	57 603	**453**	451
Total cash and cash equivalents at the end of the year	12	**64 640**	89 717	**340**	453

Significant accounting policies

for the year ended 31 March 2019

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 2019 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 JSE Listings Requirements, 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 2019.

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, except as indicated otherwise in the case of new accounting standards implemented effective 1 April 2018.

The accounting policies are applicable to the group and company unless indicated otherwise.

Adoption of new and revised accounting policies

This is the first set of the group's financial statements in which IFRS 15 *Revenue from Contracts with Customers* has been applied. The group and insurance subsidiary are eligible and have elected the temporary exemption from IFRS 9 *Financial Instruments*, as the standard will be adopted with IFRS 17 *Insurance Contracts*.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services.

The group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for 2018 has not been restated i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. The adoption of IFRS 15 had no material impact on the results of the group.

Significant accounting policies continued

for the year ended 31 March 2019

The group was not affected by any other new and revised accounting standards, amendments to standards or new interpretations during the 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 amounts 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.

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. 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 on an *ad hoc* basis. The group'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 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

Significant accounting policies continued
for the year ended 31 March 2019

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.

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 is capitalised as an intangible asset on the basis of the cost incurred to acquire the computer software. Costs that are directly associated with the development and production of identifiable computer 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.

Recognition of costs in the carrying amount of computer software ceases when the computer software is in a condition necessary for it to be capable of operating in the manner intended by management.

Costs associated with maintaining computer software programmes 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.

Significant accounting policies continued

for the year ended 31 March 2019

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 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, 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 portion of trade receivables is 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 at fair value through profit and loss

Investments at fair value through profit or loss

An instrument is classified 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 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;

Significant accounting policies continued

for the year ended 31 March 2019

- 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 dividends 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.

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 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.

Significant accounting policies continued

for the year ended 31 March 2019

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.

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 and is classified as a equity-settled share based transaction. 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. If a new award, however, 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, rendering of services and finance income on instalment sales;
- Rental income; and
- Earned 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, rendering of services and finance income on instalment sales

A subsidiary is in the business of furniture retail. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the subsidiary company expects to be entitled in exchange for those goods or services.

Contract terms for sale of furniture cover only one distinct performance obligation per contract, which are normally not linked to any other goods or services, and are thus accounted for separately. The subsidiary company recognises revenue at a point in time when it satisfies its performance obligations by transferring goods to customers, which is when the customer obtains control of the goods.

Revenue from sale of furniture is recognised at the point in time when control of the furniture is transferred to the customer, generally on delivery of the furniture or the conclusion of the sale transaction inside the shop where no delivery is required. The subsidiary company allocates a transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

Significant accounting policies continued
for the year ended 31 March 2019

Revenue in respect of services rendered is recognised in profit or loss as the services are rendered. The services predominantly include administration fees and transport recoveries earned.

Where a contract has many performance obligations, the company allocates the transaction price to the performance obligations in the contract by reference to their relative stand-alone selling prices.

Performance obligations

The company's performance obligations are as follows:

The performance obligation is satisfied upon delivery of the furniture (or a bundle of furniture) that is distinct, should delivery be requested by the customer, failing same, upon the entering into the transaction in the store. The time lapse between entering into the transaction and delivery, in the normal course of business is negligible, and typically do not exceed seven (7) days.

Payment is generally due within 24 months from delivery with regards to instalment sales agreements entered into and immediately with regards to cash sales.

Variable consideration

If the consideration relating to a contract includes a variable amount, the subsidiary company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and only included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The retail contracts for the sale of furniture provide customers with a right of return. The subsidiary company undertakes at its election, either to enforce at the request of the customer any warranty given by any manufacturer or supplier of the goods, or to cede the benefit of such warranty to the customer on such conditions for recession of the warranty as the subsidiary company may reasonably impose. The rights of return give rise to variable consideration.

Customers are not entitled to receive a settlement discount when their account is settled within the contractual days of the original sale purchase.

If it is probable that trade 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.

Significant financing component

Using the practical expedient in IFRS 15, the subsidiary company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be less than 12 months, unless the customer enters into an instalment sales agreement for a period of up to 24 months.

The subsidiary company enters into payment arrangements with some of its customers who elect to enter into an instalment sales agreement and accordingly charges finance costs on the amount outstanding. 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.

Rights of return

Contracts provide a customer with a right to return the goods. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the subsidiary company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Rental income

The property of the group comprises a portion held to earn rental income and another portion held for administrative purposes. A portion of this property cannot be sold separately and a significant portion of this property is held for administrative purposes. The property is classified as owner occupied.

Rental income earned from the portion of the property, that is held to earn rental income, is recognised in profit or loss on a straight-line basis over the term of the lease.

Contract terms for the leasing of the property cover only one distinct performance obligation per contract, which are normally not linked to any other goods or services. The company recognises revenue month-to-month when it satisfies its performance obligations by making available the agreed-upon lettable area to the lessee, which is when the company and lessee enter into a lease agreement.

Earned insurance premium

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

Company

Management fees from subsidiaries

The holding company provides specific services to its subsidiaries on a proactive basis with regards to certain processes and functions. Management fees are recognised by the company when services are rendered to subsidiaries, predominantly on a month-to-month basis.

Variable consideration

The management services do not include any form of variable consideration, as an agreed-upon fixed amount is payable with regards to the performance obligations under the management services agreement. *Ad hoc* management services are billed separately upon completion of the said services.

Significant financing component

Due to the nature of the management, no financing component is applicable.

Interest and dividend income from subsidiaries

Interest and dividend income from subsidiaries are recognised as revenue in the company's separate financial statements. Dividend income is recognised on the date that the company's right to receive payment is established – the dividend declaration date. Finance income is included, depending on its nature, either in revenue or investment income. Finance income is included in revenue when it is received from a subsidiary. Refer to note 1.15 for further details as to when finance income will be included in investment income.

Significant financing component

The holding company may enter into credit arrangements with its subsidiaries who elect to enter into a credit agreement and accordingly charges finance cost on the amount outstanding. Interest is earned from the date that the credit agreement is concluded, over the period of the agreement, based on the terms and conditions of the credit agreement.

Group and company

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the group performs by

Significant accounting policies continued

for the year ended 31 March 2019

transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the company performs under the contract.

Right of return assets

Right of return asset represents the group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the company ultimately expects it will have to return to the customer.

The group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to the above accounting policy on variable consideration.

Estimating variable consideration for returns

The subsidiary company estimates variable considerations to be included in the transaction price for the sale of furniture with rights of return. Management uses its judgement to determine the returns expected to be paid. This is based on historical performance.

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 recoveries.

1.15 Investment income and finance expenses

Investment income comprises interest income, fair value adjustments on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Investment income on the assets of the insurance segment and the investments of the company are recognised as investment income from operations as investments is part of their day-to-day operations. 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 a 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

Significant accounting policies continued

for the year ended 31 March 2019

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.

While 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 be allocated to the segment and to assess its performance.

Segment results

Segment results consists 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. Costs incurred at group level on behalf of a segment, however, 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 prices;
- The fair values of debt securities are based on the quoted closing market prices 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.

Significant accounting policies continued

for the year ended 31 March 2019

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.

1.20 Company-specific accounting policies

Adoption of new and revised accounting policies

This is the first set of the company's financial statements in which IFRS 9 *Financial Instruments* has been applied.

IFRS 9 sets out the requirements for recognition and measuring financial assets and financial liabilities. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IAS 1 *Presentation of Financial Instruments*, which requires impairment of financial assets to be presented in a separate line item in the statement of profit and loss and other comprehensive income. Previously, the company's approach was to include the impairment of trade receivables in operating expenses. The company had no impairment losses on trade receivables in the prior year and consequently no reclassification of impairment losses recognised under IAS 39 from operating expenses to an impairment loss on trade receivables in the statement of profit or loss and other comprehensive income for the year ended 31 March 2018 was required.

IFRS 9 resulted in a change to the policies for classification of financial assets and liabilities and a change in the company policy on determining the impairment allowances for financial assets. The transition date is 1 April 2018 and prior periods were not restated as it is not possible to do so without the use of hindsight. The company has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures relating to 2019 but have not been generally applied to comparative information. The full accounting policy is detailed under the relevant heading.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is based on the business model utilised to manage a financial asset and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the company's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets as at 1 April 2018:

Financial assets	Classification under IAS 39	Classification under IFRS 9	Original carrying amount (R'000)	New carrying amount (R'000)
Loans and receivables	Loans and receivables	Financial assets at amortised cost	40 051	40 051
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	9 158	9 158
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	453	453

On the transition date, the loss allowance in terms of IFRS 9 approximated the impairment allowances raised in respect of trade receivables per IAS 39. There were no other significant allowances raised. The measurement categories and carrying amounts of financial liabilities have not changed. All financial liabilities are measured at amortised cost.

Financial instruments

Financial instruments are recognised when, and only when, the company becomes party to the contractual provisions of the particular instrument.

The company derecognised a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The company enters into transactions whereby it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Derivatives

The company does not deal in derivatives as derivatives do not form part of the company's investment and/or financing strategy.

Non-derivatives financial instruments

Recognition and initial measurement

Non-derivative financial assets comprise investments, trade and other receivables, loans and receivables, loans to group companies and cash and cash equivalents. The company initially recognises trade receivables and loans and receivables on the date that these

Significant accounting policies continued

for the year ended 31 March 2019

are originated. All other financial assets are recognised on the trade date, which is the date that the company becomes party to the contractual provisions of the instrument.

A trade receivable and loans and receivables without a significant financing component is initially measured at the transaction price. Other financial assets are initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement – policy applicable from 1 April 2018

On initial recognition, a financial asset is classified as measured at amortised cost; debt or equity instruments at fair value through other comprehensive income; or at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The objective of the company's business model in relation to all financial assets is to hold assets to collect contractual cash flows. In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the company considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at amortised cost comprise trade and other receivables, loans to group companies and cash and cash equivalents.

Debt investments at fair value through other comprehensive income

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at fair value through other comprehensive income

On initial recognition of an equity investment that is not held-for-trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the company may irrevocably designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Impairment of assets

Non-derivative financial assets – policy applicable from 1 April 2018

The company recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

Loss allowances for trade receivables without a significant financing component are measured at an amount equal to lifetime expected credit losses. The company has elected to measure loss allowances for trade receivables which have a significant financing component at an amount equal to lifetime expected credit losses. Loss allowances for other financial assets measured at amortised cost are measured at an amount equal to 12-month expected credit losses, unless there has been a significant increase in credit risk since initial recognition in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the company considers

Significant accounting policies continued

for the year ended 31 March 2019

reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and includes forward-looking information. The company assumes that the credit risk on trade and other receivables has increased significantly if it is more than 30 days past due. The company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, or the financial asset is more than 90 days past due.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the group on terms that the company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; and
- The disappearance of an active market for a security because of financial difficulties.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. The 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Notes to the financial statements

for the year ended 31 March 2019

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 2019, the following standards and interpretations were in issue, but not yet effective:

	Standard/interpretation	Effective date: Years beginning on or after
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*
IAS 19	*Plan Amendment, Curtailment or Settlement*	Annual periods beginning on or after 1 April 2019*
Various standards	Annual Improvements to IFRS Standards 2015/2017 Cycle	Annual periods beginning on or after 1 April 2019*
Various standards	Amendments to References to Conceptual Framework in IFRS Standards	Annual periods beginning on or after 1 April 2020*
IFRS 3 amendment	*Definition of a Business*	Annual periods beginning on or after 1 April 2020*
IAS 1 and IAS 8	*Definition of Material*	Annual periods beginning on or after 1 April 2020*
IFRS 17	*Insurance Contracts*	Annual periods beginning on or after 1 April 2022*
IFRS 9	*Financial Instruments*	Annual periods beginning on or after 1 April 2022*

** 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 IFRS 9 amendment, the IAS 28 amendment and IAS 19 are not applicable to the business of the company and will therefore have no impact on future financial statements.

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

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.

Notes to the financial statements continued

for the year ended 31 March 2019

2. New standards and interpretations not yet effective continued

IFRS 16 *Leases* continued

The group has leases in place for office, retail space and storerooms in terms of operating leases.

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

The group adopted IFRS 16 on the effective date i.e. 1 April 2019 using the modified retrospective approach as the transition method. In accordance with IFRS 16 transition guidance, comparative information will not be restated. According to the estimate as at 31 March 2019, the standard will increase assets by approximately R3,1 million and liabilities by approximately R3,4 million relating to a right-of-use asset and lease obligation respectively. The difference between the lease expenses recognised under IAS 17 and the depreciation and finance costs recognised in terms of IFRS 16 is not expected to exceed R0,1 million per year.

The estimate was based on the assumption that the leases will not be renewed at the end of the lease period and that the rate implicit to the lease was assumed to be the cost of debt of the group at initial application.

The future commitment 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, which relate to the real estate operating lease commitments. The group expects that the IFRS 16 adoption will increase the interest-bearing net-debt and gearing ratio. The former lease expenses will be moved to depreciation and finance costs; therefore, it is expected that operating profit will increase due to the exclusion of finance cost. Operating cash flow from operating activities will increase as the principal part of the lease payments will be recorded within cash flows from financing activities therefore financing cash flows will increase.

The group used the following practical expedient in transition:

- Applied hindsight to estimate the lease term for lease contracts existing on the effective date; and
- Initial direct costs related to the execution of lease contracts are excluded from the measurement of the right-to-use assets at the date of initial application.

The group will adopt the following practical expedients on an ongoing basis:

- The non-lease components will not be separated from lease components and each lease component and associated non-lease component will account as one lease component; and
- After the transition, the group will not recognise any short-term leases on the statement of financial position where the lease term is 12 months or less at the lease commencement date. Instead, lease payments associated with short-term leases as an expense will be recognised.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

2. New standards and interpretations not yet effective continued

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 group is not expected to be significant and the application of this standard will be done on a case-by-case basis.

Annual Improvements to IFRS Standards 2015/2017 Cycle various standards

IFRS 3 *Business Combinations:* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity will apply the requirements for a business combination achieved in stages, including remeasuring its previously-held interest in the joint operation at fair value. The previously-held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. This change will have no impact on the group.

IAS 12 *Income Taxes:* The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 *Borrowing Costs:* The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The group does not anticipate that the application of the amendments in the future will have an impact on the group's financial statements.

Notes to the financial statements continued

for the year ended 31 March 2019

2. New standards and interpretations not yet effective continued

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Although expected to be rare, some companies may use the framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Definition of a Business (Amendments to IFRS 3)

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.

In October 2018, the IASB issued the amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments are:

- Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs;
- Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

2. New standards and interpretations not yet effective continued

Definition of a Business (Amendments to IFRS 3) continued

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

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in definition of material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of "material" which is quoted below from the final amendments:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The board has also removed the definition of material omissions or misstatements from IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

The amendments are effective from 1 January 2020 but may be applied earlier. The board does not, however, expect significant change – the refinements are not intended to alter the concept of materiality.

The impact on the financial statements of the group 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:

- Insurance contract issued;
- 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 or 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-advisor to assist with the process of determining the impact of IFRS 17 and this process is ongoing as at 31 March 2019. More detailed disclosure on the impact of the new standard will be provided in future financial statements.

Notes to the financial statements continued

for the year ended 31 March 2019

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.

3. Property, plant and equipment

	2019			2018		
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	88	(46)	42	1 221	(1 180)	41
Plant and machinery	1 179	(893)	286	1 438	(1 106)	332
Furniture and fittings	55	(26)	29	55	(18)	37
Motor vehicles	1 078	(248)	830	863	(346)	517
Generator equipment	401	(107)	294	401	(81)	320
Shop fittings	480	(453)	27	480	(293)	187
Solar equipment	496	(124)	372	496	(25)	471
	19 923	(1 897)	18 026	21 100	(3 049)	18 051
COMPANY						
At cost						
Plant and machinery	425	(136)	289	366	(32)	334
Motor vehicles	295	(27)	268	–	–	–
	720	(163)	557	366	(32)	334

Notes to the financial statements continued

for the year ended 31 March 2019

3. Property, plant and equipment continued

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

Figures in R'000	GROUP Opening carrying value	Additions	Disposals	Depre-ciation	Closing carrying value
2019					
At valuation					
Land	**6 566**	**–**	**–**	**–**	**6 566**
Buildings	**9 580**	**–**	**–**	**–**	**9 580**
At cost					
Leasehold improvements	**41**	**20**	**–**	**(19)**	**42**
Plant and machinery	**332**	**59**	**–**	**(105)**	**286**
Furniture and fittings	**37**	**–**	**–**	**(8)**	**29**
Motor vehicles	**517**	**550**	**(99)**	**(138)**	**830**
Generator equipment	**320**	**–**	**–**	**(26)**	**294**
Shop fittings	**187**	**–**	**–**	**(160)**	**27**
Solar equipment	**471**	**–**	**–**	**(99)**	**372**
	18 051	**629**	**(99)**	**(555)**	**18 026**
2018					
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

3. Property, plant and equipment continued

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

Figures in R'000	COMPANY Opening carrying value	Additions	Disposals	Depre-ciation	Closing carrying value
2019					
At cost					
Plant and machinery	**334**	**59**	**–**	**(104)**	**289**
Motor vehicles	**–**	**295**	**–**	**(27)**	**268**
	334	**354**	**–**	**(131)**	**557**
2018					
At cost					
Plant and machinery	–	366	–	(32)	334

Pledged as security

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

Revaluations

Land and buildings, which consist of a business premises situated on erf 2134, Ferndale, Johannesburg, are independently valued on an *ad hoc* basis. The previous independent valuation was completed on 31 March 2017. The property was valued by the company's directors as at 31 March 2019. 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 as at 31 March 2019 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.

Notes to the financial statements continued

for the year ended 31 March 2019

3. Property, plant and equipment continued

Revaluations continued

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	2019	2018	2019	2018
Land	**1 575**	1 575	**–**	–
Buildings	**1 071**	1 147	**–**	–
	2 646	2 722	**–**	–

Fair value hierarchy

Figures in R'000	Level 1	Level 2	Level 3	Total
Land and buildings – 2019	**–**	**–**	**16 146**	**16 146**
Land and buildings – 2018	–	–	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 as at 1 April 2018	**16 146**
Fair value measurements	**–**
Balance as at 31 March 2019	**16 146**

3. Property, plant and equipment continued

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 (%)	8,41	9,41	10,41
Rental (10% decrease)	15 400	13 800	12 500
Rental (Rate per Rhode report)	18 400	16 500	14 900
Rental (10% increase)	21 500	19 200	17 300

Figures in R'000	Depreciation factor		
Depreciated replacement cost method (%)	70,00	75,00	80,00
Building costs (3% decrease)	16 800	15 100	13 400
Building costs (Rate per AECOM's African Property and Construction Handbook of 2017)	17 200	15 400	13 600
Building costs (3% increase)	17 500	15 700	13 800

The valuation for the financial year ended 31 March 2019 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, R15,950 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.

Notes to the financial statements continued

for the year ended 31 March 2019

4. Intangible assets

Figures in R'000	2019 Cost	2019 Accumulated amortisation and impairment losses	2019 Carrying value	2018 Cost	2018 Accumulated amortisation and impairment losses	2018 Carrying value
GROUP						
Computer software, internally developed	**2 350**	**(1 149)**	**1 201**	997	(879)	118
COMPANY						
Computer software, internally developed	**378**	**(356)**	**22**	378	(356)	22

Reconciliation of movement in the carrying value of intangible assets

Figures in R'000	Opening carrying value	Additions	Amortisation	Closing carrying value
2019				
GROUP				
Computer software, internally developed	**118**	**1 353**	**(270)**	**1 201**
COMPANY				
Computer software, internally developed	**22**	**–**	**–**	**22**
2018				
GROUP				
Computer software, internally developed	101	145	(128)	118
COMPANY				
Computer software, internally developed	77	–	(55)	22

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 2019, there were no contractual commitments relating to intangible assets.

5. Investments in subsidiaries

Name of company	Held by	Voting power 2019 %	Voting power 2018 %	Shares at cost 2019	Shares at cost 2018
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
				95 636	95 636
Impairment of investment in subsidiaries				**(16 416)**	(17 192)
Carrying value at end of year				**79 220**	78 444
Accumulated impairment allowances					
Opening balance				**17 192**	18 377
Current year: impairment losses (reversed) (refer to note 20)				**(776)**	(1 185)
				16 416	17 192

As a result of prior period trading losses, the investment in Nictus Meubels Proprietary Limited has been impaired. The current and prior year's reversals 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 as at 31 March 2019.

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 2019

6. Investments

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
At fair value through profit or loss – designated				
Listed shares	**10 687**	11 340	**–**	–
Listed debt securities	**10 198**	1 998	**–**	–
Unit trusts	**89 007**	42 826	**3 185**	–

In 2018, listed debt securities were redeemed on 10 April 2018, which earned interest at a rate of 8,4% per annum.

In 2019, listed debt securities consist of senior unsecured floating rate notes held in a South African bank which are redeemable on 31 May 2021 and which earn interest at a rate of three-month-JIBAR + 300 basis points per annum, the applicable rate of return is adjusted on a quarterly basis.

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.

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Amortised cost				
Short-term investments	**11 904**	53 985	**–**	–

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.

	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Total investments	**121 796**	110 149	**3 185**	–

6. Investments continued

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Disclosure				
Non-current assets	**28 640**	11 340	**3 185**	–
At fair value through profit or loss – designated	**28 640**	11 340	**3 185**	–
Current assets	**93 156**	98 809	**–**	–
At fair value through profit or loss – designated	**81 252**	44 824	**–**	–
Amortised cost	**11 904**	53 985	**–**	–
	121 796	110 149	**3 185**	–

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

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

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 and the valuation technique is based on a quoted put (exit) price provided by the relevant fund managers. The only observable inputs with regards 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 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Level 1				
Listed shares	**10 687**	11 340	**–**	–
Listed debt securities	**10 198**	1 998	**–**	–
Unit trusts	**7 755**	–	**3 185**	–
	28 640	13 338	**3 185**	–

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Level 2				
Unit trusts	**81 252**	42 826	**–**	–
	81 252	42 826	**–**	–

Notes to the financial statements continued

for the year ended 31 March 2019

6. Investments continued

Interests in unconsolidated structured entities

Unit trust – Investment 1

The unit trust invests in high-yielding South African fixed-income assets, including government and corporate bonds, fixed deposits and money market instruments. The unit trust is actively managed and the maximum average duration of assets is two years. As at year end, the group's interest in the unit trust totalled R55,202 million (2018: R20,003 million) compared to a total unit trust size of R14,80 billion (2018: 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 group's interest in the unit trust totalled R0,531 million (2018: R22,823 million) compared to a total unit trust size of R815,7 million (2018: R718,1 million).

Unit trust – Investment 3

The unit trust aims to produce compound total returns in excess of the MCSI World Index over the medium to long term. The unit trust invests up to 100% in equity. The investment process of the unit trust is unconstrained, seeking to invest in companies with predictable revenue growth that produces sustainable economic value over the long term. As at year end, the group's and company's interest in the unit trust totalled R4,901 million (2018: Rnil) and R0,331 million (2018: Rnil) respectively, compared to the total unit trust size of R6,420 billion.

Unit trust – Investment 4

The unit trust can invest in a wide variety of assets, such as cash, government and corporate bonds, inflation-linked bonds and listed property, both in South Africa and internationally. The unit trust has a flexible mandate with no prescribed maturity or duration limits for its investments. The unit trust is actively managed. As at year end, the group's interest in the unit trust totalled R25,519 million (2018: Rnil) compared to a total unit trust size of R38,24 billion.

Unit trust – Investment 5

These unit trusts constitute smaller investments in equity-based funds. The underlying unit trusts will invest in equities on a global basis, for some of which the objective is to achieve long-term capital growth by outperforming the MSCI Emerging Markets Total Return Net Index over a rolling three-year period. The underlying unit trusts invest up to 100% in equity. As at year end, the group's and company's interest in these funds totalled R0,788 million (2018: Rnil), compared to the combined total unit trust(s) size in excess of R9,00 billion.

Unit trust (Exchange traded fund) – Investment 6

The investment policy of the portfolio shall be to track the FTSE/JSE Preference Share Index as closely as possible, by buying only constituent securities in the same weightings in which they are included in the Index and selling only securities which are excluded from the Index from time-to-time as a result of quarterly Index reviews or corporate actions. The investment constitutes an exchange traded fund. As at year end, the group's and company's interest in the fund totalled R2,066 million (2018: Rnil), compared to the total fund size of R304,4 million.

7. Deferred tax assets/(liabilities)

	GROUP		COMPANY	
Figures in R'000	2019	2018	2019	2018
Reconciliation of movement for the year				
Balance as at the beginning of the year	**620**	(974)	**(2 118)**	(1 132)
Current period movements:				
– Recognised in profit or loss	**–**	1 594	**(538)**	(986)
	620	620	**(2 656)**	(2 118)
The net deferred tax assets/(liabilities) comprise:				
Deferred tax assets	**3 253**	3 020	**–**	–
Deferred tax liabilities	**(2 633)**	(2 400)	**(2 656)**	(2 118)
	620	620	**(2 656)**	(2 118)
The net deferred tax assets/(liabilities) comprise the following temporary differences:				
Available tax losses	**690**	491	**456**	42
Accruals	**3 401**	3 194	**462**	403
Revaluation of land and buildings	**(2 718)**	(2 718)	**–**	–
Fair value gains on investments	**(649)**	(215)	**(49)**	–
Revaluation of insurance asset	**–**	–	**(3 525)**	(2 563)
Capital allowances	**(104)**	(132)	**–**	–
	620	620	**(2 656)**	(2 118)

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.

Notes to the financial statements continued

for the year ended 31 March 2019

7. Deferred tax assets/(liabilities) 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% (2018: 22,4%) has been used. If the expected manner of recovery is through indefinite use, the corporate tax rate of 28% (2018: 28%) has been applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains 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.

	GROUP		COMPANY	
Figures in R'000	2019	2018	2019	2018
Estimated available tax losses	**8 622**	9 558	**1 630**	148
Tax losses recognised in determining deferred tax assets	**(2 463)**	(1 754)	**(1 630)**	(148)
Unrecognised tax losses	**6 159**	7 804	**–**	–
Unrecognised deferred tax assets pertaining to unutilised tax losses	**1 725**	2 185	**–**	–

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.

8. Loans and receivables

	GROUP		COMPANY	
Figures in R'000	2019	2018	2019	2018
Non-current assets	**4 485**	5 387	**–**	–
Current assets	**38 085**	44 226	**33 910**	40 051
	42 570	49 613	**33 910**	40 051
Comprising:				
Loans and receivables	**33 910**	40 051	**33 910**	40 051
Non-current portion of trade receivables	**4 485**	5 387	**–**	–
Investments held in preference shares	**4 175**	4 175	**–**	–
	42 570	49 613	**33 910**	40 051
Gross				
Not past due	**42 570**	49 613	**33 910**	40 051

Non-current portion of trade receivables

The non-current portion of the receivables represents trade receivables arising from instalment sales 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 while not exceeding a period of 10 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 secured, repayable on demand and bears interest at the South African prime interest rate.

Notes to the financial statements continued

for the year ended 31 March 2019

9. Inventories

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Merchandise	**10 163**	10 987	**–**	–
Consumables	**6**	6	**6**	6
	10 169	10 993	**6**	6
Provision for inventory write-downs	**(50)**	–	**–**	–
	10 119	10 993	**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 from group companies

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Secured advances from Corporate Guarantee (South Africa) Limited	**–**	–	**(10 118)**	–
Current loans from subsidiary companies				
Corporate Guarantee (South Africa) Limited	**–**	–	**(19 368)**	(27 735)
Nictus Meubels Proprietary Limited	**–**	–	**(6 003)**	(11 752)
Kruben Holdings Proprietary Limited	**–**	–	**(2 158)**	(11 740)
	–	–	**(37 647)**	(51 227)
Reconciliation – Secured advances and loans from subsidiary companies				
Opening balance as at 1 April	**–**	–	**(51 227)**	(50 532)
Repayments to subsidiary companies	**–**	–	**–**	16 500
Secured advances advanced by subsidiary companies	**–**	–	**(10 118)**	–
Loans repaid to/(advanced by) subsidiary companies	**–**	–	**23 698**	(17 195)
Finance expenses accrued	**–**	–	**(4 411)**	(4 670)
Finance expenses paid	**–**	–	**4 411**	4 670
	–	–	**(37 647)**	(51 227)

10. Loans 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 prior year.

Loans 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.

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

Secured advances from subsidiary companies

Secured advances due to subsidiaries bear interest at the Standard Bank of South Africa Limited prime lending rate minus 2%, are secured and repayable within 12 months.

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

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Disclosure				
Current liabilities	**–**	–	**(37 647)**	(51 227)
	–	–	**(37 647)**	(51 227)

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 company does not hold any collateral as security.

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

Notes to the financial statements continued

for the year ended 31 March 2019

11. Trade and other receivables

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Trade receivables	400 734	357 497	–	4
Trade receivables: furniture	9 948	10 565	–	–
Trade receivables: other	30 710	12 262	–	4
Secured advances	360 076	334 670	–	–
Prepayments	219	930	124	142
Insurance asset	–	–	12 591	9 154
Deposits	38	38	–	–
Value added tax	139	35	139	1
Sundry debtors	60	145	–	–
	401 190	358 645	12 854	9 301

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 as disclosed in note 30.

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Geographical split				
South Africa	401 189	358 639	12 853	9 296
Namibia	1	6	1	5
	401 190	358 645	12 854	9 301

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.

As at 31 March 2019, the future minimum instalment sale agreements and premium debtors payments receivable within one year amounting to R43,4 million (2018: R26,2 million) are included in trade receivables and R4,5 million (2018: R5,4 million) is receivable between one to five years which is included in loans and receivables (refer to note 8).

11. Trade and other receivables continued

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
The ageing of trade and other receivables at the reporting date was:				
Gross				
Not past due	401 331	358 492	12 853	9 300
Past due 0 – 30 days	31	204	–	–
Past due 31 – 90 days	118	249	–	–
Past due 91+ days	193	187	1	1
	401 673	359 132	12 854	9 301
Impairment allowance				
Not past due	273	171	–	–
Past due 0 – 30 days	31	44	–	–
Past due 31 – 90 days	85	118	–	–
Past due 91+ days	94	154	–	–
	483	487	–	–
Net carrying value	401 190	358 645	12 854	9 301

As at 31 March 2019, group trade and other receivables of R0,1 million (2018: R0,3 million) were past due but no impairment allowance was raised. From a company perspective, R0,001 million (2018: 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 but not impaired are recoverable.

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Reconciliation of movement in impairment allowance				
Opening balance	487	3 258	–	–
Impairment allowance released	(4)	(2 771)	–	–
	483	487	–	–

Notes to the financial statements continued

for the year ended 31 March 2019

12. Cash and cash equivalents

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Cash and cash equivalents consist of:				
Cash on hand	**19**	17	**7**	5
Bank balances	**916**	5 371	**333**	448
Short-term deposits	**63 705**	84 329	**–**	–
	64 640	89 717	**340**	453

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 a unit trust investment of R11,329 million (2018: R26,690 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 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
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

13. Stated capital continued

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Issued – no par value shares				
Opening balance ordinary shares (66 269 940)	**48 668**	48 668	**48 668**	48 668
Specific repurchase – Original contribution*	**(21 946)**	–	**(21 946)**	–
Specific repurchase – Transaction cost*	**(753)**	–	**(753)**	–
Closing balance – ordinary shares (53 443 500 (2018: 66 269 940))	**25 969**	48 668	**25 969**	48 668

** During the year, the company successfully completed a specific repurchase transaction, in terms of sections 4, 48(8)(b) and 114 of the Companies Act of South Africa, read together with sections 115 and 164, the JSE Listings Requirements and Nictus' Memorandum of Incorporation, by the company of 12 826 440 ordinary shares (constituting 19,35% of the company's total ordinary shares in issue) from Nictus Holdings Limited, a related party, for a consideration of R7,471 million, being a price of 58,25 cents per share.*

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.

14. Revaluation reserve

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
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	**–**	–

Notes to the financial statements continued

for the year ended 31 March 2019

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 10 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% (5 344 350 (2018: 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	2019	2018	2019	2018
Accruals	**7 803**	8 257	**1 681**	1 497
No-claim bonus accrual	**3 776**	4 799	**–**	–
Personnel/management fee related	**2 581**	2 113	**1 650**	1 439
Other	**1 446**	1 345	**31**	58
Trade payables	**2 028**	1 924	**142**	2 701
Sundry creditors	**172**	187	**74**	94
Lease straight-line accrual	**319**	311	**–**	–
Value added tax	**1 156**	295	**–**	106
	11 478	10 974	**1 897**	4 398

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	2019	2018	2019	2018
Gross provision for unearned premiums	**539 767**	514 261	**–**	–
Gross provision for no-claim bonus	**9 888**	9 603	**–**	–
Gross provision for claims incurred but not reported (IBNR)	**–**	329	**–**	–
	549 655	524 193	**–**	–
Analysis of movements in gross provision for unearned premiums				
Opening balance	**514 261**	473 944	**–**	–
Claims paid	**(5 416)**	(2 743)	**–**	–
IBNR released	**329**	140	**–**	–
Net written premiums	**34 679**	45 405	**–**	–
Net underwriting result	**(4 086)**	(2 485)	**–**	–
	539 767	514 261	**–**	–

Notes to the financial statements continued

for the year ended 31 March 2019

17. Insurance contract liability continued

	GROUP		COMPANY	
Figures in R'000	2019	2018	2019	2018
Analysis of movements in no-claim bonus provision				
Opening balance	**9 603**	7 767	**–**	–
No-claim bonus charge to profit or loss	**26 934**	28 285	**–**	–
No-claim bonus paid	**(26 649)**	(26 449)	**–**	–
	9 888	9 603	**–**	–
Analysis of movement in gross IBNR provision				
Opening balance	**329**	469	**–**	–
IBNR released	**(329)**	(469)	**–**	–
IBNR provided	**–**	329	**–**	–
	–	329	**–**	–

Process used to determine significant assumptions

Insurance risks are unpredictable and the group recognises that it is impossible to forecast with certainty, 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 of 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 2019.

17. Insurance contract liability continued

Process used to determine significant assumptions continued

Claims incurred but not reported

Insurers are permitted to apply simplified methods in valuing technical provisions, subject to satisfying the principle of proportionality. As a result of the nature of the company's business, and the likely scale of the IBNR provision, it is proportionate to adopt a simplified method to consider the contribution of IBNR claims to the SAM technical provisions.

Due to the short duration between the occurrence, reporting and settlement of claims, applying a simplified method for calculating the contribution of IBNR claims to the SAM claims provisions would be proportionate to the nature and scale of the risks faced by the company. The reserve resulting from this method is likely to be negligible. In the prior year, the IBNR was calculated per the prescribed calculation in Board Notice 169 of 2011 issued by the then Financial Services Board.

The adequacy of this provision 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.

Assumptions

Considering the nature of the insurance contracts sold, it is expected that all insurance liabilities will be settled within 12 months from the reporting date.

	GROUP		COMPANY	
Figures in R'000	2019	2018	2019	2018
An increase in IBNR of 1% of net written premiums would decrease profit by:	**–**	3	**–**	–

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

Notes to the financial statements continued

for the year ended 31 March 2019

18. Revenue

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Sale of goods	37 266	39 220	–	–
Management fees from subsidiaries	–	–	17 700	16 800
Rental income	32	47	–	–
Finance income	2 412	2 866	–	79
Rendering of services	1 540	–	–	–
Dividend received from subsidiary	–	–	25 000	–
Earned insurance premium	9 502	5 228	–	–
	50 752	47 361	42 700	16 879
Insurance premium income consists of:				
Net written premiums	34 679	45 405	–	–
Change in net provision for unearned premiums	(25 177)	(40 177)	–	–
	9 502	5 228	–	–

19. Other income

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Profit/(loss) on sale of property, plant and equipment	70	(6)	–	–
Commissions received	35	7	–	–
Other services rendered	–	(3)	–	–
Insurance claim	105	202	–	–
Sundry (expense)/income	(5)	31	–	11
Advertising recoveries	220	–	–	–
Bad debts recovered	223	–	–	–
Administration fees received	–	1 051	–	–
Transport recoveries	–	977	–	–
Portfolio management fee – Rebate	86	–	–	–
Insurance asset balance adjustment	–	–	3 436	3 274
	734	2 259	3 436	3 285

20. Results from operating activities

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

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Insurance expenses				
Claims paid	5 416	2 743	–	–
No-claim bonus allocations	26 934	28 285	–	–
	32 350	31 028	–	–
Operating lease charges	2 972	2 870	900	852
– Premises – straight-lined	2 972	2 870	900	852
Bad debt written off	411	2 868	–	–
Allowance for trade receivables impairment released	(4)	(2 771)	–	–
Reversal of impairment against investment in subsidiaries	–	–	(776)	(1 185)
Amortisation on intangible asset	270	128	–	55
Depreciation on property, plant and equipment	555	447	131	32
Insurance premium expenses	188	185	3 031	3 031
Employee costs and directors' emoluments	15 395	14 586	7 125	6 068
– Salaries	10 830	10 500	2 930	2 309
– Medical aid contributions	262	242	32	47
– Fees for services as directors (refer to note 29)	4 303	3 844	4 163	3 712
Management fees paid to related party	4 167	3 616	4 167	3 616

Notes to the financial statements continued

for the year ended 31 March 2019

21. Investment income

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Investment income from operations				
Dividends received	**1 232**	1 796	**–**	–
Financial assets at fair value through profit and loss	**2 062**	(1 024)	**209**	–
Profit/(loss) on disposal of investment	**67**	3 841	**(18)**	–
Fair value adjustments	**1 995**	(4 865)	**227**	–
Unit trusts	**1 908**	(3 030)	**227**	–
Listed debt securities	**48**	10	**–**	–
Listed shares	**39**	(1 845)	**–**	–
Bank and secured advances	**40 896**	41 733	**–**	–
	44 190	42 505	**209**	–
Investment income on loans and receivables				
Bank and other	**243**	319	**30**	19
Other interest – Loan to related party	**3 949**	4 282	**3 949**	4 282
	4 192	4 601	**3 979**	4 301
	48 382	47 106	**4 188**	4 301

22. Finance expense

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Loans from subsidiaries	**–**	–	**(4 293)**	(3 771)
Secured advances from subsidiaries	**–**	–	**(118)**	–
Preference dividends paid to subsidiaries	**–**	–	**–**	(899)
	–	–	**(4 411)**	(4 670)

23. Taxation credit/(expense)

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Major components of the tax expense				
Current taxation				
Current year charge	**–**	(1 052)	**–**	–
	–	(1 052)	**–**	–
Deferred taxation				
Current year credit/(charge)	**–**	1 594	**(538)**	(986)
	–	1 594	**(538)**	(986)
	–	542	**(538)**	(986)
Reconciliation of the effective tax expense				
Reconciliation between tax at the statutory tax rate and the effective tax rate:				
Profit before taxation	**6 543**	4 870	**27 735**	3 580
Tax at the applicable tax rate of 28% (2018: 28%)	**(1 832)**	(1 364)	**(7 766)**	(1 002)
Tax rate adjusted for:				
Profit/(loss) on sale of investments	**4**	215	**(1)**	–
Ordinary dividends received	**345**	503	**7 000**	–
Fair value adjustment on listed shares, listed debt securities and unit trusts	**112**	(272)	**13**	–
Revaluation of group insurance assets	**985**	939	**–**	–
Preference dividend paid	**–**	–	**–**	(252)
SARS – interest and penalties	**–**	(69)	**–**	(64)
SARS – interest and penalties reversed	**5**	–	**–**	–
Capital allowance – depreciation-related	**–**	30	**–**	–
Impairment provision reversed	**–**	–	**217**	332
Over-provision previous year	**1**	15	**–**	–
Utilisation of unrecognised deferred tax asset	**460**	189	**–**	–
Administration fees – Buying and selling of listed shares	**(3)**	(24)	**(1)**	–
Change in unrecognised deductible temporary differences	**(77)**	380	**–**	–
Effective taxation	**–**	542	**(538)**	(986)

Notes to the financial statements continued

for the year ended 31 March 2019

24. Auditor's remuneration

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Audit fees	**1 669**	1 582	**922**	862

25. Cash (utilised by)/generated from operations

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Profit before taxation	**6 543**	4 870	**27 735**	3 580
Adjustments for:				
Depreciation of property, plant and equipment	**555**	447	**131**	32
(Profit)/loss on disposal of property, plant and equipment	**(70)**	6	**–**	–
Amortisation of intangible asset	**270**	128	**–**	55
Dividend income	**(1 232)**	(1 796)	**(25 000)**	–
Investment income	**(4 192)**	(4 601)	**(3 979)**	(4 301)
Finance expenses	**–**	–	**4 411**	4 670
Investment income from operations	**(42 958)**	(40 709)	**–**	–
Impairment reversed on investments in subsidiaries	**–**	–	**(776)**	(1 185)
(Profit)/loss on disposal of investments	**(67)**	(3 841)	**18**	–
Fair value adjustments on investments	**(1 995)**	4 865	**(227)**	–
Changes in working capital:				
Decrease in inventories	**874**	291	**–**	–
Increase in trade and other receivables	**(41 643)**	(24 880)	**(3 553)**	(3 287)
Increase/(decrease) in trade and other payables	**545**	137	**(2 460)**	658
Increase in insurance contract liability	**25 462**	42 013	**–**	–
	(57 908)	(23 070)	**(3 700)**	222

26. Tax paid

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Balance owing at the beginning of the year	**12**	69	**–**	–
Current tax for the year recognised in profit or loss	**–**	1 052	**–**	–
Balance receivable/(owing) at the end of the year	**70**	(12)	**–**	–
Tax paid	**82**	1 109	**–**	–

27. Dividends

Figures in R'000	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
Ordinary dividend paid				
– on 23 July 2018*	**1 988**	–	**1 988**	–
– on 24 July 2017**	**–**	1 988	**–**	1 988
	1 988	1 988	**1 988**	1 988
Preference dividend paid	**–**	–	**–**	899
	–	–	**–**	899

Ordinary dividends paid

* *The board, within its discretion, declared a final dividend of 3,00 cents per ordinary share for the year ended 31 March 2018 on 29 June 2018, to all ordinary shareholders recorded in the books of Nictus Limited at the close of business on Friday, 20 July 2018. The dividend was paid on Monday, 23 July 2018.*

** *The board, within its discretion, declared a final dividend of 3,00 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.*

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 were payable monthly.

Notes to the financial statements continued

for the year ended 31 March 2019

28. Related parties

Relationships

Subsidiaries	Refer to note 5
Related company	Nictus Holdings Limited
	Veritas Board of Executors Proprietary Limited
Other related parties	Auas Motors Proprietary Limited
	Nictus Proprietary Limited
	Corporate Guarantee and Insurance Company of Namibia 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	Professor Barend J Willemse
	John D Mandy (retired 31 January 2019)
	Gerard Swart
	Cornelius J de Vrye (appointed 1 November 2018)
	Andries J Kruger (resigned 1 April 2018)

The group has a related party relationship with its subsidiaries. Key management personnel have 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 77,12% (2018: 81,35%) of the voting shares of the company. Details pertaining to directors' and key management's compensations are set out in note 29.

The group encourages employees to purchase goods and services from group companies. 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.

28. Related parties continued

Transactions with key management personnel continued

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	2019	2018
Related party balances		
GROUP		
Loan due by related company	**33 910**	40 051
Secure advance to key management	**218**	280
Amounts included in gross provision for unearned premiums – refer note 17		
Veritas Board of Executors Proprietary Limited	**(557)**	(423)
Key management	**(242)**	(311)
Amounts included in gross provision for no-claim bonus/accrual of no-claim bonus – refer note 16 and 17		
Veritas Board of Executors Proprietary Limited	**(7)**	(6)
Key management	**(1)**	(1)
COMPANY		
Trade payables – refer to note 16		
Kruben Holdings Proprietary Limited	**(7)**	–
Corporate Guarantee (South Africa) Limited	**–**	(2 561)
Loan accounts – refer to notes 8 and 10		
Loan from subsidiaries	**(27 529)**	(51 227)
Loan due by related company	**33 910**	40 051
Secured advances – refer to note 10		
Secured advance from subsidiaries	**(10 118)**	–
Amounts included in trade and other receivables – refer to note 11		
Corporate Guarantee (South Africa) Limited	**12 591**	9 154

Notes to the financial statements continued
for the year ended 31 March 2019

28. Related parties continued
Transactions with key management personnel continued

Figures in R'000	2019	2018
Related party transactions		
GROUP		
Interest received from related party (Nictus Holdings Limited)	**(3 949)**	(4 282)
Management fees paid to related party (Veritas Board of Executors Proprietary Limited (2018: Nictus Holdings Limited))	**4 167**	3 616
Secretarial fees paid to related party (Veritas Board of Executors Proprietary Limited)	**286**	289
Rental received from other related parties	**16**	32
Asset purchases from member of key management	**65**	–
Asset purchases from other related parties	**485**	–
Insurance premiums received from related parties (Veritas Board of Executors Proprietary Limited)	**(120)**	(280)
No-claim bonus allocation – refer to note 20		
Veritas Board of Executors Proprietary Limited	**26**	14
Key management	**17**	26

28. Related parties continued
Transactions with key management personnel continued

Figures in R'000	2019	2018
COMPANY		
Interest received from related party (Nictus Holdings Limited)	**(3 949)**	(4 282)
Interest received from subsidiaries	**–**	(79)
Interest paid to subsidiaries	**4 411**	3 771
Preference dividends paid to subsidiaries	**–**	899
Management fees received from subsidiaries	**(17 700)**	(16 800)
Management fees paid to related party (Veritas Board of Executors Proprietary Limited (2018: Nictus Holdings Limited))	**4 167**	3 616
Rental paid to subsidiaries	**958**	912
Dividend received from subsidiary	**(25 000)**	–
Insurance premiums paid to subsidiary	**3 000**	3 000
Secretarial fees paid to related party (Veritas Board of Executors Proprietary Limited)	**179**	206
Insurance asset balance adjustment (Corporate Guarantee (South Africa) Limited)	**(3 436)**	(3 274)
Goods purchased from subsidiary	**50**	342
Asset purchases from member of key management	**65**	–
Asset purchases from other related parties	**230**	–

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.

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.

Notes to the financial statements continued

for the year ended 31 March 2019

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

Figures in R'000	Paid by the company: Basic salary#	Paid by the company: Bonuses#	Paid by the subsidiaries: Directors' fees#	Total
Executive directors				
2019				
Gerard R de V Tromp*	**420**	**–**	**–**	**420**
Eckhart H Prozesky	**1 560**	**340**	**–**	**1 900**
	1 980	**340**	**–**	**2 320**
2018				
Gerard R de V Tromp*	360	–	–	360
Eckhart H Prozesky	1 360	300	–	1 660
	1 720	300	–	2 020

** As disclosed in note 28, a management fee of R4,167 million (2018: R3,616 million) was paid to a related party, Veritas Board of Executors Proprietary Limited (Nictus Holdings Limited in the prior year), including services rendered by Gerard R de V Tromp as executive director, to the value of R3,020 million (2018: R2,540 million).*

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

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

continued

Figures in R'000	Directors' fees – company	Directors' fees – subsidiaries	Basic salary – company#	Total
Non-executive directors				
2019				
Professor Barend J Willemse	**618**	**70**	**–**	**688**
John D Mandy	**346**	**–**	**–**	**346**
Gerard Swart	**402**	**–**	**–**	**402**
Philippus J de W Tromp	**106**	**–**	**–**	**106**
Nicolaas C Tromp*	**67**	**70**	**192**	**329**
Cornelius J de Vrye	**112**	**–**	**–**	**112**
	1 651	**140**	**192**	**1 983**
2018				
Professor 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

** As disclosed in note 28, a management fee of R4,167 million (2018: R3,616 million) was paid to a related party, Veritas Board of Executors Proprietary Limited (Nictus Holdings Limited in the prior year), including services rendered by Nicolaas C Tromp as non-executive director, to the value of R1,022 million (2018: R0,962 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 2019

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

continued

	Paid by the subsidiaries		
Figures in R'000	Basic salary*	Bonuses*	Total
Prescribed officers other than directors			
2019			
Stephanus J Gerber	**1 168**	**180**	**1 348**
	1 168	**180**	**1 348**
2018			
Stephanus J Gerber	1 027	273	1 300
	1 027	273	1 300

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

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.

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.

30. Financial risk management continued

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
As at 31 March 2019					
GROUP					
Trade and other payables	**10 003**	**10 003**	**10 003**	**–**	**–**
Insurance contract liability	**549 655**	**549 655**	**549 655**	**–**	**–**
COMPANY					
Loans from group companies	**37 647**	**37 647**	**37 647**	**–**	**–**
Trade and other payables	**1 897**	**1 897**	**1 897**	**–**	**–**
As 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	–	–

Notes to the financial statements continued

for the year ended 31 March 2019

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 with changes in 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 advisors 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

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

	GROUP		COMPANY	
Figures in R'000	2019	2018	2019	2018
Variable rate instruments				
Financial assets	**554 251**	468 613	**34 250**	40 504
Financial liabilities	**–**	–	**(37 647)**	(51 227)
	554 251	468 613	**(3 397)**	(10 723)

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 2018.

	GROUP		COMPANY	
Figures in R'000	2019	2018	2019	2018
As at 31 March				
Variable rate instruments	**5 543**	4 686	**(34)**	(107)

Price risk

The group is exposed to equity securities price risk because of investments held by the company and 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.

Figures in R'000	10% increase in market prices 2019	10% decrease in market prices 2019	10% increase in market prices 2018	10% decrease in market prices 2018
As at 31 March				
GROUP				
Listed shares	**1 069**	**(1 069)**	1 134	(1 134)
Listed debt securities	**1 020**	**(1 020)**	200	(200)
Unit trusts	**8 901**	**(8 901)**	4 283	(4 283)
COMPANY				
Unit trusts	**319**	**(319)**	–	–

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.

Notes to the financial statements continued

for the year ended 31 March 2019

30. Financial risk management continued

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.

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 represent the maximum open amount without requiring approval from the subsidiary's executive management. These limits are reviewed when required per customer. Customers who 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.

30. Financial risk management continued

Credit risk continued

Trade and other receivables and loans and receivables continued

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 R483,874 million (2018: R476,605 million). Various repayment terms and interest rates apply. Therefore, there is no credit risk associated with these advances.

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 Insurance Act (Short-term Insurance Act of South Africa prior to 1 July 2018).

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.

2019 – Company-specific disclosure

Trade receivables are collected over a period of 12 months based on the terms of the contract. The company measures the loss allowance at an amount equal to lifetime expected credit losses for all trade receivables and insurance assets.

Estimated credit losses are determined based on an analysis of the aging of trade receivables and insurance assets, and past write-off history for a period of one and a half years.

Notes to the financial statements continued
for the year ended 31 March 2019

30. Financial risk management continued

Credit risk continued

The following table provides information regarding the aggregated credit risk exposure for financial instruments and other assets of the company with and without an 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
As at 31 March 2019				
GROUP				
Investments – Listed debt securities	–	10 198	–	10 198
Investments – Unit trusts	415	80 837	–	81 252
Investments – Short-term deposits	–	11 904	–	11 904
Loans and receivables	–	–	42 570	42 570
Trade and other receivables	–	–	40 658	40 658
Cash and cash equivalents – Bank balances	–	916	–	916
Cash and cash equivalents – Cash on hand	–	–	19	19
Cash and cash equivalents – Short-term deposits	–	63 705	–	63 705
	415	167 560	83 247	251 222
COMPANY				
Loans and receivables	–	–	33 910	33 910
Trade and other receivables	–	–	12 519	12 519
Cash and cash equivalents – Bank balances	–	333	–	333
Cash and cash equivalents – Cash on hand	–	–	7	7
	–	333	46 436	46 769

30. Financial risk management continued

Credit risk continued

Figures in R'000	AAA/AA/A	BBB/BB/B	Unrated	Total
As at 31 March 2018				
GROUP				
Investments – Listed debt securities	–	1 998	–	1 998
Investments – Unit trusts	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

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 insurance subsidiary 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.

Notes to the financial statements continued

for the year ended 31 March 2019

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, 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.

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 occur during the term of a 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. Given the uncertainty in establishing claims provisions, however, it is possible that the final outcome may prove to be different from the original liability established. The uncertainty about the amount and timing of claims payments is, however, 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.

Notes to the financial statements continued

for the year ended 31 March 2019

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 company is subject to external legislative capital requirements as required by the Insurance Act and Financial Soundness Standards for Insurers (Short-term Insurance Act, 1998 and Board Notice 169 prior to 1 July 2018).

The group has complied with all legislative and external capital requirements during the financial year.

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
2019			
GROUP			
Loans and receivables	**42 570**	**–**	**42 570**
Investments	**–**	**109 892**	**109 892**
Trade receivables	**400 734**	**–**	**400 734**
Short-term deposits	**11 904**	**–**	**11 904**
Cash and cash equivalents	**64 640**	**–**	**64 640**
	519 848	**109 892**	**629 740**
COMPANY			
Loans and receivables	**33 910**	**–**	**33 910**
Investments	**–**	**3 185**	**3 185**
Trade and other receivables	**12 591**	**–**	**12 591**
Cash and cash equivalents	**340**	**–**	**340**
	46 841	**3 185**	**50 026**
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

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.

Notes to the financial statements continued
for the year ended 31 March 2019

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
2019		
GROUP		
Trade and other payables	**10 003**	**10 003**
COMPANY		
Loans from group companies	**37 647**	**37 647**
Trade and other payables	**1 897**	**1 897**
	39 544	**39 544**
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

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.

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	2019	2018	2019	2018
Operating leases – as lessee				
Minimum lease payments due				
– within one year	**1 863**	1 555	**–**	–
– in second to fifth year inclusive	**1 908**	3 285	**–**	–
– lease straight-line accrual	**(319)**	(311)	**–**	–
	3 452	4 529	**–**	–

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.

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 material events after the reporting date and up to the date of approval of these financial statements that required adjustment or disclosure in the consolidated and separate financial statements for the year ended 31 March 2019, other than that a dividend of 3,75 cents per share was declared by the directors subsequent to year end, payable to shareholders registered on 19 July 2019.

Notes to the financial statements continued

for the year ended 31 March 2019

36. Earnings per share

Basic earnings per share

The basic earnings per ordinary share from operations for the year is 10,60 cents (2018: 8,17 cents). The calculation of basic earnings per share from operations is based on a profit of R6,543 million (2018: profit of R5,412 million) and a weighted average number of shares in issue of 61 736 760 (2018: 66 269 940).

Diluted earnings per share

The diluted earnings per share from operations for the year is 10,60 cents (2018: 8,17 cents). The calculation of the diluted earnings per share from operations is based on a profit of R6,543 million (2018: R5,412 million) and a weighted average number of shares in issue of 61 736 760 (2018: 66 269 940).

Headline earnings per share

The headline earnings per share from operations for the year is 10,52 cents (2018: 8,17 cents). The calculation of headline earnings per share from operations is based on a profit of R6,493 million (2018: R5,416 million) and a weighted average number of shares in issue of 61 736 760 (2018: 66 269 940).

Diluted headline earnings per share

The diluted headline earnings per share from operations for the year is 10,52 cents (2018: 8,17 cents). The calculation of the diluted headline earnings per share from operations is based on a profit of R6,493 million (2018: R5,416 million) and a weighted average number of shares in issue of 61 736 760 (2018: 66 269 940).

36. Earnings per share continued

Diluted headline earnings per share continued

Figures in R'000	Profit on ordinary activities	Taxation	Non-controlling interest	Net profit
Reconciliation between earnings and headline earnings:				
2019				
Profit before taxation	**6 543**	**–**	**–**	**6 543**
Adjustments for:				
Profit on disposal of property, plant and equipment	**(70)**	**20**	**–**	**(50)**
Headline earnings	**6 473**	**20**	**–**	**6 493**
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

Notes to the financial statements continued

for the year ended 31 March 2019

37. Group segmental analysis

Figures in R'000	Furniture retail 2019	Furniture retail 2018	Insurance 2019	Insurance 2018	Head office 2019	Head office 2018	Eliminations 2019	Eliminations 2018	Consolidated 2019	Consolidated 2018
Segment revenue										
Sales of goods	**37 266**	39 220	**–**	–	**–**	–	**–**	–	**37 266**	39 220
Rendering of services	**1 540**	–	**–**	–	**–**	–	**–**	–	**1 540**	–
Rental income	**992**	959	**–**	–	**–**	–	**(960)**	(912)	**32**	47
Finance income	**2 412**	2 866	**–**	–	**–**	79	**–**	(79)	**2 412**	2 866
Dividend Income	**–**	–	**–**	–	**25 000**	–	**(25 000)**	–	**–**	–
Management fees	**–**	–	**–**	–	**17 700**	16 800	**(17 700)**	(16 800)	**–**	–
Insurance premium income	**–**	–	**9 235**	5 150	**–**	–	**267**	78	**9 502**	5 228
Total revenue from external customers	**42 210**	43 045	**9 235**	5 150	**42 700**	16 879	**(43 393)**	(17 713)	**50 752**	47 361
Inter-segment revenue	**506**	498	**–**	–	**–**	–	**(506)**	(498)	**–**	–
Total segment revenue	**42 716**	43 543	**9 235**	5 150	**42 700**	16 879	**(43 899)**	(18 211)	**50 752**	47 361
Segment result										
Operating profit/(loss) before financing costs	**2 279**	2 966	**3 485**	1 283	**32 146**	8 250	**(31 367)**	(7 629)	**6 543**	4 870
Financing costs	**(1 181)**	(1 774)	**–**	–	**(4 411)**	(4 670)	**5 592**	6 444	**–**	–
Profit/(loss) before taxation	**1 098**	1 192	**3 485**	1 283	**27 735**	3 580	**(25 775)**	(1 185)	**6 543**	4 870
Taxation (expense)/credit	**(256)**	(24)	**(192)**	613	**(538)**	(986)	**986**	939	**–**	542
Net profit/(loss) for the year	**842**	1 168	**3 293**	1 896	**27 197**	2 594	**(24 789)**	(246)	**6 543**	5 412
Segment assets*	**51 756**	70 391	**617 081**	609 636	**130 094**	128 611	**(136 066)**	(168 332)	**662 865**	640 306
Segment liabilities*	**13 754**	33 232	**568 252**	539 099	**42 200**	57 743	**(60 440)**	(92 495)	**563 766**	537 579
Cash flows from operating activities	**4 476**	355	**(9 547)**	41 067	**14 901**	(6 436)	**(25 618)**	(18 648)	**(15 788)**	16 338
Cash flows from investing activities	**14 717**	(6 584)	**(14 610)**	(9 726)	**(6 790)**	6 438	**5 618**	25 648	**(1 065)**	15 776
Cash flows from financing activities	**(20 000)**	7 000	**–**	–	**(8 224)**	–	**20 000**	(7 000)	**(8 224)**	–
Capital expenditure	**(783)**	(654)	**(845)**	–	**(354)**	(366)	**–**	–	**(1 982)**	(1 020)

* *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 146, 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 2019

37. Group segmental analysis continued

Figures in R'000	2019	2018
Reconciliation between segment assets and liabilities and consolidated assets and liabilities		
Assets		
Segment assets	**659 542**	637 286
Deferred tax	**3 253**	3 020
Current tax receivable	**70**	–
Consolidated assets	**662 865**	640 306
Liabilities		
Segment liabilities	**561 133**	535 167
Deferred tax	**2 633**	2 400
Current tax payable	**–**	12
Consolidated liabilities	**563 766**	537 579

37. Group segmental analysis continued

Figures in R'000	2019	2018
Segment assets		
Furniture retail	**51 756**	70 391
Insurance	**617 081**	609 636
	668 837	680 027
Head office and eliminations	**(5 972)**	(39 721)
	662 865	640 306
Segment revenue		
Furniture retail	**42 716**	43 543
Insurance	**9 235**	5 150
	51 951	48 693
Head office and eliminations	**(1 199)**	(1 332)
	50 752	47 361
Net profit for the year		
Furniture retail	**842**	1 168
Insurance	**3 293**	1 896
	4 135	3 064
Head office and eliminations	**2 408**	2 348
	6 543	5 412

SHAREHOLDER INFORMATION

05

THE BOARD HAS ALSO EMBARKED ON A STRATEGY TO EMPLOY CAPITAL MORE PROFITABLY AND HAS ADOPTED A STRATEGY THAT WE BELIEVE WILL SUPPORT THE SHARE PRICE AND INCREASE PROFITS/ DIVIDENDS INTO THE FUTURE.

Notice of annual general meeting

NICTUS LIMITED
(Incorporated in the Republic of South Africa)
Registration number RSA: 1981/011858/06
Registration number NAM: 781/11858
JSE share code: NCS
ISIN number: NA0009123481
(Nictus or the company)

Notice is hereby given that the annual general meeting of the shareholders of Nictus (shareholders) will be held in the boardroom, Nictus Building, corner of Pretoria and Dover Streets, Randburg, on Wednesday, 21 August 2019 at 12:00 (SA time), to deal with the business as set out below and to consider and, if deemed appropriate, pass with or without modification the ordinary and special resolutions set out in this notice.

1. Record date

The board of directors of the company (the board) has determined that the record date, as contemplated in section 59(1) of the Companies Act of South Africa No. 71 of 2008 (the Companies Act of South Africa), for the purpose of determining which shareholders of the company are entitled to:

1.1 Receive notice of the annual general meeting is Friday, 14 June 2019; and

1.2 Participate in and vote at the annual general meeting is Friday, 16 August 2019. Accordingly, only shareholders who are registered in the register of members of the company, or their proxies, on Friday, 16 August 2019 will be entitled to participate in and vote at the annual general meeting. The last day to trade in order to be entitled to participate in and vote at the annual general meeting is therefore Tuesday, 13 August 2019.

2. General purpose of the annual general meeting

The general purpose of the annual general meeting is to:

2.1 Consider and, if deemed appropriate, 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 the consolidated audited 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, the directors and the social and ethics committee for the year ended 31 March 2019, will be presented to shareholders as required in terms of section 30(3)(d) read with section 61(8)(a) of the Companies Act of South Africa.

4. Resolutions for consideration and approval

4.1 Ordinary resolution 1: re-election of Gerard Swart as a director

"Resolved that Gerard Swart, who retires by rotation in terms of clause 16.3.2 of the company's Memorandum of Incorporation (MOI), 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 percent) 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 17 of the integrated annual report of which this notice forms part.

4.2 Ordinary resolution 2: re-election of Nicolaas C Tromp as a director

"Resolved that Nicolaas C Tromp, who retires by rotation in terms of clause 16.3.2 of the MOI, 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 percent) 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 of which this notice forms part.

4.3 Ordinary resolution 3: election of Cornelius J de Vrye as a director

"Resolved that Cornelius J de Vrye, in terms of clause 16.2.9.1 of the MOI, be and is hereby 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 percent) 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 17 of the integrated annual report of which this notice forms part.

4.4 Ordinary resolution 4: approval of the remuneration policy

"Resolved to approve, by way of a non-binding advisory vote, the remuneration policy of the company as set out on pages 43 and 44 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 percent) 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 the 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 41 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 percent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting, is required.

The remuneration report of the remuneration and nomination committee (which includes the remuneration policy and implementation report) is set out on pages 39 to 44 of the integrated annual report of which this notice forms part.

The JSE Listings Requirements require, and the King IV Report on Corporate Governance for South Africa, 2016 (King IV) recommends, that a company's remuneration policy and implementation report be tabled for separate non-binding advisory votes by shareholders at each annual general meeting. This enables shareholders to express their views on the company's remuneration policy and the implementation report. Ordinary resolutions number 4 and 5 are of a non-binding advisory nature only. The board will, however, take the outcome of the non-binding advisory votes into consideration when considering amendments to the group's remuneration policy.

Notice of annual general meeting continued

Shareholders are reminded that in terms of the JSE Listings Requirements and King IV, should 25% or more of the votes cast be against one or both of these non-binding ordinary resolutions, Nictus undertakes to engage with shareholders as to the reasons therefore and undertakes to appropriately address legitimate and reasonable objections and concerns raised.

4.6 Ordinary resolution 6: election of Cornelius J de Vrye as a member and chairman of the audit and risk committee

"Resolved that Cornelius J de Vrye be and is hereby elected as a member and 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, subject to his election as a director of the company pursuant to ordinary resolution number 3."

In order for this ordinary resolution number 6 to be passed, the support of more than 50% (fifty percent) 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 as a member of the audit and risk committee

"Resolved that Barend J Willemse, a director and chairman of the board 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 percent) 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 of the company.

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, subject to his re-election as a director pursuant to ordinary resolution number 1."

In order for this ordinary resolution number 8 to be passed, the support of more than 50% (fifty percent) 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 KPMG Inc. as independent external auditor

"Resolved that KPMG Inc. (with the designated external audit partner being Riaan Kok) be and is hereby re-appointed as the independent external auditor of the company, in terms of the MOI and the Companies Act of South Africa, to hold office until the conclusion of the next annual general meeting of the company."

The audit and risk committee of the company recommended the re-appointment of KPMG Inc., following its assessment of the performance and independence of KPMG Inc. and being satisfied that no governance guidelines have been breached and that they have complied with the provisions of the JSE Listings Requirements and the Companies Act of South Africa.

In order for this ordinary resolution number 9 to be passed, the support of more than 50% (fifty percent) 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: authority to issue ordinary shares

"Resolved that the board be and is hereby authorised by way of a general authority to issue at their discretion up to 30% (thirty percent), being 58 966 950 ordinary shares, of the authorised but unissued ordinary shares in the company from time-to-time, and/or to grant options to subscribe for such 30% (thirty percent) of the authorised but unissued ordinary shares in the company from time-to-time, for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) are subject to the JSE Listings Requirements, the Companies Act of South Africa and the following conditions, namely that:

4.10.1 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 passing of this resolution;

4.10.2 The issue of the shares must be made to persons qualifying as public shareholders as defined in the JSE Listings Requirements, and not to related parties;

4.10.3 The shares which are the subject of the issue 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;

4.10.4 must be published on a SENS announcement giving full details of the issue, after any issue representing, on a cumulative basis within one financial year, 5% (five percent) of the number of shares in issue prior to the issue concerned; and

4.10.5. 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 percent) 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.

In order for this ordinary resolution number 10 to be passed, the support of more than 75% (seventy-five percent) 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: 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 11 to be passed, the support of more than 50% (fifty percent) of the voting rights exercised on the resolution by shareholders present in person, or represented by proxy, at the annual general meeting, is required.

Notice of annual general meeting continued

4.12 Special resolution 1: approval of directors' remuneration

"Resolved that the company be and is hereby authorised to pay remuneration to its non-executive 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 shareholders by way of a special resolution."

	Proposed fees					
Name of director	Annual fee R	Board R	Audit and risk committee R	Remu-neration and nomination committee R	Social and ethics committee R	Investment committee R
Barend J Willemse	435 000	315 000	40 000	40 000	–	40 000
Gerard Swart	252 000	160 000	40 000	52 000	–	–
Cornelius J de Vrye	272 000	160 000	72 000	40 000	–	–
Philippus J de W Tromp	186 000	160 000	–	–	26 000	–
Nicolaas C Tromp	160 000	160 000	–	–	–	–

Special resolution number 1 is required in terms of section 66 of the Companies Act of South Africa, which requires that non-executive 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 percent) 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 approval for the payment of the non-executive directors' remuneration and the effect will be that the non-executive directors are paid in accordance with this resolution.

4.13 Special resolution 2: general authority to repurchase shares

"Resolved that the company, in terms of its 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 authority 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 JSE Listings Requirements and the Companies Act of South Africa and subject to the following:

4.13.1 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;

4.13.2 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;

4.13.3 Repurchases may not be made at a price greater than 10% (ten percent) 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;

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

4.13.5 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 percent) of the company's issued share capital as at the date of passing of this special resolution or 10% (ten percent) of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;

4.13.6 The company and/or its subsidiaries may not repurchase 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 submitted to the JSE, in writing, and disclosed in an announcement published on SENS, prior to the commencement of the prohibited period. The company must instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

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

4.13.8 The board 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 performed, there have been no material changes to the financial position of the company and its subsidiaries (collectively, the group); and

4.13.9 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 date of the repurchase:

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

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

4.13.9.3 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

4.13.9.4 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 46 of the Companies Act of South Africa

Notice of annual general meeting continued

having been met. The JSE Listings Requirements require the approval of a 75% (seventy-five percent) majority of the votes cast by shareholders present in person or represented by proxy at the annual general meeting for special resolution number 2 to become effective.

4.14 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 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 may determine from time-to-time."

In order for special resolution number 3 to be passed the support of at least 75% (seventy-five percent) 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 effect of special resolution number 3, if adopted, is to confer the authority on the board 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 may deem fit, on the terms and conditions, and for the amounts that the board 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.

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 52 of the integrated annual report of which this notice forms part;

5.2. Stated capital of the company – pages 110 and 111 of the integrated annual report of which this notice forms part.

6. Directors' responsibility statement

The directors in office, whose names appear on pages 16 and 17 of the integrated annual report, of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 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 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. Forms of identification include valid identity documents, driver's licences and passports.

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 annual general meeting or send a proxy to represent you at this annual general meeting, your CSDP, broker or nominee will assume that you do not wish to attend the annual general meeting or send a proxy.

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, 15 Biermann Avenue, Rosebank 2196, South Africa (PO Box 61051, Marshalltown 2107). Forms of proxy must be received not later than 10:00 on Monday, 19 August 2019. Before a proxy exercises any rights of a shareholder at the annual general meeting, such form of proxy must be so delivered. Thereafter, forms of proxy must be handed to the chairman of the annual general meeting before the appointed proxy may exercise any rights of the shareholder at the annual general meeting. If required, additional forms of proxy may be obtained from registered offices of the company or the transfer secretaries.

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

Notice of annual general meeting continued

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 represented 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 represented 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 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 below at least 5 (five) business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder (or 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 the annual general meeting. Please note that, in terms of section 63(1) of the Companies Act of South Africa, shareholders (including their proxies), who intend to attend or participate in the annual general meeting are required to provide reasonably satisfactory identification before being entitled to attend or participate in the annual general 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
Company secretary

Randburg
19 June 2019

Form of proxy

(Incorporated in the Republic of South Africa)
Registration number RSA: 1981/011858/06
Registration number NAM: 781/11858
JSE share code: NCS
ISIN number: NA0009123481
(Nictus or the company)

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 Streets, Randburg, on Wednesday, 21 August 2019 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

3. 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 of South Africa or the JSE Listings Requirements
Ordinary resolution 1: re-election of Gerard Swart as a director				
Ordinary resolution 2: re-election of Nicolaas C Tromp as a director				
Ordinary resolution 3: election of Cornelius J de Vrye as a director				
Ordinary resolution 4: approval of the remuneration policy				

Form of proxy continued

	For	Against	Abstain	Precluded from voting in terms of the Companies Act of South Africa or the JSE Listings Requirements
Ordinary resolution 5: approval of the remuneration implementation report				
Ordinary resolution 6: election of Cornelius J de Vrye as a member and chairman of the audit and risk committee				
Ordinary resolution 7: re-election of Barend J Willemse 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 KPMG Inc. as independent external auditor				
Ordinary resolution 10: authority to issue ordinary shares				
Ordinary resolution 11: 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.

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

Signed at ______________________________ on ______________________________ 2019

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. Should you, as the beneficial owner,

Notes to the form of proxy continued

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, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107) South Africa. Forms of proxy must be received not later than 10:00 on Monday, 19 August 2019. Thereafter, forms of proxy must be handed to the chairman of the annual general meeting before the appointed proxy may exercise any rights of the shareholder at the annual general meeting.

Summary of rights established by section 58 of the Companies Act of South Africa, 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 company's Memorandum of Incorporation (MOI) 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 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	Basic 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.
Basic 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 adjusted for 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 income to turnover	Operating income 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 owners for the year expressed as a percentage of equity attributable to the owners.
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: 1981/011858/06
Registration number NAM: 781/11858
JSE share code: NCS
ISIN number: NA0009123481
www.nictuslimited.co.za

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